

## Cover Page for CTF Project/Program Approval Request

|  |  |                             |  |
|--|--|-----------------------------|--|
| <b>1. Country/Region</b>   | Kenya  | <b>2. CIF Project ID#</b>   | (CIF AU will assign ID.)   |
| <b>3. Investment Plan (IP) or Dedicated Private Sector Program (DPSP)</b>                    | <input type="checkbox"/> IP<br><input checked="" type="checkbox"/> DPSP  | <b>4. Public or Private</b> | <input type="checkbox"/> Public<br><input checked="" type="checkbox"/> Private |
| <b>5. Project/Program Title</b>  | Concessional Finance Program for Geothermal Generation   |                             |  |
| <b>6. Is this a private sector program composed of sub-projects?</b>                         | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  |                             |  |
| <b>7. Financial Products, Terms and Amount</b>   |  |                             |  |
|  | <b>USD</b><br>(million)  | <b>EUR</b><br>(million)     |  |
| Grant  | 0.00   |                             |  |
| Fee on grant   | 0.00   |                             |  |
| MPIS (for private sector only)   | 0.35   |                             |  |
|  |  |                             |  |
| Public sector loan   |  |                             |  |
| • Harder terms   | 0.00   | NA                          |  |
| • Softer terms   | 0.00   | NA                          |  |
|  |  |                             |  |
| Senior loan  | 29.65  | NA                          |  |
| Senior loans in local currency hedged  | 0.00   | NA                          |  |
| Subordinated debt / mezzanine instruments with income participation                          | 0.00   | NA                          |  |
| Second loss Guarantees   | 0.00   | NA                          |  |
|  |  |                             |  |
| Equity   | 0.00   | NA                          |  |
| Subordinated debt/mezzanine instruments with convertible features                            | 0.00   | NA                          |  |
| Convertible grants and contingent recovery grants  | 0.00   | NA                          |  |
| Contingent recovery loans  | 0.00   | NA                          |  |
| First loss Guarantees  | 0.00   | NA                          |  |
|  |  |                             |  |
| Other (please specify)   | 0.00   | NA                          |  |
|  |  |                             |  |
| <b>Total</b>   | <b>30.0</b>  | NA                          |  |
| <b>8. Implementing MDB(s)</b>  | AfDB   |                             |  |
| <b>9. National Implementing Agency</b>   | NA   |                             |  |
| <b>10. MDB Focal Point</b>   | Joao Cunha ( <a href="mailto:j.cunha@afdb.org">j.cunha@afdb.org</a> ) /<br>Leandro Azevedo<br>( <a href="mailto:l.azevedo@afdb.org">l.azevedo@afdb.org</a> ) |                             |  |
| <b>11. Brief Description of Project/Program (including objectives and expected outcomes)</b> |  |                             |  |

The program involves the creation of a concessional lending program with CTF funds for co-financing high development impact mitigation projects through the increase in installed capacity of geothermal power in Kenya. CTF funds will be deployed to projects where sponsors and investors face challenges in sourcing sufficient levels of conventional financing with loan terms that support the financial viability of projects. CTF funding will be essential in filling the financing gap of these projects while offering flexible enough and catalytic loan terms that are compatible with the projects' financial profile and which are currently unavailable in the local market or from other commercial sources.

#### 12. Consistency with CTF investment criteria

|                                       |  |
|---------------------------------------|--|
| (1) Potential GHG emissions savings   | With USD 30 million, the program will contribute to a reduction in GHG emissions of roughly 11,528,160 tCO <sub>2</sub> for the lifetime of the project. |
| (2) Cost-effectiveness                | Based on a GHG emission reduction of 11,528,160 tCO <sub>2</sub> , the cost effectiveness of CTF funds will equal USD 3,47 per tCO <sub>2</sub> .        |
| (3) Demonstration potential at scale  | See Page 7.  |
| (4) Development impact                | See Page 8.  |
| (5) Implementation potential          | See Page 8.  |
| (6) Additional costs and risk premium | See Page 9.  |

#### Additional CTF investment criteria for private sector projects/ programs

|   |                   |
|---|-------------------|
| (7) Financial sustainability              | See Page 9.       |
| (8) Effective utilization of concessional | See Page 9.       |
| (9) Mitigation of market distortions      | See Page 9.       |
| (10) Risks                                | See Page 9 and 10 |

#### 13. For DPSP projects/programs in non-CTF countries, explain consistency with FIP, PPCR, or SREP Investment Criteria and/or national energy policy and strategy.

The program will be implemented in Kenya, a pilot-country under the Scaling-up Renewable Energy Program (SREP). Climate mitigation through the deployment of renewable technologies in general and geothermal in particular is a priority for Kenya as per the country's Vision 2030, the SREP Investment Plan approved in 2011 and the Least Cost Power Development Plan.

#### 14. Stakeholder Engagement

AfDB has conducted initial engagement with institutional investors, other Development Finance Institutions, project developers, and government institutions with the feedback being overall positive. As part of the environmental and social assessment of the projects, consultations will be undertaken with other local stakeholders and projects' affected people. This will be well documented and presented for each project under the program once final appraisal reports are submitted for approval by the CTF Trust Fund Committee (TFC).

#### 15. Gender Considerations

The program will include gender benefits related to the development of clean energy. These will be documented in detail during appraisal of each specific project.

#### 16. Indicators and Targets

##### Project/Program Timeline

|                                       |           |
|---------------------------------------|-----------|
| Expected start date of implementation | June 2016 |
| Expected end date of implementation   | June 2017 |

|  |                               |                            |
|--|-------------------------------|----------------------------|
| Expected investment lifetime in years (for estimating lifetime targets)                                    | 20 years                      |                            |
| <b>Core Indicators</b>   | <b>Targets</b>                |                            |
| GHG emissions reduced or avoided over lifetime (tonnes of CO <sub>2</sub> -eq)                             | 8,646,120                     |                            |
| Annual GHG emissions reduced or avoided (tonnes of CO <sub>2</sub> -eq/year)                               | 432,306                       |                            |
| Installed capacity of renewable energy (MW)  | 70                            |                            |
| Number of additional passengers using low-carbon transport per day   | NA                            |                            |
| Energy savings cumulative over lifetime of investment (MWh)  | NA                            |                            |
| Annual energy savings (MWh/year)   | NA                            |                            |
| <b>Identify relevant development impact indicator(s)</b>   | <b>Targets</b>                |                            |
| These will be developed during appraisal of each specific project.   | TBD                           |                            |
| <b>17. Co-financing</b>  |                               |                            |
|  | Please specify as appropriate | Amount<br>(in million USD) |
| • MDB 1  |                               | 45.0                       |
| • MDB 2 (if any)   |                               | 0.0                        |
| • Government   |                               | 0.0                        |
| • Private Sector   |                               | 45.0                       |
| • Bilateral  |                               | 0.0                        |
| • Others (other lenders)   |                               | 37.0                       |
| <b>Total</b>   |                               | <b>127.0</b>               |
| <b>18. Expected Date of MDB Approval</b>   |                               |                            |
| One project is expected to be approved by June 2016 with a second project to be approved by December 2016. |                               |                            |