

FIELDSTONE

AFRICA



RENEWABLES INDEX

The Fieldstone Africa Renewables Index (FARI) is a practical renewable energy investment rating of African jurisdictions with the following grades:

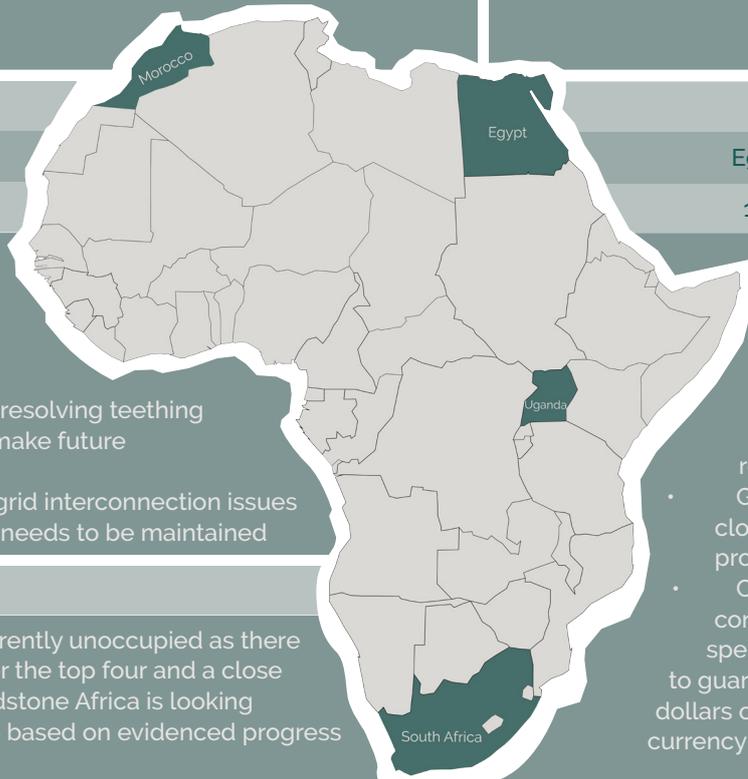
- The Big Five - where an investment of time and capital in a renewable energy project might most readily be made today
- Honourable Mentions - those that merit watching in the near term for project opportunities and emergence in the Big Five
- Little Gems - smaller economies limited in the scale of potential projects that nonetheless are conducive to successful project development.

As the elements of FARI evolve in each jurisdiction over time, Fieldstone Africa will update these results every four months (June, October and February). We welcome comments and input as we further develop the system.

The five categories included in the weighted score are:

1. Business Context
2. Political Determination
3. Legal and Regulatory Infrastructure
4. Financial Context (Finance-ability, Demand Context)
5. Intangible (which measures the practical experience of converting the possible into the actual)

The Big 5		
Rank	1	2
Country	South Africa	Morocco
Total score	20.7	17.5
	<ul style="list-style-type: none"> • Sophisticated auction system has delivered results on a large scale; completed projects at an ever more competitive price • REIPPPP has continued to evolve and develop, but now may face its greatest challenges with the (quite) possible downgrade of country and unfinished previously awarded projects • Large secondary market and internal demand for fairly priced product create an additional positive dynamic in the market (lowest priced capital) • Eskom sees renewables as a threat as well as an opportunity 	<ul style="list-style-type: none"> • Long track record of closing energy transactions • Goal is to generate 42% of its power from renewable energy by 2020 • (Presumed) potential to export power to Europe in the future • Relative political stability a positive in regional context
3		4
Uganda		Egypt
14.2		14.1
		<ul style="list-style-type: none"> • Government has improved renewables investment landscape by reducing subsidies and introducing legislation to restructure the sector • Good track record of closing independent power producer (IPP) projects • Central bank needs to consider entering into a special arrangement with IPPs to guarantee convertibility into US dollars of revenue earned in local currency
5		
<p>The fifth spot in this category is currently unoccupied as there is a substantial break in ratings after the top four and a close grouping of the next category. Fieldstone Africa is looking forward to naming a fifth candidate based on evidenced progress in the next FARI edition.</p>		



Honourable mention (listed alphabetically)

Algeria

- Government has stated commitment to the renewables sector through launching the Renewable Energy Efficiency Programme and a commission for Renewable Energy
- Regulatory framework will be modified to respond to challenges in the sector as a part of the programme
- A reduction in customs duties and VAT for the import of components and raw materials used by projects is planned to support the programme
- Macro issues related to oil price

Ethiopia

- Government commitment to renewables and electrification
- Infrastructure and development plan – Growth and Transformation Plan (GTP II) launched
- Development Bank of Ethiopia funding the manufacture of a solar module plant
- Strength: centralized decision-making
- Possible problem: some questions about private sector participation and commitment to IPP path
- Demonstration of commitment needed

Ghana

- Government keen to diversify generation mix (i.e. decrease dependence on thermal – still needs to reach a landing point on the format of support provided to projects)
- Large number of renewable developers are active in the country, a number of which have agreed power purchase agreements with the Electricity Company of Ghana; some hope that projects may close in the near term
- Question marks remain over the ability of the grid to handle intermittent power

Ivory Coast

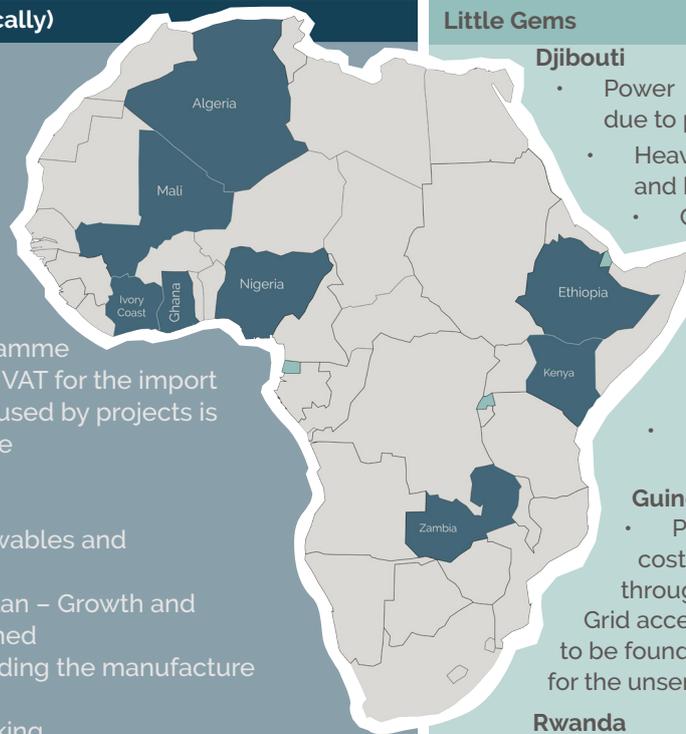
- New feed-in tariff structure being implemented by the government
- Good framework for renewables has been created- waiting for proof in practice
- Electricity demand is growing by 10% per year
- Competitive landscape improved through the privatisation of power monopolies
- Potential for individual producers to sell back onto the grid in the future

Kenya

- In other renewables ratings, Kenya ranked as high as sixth globally; true on paper, not yet fully in execution, except in geothermal
- Gordian knot: backlog of applications, confusing and complicated process
- Proposed auction system for larger projects promises more delay in a market that has delivered little photovoltaics
- Current tariff indexation creates financing problems
- Great resource, real need and superior legal infrastructure give reason to hope in medium term
- Possible breakthroughs in small-scale generation

Mali

- Improvements in political and security situation
- Annual growth in electricity demand is estimated to be 10%
- Strong need to diversify power source



Little Gems

Djibouti

- Power demand expected to grow due to port infrastructure projects
- Heavy reliance on power imports and high cost of generation
- Great need for a reliable and cost-effective source of power to supplement small thermal
- Need to make ambitious renewables goals
- Conform to system size realities

Guinea

- Pressure to decrease the cost of power increased through public protests
- Grid access limited; opportunities to be found in off-grid solutions for the unserved population

Rwanda

- Investor-friendly country
- Demonstrated IPP success
- Recent African Development Bank award promotes green mini-grids and attracts private investment in sector
- Investment plan for off-grid generation endorsed by Climate Investment Fund

Mali (continued)

- Now highly dependent on unreliable hydro and expensive thermal power plants
- Huge solar resource
- CFA currency position and defined government process are pluses

Nigeria

- Renewables provide quickest path to address the lack of generation that impedes the economy (and economic diversification)
- Current macro and currency challenges keep Nigeria off the Big Five
- New government commitment evident
- Underlying regulation strengthened
- Sheer size of market and real need suggest Nigeria stands on the cusp of a breakthrough – must watch as the scale of opportunity is immense

Zambia

- Government putting investor-friendly programmes in place to procure renewable energy for a country that has recently suffered from severe electricity shortages
- REFIT (Renewable Energy Feed-in Tariff) programme well advanced and likely to be supported by a development finance institution backed programme to ensure a viable renewables market
- Government working with the International Finance Corporation on the roll-out of the Scaling Solar programme

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