



Green electricity djibouti city

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Djibouti City, September 8, 2023 - President Ismail Omar Guelleh on Sunday, 10th September, will carry out the landmark inauguration of Djibouti's first-ever wind farm, advancing his stated ambition to make the nation of 1.1 million the first in Africa to rely entirely on renewable sources for electricity by 2035.

The Red Sea Power (RSP) wind farm, near Lake Goubet, will provide 60 megawatts of clean energy, boosting overall capacity by 50% and averting 252,500 tonnes of CO2 emissions annually, equivalent to the pollution from over 55,000 buses. As the first significant international investment in the energy sector in Djibouti, the US\$122 million project creates the country's first Independent Power Producer (IPP) and sets a template for further private investment.

An additional 45MW of renewable energy is already planned by the consortium of investors behind RSP, namely, infrastructure solutions provider Africa Finance Corporation (AFC) as lead developer; the Dutch entrepreneurial development bank FMO; blended finance fund manager Climate Fund Managers (CFM); and Great Horn Investment Holding (GHIH), an investment firm owned by a unit of the Djibouti Ports & Free Zones Authority and Djibouti Sovereign Fund.

Until now, Djibouti has been entirely reliant on power generated from imported fossil fuels, as well as hydrogen generated power imported from neighbouring Ethiopia. Less than half of the 123MW of domestic installed capacity is operational due to outdated diesel plants. Critically for the East African nation, the new clean energy will spur industrialisation, job creation and economic stability as Djibouti seeks to take advantage of its strategic location as a global transshipment hub.

Leveraging its seaports to diversify the economy, Djibouti set out to build an industrial zone in 2017, sparking preliminary discussions on boosting energy capacity. The consortium for the wind farm was formed in 2018 and subsequently provided all-equity construction bridge financing via AFC, FMO, CFM's Climate Investor One fund, and GHIH, which propelled the project to achieve financial close in a record 22 months. Construction kicked off in January 2020 and continued at pace despite the global supply challenges caused by Covid-era lockdowns.

Today, the wind farm spans 387 hectares, equivalent to over 700 football pitches. The site's 17 Siemens turbines each produce 3.4 MW, served by a robust 220 megavolt amperes (MVA) substation and connected by a 5km overhead transmission line to the local grid operator and warehousing.

The electricity generated is to be sold under a long-term power purchase agreement to Electricité de Djibouti (EDD), the national state-owned utility. Using the project as a template for future IPPs, the Government of Djibouti is already working on several other plants for additional geothermal and solar capacity.



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The project stands out as a demonstration of the use of innovative equity financing to accelerate development impact through de-risking, while showcasing the commercial viability of transformative projects in Africa, thereby crowding-in diverse capital sources, and enabling replication of similar projects at reduced financing costs.

Samaila Zubairu, President & CEO of the Africa Finance Corporation, said: "We congratulate the President and people of Djibouti along with our Partners on this significant milestone towards advancing energy access in Djibouti through renewable wind energy. The equity bridge construction finance solution that we deployed has mitigated construction and completion risks, clearly demonstrating AFC's solutions-focused, de-risking and execution capabilities, as well as introducing a pragmatic way to fast track financial close for projects in Africa."

"Today's inauguration marks a leap forward in closing Djibouti's energy access gap and ensuring energy sovereignty, supporting the country's long-term social and economic development," said Michael Jongeneel, CEO of FMO.

In addition to the socio-economic impacts of the project, the innovation in the transaction structure itself has the potential to create systemic impacts by encouraging more investments in the region. The transaction structure substantially reduced the risk associated with the investment. EDD's payment obligations under the power purchase agreement (PPA) were backed by a government guarantee, and in turn the government's obligations were also backed by political risk cover provided by the World Bank's Multilateral Investment Guarantee Agency (MIGA).

In addition to the new wind farm, the Red Sea Power partners have built a solar-powered desalination plant that was also inaugurated today. The plant will provide drinking water to villages near the farm. Some parts of Djibouti are currently experiencing a major national water crisis, with 20% of rural areas lacking access to clean water. Many households have insufficient water to meet basic needs, particularly during the dry season, resulting in widespread loss of livelihoods and income.

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