



**Geothermal Risk Mitigation  
Facility for Eastern Africa**

# What is GRMF = GEOTHERMAL RISK MITIGATION FACILITY?

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**Stakeholder Meeting GRMF**  
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## OBJECTIVES OF THIS STAKEHOLDER MEETING

- Show how GRMF can contribute towards meeting future energy goals
- Put future investments in geothermal energy into the broader context of regional energy sector development
- Show the pressing need to put in place the right policy and strategy, to remove any legal and regulatory obstacles that deter investments
- Invite Governments & Development Agencies to start the process of developing and improving the institutional frameworks in the respective countries in order to facilitate the development of geothermal resources in the best interest of the East African countries.

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## AUC's MANDATE

- AUC has been mandated by the ministers of energy of Eastern African countries to develop and to coordinate a regional geothermal program to promote geothermal power generation
- This includes inter alia establishment of:
  - a regional road map
  - policy guidelines including institutional and regulatory framework
  - a Regional Geothermal Coordination Unit (RGCU)
  - GRMF Oversight Committee (OC)
- In addition AUC has been chosen by the German Government to host & manage the Geothermal Risk Mitigation Facility = GRMF

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## GEOHERMAL SPECIFIC INVESTMENT BARRIERS

- Geothermal development means:
  - **High upfront investment costs + High risk of failure**
- Therefore the experience has shown that:
  - **The initial financial burden is too high for project developers!!**  
(be it public or private or public private partnerships)
- **What can we do?**

# OBJECTIVE OF GRMF

## Objective:

To encourage public & private investors to mobilise financing for development of geothermal power plants in East Africa

**Pilot Countries: Ethiopia, Kenya, Rwanda, Tanzania, Uganda**

## Instruments

1

### Direct grants

- 80 % of Surface studies costs
- 40 % of Exploration Drilling and Testing costs
- 20% of costs for infrastructure

2

### Continuation premium

**30 %** of the Developer's share of the approved allowable and expended costs for the drilling and testing program if Developers undertake subsequent development steps within a certain period of time

3

### Regional geothermal database

To reduce risks of future wells

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## GRMF ELIGIBLE ACTIVITIES

### 1. Surface Studies

to determine the optimal location for reservoir confirmation wells at geothermal prospects that have previously been extensively studied are eligible for funding.

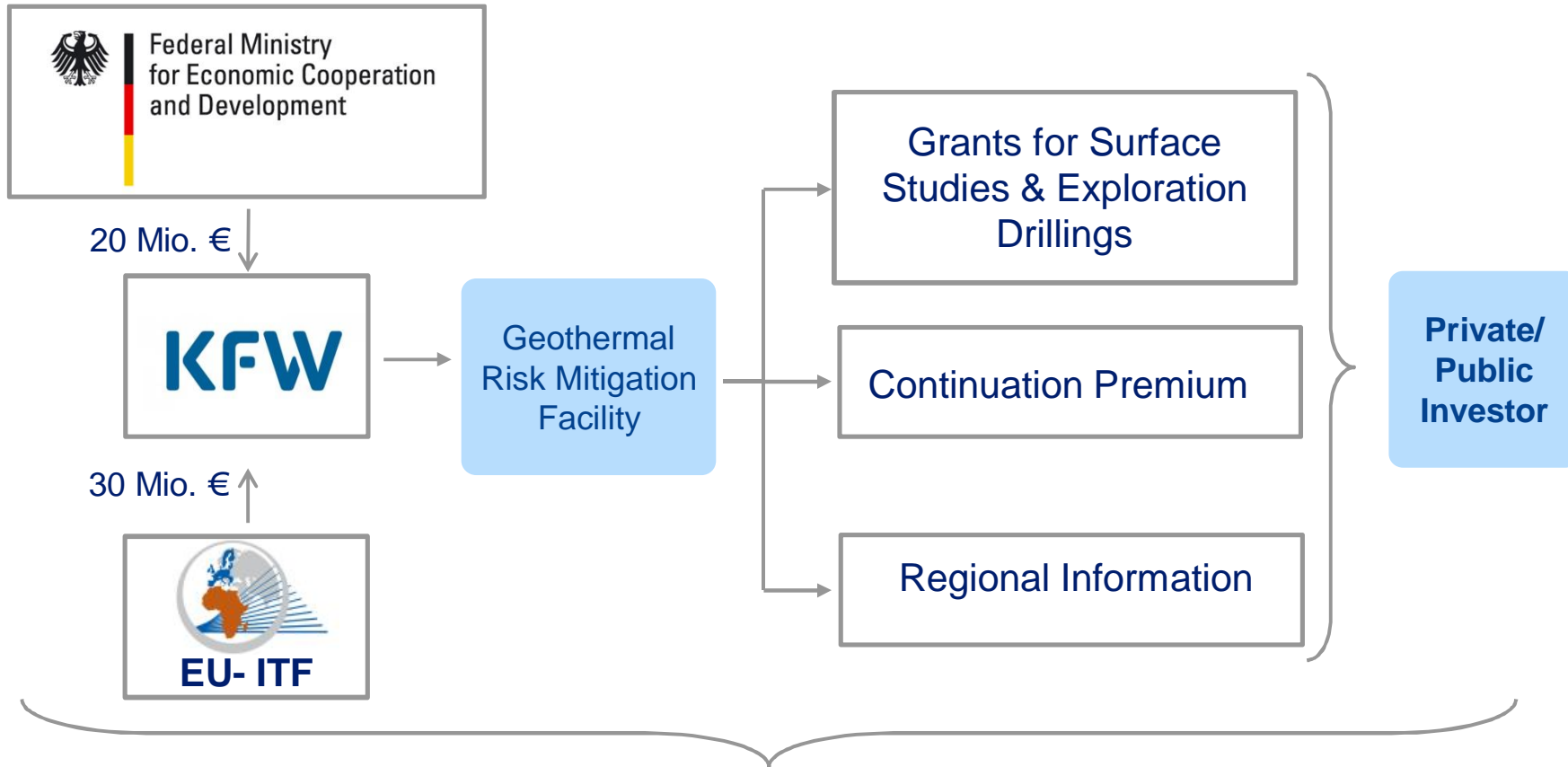
### 2. Exploration Drilling

at geothermal prospects once the optimal locations for the drilling and testing of reservoir confirmation wells have been determined.

### 3. Infrastructure

grant support may be available to cover infrastructure measures (like road access, water etc.) for both above mentioned activities.

# PROJECT DESIGN



## AUC Regional Geothermal Coordination Unit (RGCU)

- Information and Coordination of Developers, Donors etc.
- Evaluation of Geothermal Projects (especially for GRMF)



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## KfW's EXPERIENCE

- KfW supports geothermal development worldwide (Germany, Indonesia, Chile, Kenya...)
- For more than 15 years KfW finances geothermal projects in Kenya
  - Olkaria II, Olkaria III, Olkaria IV, Olkaria I-IV, Bogoria-Silali, Menengai...
  - KenGen, ORPOWER, GDC
- KfW financed these projects at different stages & with different means:
  - Grant funding (also for training measures and technical support)
  - Subsidised loans
  - Loans on Commercial Terms

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## APPLICATION PROCEDURE

Competitive, transparent and rigorous two-stage Application process

It is planned to conduct at least 3 application rounds. There will be one application round including prequalification each year.

Information workshop 11.10.2012

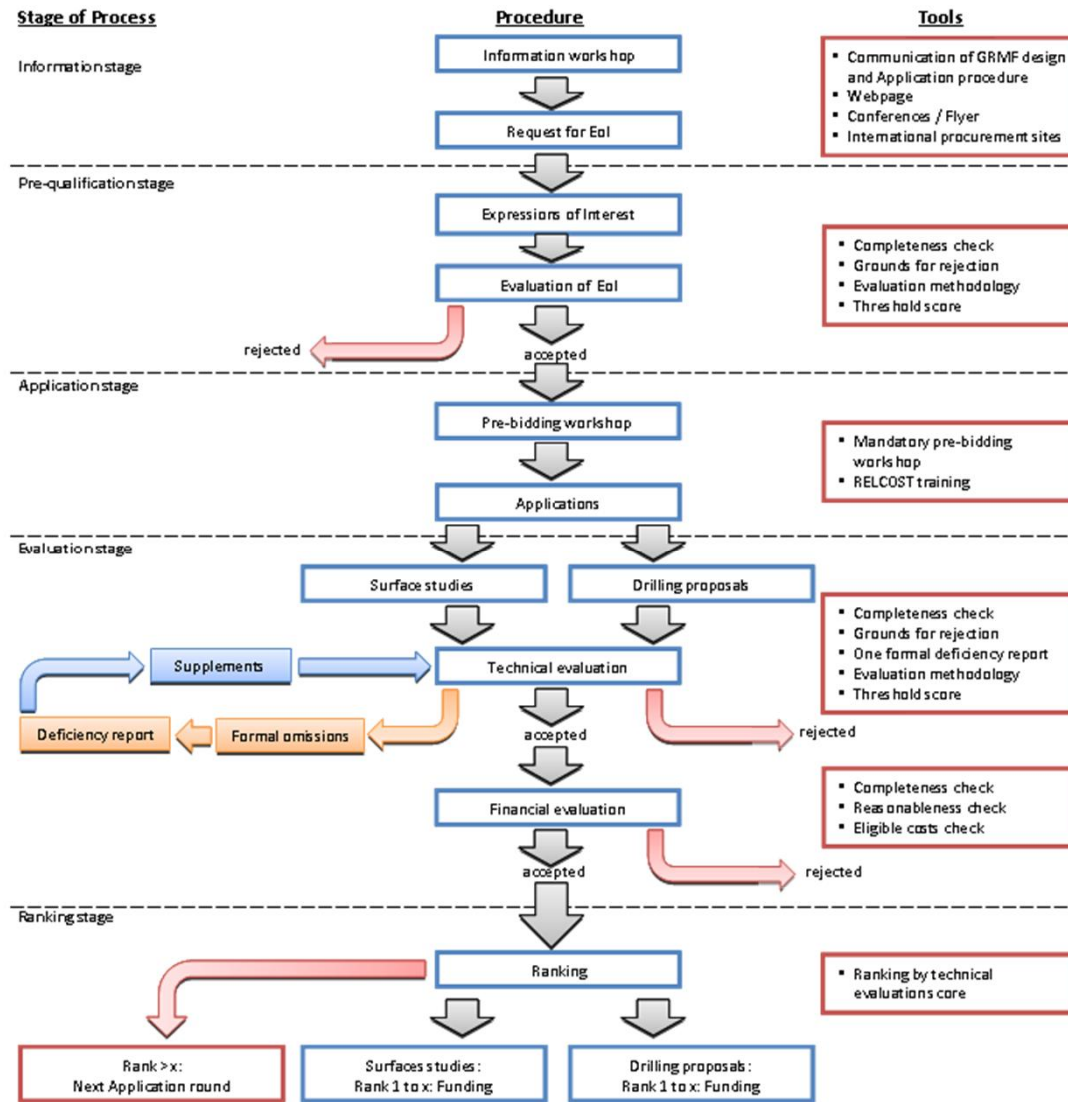
Start of the first application round 17.10.2012

End of first prequalification period (4 weeks) 13.11.2012

The whole application procedure will take approximately one year:

→ Grant Agreements with successful Applicants are expected to be signed in September 2013

# Processing of the Pre-Qualification and Application



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## EXPECTED OUTCOME OF THIS STAKEHOLDER MEETING

- Create a common understanding of benefits & requirements of GRMF
- Create awareness that legal, institutional & regulatory framework will be critical to the ultimate success of:
  - geothermal development in general and of
  - GRMF in particular
- Express the hope that we all together can bring forward geothermal development in the region

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# THANK YOU!

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**African Union**  
a United and Strong Africa