

May 7, 2010

Comments from Japan
Egypt: Wind Power Development Project (IBRD)

Dear Rohit and colleagues,

Many thanks for the detailed explanation.

Japan has no objection to CTF funding for Egypt's Wind Power Development Project with following notes:

1. We share your explanation that the project will enhance a development of wind power projects by promoting private sector investments. However, we have a concern on utilizing limited CTF resources on conventional technologies under recent TFC discussions of prioritizing projects. From this point, we like to request incorporating a detailed financial assessment in the project document to justify the CTF amount of \$150mil, which is increased from the original plan. Also, we wish to know the impacts of other projects (i.e. allocation of amount) in the Egypt investment plan.

2. Financial assessment

Please explain the rationale to use the discount rate of 8%. We understand that the project's financial return will be compared with weighted average cost of capital of the project, which will be composed of IBRD loan interest and cost of the Government's counterpart funding in without CTF case. Also, more detailed assessment of the transmission margin is expected as a critical part for the project viability.

3. Collaboration with all stakeholders including bilateral institutions

In the proposed project area, significant proportion of power plants has been supported by Japanese public finance.

Also, JICA is planing to conduct a survey on the wind potential in the Nile Area.

In addition, there is a possibility that Japanese bilateral institutions and/or Japanese companies be involved in the BOO projects in the development phase.

In this context, we would like to ask for close collaboration and information sharing with all stakeholders.

We share and agree with the comments from the US on the importance of Government's initiative on energy policy to promote renewable energy, which would be a critical element to

demonstrate additionally of the project.

Kind regards,

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