

May 6, 2010

**Comments from US**  
**Approval of CTF Funding for project entitled - Egypt: Wind Power Development Project**  
**(IBRD)**

Patricia, et al:

The United States supports CTF funding for Egypt's Wind Power Development Project.

This project is a very positive step:

\* It will finance transmission lines needed to transport renewable wind energy produced in the Gulf of Suez area to the national grid. The project supports GOE goals of increasing renewable energy to as much as 20% of total energy market by the year 2020. This will help to reduce green house gases, improve energy security, reduce air pollution, create new jobs in alternative energy, and should over the long term contribute to reduced subsidies of hydrocarbon-based energy.

\* In addition, component C of the project, the construction of 250 MW wind farm by a private operator under a Build Own Operate (BOO) approach is a positive step in allowing greater private sector involvement in the sometimes constrained renewable energy sector.

There remain a few significant challenges:

\* There seems to be a lack of information regarding the current and projected market for transmission capacity in the Gulf of Suez area related to wind energy. What is the expected replication effect of the project over time?

\* Finally, Egypt still has a long way to go in reforming energy markets, primarily in reducing the subsidies currently being made for fossil fuel-based energy. These has the potential to undermine the effective use of CTF resources in that transformational potential of the CTF intervention is weakened when energy subsidies discourage downstream investments to replicate or expand the intervention. The most recent IMF Article IV Consultation reports that "more than a quarter of primary spending and about two-thirds of government subsidies are attributable to a few petroleum products (gasoline, diesel, LPG, kerosene, and fuel oil)."

Thanks,  
Dan

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Daniel Riley  
Office of Environment & Energy  
U.S. Treasury Department  
(202) 622-7812