Cabeólica Wind Power Project
Cape Verde

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ECOWAS Renewable Energy Investment and Business Initiative
## Project Overview

### Key parameters

<table>
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<tr>
<th>Project description</th>
<th>4 onshore wind farms on 4 islands</th>
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<td>Combined capacity: 25.5 MW</td>
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<th>Project development</th>
<th>Joint Development Agreement: InfraCo – GoCV – Utility</th>
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<th>Power Purchase Agreement</th>
<th>20-year PPA contract (Take-or-Pay)</th>
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<th>EPC and O&amp;M</th>
<th>Full-wrap EPC and Operating contracts with Vestas</th>
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<th>Financing</th>
<th>Debt: AfDB and EIB</th>
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<td>Equity: AFC and Finnfund</td>
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Project Rationale

Strong rationale for a wind project in Cape Verde

- Exceptional wind resources: use abundant renewable and clean domestic resource for energy generation

- Among the highest electricity prices on the continent: absence of domestic conventional resources, high oil transport costs, lack of economies of scale

- Energy security: reduce generation cost and shelter the electricity sector from increases in oil prices

- Green growth: Meet renewable energy penetration targets set by government: 25% by 2012 and 50% by 2020
Contractual structure

*EPC Contract (Vestas)*

*O&M Contract (Vestas)*

*Training components*

*Carbon Credits*

*Insurance policies*

*Power Purchase Agreement (Power Utility)*

*Support Agreement (GoCV)*

*Licenses and Permits (GoCV)*

*Risks allocated to party that is best able to manage it*
Lenders’ Due Diligence

Technical:
- Feasibility study
- Wind measurement data and forecasts
- EPC and O&M contractual terms
- Wind farm integration and grid stability
Legal:

- Review of all contracts (PPA, Support Agreement, EPC, O&M)
- As needed, strengthen contracts
- Validation of all permits and licenses
- Negotiation of financing documentation
Lenders’ Due Diligence

Environmental:

• Environmental and Social Impact Assessment (ESIA)
• Environmental and Social Management Plan (ESMP)
• To conform with the Bank’s E&S Policies
Lenders’ Due Diligence

Financial:
- Confirm financial viability
- Confirm debt servicing capacity
- Confirm financing plan and contingencies
Lenders’ Due Diligence

Economic:

- Develop economic model
- Analysis of PPA price vs. cost of displaced energy
- Confirm positive economic impact on sector and country
Lenders’ Due Diligence

Insurance:

- Review soundness of insurance package
Project timeline

**AfDB’s involvement in the Project**

- E&S review
- Selection of advisors
- Due Diligence

**Signature of financing agreements (Dec-10)**

- Start of construction (Dec-10)

**Commissioning of 3 WFs**

- Start of production of first WF (Sep-11)

**Commissioning of last WF**

- Start of Full Operating Phase (Jul-12)

**Start of DD → signing of loans: < 1 year**

**Start of construction → production of first WF: < 1 year**
Securing strong Project fundamentals

- In depth technical Due Diligence from the banks and advisors
- Modifications to certain contractual terms to strengthen Project
- Confirm financial and economic viability
- Contribution to E&S work stream
- Bring experience from similar Projects

Moving the transaction forward

- AfDB role as “Honest broker”
- Catalytic role during difficult times
- Strong support during Project Implementation
A success story

- First infrastructure PPP in Cape Verde
- First PPP in the renewable power sector in Sub-Saharan Africa
- Providing today 25% of annual production in Cape Verde
- “Best Renewable Project in Africa Award” at the 2011 Africa Energy Awards (Johannesburg)