

May 3, 2010

**Comments from UK and IBRD Response
Egypt - Wind Power Development Project**

Simon,

Many thanks for your e-mail on the Egypt Wind Power Development Project. Here are our replies to your questions and comments.

1. In the Project Financing Plan on page 45 what is the "Local" component of the CTF funding? And following from this what are the "Local" components of the other sources of funding other than the obvious Government of Egypt contribution?

The term "local" refers to goods, services and works that are available in the country and can be procured locally. Foreign" refers to items that are to be procured internationally. Therefore contracts may have both "local" and "foreign" components. In this project, "Local" costs are to support local expenditures such as civil , temporary and general works, some towers and 22kV bays. In addition to Government of Egypt and EETC funds, resources are raised for these local component from international donors depending on the need and market situation at that time.

2. Could you elaborate more on the future local manufacture of components of wind turbines as well as the local manufacture of components for the transmission infrastructure? In other words, how extensive will the local manufacture of these components be?

The Ministry of Electricity and Energy has indicated, in the request for pre-qualification of bidders for wind IPP/BOO projects of 2,500 MW, that one of the objectives of the program is "to promote Egyptian participation in the projects through local manufacturing." Starting from the first wind projects, Egypt has a history of local production of wind turbine components like towers, electrical components like cables, transformers and civil works. For projects already under implementation, local components have reached about 25% of total investment cost of projects. Currently, an Egyptian company is building a new manufacturing complex for manufacturing wind turbine components, starting with towers. It is expected that the RFP may include bonus points in the bid evaluation criteria for local content in the project.

3. Could you elaborate more on the developmental aspects of the proposal, with a specific focus on how the project contributes to poverty alleviation?

- **Quantification of the developmental and poverty reduction benefits with clearly defined results and measures/indicators set out. This needs to include, for example, how many jobs will be created, how many additional homes will have access to electricity, how many small businesses stand to benefit and in what way?**
- **In setting out the above measures we would also like to know what assumptions have been**

made, for example, with respect to household sizes, household electricity consumption etc. - The above need to be stipulated against a clear baseline together with a methodology for measuring the impact of this investment.

We will add indicators related to the local development benefits of the project, and will revise the arrangements for results measurement (Annex 3) accordingly during appraisal/negotiations with the Government of Egypt.

Egypt is almost fully electrified barring a few small pockets. The developmental and poverty reduction impacts of this project lie in its contribution to the overall growth of the Egyptian economy and the consequent increase in income-earning opportunities for the population and the overall standard of living. Projects such as the proposed Wind Power Development Project, which feed into the national grid, help to ensure the reliability of energy supply at a country-wide level. By 2015/16, Egypt plans to have a total installed generation capacity of between 35,000 and 40,000 MW consisting of a mix of base load, intermediate and peaking plants powered by hydro, wind, solar and natural gas. Each plant will play a role in meeting the demands of residential, commercial, public, agricultural and industrial customers. The 2,500 MW of wind generation associated with the project is being fed into this national network. Their development impacts in terms of benefits to consumers can be only measured at an aggregate level which is best captured through economy level studies rather than as an indicator in this project.

However, there will be measurable development impacts at the project level, too. In particular, the project will help in creation of jobs in the project areas from construction of infrastructure as well as from operation and maintenance, and more broadly in Egypt due to the development of an Egyptian wind industry and associated businesses for manufacturing and services. We will discuss these impacts with the Government during appraisal/negotiations and propose to include indicators on (a) job creation and (b) supply chain enhancement in the wind industry (i.e. value of procurement orders placed within the national supply chain), and agree on the responsibilities, methodology and frequency to collect the needed data in the arrangement for results measurement.

4. There appears to be some discrepancy between the estimated savings of 7 million tonnes from the 2,500 MW towards which this project contributes and the 14 million tonnes CO₂ estimated from the national target of 7,200 MW. Extrapolating from the figures one would assume that the GHG saving from the 7,200 MW would be about 3 x the 7 million tonnes for 2,500 MW. Is there a reason for this discrepancy?

The total should be 17 million tons and not 14 million tons. But the numbers also need not be directly proportional due to the varying capacity factors in different parts of the country. Initial development in the Gulf of Suez will yield higher MWh per MW of capacity, and correspondingly higher carbon reductions.

Many thanks.

Rohit