

 Early Warning System

MIGA-12242

Kribi Power Development Corporation



Quick Facts

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| Countries | Cameroon |
| Financial Institutions | Multilateral Investment Guarantee Agency (MIGA) |
| Status | Approved |
| Bank Risk Rating | A |
| Voting Date | 2014-04-22 |
| Borrower | Actis Energy Generation Holdings N.V. |
| Sectors | Energy |
| Potential Rights Impacts | Cultural Rights, Healthy Environment, Housing & Property, Indigenous Peoples, Labor & Livelihood, Marginalized Groups, Right to Food, Right to Health, Right to Water |
| Investment Type(s) | Guarantee |
| Investment Amount (USD) | \$ 109.30 million |



Project Description

The Project considered by MIGA comprises Globaleq Africa's acquisition and expansion of the two Independent Power Producer projects, namely, 1) the Kribi gas fired project owned by the Kribi Power Development Company (MIGA # 12242) and 2) the Dibamba HFO fired project (MIGA # 12218), owned by the Dibamba Power Development Company. Both Projects will be owned by AES Coporation and the Government of Cameroon through the subsidiaries Kribi Power Development Company and Dibamba Power Development Company. The electricity produced will be delivered to the Southern Interconnected Grid and will be disbursed through AES Sonel. The Kribi and Dibamba Projects mark the first independent Power Projects (i.e. privately financed) in Cameroon, which may pave the way for new investment in the power sector.

The Kribi project consists of the operation of a 216 MW reciprocating engine gas-fired thermal power plant. The Kribi Project is located 9 km north-east of the coastal city of Kribi in the South Region of Cameroon. The gas for the Kribi Project is supplied by the Sanaga Sud Natural Gas Project Central Processing Facility via an 18 km pipeline, which is fed by the Sanaga Sud offshore natural gas field. Construction of the Kribi Project started in 2010, and commercial operations commenced in May 2013. A 100 to 120 MW expansion to the facility is currently in the development phase. All of the electricity produced is delivered to the Southern Interconnected Grid.

The Sanaga Sud natural gas field is located 14 km offshore northwest of Kribi, and was developed in parallel with the Kribi Project specifically to supply gas to the power plant. While not considered part of the Kribi Project, the Sanaga Sud natural gas field, gas processing facility and pipeline are considered "associated" facilities of the Kribi Project.



Early Warning System Project Analysis

RISK CATEGORIZATION:

MIGA states that the Kribi Project is categorized as Category A under MIGA's Policy on Environmental and Social Sustainability (2013). Potential environmental and social impacts and risks associated with the Kribi Project include impacts on indigenous people, risks and impacts associated with the associated Sanaga Sud Natural Gas Project, energy use and greenhouse gas emissions, pollution associated with thermal power plants (e.g. air emissions, water supply and effluent, noise, hazardous and non-hazardous waste) and risks related to occupational and community health and safety. In 2010, the IFC and World Bank also categorized the Kribi Project as Category A, primarily reflecting the risks and impacts associated with the physical displacement of 60 households and the risks associated with the Sanaga Sud natural gas project.

APPLICABLE SOCIAL AND ENVIRONMENTAL STANDARDS

Kribi Project

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 7: Indigenous People

** Note that for the construction phase of the Kribi Project, the IFC triggered all eight performance standards in 2010. According to the Social Impact Assessment, the project required "the resettlement of and/or land requisition from up to 710 affected people." MIGA states that no further land acquisition, resettlement, vegetation clearance or habitat disturbance are required for the Project. PS 5 (Land Acquisition and Involuntary Resettlement) and PS 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resource) are not triggered for the operations phase. Similarly, PS 8 (Cultural Heritage) was previously triggered due to the potential for chance finds during the construction phase, which MIGA claims is no longer a risk during operations. It is to be noted that the World Bank Environmental, Health, and Safety (EHS) guidelines applicable to this project include the General Guidelines and sector-specific environmental health and safety guidelines for Thermal Power Plants, Electric Power Transmission and Distribution, and Off Shore Oil and Gas (which applies to the Sanaga Sud natural gas facilities associated with the Kribi Projects).

***Note: The Kribi Project is being undertaken at the same time as its sister project, Dibamba (MIGA # 12218). For purposes of this assessment, the Kribi Power Operations are analyzed separately from the Dibamba Power Operations. As the current project financing relates to the acquisition and expansion of the operations, environmental impact assessments were analyzed primarily with regards to their operational impacts. To the extent that the acquisition or expansion may exacerbate impacts primarily associated with the initial construction of the plants, those specific impacts are included in the analysis.



People Affected By This Project

KRIBI OPERATION

The inhabitants of the project areas, from Kribi to Eda, consist of the following ethnic groups: Batanga, Mabi, Ewondo, Bakola/Bagyli, Bassa, Baka and Bakoko. MIGA states that "the Plant is located at Mpolongwe, a third class chiefdom inhabited by the Mabi tribe that has their chief situated at Bikondo (a village outside of the project area). The transmission line crosses fifteen villages in the South Region; the largest amongst them, are Fifinda (inhabited by Ewondo tribe) and Elogbatindi (inhabited mainly by Bassa/Bakoko tribe)." There is also a Batanga Tribe that resides alongside the transmission line. In the Littoral Region, the lines crosses eleven villages that are mostly inhabited by Adi and Bassa/Bakoko tribes. Additionally, the indigenous Bakola people (also known as "Pygmies") reside in the area of the Kribi-associated transmission line. The project therefore has the potential to impact the following human rights of these local and indigenous peoples.

LABOR RIGHTS

MIGA documentation states that the Kribi operation will provide permanent employment to some 60 individuals. The ESRS states that expansion of the existing project will require the increase of that number to 82 individuals. The environmental and social impact assessment notes that "as demand for jobs outstrips supply, there will be inevitable disappointment, resentment and possible conflict between those who have secured jobs and those who have not. The level of competition could lead to corruption and unfair recruitment." Additionally, injuries may result from any improper management of occupational health and safety hazards during operation of the plant including explosions, road accidents, unauthorized access to site and public safety risks associated with transmission lines. Additionally, private security guards provide around the clock supervision of the facilities. MIGA maintains that the guards are trained in the adequate use of force, appropriate conduct toward workers and affected communities and human rights considerations," and will "ensure that security personnel abide by the requirements of PS 4."

The following questions may be relevant to determining whether you or your community's labor rights have been violated due to the Kribi operation:

- Can all members of your community apply for jobs in the context of the investment project?
- Are your wages sufficient to meet your basic needs and those of your family?
- Are your working conditions safe and healthy?
- What opportunities (legal or other) are available if you consider that your working conditions are not just and favorable?

RIGHT TO FOOD

In Cameroon, agriculture is the basis for 70% of the population's livelihood. MIGA notes that the majority of the project affected people sampled in the environmental and social impact assessment survey live by subsistence farming. As the initial project construction resulted in a 20% loss of local farmland, the continued operation or expansion of the project transmission lines may exacerbate the social effects resulting from the loss of farmland, and may affect the ability of local communities to rely on agriculture for subsistence.

The following questions may be relevant to determining whether you or your community has suffered a violation of your right to food as a result of the Kribi operation:

- Has your ability to subsist on your own land been affected since the beginning of the investment project?
- Has your access to good and affordable food in sufficient quantity been affected since the beginning of the investment project?
- What opportunities (legal or other) are available if feel that your right to food has been affected?



Investment Description

- Multilateral Investment Guarantee Agency (MIGA)

The investor, Actis Energy Generation Holdings N.V., has applied for a MIGA guarantee of \$81 million (\$109.3 million equivalent) for a period of up to 20 years against the risk of breach of contract.

A MIGA guarantee protects against losses arising from the government's breach or repudiation of a contract with the investor (e.g., a concession or a power purchase agreement). Breach of contract coverage may be extended to the contractual obligations of state-owned enterprises in certain circumstances. In the event of an alleged breach or repudiation, the investor would invoke the dispute resolution mechanism (e.g., an arbitration) set out in the underlying contract. If, after a specified period of time, the investor has been unable to obtain an award due to the government's interference with the dispute resolution mechanism (denial of recourse), or has obtained an award but the investor has not received payment under the award (non-payment of an award), MIGA would pay compensation. If certain conditions are met, MIGA may, at its discretion, make a provisional payment pending the outcome of the dispute and before compensation for non-payment of an award is paid.

For non-payment of an award, MIGA would pay the investor's interest in the award. For denial of recourse, MIGA would pay the investor's interest in the amount which, according to MIGA's claims determination, the host government would have to pay to the investor pursuant to the contract. In either case, MIGA's compensation would be capped by the amount of guarantee stated in the guarantee contract.

The Kribi Operation has been supported by a World Bank Partial Risk Guarantee and an IFC Loan (EUR 60 million), which were approved by a joint board in November 2011. Other Development Financial Institutions involved in the Kribi Operation include: African Development Bank (EUR 39 million), European Investment Bank (EUR 29.5million), PROPARCO (EUR 10 million), Development Bank of Central African States, and The Netherlands Development Finance Company (EUR 18 million).



Private Actors Description

Actis Energy Generation Holdins N.V. of the Netherlands plans to acquire the assets of AES in Cameroon, and will assume AES' responsibilities for the Kribi and Dibamba projects using its wholly owned subsidiary, Globaleq Africa Holdings (GA). Globaleq Africa is a subsidiary of Globaleq Generation Limited, which was launched in 2002. Over its history Globaleq has owned an interest in and/or operated multiple power facilities with a total capacity of over 4,000 MW of generation capacity in more than 25 countries. Both the Kribi Power Development Company and the Dibamba Power Development Company are owned 56% by Actis, and 44% by the Government of Cameroon. AES Sonel, of which, AES is a 56% shareholder, is the sole off-taker of electricity produced by both Operations.

PAST HUMAN RIGHTS ABUSES:

*** No existing complaints have been found against Globaleq Africa or Actis Energy Generation Holdings***

However, lawsuits have been brought against AES Sonel, the sole electric utility provider in Cameroon, in the Federal District Court of Los Angeles, CA, USA, under the Alien Tort Statute alleging many causes of actions, including wrongful death, loss of consortium, cruel, inhumane or degrading treatment, breach of third party contract, intentional infliction of emotional distress, negligent infliction of emotional distress, negligence, civil conspiracy, and deceptive and unfair business practices. The claims arises from power outages have been blamed for the deaths of at least nine children and infants in Cameroon in 2013. The number of deaths and injuries related to power outages is estimated to be in the hundreds since AES assumed control of electrical supply in Cameroon. The National Commission on Human Rights and Freedoms in Cameroon received complaints against AES-Sonel and the Cameroon Development Corporation (CDC) in cases relating to the initial set up or the expansion of the corporations. In addition, in August of 2011, a Cameroonian citizen submitted a specific instance filing to the United Kingdom OECD National Contact Point, alleging that he, an employee of AES Sonel, suffered salary discrimination based on his race, violating the OECD Guidelines for Multinational Enterprises.



Contact Information

*No contacts available at time of writing

MIGA's states that its environmental and social analysis "is based in part on the previous due diligence undertaken by IFC (for both the Kribi and Dibamba Projects) and the World Bank (for the Kribi Project), as well as any information available from supervision missions by IFC, World Bank, and lenders' independent monitoring consultants. MIGA's due diligence also took into consideration an environmental and social impact assessment, contaminated land study, independent engineering reports and due diligence audit commissioned by Actis/ Globeleq as part of their due diligence requirements for the acquisition."

ACCOUNTABILITY MECHANISM OF MIGA

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/>