JBIC Signs ODA Loan Agreement with the Arab Republic of Egypt

--Supporting Wind Power Generation Project to Curb Global Warming and Envisioning the Utilization of the Kyoto Mechanisms--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today, an ODA loan agreement in the amount of 13.497 billion yen with the New and Renewable Energy Authority (NREA) of the Arab Republic of Egypt to finance the Zafarana Wind Power Plant Project.
2. The proceeds of the loan will be used for the procurement of materials and equipment and consulting services in constructing a wind power plant in Zafarana on the coast of the Red Sea, 220 kilometers southeast of the capital Cairo. The plant will have a power capacity of 120 MW.
3. Since the project will help reduce greenhouse gas emissions by exploiting wind power as a source of clean energy, it envisions the application of the Clean Development Mechanism (CDM), one of the mechanisms adopted under the Kyoto Protocol. JBIC and NREA have already started the necessary procedures for the application of the CDM. While there remain issues to be resolved before obtaining approval for the application of the CDM, including Egypt's ratification of the Kyoto Protocol, etc., the project could well become the first CDM to be financed by an ODA loan.
4. The CDM is a mechanism under which developed and transition countries implementing projects to reduce greenhouse gas emissions in developing countries can acquire emission reduction credits. Countries with commitments to numerical targets for emission reductions under the Kyoto Protocol have been actively seeking to make use of the CDM. If this project is approved as a CDM project, it will help Japan achieve its target of a six percent reduction in greenhouse gas emissions that it is committed to under the Kyoto Protocol.
5. Power demand in Egypt is forecast to grow by five to seven percent annually in the coming years. To meet this rapid increase while conserving the environment, the Government of Egypt intends by 2012 to generate 880 MW of power out of a projected 11,279 MW under the country's power development plan by constructing power plants that exploit new and renewable energy sources. In addition, wind power is expected to account for more than 90 percent of Egypt's new and renewable energy sources, with the Zafarana Wind Power Plant being the largest in Egypt under this plan.
6. As the new ODA Charter assigns priority on addressing global issues, the Government of Japan has been placing more emphasis on environmental issues in its ODA operations. This project is expected to increase Egypt's power supply, while helping to hold back global warming through a reduction in the burning of fossil fuels.

(See Appendix for details)

Reference

1.Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period (Year)	Procurement
Zafarana Wind Power Plant Project	13,497	0.75	40/10	General Untied

2. Outline of the Project

Zafarana Wind Power Plant Project

(1) Background and Necessity

Egypt has experienced a sharp increase in power demand, which is forecast to grow five to seven percent annually in the coming years. At present, under the power development plan, projects are under way to construct thermal power plants, including the Nobaria Power Plant (with a capacity of 1,500 MW) and the Cairo North Power Plant (with a capacity of 750 MW). Nonetheless, there is a continued need to increase power supply quickly. To ensure an adequate power supply to meet a tight supply situation, Egypt is also stepping up environmental conservation efforts. The government has established a plan to generate 880 MW of its total power capacity by 2010 through the exploitation of new and renewable energy sources. (Of this amount, 815MW will come from wind power.) The Zafarana Wind Power Plant Project pursues both power supply and environmental conservation, as it will save the use of fossil fuels, thus alleviating an increase in air pollution and contributing to a reduction of greenhouse gas emissions through the exploitation of wind power as an energy source.

(2) Project Objective and Outline

The project, which consists of constructing a wind power plant in Zafarana on the coast of the Red Sea, 220 kilometers southeast of the capital Cairo, will: (1) increase the power supply; (2) alleviate an increase in air pollution by reducing the use of fossil fuels; and, (3) reduce greenhouse gas emissions compared to the construction of a thermal power plant with the same generating capacity. The project will thus contribute to Egypt's economic development as well as environmental conservation. Zafarana, with its suitable wind direction and wind speed, is a suitable site for wind power generation. Small wind power plants (with capacities of 30 and 33 MW) already in operation have maintained very high operating rates.

The project's executing agency is the New and Renewable Energy Authority (NREA). Address: Extension Abbass El-Akkad St., El-Hay El-Sades, Nasr City, Cairo, Egypt Tel: +20-2-271-3176, Fax: +20-2-271-7173