

Project Summary Information (PSI)

Report No: 000046

Project Name	Egypt Round II Solar PV Feed-in Tariffs Program: ARC for Renewable Energy
Country	Arab Republic of Egypt
Sector	Energy Solar Photovoltaic (PV) Power
Project No	000046
Sponsors	SECI Energia S.p.A. Enerray S.p.A. Desert Technologies Industries Co. Ltd
Borrower	ARC for Renewable Energy S.A.E.
Environmental and Social Category	Category B
Date of PSI prepared or updated	04 September 2017
Date of Concept Approval	30 May 2017
Date of Final Investment Decision	27 July 2017
Board Decision	Approved on 04 September 2017

I. Introduction

Egypt has among the best solar resources in the world. The Government of Egypt (GoE) has demonstrated a strong commitment to the development of renewable energy (RE), both at the policy and strategic level, through the adoption of ambitious and specific targets, and at the detailed implementation level, through the development of a detailed contractual and regulatory framework.

The GoE's Sustainable Energy Strategy 2035 confirmed the country's target of reaching 20% of electricity generation from renewable sources by 2022. The importance of RE in reducing Egypt's greenhouse gas (GHG) emissions is also emphasized in Egypt's Nationally Determined Contribution (NDC) as part of the five key strategic policies for tackling climate change mitigation.

The first round of a Feed-in Tariffs (FiT) scheme for RE organized by the GoE ended in October 2016. In September 2016, the GoE authorized a second round (Round 2) of the FiT scheme, targeting a total of 1.3GWac solar photovoltaic (PV), split among 20MWac, 30MWac and 50MWac projects, all to be located in the Benban Solar Park near Aswan. The deadline for the developers to reach financial close is October 29, 2017.

II. Project Objectives and Expected Results

The objectives of the Project are to (i) increase Egypt's generation capacity by exploiting its vast RE potential and help the country to meet its power demand; and (ii) reduce the dependence on gas and fuel for electricity generation and move to a more balanced and environmentally sustainable energy mix.

The Project results will be measured by the following key indicators: (i) number of MWac installed; (ii) number of residential customers that will benefit from the electricity supplied by the Project; and (iii) GHG emissions avoided on an annual basis (tons of CO₂ per year).

III. Project Description

The Project entails the development, financing, construction, testing, commissioning, operation and maintenance of a 50MWac solar PV power plant located in Benban Solar Park. All output generated by the

Project will be sold to the Egyptian Electricity Transmission Company (EETC) under a 25-year Power Purchase Agreement.

The Project is being developed by ARC for Renewable Energy S.A.E. (the Borrower), a special purpose vehicle owned by a joint venture between SECI Energia S.p.A. (25%), Enerray S.p.A. (25%) and Desert Technologies Industries Co. Ltd (50%), collectively, the Sponsors.

The Project will be co-financed by the International Finance Corporation and other lenders. The summary of investment information of the IFC can be found in the following link:

<https://disclosures.ifc.org/#/projectDetail/SII/37580>

IV. Environmental and Social

The Bank has decided to apply IFC's Policy on Environmental and Social Sustainability, including the relevant Performance Standards (PSs), to the Project because: (i) it is consistent with the Bank's Articles of Agreement and materially consistent with the provisions of the Bank's Environmental and Social Policy (ESP) and relevant Environmental and Social Standards; and (ii) the monitoring procedures that IFC has in place are appropriate for the Project.

Under IFC's Policy, the Project has been assigned Category B. Four IFC PSs are applicable to the 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; and PS 4 – Community Health, Safety and Security. A Strategic Environmental and Social Assessment (SESA) for the entire Benban Solar Park was prepared for NREA with the support of the European Bank for Reconstruction and Development and disclosed in 2016.

The Bank has carried out its own due diligence, including review of environmental and social risks and impacts of the Project. The environmental, social, health and safety (ESHS) risks and impacts associated with the Project are limited, generally project-specific and not irreversible, and can be addressed through the implementation of good international practice as provided in the Borrower's Environmental and Social Action Plan.

The Bank also found that simultaneous construction of multiple solar power plants at Benban could pose various ESHS risks, stemming from traffic and transportation, occupational health and safety, worker accommodation, labor management, waste management, security and the management of stakeholder expectations from local communities. These cumulative impacts will need to be addressed in an overall ESHS management and monitoring plan for the Benban Solar Park.

A Facility Management Contractor (FMC) will be hired to develop and implement the overall ESHS plan and other measures recommended in the SESA and provide construction services in line with IFC PSs for the entire Benban Solar Park. A Community Grievance Redress Mechanism (GRM) for the Benban Solar Park will also be developed by the FMC, and the FMC will be responsible for responding to any grievances that are raised in relation to the site or individual developers.

During preparation, public consultation and information disclosure were carried out, per national and IFC requirements. IFC has published the results on its website:

<https://disclosures.ifc.org/#/projectDetail/ESRS/37580>

V. Estimated Project Cost and Financing Source (US\$ million)

The Project cost is up to US\$70-75 million. The Bank is considering a senior loan of up to US\$17.5-19 million. The Project will be co-financed by IFC and other lenders for up to US\$41 million, and the balance will be covered by equity.

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