

## FACT SHEET

### Overview

Bujagali Energy Limited (BEL) owns and operates a 250MW Bujagali hydro power plant that is located about 8 km to the north of Jinja City along River Nile. Under arrangements with the Government of Uganda (GoU), BEL owns and operates the power plant under a concession for **30 years**. The power plant was commissioned in 2012 and since then it has been supplying electricity to the main grid in line with the Agreement made between the company and Government of Uganda, through the Uganda Electricity Transmission Company Limited (UETCL). The power purchase agreements were executed between the concerned parties, in December 2005.

### Ownership

The shareholders in BEL as of 2020 are Bujagali Holding Power Company Ltd (BHPCL) and SN Power Invest Netherlands BV (SN Power). BHPCL shareholders are part of the Aga Khan Fund for Economic Development and IPS group while SN Power is owned by Scatec ASA (Norway).

### Financing

A number of financial institutions contributed to the capital for building the Bujagali power station. The original lenders included IFC; AfDB; FMO; European Investment Bank (EIB); KfW; PROPARCO; French Development Agency (AFD), IDA lenders (Nedbank, Absa, Standard Chartered Bank and BNP Fortis) and DEG.

In 2018, the loans were refinanced at the behest of GOU. The lenders who participated in the refinancing are IFC, AfDB, DEG, PROPARCO and CDC and are the current lenders to the project alongside Nedbank and ABSA.

At the time of financial close, Bujagali's debt tenors (12 and 16 years for the senior and sub debt, respectively) and margin (~4%) were unprecedented in the region.

### Contextual issues

- ❖ Bujagali was adjudged as the least cost project in the Ugandan Hydropower Master Plan as well as in other power sector studies carried out by Acres International (funded by the World Bank Group) and Power Planning Associates
- ❖ The IFC bidding process adopted guaranteed the lowest tariff in the prevailing market conditions
- ❖ Sponsors were selected through an open international tender undertaken by the GOU, resulting in the lowest cost of equity (equity IRR was the key bidding parameter)
- ❖ EPC contractor was selected through an open international tender approved by and carried out in collaboration with the GOU and overseen by EIB, ensuring the lowest cost of construction
- ❖ The international tender resulted in:
  - 31 expressions of interest received
  - 8 pre-qualifications received and evaluated on the criteria approved by the GOU and the EIB
  - 4 consortia short-listed and approved by the GOU and EIB
  - 2 formal bids, which were evaluated and approved by the GOU and EIB

- ❖ At the end of the PPA term, Bujagali Energy Limited (BEL) will transfer the Bujagali hydropower plant, which should be worth in excess of US\$2B (replacement value), to the GOU for one US dollar. The plant will still have a useful life of a further 30+ years.

### Summary of Agreement

In summary, the Agreement between the contracting parties highlights the following facts:

- ❖ BEL makes at least 96% available of 250 MW of electricity every month for delivery to UETCL.
- ❖ BEL has been and continues to comply with its contractual obligation to supply electricity to UETCL
- ❖ Bujagali is one of the most reliable generating assets within the Ugandan electrical system and has achieved a cumulative availability of ~99% over nine years of operations (exceeding contracted availability)
- ❖ In return for power delivered UETCL pays BEL monthly capacity fees as per the PPA Model

### Reality on the ground

- ❖ UETCL at its discretion decides how much of the 250 MW it would take, which is largely based on the energy demand levels in the country. Consequently, the variations (declining demand) will impact on the unit cost of power.
- ❖ Sometimes UETCL, decides that although it is paying BEL for 250 MW it only would require BEL to dispatch 65% - 70% of this 250 MW; then the fixed capacity payment expressed over this amount of energy translates into a cost of between \$8-9 cents/KWh.
- ❖ In 2018, at the behest of the Government of Uganda, the IFC, AFDB and other lenders in good faith, following an extensive exercise, agreed to lengthen the tenor of their loans in order to smoothen the capacity payments. This refinancing represented the first of its kind for a PPP in Eastern Africa and since 2018 has already saved UETCL, \$40m per year in reduced capacity payments.
- ❖ In support of this, the Government of Uganda also:
  - Granted an income tax waiver to BEL in order to reduce the capacity payment. GOU agreed to exempt BEL from income tax for a period of 15 years in line with the tenor of the refinanced loans. The initial approval by parliament was 5 years which expires 30<sup>th</sup> June 2022.
  - Committed to passing through the gains of a lower capacity payments to encourage economic growth in Uganda which it did through effecting a lower industrial tariff

### Preferred situation

- ❖ Just like it is set out in the Agreement, If UETCL, takes on 90%-100% of the 250 MW of electricity produced by BEL, then the unit cost works out to \$5-6 cents/KWh (comparable to those generated from Karuma or Isimba hydro electricity dams). This is because the marginal cost of energy is virtually nil.

### Consequences of BEL investments in Uganda

- ❖ BEL was built on time and within budget thereby saving GoU from paying subsidies for using thermal energy at a cost of 30 US cents/kWh. For the period 2006 to 2011 GOU spent approximately USD 900 million on subsidies.
- ❖ At the time BEL was commissioned it saved Uganda, US\$ 9.5 million per month in government subsidies.

- ❖ Bujagali served as a catalyst for economic growth by **eliminating load shedding** and by **replacing expensive thermal generation with lower cost, renewable and highly reliable electricity**. In the first twelve months of Bujagali's operations, GDP growth increased by 76% (from 3.4% to 6%) part of that growth is attributed to the existence of reliable electricity.
- ❖ By BEL mobilizing approximately US\$1B in foreign direct investment (FDI), which will be repaid over 30 years, the GOU was able to channel funds into alternative sectors, e.g. roads, hospitals, schools, etc.
- ❖ During the peak of the project as many as 3,000 people were directly employed by the project. In addition, there were a number of indirect jobs created thru the suppliers of the project. Currently, the project directly employs 70 persons on a full-time basis and uses up to 50 temporary workers on a need basis.
- ❖ Bujagali, currently the largest generating plant in Uganda, **increased the country's installed capacity by 44% and nearly doubled Uganda's effective peak generation capacity** at commissioning.
- ❖ Bujagali caused electricity supply to surpass demand which addressed the system's suppressed demand and provided capacity for further economic growth
- ❖ Bujagali, being a hydroelectric power plant, is one of the most flexible generating plants on the Ugandan grid, providing peaking power in coordination with Lake Victoria releases during peak demand hours. In addition, the power plant can provide spinning reserve up to full capacity and frequency and voltage regulation contributing to grid stability. Due to Bujagali's ability to ramp-up generation during periods of peak demand, the project has been able to stem potential load shedding.
- ❖ During project implementation BEL contributed US\$14MM to social and environmental programs in the project area

#### Other significant investments by BEL in Uganda

To-date BEL has conducted and continues to provide several corporate social responsibility programs – mainly within the communities around Jinja City and Njeru.

##### (a) Education

- Refurbishment of selected nursery and primary schools
- 20 students at a cost of USD 67,531 have received scholarships to date to support them to study Science subjects at tertiary levels. 8 have completed and graduated while 12 are still pursuing their courses.
- BEL graduate trainee program to date has trained 16 graduates. 12 have completed the program are placed within the sector while 4 are still in the program.
- Up graded sports facilities in the schools in the community through provision of football and Netball equipment.
- Equipped science laboratory of Budondo Secondary school
- Provision of textbooks and scholastic materials to schools in the community.

##### (b) Health

- Supplied medical equipment to Wakisi Health Centre III and Budondo Health Centre IV
- Medical Camps – lasting one week. 2 Camps are done annually with an attendance of about 3500 people per health camp
- Distributed tsetse fly traps to combat occurrences of sleeping sickness & nagana diseases
- distributed mosquito nets to help reduce incidences of malaria
- Supplied PPE to various medical centres in the project affected areas during COVID 19 epidemic.

**(c) Livelihood**

- Advisory services to farmers on soil conservation; growing crops that boost family incomes and nutrition
- Established resettlement villages with appreciable amenities (clean water, electricity, good sanitation).
- Supplied fishing gear to fishermen in the surrounding communities
- Permitting communities next to the plant to utilise part of the unused project land for agriculture to support their livelihoods

**(d) Philanthropy**

- Food donation to the vulnerable persons who have been disproportionately affected by the government restrictions to control the spread of covid-19 pandemic
- Donated life jackets to fishermen
- Supported repairs of community boreholes at Naminya, Namizzi and Kirugu villages
- Donated water tanks for storage of clean water

**(e) Sustainable environmental activities**

- Promoting fruit tree planting and other durable trees to protect soils and the environment
- Promoting Agro-forestry within the portion of BEL land that the communities are allowed to use
- Monitoring of impact of BEL activities on the environment like monthly water testing, removal of invasive species, sensitization of fishermen to avoid overfishing and discourage fishing of exotic & rare fish species.
- Monitoring and restoration of degraded riverbanks around the plant.