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Panel II: Investing in Renewable Energy

Moderator: **Kerim Alain Bertrand (KAB)**, Regional Director of the Middle East and Africa, ISI Emerging Markets

Panelists: **Giuseppe De Beni (GB)**, Managing Director, Italgas, **Lamyaa Gadelhak (LG)**, Associate, Helmy, Hamza & Partners, **Tamer Nassar (TN)**, Regional Vice President, Energy Allied International, **Laila Georgy Youssef (LGY)**, Executive Chairman, New and Renewable Energy Authority (NREA), Ministry of Electricity and Energy, Arab Republic of Egypt, **Ahmed Zahran (AZ)**, Renewable Energy and CDM Business Development Manager, Tri-Ocean Energy.

Egypt is wonderful in many ways – but one of the most surprising facts is its incredible potential for renewable energy. Blessed with sunshine, hydropower, tidal and wind – Egypt is the Saudi Arabia of renewable energy. But this potential is only just being touched by investment. This panel will quickly review the potential and then look at how these investments should be promoted and funded. We'll try to get behind the headlines and see just how much of Egypt's energy needs are really going to come from clean energy – and who is going to fund it!

KAB: Egypt used to be oil rich but is now very rich in natural gas. How in a country so rich in natural energy do we need to look at renewable energy?

AZ: The issue isn't that we have an abundance of natural gas, there are other factors like the environment and cost and potentially outsourcing this energy to less naturally gas abundant places.

KAB: Tell me what type of production do you do in a place that has little water and arable land? What's your secret?

TN: We adopted a path to produce biofuels with intentions to export because in Egypt you have to compete with subsidized fuels. We paired up with companies that create biofuels using untreated seawater plants (mangroves).

KAB: You produce biofuels but cannot sell them to local market.

TN: Not yet, hopefully if things come to pass, we will be able to. We look at exporting to Europe because we cannot compete with government subsidized fuel at the moment.

KAB: You are the entry point for any investment in the renewable energies, right?

LGY: Yes, we are working to have 20% of energy to actually be renewable by 2020. Wind, is the first and the next is solar. Solar project is hoped to be in commission by the end of this year.

KAB: Can we say Egypt produces 600 megawatts

LGY: We have 550 megawatts, in addition to the first BOOT project, implement and manage project for more than 20 years.

KAB: How is the project going with Italgas?

GB: We invested time during the environment approval and finally got approval in July, so we are ready for licensing and implementing.

LGY: We are working on it; it takes time to have the prime minister's approval. It is out of our hands right now, we have to wait.

KAB: We are among friends; let's put a date on the finishing of the licensing and the approval.

GB: It would be appreciated yesterday. I see other places moving at a greater speed (Morocco, Turkey) and they don't have as much potential as Egypt.

LGY: There is a great deal of legal paperwork that needs to be done and it takes time. Subsidies are also important to look at in terms of incentives to invest in renewable energy. Each country has its own model and specific areas that are customized, so there is no recipe to get this done here, like other markets. Incentives, like tax and green certificates are important and just overall change in policy to help facilitate the process.

KAB: Please tell me more about green certificates?

LGY: It's a system where government incentivizes the renewable energy market (Europe and USA). For certain sectors, companies have to hand in green markets and are scored.

GB: If you sell energy that is not renewable, you have to buy green energy shares from others who are using renewable energy.

AZ: The real potential in Egypt is medium sized companies for Carbon Credits. There is a political risk, 1. Procedural Risk, at the UN it takes a long time to register your project 2. The agreement is only until 2012, so after that, it is unclear what will happen.

KAB: If you're lucky, by 2012, you get your CDFs, otherwise, too bad.

KAB: You are selling \$.25 US per kilo for wind? Is that correct?

LGY: I can't say, it is dependent on different things.

How much do you sell it to government?

15 piasters per kilowatt.

GB: In Italy is .70-.80 cents Euro. The international price should be .50 euro, as a benchmark.

KAB: You mentioned there is a tender now that helps you determine the pricing?

LGY: I recall that the prices are set by the cabinet decree. It is based on competitive bidding.

KAB: When will the new law be enacted?

LGY: The next session of the parliament, this will start after the November elections.

TRACCS Egypt: 28 Wadi El Nil St., Mohandiseen, Cairo, Egypt / Tel: +202 3304 6808 - +202 3304 6870 - +202 3302 8867 / Mob: +20 12 295 2714 / email: sarah.broberg@traccs.net

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AZ: There is still potential in the country. There are customers who have problems with consumption, so there's potential from another angle.

GB: We are looking for stability in structural framework; the capacity is much faster than the system allows it to be. In Bulgaria, they ask us to stop the wind farms because they are producing too much to be collected and distributed on the grid, so it is being wasted. This should be the case in Egypt.

There is so much potential in Egypt.

KAB: You won't be connected to the grid though?

GB: We will have a grid connected to the cement plant and channel it this way.

KAB: How do you go out to the places where the customers aren't benefitting from the grid?

AZ: There is demand because those people have a problem. We are looking to other ways and projects with the governments. One of the main kinds of agriculture in Egypt is dependent on water irrigation. But, they have to be connected to the grid, which is sparse and only in the Nile valley. You can solve this by using things like solar energy, which is readily available and doesn't require the delivery of diesel to be directly shipped to outlying areas.

KAB: What is the export potential of Egypt when it comes to biofuels?

TN: When it comes to biofuels, Egypt has great potential to be an exporter. If the government were to look at national program and have cohesive program to use new technologies, it could work but it is difficult to get the government to work together and agree on things. Electricity, power production and export of electricity. We already export gas to Lebanon and all over. You are attracted from abroad by the prospect of Egypt but then you get here and realize things are moving too slow to make a lot of projects feasible.

Q&A

Q: Can you consider garbage to use energy?

LGY: The Ministry of Environment is in charge of this

AZ: The problem is the collection in Egypt because it is informal, and you are technically competing with them, so they make sure you do not succeed. You actually influence their standard of living as well because you are disturbing their income and way of life. There is also an issue with the quality of the garbage, scavengers take the most valuable things so what actually makes it to the landfill is the lowest quality.

Q: What is difference between green certificates and carbon credits?

LG: GCs are certificates that local laws impose as obligations, CCs are international (Kyoto protocol) means different countries have committed themselves to reducing their carbon emissions. Certificates currently are valued around 13 Euro per kilo.

AZ: The green is received when you produce renewable energy. The carbon credit is received when you cut your carbon emissions.

Q: You are planning to use the biofuel to pump the seawater inland? How are you going to pump the water inland and consume power at the same time?

TN: We are designing a project that will be sustainable; we are looking at wind or solar power production to power the pumps 24 hours a day. Whether we are to outsource or buy from local market, it is yet to be determined. We are currently working with the government and seed investors.