

 Early Warning System

IFC-33841

Tobene



Quick Facts

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|---------------------------------|---|
| Countries | Senegal |
| Financial Institutions | International Finance Corporation (IFC) |
| Status | Active |
| Bank Risk Rating | A |
| Voting Date | 2012-08-06 |
| Borrower | TOBENE POWER SA |
| Sectors | Energy |
| Potential Rights Impacts | Healthy Environment, Housing & Property, Labor & Livelihood, Right to Food, Right to Health, Right to Water |
| Investment Type(s) | Equity, Loan |
| Investment Amount (USD) | \$ 46.23 million |
| Loan Amount (USD) | \$ 41.40 million |
| Project Cost (USD) | \$ 150.00 million |



Project Description

The Project under consideration by IFC consists of a "greenfield" (i.e., built from scratch) heavy fuel oil (HFO) thermal power plant and auxiliary installation with an installed capacity of 87.5 MW and a guaranteed capacity of 70 MW at 91% availability. The power plant will use 4.5 hectares of land and will be connected to the existing Tobene 220/90kV substation which is being upgraded and is located less than 100m away from the Project site. The Project is located approximately 90km North-East of Dakar, Senegal within the Rural Community of Taiba Ndiaye, in Regional Department of Tivaouane. The HFO will be supplied via trucks by La Socite Africaine de Raffinage (SAR) with whom terms of agreement are still under negotiation.

MATELEC is developing the Project as an Independent Power Producer (IPP) incorporated under Tobene Power SA, selling power under a 20-year Power Purchase Agreement to the Senegal's state-owned electric utility, SENELEC, which will be the sole purchaser of the electricity generated. Construction of the plant is planned to take place for a period of 16 to 18 months.

The Project is a joint project with the World Bank. Project documentation notes that "IFC is working closely with the WBG to structure a partial risk guarantee to cover the offtaker's [SENELEC] payment obligations risk."

While the Project is not projected to be presented to the Board until October 17, 2013, land acquisition has already occurred, as has "full compensation" of Project-affected people.



Early Warning System Project Analysis

RISK CATEGORIZATION: Category A

According to the IFC, *The Project will have limited environmental and social impacts that can be managed through existing project design, and/ or readily available mitigation measures as defined in the management plans to be applied to the Project. Nonetheless and despite the limited E&S impact, the proposed IFC investment has been categorized as *A* to maintain consistency with the World Bank's categorization procedures.*

APPLICABLE SOCIAL AND ENVIRONMENTAL STANDARDS

- PS 1 - Assessment and Management of Environmental and Social Risks and Impacts
- PS 2 - Labor and working conditions
- PS 3 - Resource Efficiency and Pollution Prevention
- PS 4 - Community Health, Safety and Security
- PS 5 - Land Acquisition and Involuntary Resettlement



People Affected By This Project

ENVIRONMENTAL AND HUMAN RIGHTS RISK ASSESSMENT

Right to a Healthy Environment

According to the Australian NGO National Toxics Network, "Heavy Oil power plants are renowned for their high levels of air pollution including the release of extremely toxic chemicals called PCDD and PCDF, otherwise known as dioxin and furans. These chemicals are known to deposit in soils for kilometres around the emission source (i.e., the power plants) as well as drifting through the atmosphere for thousands of kilometres to contaminate other countries. The transboundary nature of the pollution impacts from dioxin has led to global restrictions on activities which produce them. In addition to dioxin contamination, heavy oil power plants contribute heavily to atmospheric acidification, heavy metal contamination and a significant risk to marine and coastal environments due to oil contamination of cooling waters discharged as waste. While heavy oil may currently appear to be a "cheap" fuel for energy production, international carbon accounting and trading may soon place a heavy price tag on such dirty fuel."

Malta provides an example of recent experience with HFO electricity generation. In a 2011 article, the Times of Malta stated that "Prior to Malta's entry in the EU, the power stations used fuels with 3.5 per cent sulphur content. This high amount caused distress and protests in the Marsa area, with episodes of schools in the vicinity closing down because of the unbearable smell. The protests stopped when Malta joined the EU and converted to one per cent sulphur oil in accordance with European legislation. With the further tightening of EU limits, the maximum limit of sulphur in imported fuel oil was lowered to 0.5 per cent." The HFO at Tobene will have a 2% sulfur content.

Project documentation notes that the major source of income in the surrounding area comes from agriculture, including fruit trees. The potential consequences of emissions from the Tobene plant on the health of the surrounding environment will be important to the quality and quantity of agricultural yields.

Project documentation notes there will be a "mock drill" undertaken to ensure emergency spill and/or fire responses are adequate. It may be important for community members to ensure that such a drill is carried out, that it demonstrates that such measures are indeed sufficient, and that details of the results of the drill are made publicly available.

The Project documentation also undertakes to carry out two years of seasonal ambient air quality sampling. Community members may wish to request prompt access to the complete results of this testing, as it becomes available.

Finally, Project documentation notes that the Project station is "easily convertible" to gas generation. Community members may wish to inquire whether this is a reasonable possibility in the medium-to-long term, especially in circumstances where negative environmental consequences from HFO electricity generation may occur.

Additionally, the following questions may be relevant:

- Has the company adequately analyzed the potential environmental impact of its proposed operations?
- What means do you have to seek redress if the environmental impact of the proposed operations become a problem for local communities and/or the local ecosystem?
- Where will solid waste, hazardous waste, and other waste products be disposed of and what impact is this likely to have on the local environment?

Right to Education

Project documentation notes that there is a school located 600m from the Project site, and that "the ESIA predicted noise exceedance by 4 dB during construction phase" for this school. As construction of the Project is forecast to take 16 to 18 months, the right to education of the students who attend this school may be impacted. Project documentation proposes to



Investment Description

- International Finance Corporation (IFC)

The total project cost is estimated at EUR 120.0 Million (c. US\$ 150.0 Million).

Matelec has approached IFC to join efforts for the development, and finance a portion of the debt as lead debt arranger of the Project. The proposed IFC investment is composed of an A loan for IFC's own account of EUR 27.0 million, and a B Loan/Parallel Loans of EUR 63.0 million. IFC will also be investing EUR 3.0 Million in the form of an equity investment. These terms are explained below:

When the IFC makes an "equity investment" it obtains some percentage ownership in the project's sponsoring company, which means IFC involvement with that company continues after completion of the project.

An "A" loan for IFC's own account means the IFC provides a direct loan for the project from its own funds, and keeps that debt on its books until the sponsoring company repays in full, again directly to IFC.

For a syndicated "B" loan, IFC seeks participation from commercial banks and other financial institutions. All money still passes through IFC, however, so it remains responsible for the impacts of that financing.



Private Actors Description

The sponsor and co-developer of this Project is Melec PowerGen Inc. ("MPG"), an international company incorporated in the British Virgin Islands and part of the Matelec Group of Companies. Matelec was formed in Lebanon in 1975 and specializes in manufacturing electrical products such as transformers, switchboards, control panels and packaged substations. It is one of the few manufacturers of transformers in the Arab countries and a leader in its lines of business at a regional level. Both MPG and Matelec are privately owned companies.

Matelec is a subsidiary of the Doumet Group, an industrial conglomerate based in Lebanon.

PAST IFC FUNDING

MATELEC also developed the operating Kounoune power plant in Senegal and the Thika power plant in Kenya, which are both IFC-financed projects. IFC's review of the Tobene project included a review of the E&S performance of these two projects. The IFC stated that the "Kounoune Power project has been rated partly unsatisfactory by IFC from an E&S perspective due to the encroachment of the buffer zone which presents a community health and safety risk, however, the enforcement of this buffer zone is beyond Kounoune Power's control. Notwithstanding the above, Kounoune Power's E&S, health and safety performance at the plant is generally satisfactory. Thika Power is in construction and so far no E&S performance issues have been identified."

The Project documentation also notes that "Since 2005 IFC has been actively engaged in the dialogue with various actors of the sector. Its knowledge of Senegal power sector and experience in sub-Saharan IPPs financing will also be critical in (i) fast tracking the development stage and (ii) structuring and negotiating bankable project and finance documentation that would get consent from other lenders."

Independently of this Project, the IDA arm of the World Bank approved, in June 2012, a US\$85 million loan to Senelec in order to "upgrade and modernize electricity transmission and distribution components; create more transparency and accountability within the energy sector; develop a medium and long-term strategy for the energy sector; and upgrade SENELEC billing systems to reduce high collection costs and losses related to fraud." Additional details are available at the link above ("World Bank 2012 Announcement of Loan to Senelec").



| Private Actor 1 | Private Actor 1 Role | Private Actor 1 Sector | Relation | Private Actor 2 | Private Actor 2 Role | Private Actor 2 Sector |
|-----------------|----------------------|------------------------|----------|---------------------|----------------------|------------------------|
| - | - | - | - | Melec PowerGen Inc. | Undisclosed | - |
| - | - | - | - | Tobene Power | Client | - |



Contact Information

Tobene Power

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CONSULTATION PROCESS

According to the IFC, "As part of the ESIA, a comprehensive stakeholder engagement was undertaken to meet the requirement of PS1 and included individual as well as group interviews to obtain views on the Project from the local communities, the local, regional, and national authorities; more specifically Rural Community of Taba Ndiaye; village chiefs and notable of Mbayenne, Keur-Mall, and Minam Diop; women and young girls; regional and national technical services departments, etc. These consultations took place in August and September 2012 as part of the ESIA process."

IFC states that "No objections to the Project have been raised during the ESIA stakeholder engagement process. However, further comments from these stakeholders could be forthcoming following the public consultation that will take place shortly and will be included in the final approved version of the ESIA."

A community grievance mechanism will be put in place to allow community to lodge their grievances. Tobene Power will maintain a register of complaints during construction and operation phases including actions taken to address such complaints.

ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at <http://www.cao-ombudsman.org/>



Bank Documents

- [ESIA.pdf](#)