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What are the differences between the present EcoEnergy project and the previous SEKAB-project from 2006-2009?

The basic approach of introducing modern and energy efficient agriculture and industrial processes for sugar cane with a focus on social and environmental sustainability is the same. Many of the key personal are the same or have returned to the project. However, over the last three years the profile of the

Bagamoyo projects has changed in respect of the following:

- The previous project estate was initially planned for 15 000 ha; now it is 8000 ha.
- The previous project plans were to develop an outgrowers programme at a second stage after a few years of operations. Currently there is a commitment to start with a major and comprehensive outgrowers programme from day one. The outgrower programme is estimated to directly involve and activate approximately 1500 families and is anticipated to generate gross incomes of more than 10 MUSD/year to the surrounding outgrowers' communities.
- The previous project focused on the production of ethanol for exports. Today, as a result of a major structural shortage of sugar in Tanzania, the focus for the processing plant in Bagamoyo will be on maximisation of sugar production for the domestic market and on production of ethanol from the by-products, resulting in the replacement of gasoline imports.
- The previous project was designed to generate approximately 35 000 MWh per year to the national grid. Today the project is estimated to deliver approximately 100 000 MWh/year to the national grid.
- The previous plan was to lease the land by paying an up-front fee and an annual fee with no Government ownership. Under the current agreement, EcoEnergy will obtain a 99 year lease and free access to the land from the Government of Tanzania in exchange for a 25% ownership interest in the project company and a membership of the board of directors.
- The previous project was planned to be financed through commercial banks while the current financing structure is mainly through Development Banks that have a focus on Africa.

Does Tanzania really need to produce more sugar?

The current sugar consumption in Tanzania is estimated at approximately 500,000 tonnes per year while the domestic production is only 300,000 tonnes per year. This means that Tanzania has to import sugar for large amount of money. With a per capita consumption of sugar that is only 25% of EU's and South Africa's and 50% of Kenya's, together with an anticipated rapid population increase, the national consumption is expected to increase substantially requiring increased imports of sugar unless the domestic capacity is augmented significantly.

Why should Tanzania produce Electric Power from sugar cane?

Tanzania has a shortage of electric power even though only 15% of the households have access to electric power through the national grid. Co-generation of power from the surplus of bagasse from the sugar cane processing is a proven source of renewable power capable of replacing diesel that is currently used to generate power. By following the example set by Brazil and India, Tanzania is in a position to increase renewable power production and to become less dependent on imported diesel oil for power generation.

Why should Tanzania produce Ethanol from sugar cane?

As Tanzania imports 100% of its oil, approximately 45% of all export revenues are spent on oil import. Bioethanol is a proven source of renewable fuel for vehicles replacing gasoline and diesel. Tanzania has a great potential to become less dependent on imported oil and other fossil based power, as well as becoming a net exporter of value added agroindustrial products. Tanzania could also increase ethanol usage is to replacing charcoal and fire wood for cooking. In addition, Tanzania is currently, according to FAO, losing approximately 400 000 ha per year in deforestation, primarily caused by the production of charcoal and firewood. It is estimated that if 60 000-80 000 ha was dedicated for sugar cane for ethanol production, if produced with the same efficiency as expected by the Bagamoyo project, it would generate enough ethanol to replace all charcoal currently consumed in Tanzania.

What are the social and economic impacts of the Bagamoyo project?

- Direct employment of approximately 2,000 persons.
- Through the outgrowers scheme (3,000 ha) an estimated 1500 persons will be employed.

- With indirect effects included, an estimated total of 11.000-15.000 new jobs will be created.
- The outgrowers schemes is estimated to generate more than US\$10 million per year in revenues to the local communities.
- The project will bring improved skills and know-how in agriculture.
- Introduction of a good health care system for employees and dependants will strengthen the existing local health care structure.
- The project with its employees and the outgrowers scheme will create a new market for locally produced goods and services.
- The project will give a major boost to the public finance in form of tax revenues.
- The project will increase the power supply and primarily replace diesel generated power.
- An investment of this scale will naturally have a large indirect impact on the communities and surrounding villages to the project. Public processes have already started to anticipate housing and infrastructure needs in order to avoid the development of informal land less sustainable settlements.

What studies have been and will be performed to measure the impact of the project?

- The bank consortium has commissioned a number of due diligence studies with both external and internal experts. These include studies on Social and Environmental Sustainability, Industry and Agriculture as well as on future market and national demand and supply aspects. These studies do not belong to EcoEnergy.

- The bank consortium will further assign a number of the experts that have evaluated the project to follow the project and its operations as long as they provide debt capital to the project company, assuring that the company is operated correctly and in accordance with the Development Banks requirements.

Further to the banks monitoring programme, the Stockholm Environment Institute (SEI), together with a number of local Universities and Government Institutions intend to follow and monitor the project over a ten year period in order to build solid scientific knowledge on a number of aspects such as the long term effects on:

- Livelihood changes.

- Net effects on GHG emissions and energy usages.

- Water and nutrient resource management.

- Ecosystem services and multifunctionality of landscapes.

What is the status of the projects` Environmental and Social Impact Assessment report (ESIA)?

- An ESIA for the original project concept was initiated in August 2007 by ORGUT Consulting AB of Sweden in conjunction with Ardhi University (Dar es Salaam). In July 2008 a draft ESIA was handed in for review to the National Environment Management Council (NEMC). Adhering to the regulations, NEMC convened a technical review in the second half of August 2008 and after this review a number of questions and clarifications were requested. The response to the questions and clarifications was coordinated by Ardhi University and the final version ESIA was submitted to NEMC in December 2008.

- The ESIA was once again reviewed by NEMC and their recommendation was handed to the Vice President's Office and the Minister of Environment for approval. The Environmental Certificate was issued 3rd of April 2009.

- An update of the ESIA was conducted by Ardhi University in 2011 to take into consideration the latest modifications done to the project design and to ensure compliance with IFC/AfDBs Guidelines and Policies for conducting Environmental and Social Impact Assessments.

Does EcoEnergy follow international laws and regulations?

Yes, the project follows ILO core labour standards. During project design, construction and operation, all parties will be required to sign up to EcoEnergy's Code of Conduct, and will follow the mitigation and monitoring requirements of the ESIA and the Environmental Management Plan (EMP), Occupational Safety Management Plan (OSMP) and the Social Management Plan (SMP) structured in accordance with the requirements of the international environmental and occupational health & safety standards ISO 14001 and OHSAS 18001.

Will the actual implementation process of ecological and social sustainability be audited?

- EcoEnergy will carry out internal and external auditing to ensure project sustainability. The bank consortium will assign a number of experts to audit the project and its operations as long as they provide debt capital to the project company, assuring that the company is operated currently and in accordance with the Development Banks requirements.

- Further to the banks auditing programme, the Stockholm Environment Institute (SEI), together with a number of local Universities and Government Institutions intend to follow and monitor the project over a ten year period in order to build solid scientific knowledge on a number of aspects such as the long term effects on:

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Is EcoEnergy part of what is often referred to as land grabbing?

- No, EcoEnergy Bagamoyo will obtain access to the land that will be used for the sugar cane estate in a transparent process according to which the Tanzanian government together with local communities become a 25% long term shareholder of the company in exchange for the land.

- This model, of equity in exchange for land, is applied for the first time in Tanzania and is now intended to serve as a model for a new national policy relating to large-scale land investments in Tanzania in agriculture or forestry.

- Approximately 3000ha of the surrounding village land will be used by the small holder farmers as outgrowers for growing sugar cane and will be sold to Bagamoyo EcoEnergy. The village land however will remain in full ownership and in control by the villages and the new legal entities they are expected to set up in respect of such ownership.

Where will Bagamoyo EcoEnergy Ltd pay its taxes?

In Tanzania.

Who is the owner of EcoEnergy Bagamoyo Ltd today?

The company is 100% owned by the Project Developer Agro EcoEnergy Tanzania which in turn is a Tanzanian registered company, owned 93,5% by EcoEnergy Africa AB, 5% by Tanzanian Petroleum Development Company (TPDC) and 1,5% by Community Finance Corporation Ltd (CFC). TPDC is 100% owned by Government of Tanzania. TPDC will have key role in the future development of a national ethanol infrastructure.

- CFC is owned by three Tanzanians who have been actively taking part in the operations since 2006.

- EcoEnergy Africa AB is owned by EcoDevelopment in Europe AB, a minority owner in SEKAB.

Who are the planned partners in developing the EcoEnergy Bagamoyo project?

The project developer Agro EcoEnergy Tanzania Ltd is in partnership with:

- The Government of Tanzania which is providing the land, the legal and the moral framework for the project.
- Experienced operational partners from South Africa who will provide in-depth experience of agricultural and industrial operations.

- Major international suppliers and providers of technology and infrastructure solutions transferring state-of-the-art technology and know-how.

Is EcoEnergy Bagamoyo Ltd based in Mauritius?

No, the company, Bagamoyo EcoEnergy Ltd, is registered in Tanzania as is the developing and owner company Agro EcoEnergy Tanzania Ltd. This company in turn is majority owned by EcoEnergy Africa AB, which is registered in Sweden. Previously, in 2010 and at the request of some large institutional investors, EcoEnergy established an African holding company in Mauritius, with the purpose of facilitating entry for some strategic investors on the EcoEnergy African holding company level. As all co-investors are investing directly in the Bagamoyo project company the Mauritian company is no longer in use.

How is the Bagamoyo project financed?

The project will be financed through loans from a consortium of Development Banks led by African Development Bank and Development Bank of Southern Africa. Remaining capital will be raised through a combination of mezzanine loans and equity from other Development Banks, Agro EcoEnergy Tanzania, the Government of Tanzania through land in kind and the operational and management partners and through third parties.

Are Swedish tax payers money being used in the present project?

No. The project is financed by the direct owners and with loans from a consortium of Development Banks that have a focus on Africa.

What is the role of Sida?

An application for a loan guarantee to a bank consortium led by African Development Bank and African Development Bank of Southern Africa, will be submitted to the Swedish International Development Cooperation Agency (Sida). The purpose of the loan guarantee is to provide the banks with an extra guarantee (for approx 12% of the total project value) against potential cost overrun during the construction phase and/or delay in revenues during the start-up phase.

The main aim of Swedish development assistance is to reduce poverty. Does the project facilitate the achievement of this objective?

As emphasized in the national development plans, Tanzania needs to develop its agriculture sector in order to reduce poverty. That is the aim of this project. It has been strongly endorsed by the government of Tanzania, clearly seen from its 25% interest in the project, and the Development Banks as the plans for developing the country, reducing poverty and reducing the dependency of imports.

This project was taken over by EcoEnergy from SEKAB. What is the relationship between EcoEnergy and SEKAB today?

SEKAB has been the largest importer of Brazilian ethanol to Europe during the last ten year period. SEKAB is the largest producer of green chemicals in Europe based on Ethanol. SEKAB is owned by a regional ownership consortium comprising of Övik Energy, Umeå Energy, Skellefteå Powe and EcoDevelopment. In 2009 SEKAB suffered severely from the global financial crisis and the collapse of the oil prices and the subsequent collapse of the ethanol market. The three municipality owned energy companies of Örnsköldsvik Energy, Skellefteå Power and Umeå Energy became new majority owners of the company and a political decision was made in March 2009 to stop all new investments in international development for ethanol supply and to exit from all participation in new international project development. All personal in Tanzania were given six months notice of leave and operations were to be sold or closed down as soon as possible. With the support of the investment bank ABG Sundal Collier a number of potential investors were approached during 2009 but no acceptable solution was found. As a result SEKAB sold the operations to EcoDevelopment under the condition that EcoDevelopment reduced the remaining closure cost for SEKAB and that SEKAB retains a right to share future profits from the operations that EcoDevelopment AB could make in future. Since October 2009 SEKAB has no ownership in any African operations.

Is there at present an off take agreement with Sekab?

There is a separate off-take agreement on buying surplus ethanol from the project. If ethanol is available, after domestic demand has been fulfilled, SEKAB has the right and the obligation to buy the surplus, based on a market price with a profit sharing formula similar to what SEKAB has developed in similar projects.

What are the consequences if the project would not materialize?

If the project would not materialize, the project's public benefits such as increased revenue to the government, improved infrastructure, introduction of a new cash crop and thousands of new job opportunities will not be realised. This would also aggravate the current domestic edible sugar and power shortages and interrupt the initiated process of replacing imported fossil fuel with domestically produced renewable fuel. In addition, if the on going-land abuse around the project area were to continue the remaining pockets of valuable biodiversity currently in the area would be decimated by the rapidly increasing unsustainable charcoal making and hunting (poaching).

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Agro EcoEnergy is an African AgroEnergy company that aims to produce sugar and renewable energy in a truly sustainable manner. Our mission is to create financially sound and robust operations that also contribute to green development where both people and the environment flourishes.