PROJECT SUMMARY NOTE

KOPERE 40 MW SOLAR PV IPP

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PROJECT SUMMARY NOTE	
Project Description:	Design, construction and operation of a 50 MWp (40 MWac net capacity) solar PV power project, 5 km from the center of Kopere in Nandi County ('the project'). The project involves the construction of a 33/132 kV substation and a 1.8 km T-line to evacuate the electricity to the national grid via an existing 132 kV high voltage network operated by KPLC, under a 20-year 'take or pay' PPA.
Sponsors:	The borrower, Kopere Solar Park Ltd. (the Project Company, or Kopere), is an SPV incorporated in Kenya. The majority shareholder is Voltalia S.A. (France) through the Kopere Energy Investment (France) holding company (100%). A possible minority shareholder, James Kimonye, a local development partner, may acquire a 5% shareholding in the Project Co after financial close. Voltalia is a French international renewable energy player with a global footprint. It has 900 MW of operating assets selling energy, and has developed, built and sold power plants totaling more than 1,166 MW. Between its own assets and third party assets, it operates 1,177 MW of solar, wind, hydro and biomass renewable energy technologies globally. Voltalia recently acquired Martifer Solar, an experienced Portuguese PV developer company, EPC, and O&M service provider who initiated the project as the developer.
Cost Structure and Financing Plan:	The total project cost including the T-line is USD 63.9 m financed with a debt to equity ratio of 75:25, with expected debt at USD 47.94 m. SREP will provide a concessional loan of USD 11.6 m. The approval of SREP funding involves two stages. First, a SREP Funding Request is reviewed and approved by the SREP Sub-Committee. This approval will follow the second stage that involves approval by AfDB's Board of Directors. The remaining debt (USD 36.34 m senior) shall be divided between AfDB and European DFI, with AfDB providing a USD 18.17 m portion of the senior loan..
Bank's Role:	USD 18.17 m senior debt with a maturity not exceeding 18 years door-to-door including a grace period not exceeding 12 months, including an 12-month construction period and 17-years repayment period. The first repayment only starts after up to 6 months of the grace period. The Bank will also administer USD 11.6 m as a concessional loan from SREP under the Climate Investment Funds in line with the AfDB tenor and grace period. The Bank is a co-Mandate Lead Arranger (MLA) of the project.
Implementation Arrangements:	The PPA was signed at a rate of US$c 8/kWh on 22 May 2018. Kopere has signed 25-year land leases for the project with the private owners. Land required for the connection to the national grid is secured from the two private landowners using standard Kenya Power and Lighting Company (KPLC) easement agreements..
Environmental and Social aspects	The potential environmental and social impacts from this renewable energy project is expected to be minimal and limited in scope and can be managed by a robust environmental and social management plan (ESMP). The project has therefore been assigned a category 2 rating.
Market:	Kenya's power generation installed capacity in 2017 was 2,354 MW and is expected to grow to 3,570 MW in 2020 and 9,521 MW by 2035 according to the country's Power Generation and Transmission Master Plan, Kenya Long Term Plan (2015 – 2035), prepared in October 2016. In light of the country's high growth rate outlook (5.6% in 2018 and 6.2% in 2019, African Economic Outlook 2018), power consumption is expected to rise from the increase in domestic consumption and in support of the Government's flagship projects. Moreover, with load shedding in the project area, there is a need for increased capacity following the decommissioning of a 60 MW (2x30 MW) diesel plant serving the area, which was replaced by an expensive turbine operating on kerosene at US$c 27/kWh to bridge the gap until this solar power plant is commissioned.
Justifications for the Bank's Involvement	
Strategic Alignment:	The project is aligned with FiT policy published by GoK in March 2008 and the Vision 2030 Initiative that supports the development of affordable and reliable energy in the country. The project is also aligned with GoK's INDC addressed to UNFCCC to be a mitigation tool to achieve a low carbon, climate resilient development pathway. The Bank's Ten-Year Strategy (2013–2022), the Bank's High Five priority Light up and Power Africa, and Pillar 1 of the country's CSP (2014-2018) emphasizes support for infrastructure development and green growth as well as an improvement in energy access. The project would contribute to the realization of the Bank's New Deal on Energy that aims for universal access to electricity on the continent by 2025.
Development Outcomes:	The project will have an important demonstration effect and will attract more investors exploring solar opportunities in the country. Moreover, the project is expected to have strong development outcomes addressing Kenya's growing demand for affordable electricity. Producing PV power will diversify Kenya's energy mix and reduce its dependence on fossil fuels. The project will also help reduce CO_2 emissions. The project will create direct and indirect jobs during construction and operation.
Additionality and Complementarity:	The Bank's role in bringing in concessional loans will enhance bankability to meet FiT of US$c 8/kWh by improving risk and mitigate credit risk for co-lenders (improving debt service coverage ratios) given the low feed-in-tariff for solar PV projects. The Bank will ensure that the project adheres to its high environmental and social standards.