I. INTRODUCTION

The Africa Energy Market Place (AEMP) is the Bank’s new energy-investment-delivery platform taking place at the Bank in Abidjan on July 5th - 6th 2018. The first batch of countries selected includes:

1. Egypt
2. Côte d'Ivoire
3. Ethiopia
4. Nigeria
5. Zambia

AEMP is a build-up and stepping stone towards Africa Investment Forum\(^1\). For the first AEMP, the focus countries are selected taking into account geographical balance, demand for private investment, new transactions and current transactions with challenges that the AEMP can help resolve. The AEMP is a tri-partite energy-sector-delivery platform involving governments, the private sector, and development partners with the objectives to:

(i) Evaluate the necessary sector reforms likely to fast track those transactions and expand private investment to a broader extent into the energy sector.
(ii) Analysis of ongoing sector programs and initiatives for the sector by development partners
(iii) Bridge the gap in the sector to eliminate stumble blocks to help projects reaching financial close
(iv) Fast-track ongoing challenged deals towards bankability and
(v) Generate project pipeline for discussion to assist in moving the projects to bankability and investable at the AIF.

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\(^1\) Africa Investment Forum offers a window of opportunities to display bankable projects, attract financing, and provide platforms for investing across multiple countries in Africa. The AIF work streams are as follows: Pipeline development; Project Preparation; Policy and Regulatory Environment; Project Bankability (co-guarantee and blended finance platform) and Investment promotion. The AIF is expected to coordinate with other Africa investment fora and work to strengthen collaborative efforts to crowd-in necessary investment, and attract social impact financing to Africa. The AIF platform will also support AfDB regional member countries, and potential investors through the provision of rigorous, authoritative and robust, business intelligence and analytical work on the countries’ competitiveness.
II. OVERVIEW

- **Egypt’s energy sector received approximately 84% of the country’s foreign direct investment (FDI) USD 2.5 bn during the Q1 2017, primarily into oil and gas sector. However the GoE is keen for increasing private sector FDI in its electricity sector, and diversify energy mix specially in the renewables**

- **Egypt is amongst top countries in Africa that made progress in providing electricity to its population.** Total electricity demand has averaged an annual growth rate of 4.3-6% during the past 5 years while the total supply has advanced at an annual of 6.6%. Energy Access, both rural and urban, stands at 99.9%. Egypt is keen to address Climate Change issues and has submitted its 1st Intended Nationally Determined Contributions (INDC) in mid-2017.

- **The Energy pillar (nested under Economic Dimension of Vision 2030) focuses on energy stability,** growth and environmental compliance entailing a deliberate diversification of fuel mix, shift from oil and gas towards renewables, and gradual reform of energy subsidies to ensure financial sustainability of the sector and reduce fiscal pressure on GoE Budget (energy subsidies reached almost 7% of GDP and 22% of Budget in 2013/14). This is in addition to other mechanisms to address other sector issues through sectoral reforms, institutional restructuring, and changes in regulatory and legislative frameworks, viz. energy-intensity; high demand-supply gap; introduce competitive market and encourage private sector investments

- **The electricity sector is considered one of the most promising investment sectors.** Ministry of Electricity and Renewable Energy forecasts investments of about $70 billion to 2022, split 65% and 35% between public sector and private sector respectively. Under the Electricity Law, the sector also seeks to improve the quality of service in cooperation with private companies across generation and distribution. Projections for the investment cost of production, transmission, and distribution projects through 2020 amount to $25bn, including $17bn for power plants and $5bn for transmission and distribution. Legislative changes have been made to allow electricity markets to new entrants, besides regulatory measures aimed at reducing certain concentration risks in the banking system and various legislative reforms in the non-banking sector.

- **Currently, majority of energy (~168,000 GWh) is supplied by mix of thermal 94% (natural gas 53% and oil 41% ), hydropower (3%), coal (2%) and other renewables (1%), providing 99.9% household access through transmission and distribution network 44,220 km and 59,870 km long respectively.** The average cost of production is at USD 0.05/kWh. Driven by demand and Government vision, the supply sources in Egypt, change once again, to include renewables, coal and nuclear. Hydro reduced drastically from 60% in 1970 to 3% currently, and natural gas rose from 0% to 53% at same time.

- **Energy demand is growing at the relatively high rate of about 6% per year,** outstripping supply. Consumers grew 36% to 30 Mn (2012) from 22 Mn (2006) and per capita 1950 from 1575 in same period. For example, power consumption for the month of July reached an all-time high ranging between 28,500 to 30,000 MW.

- **Electricity retail tariffs are currently low and subsidized at USD 0.035/kWh** (higher than cost of production). However, the GoE has launched a program to introduce series of tariff increase and eliminate subsidies over the next four years to bring tariff to full cost reflective levels
### III. AEMP Roundtable Topics

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<td>Peer to Peer: South-South (SS) Cooperation. RoundTable brings together Zambia and Egypt for mutual benefit. Zambia has expressed interest in learning about Egypt experience (1) Government offer to support AfDB initiatives in Sahel and Sub-Saharan Africa (e.g. Desert to Power, etc.) (2) Private Sector would like to explore investment opportunities in Zambia, to replicate their success in Egypt</td>
<td>Egypt has had success in addressing challenges that other AEMP and African nations face, e.g.: (1) Tariff increased 50% cumulatively, executed consecutively per annum; (2) IPPs through feed-in-tariffs /auction mechanism; (3) Harmonization and alignment of processes across Government entities (4) Full convertibility of Egyptian Pound (5) Repatriation of profits and liberalization of both gas and power sectors. (6) Diversification of the energy mix.</td>
<td>(1) AEMP to help kick-start the facilitation of South-South (SS) cooperation between Egypt and Zambia: (a) AfDB is liaising with both Government entities to identify specific issues/areas of interest to enable fruitful start of SS cooperation (lessons and cases etc. to share their lessons learnt on harmonizing institutional/Banking/ Fiscal/ Power/ and Gas liberalization to facilitate private sector participation. (b) Follow-up is expected at APUA (Africa Power Utilities Association) meeting in Cairo soon after (c) Opportunity for Private Sector players to explore investment opportunities in Zambia. (2) Egypt Government has offered hard and soft infrastructure support to help scale RE and EE regionally and in Sub Sahara (e.g. training and capacity building; laboratory testing of RE and EE equipment; opportunities for importing and exporting private sector services to and from Egypt).</td>
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<td>Corporate/Private Sector PPAs</td>
<td>To help deepening private sector and crowd in more private sector funding.</td>
<td>(1) Sector stakeholders would like to catalyze Private sector for B2B solutions (corporate/private PPAs) (2) Explore options for Utility scale financing especially Bridging finance between local and USD currency at project level</td>
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<td>Guarantees</td>
<td>Explore different Payment security mechanisms – including guarantees at sovereign, and project level. Egypt has never used partial Risk Guarantees (PRGs) or Partial Credit Guarantees (PCGs).</td>
<td>Government has been offering Sovereign guarantees especially in recent Programmatic /solicited bids (Solar, Wind etc.)</td>
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## IV. OTHER SECTOR CHALLENGES

### Other Opportunities and Challenges

**Challenges**
- Further capacity augmentation by developing solar, wind, hydro after current round of projects are financed
- Utility creditworthiness undermining the legislative and incentive mechanisms
- Successful roll-out of FiT program but needs to assess sustainability and costs/MW viability
- High cost of financing - This is further compounded by legacy bankruptcy procedures that curtail debtor’s restructuring or the effective re-organization of viable businesses

### Opportunities
- High Hub potential due to well-endowed energy sources (Gas, Solar, and Wind) and strategic geographic location and potential for deeper participation of local SME and large players, which as of now very fragmented (in services, manufacturing, etc.)
- Energy efficiency across public and private sector especially for legacy power plant and infrastructure
- Interconnectors: Egypt-North African countries; Egypt-Sudan; Eastern Nile Basin; Egypt-Europe via Greece
- Regional exporter of cheap electricity to Sub-Sahara, Middle East
- Positioning as hub for MENA, SSA and World

### On Going Action by Development Partners

**Financing Infrastructure**
- Offgrid and EE- EU, EBRD, AFD, EIB, NIF: Green Economy Finance Facility; EBRD: Sustainable Energy Finance Facility

**TA**
- Budget support: AfDB/WBG (UK) - AFD
- EU: ENI Reforms support Program
- GIZ, GoEgypt: JCEE