

# CLIMATE INVESTMENT FUNDS

June 30, 2017

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**[APPROVAL BY MAIL]: TANZANIA: GEOTHERMAL ENERGY DEVELOPMENT PROJECT  
(SREP)(AFDB)-XSRETZ027A**

**COMMENTS FROM UNITED KINGDOM**

- We have just noticed that there was no mention of the economic, social and environmental development impacts in the section on the fit with the SREP Investment Criteria. Please would the project team include these and update the proposal.

#### Project Rationale

(Q) The AfDB say that the SREP PPG final report by Norton Rose Fullbright LLP should be available soon. And that it will include detailed technical and economic information on the geothermal resources of the country, as well as a legal and regulatory framework providing detailed roles of key stakeholders (TGDC, TANESCO, private sector) that are (and will be) involved in geothermal activities across the country.

Can the AfDB confirm that the implementation of proposed SREP geothermal development project at Ngozi will only go ahead if it is consistent with that report? And that how it is consistent will be made clear when the SREP project is subject to “internal review by a number of AfDB’s internal committees and approval by the Board of Directors” as identified in answer to another question.

#### Justification for SREP Intervention

(Q) On the necessary transmission and distribution systems to connect power generated at Ngozi, the AfDB say that a substation owned by TANESCO in the city of Mbeya, around 23km from the Ngozi geothermal site, will be used. But it is still unclear who will fund the transmission infrastructure needed.

Can the AfDB confirm that the cost of the construction of the transmission line will be included when the Economic and Financial Viability is subject to “internal review by a number of AfDB’s internal committees and approval by the Board of Directors”? Also can the AfDB confirm that the SREP project will take a phased approach so that such costing can be updated when practical and that if costings demonstrate that the power generated would not be attractive for an IPP then the project would be stopped?

#### Project Description

(Q) The AfDB say that the TGDC business model to manage the steam has not yet been confirmed even though it is very likely that the Kenyan model (state-owned company owns the steam and enters into a sale agreement to supply the steam needed for power generation) will most likely be adopted. A final decision will be made once the work of Norton Rose Fullbright LLP is completed and the GoT formally adopts the sector key documents.

Can the AfDB confirm that the viability of the chosen business model and any associated risks will be addressed when the project is subject to “internal review by a number of AfDB’s internal committees and approval by the Board of Directors”? This includes whether the chosen business model will be viable and commercially attractive to prospective IPPs.

#### SREP Investment Criteria

(Q) Concerning the “Economic and Financial Viability” criteria: the AfDB say that the economic and financial viability analysis for this project is not yet finalized. However, its finalization is a pre-condition for internal review by a number of AfDB’s internal committees and approval by the Board of Directors.

Can the AfDB confirm that internal review by a number of AfDB's internal committees and approval by the Board of Directors will actively consider the economic and financial viability of the project?