



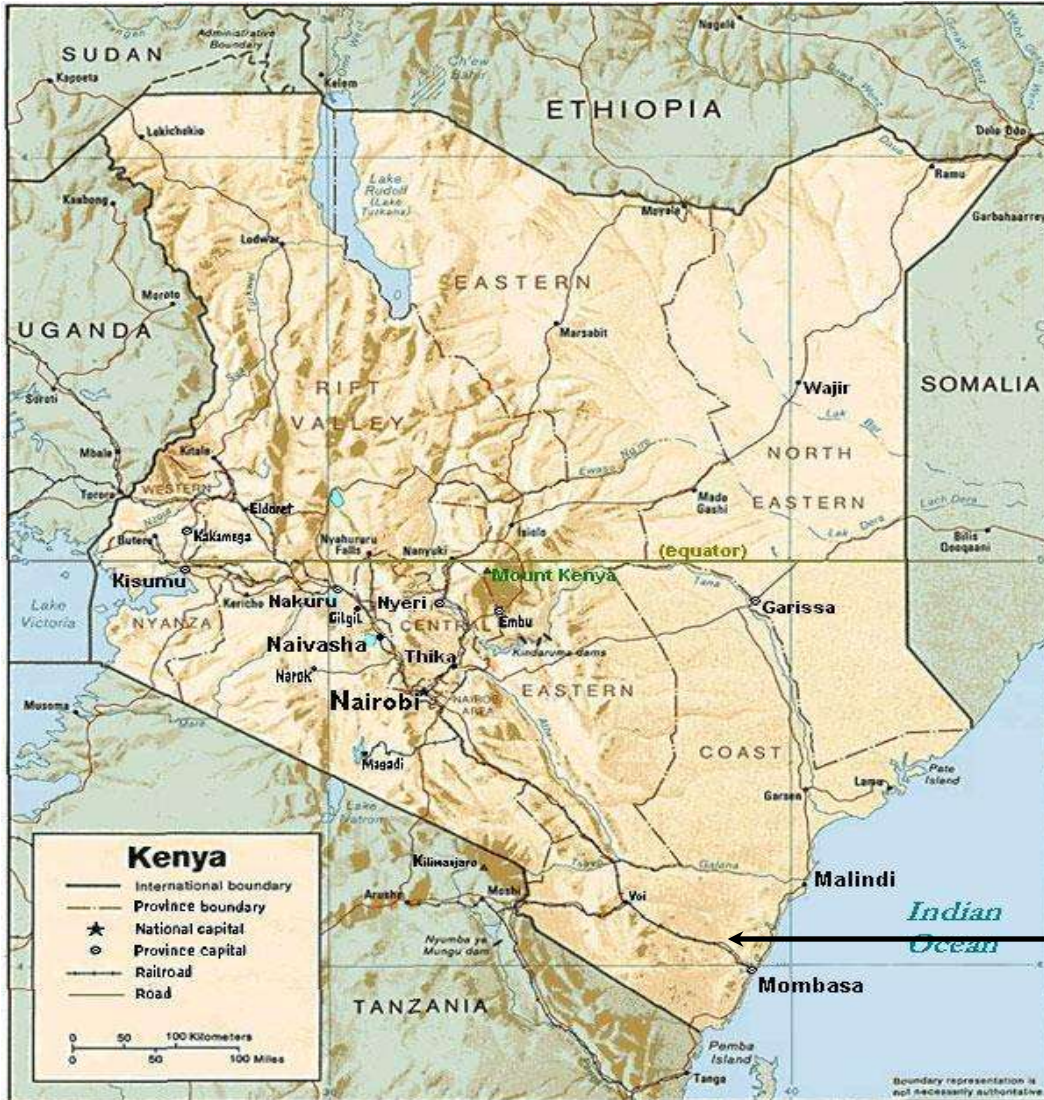
Our business is energy.

Our focus is the developing world.

Rabai Case Study

May, 2009

Location



The Project is a 90MW Heavy Fuel Oil fired power plant located at Rabai, 20 km inland from the port of Mombasa. The Project is situated next to the Kenya Power and Lighting Company high voltage sub-station.

**Rabai
Location**

Artist's Impression

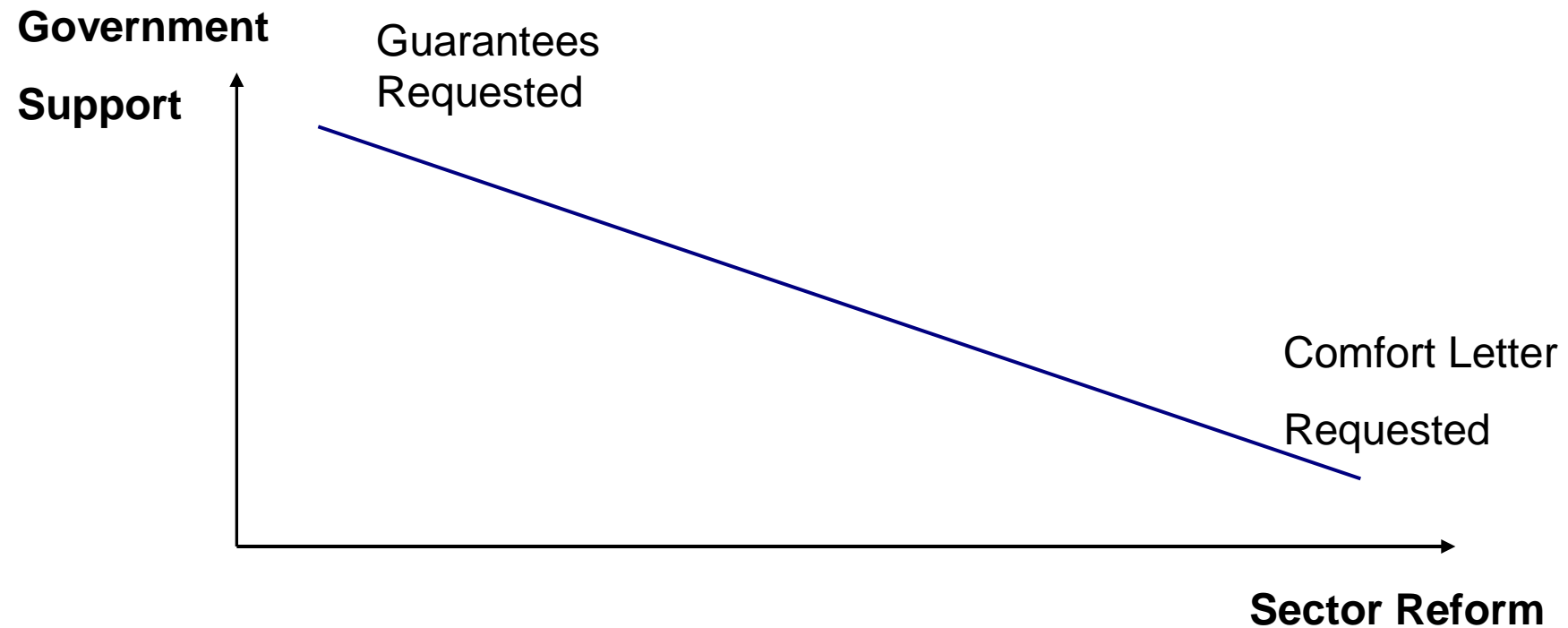


Reasons for Success I

- Clear transparent process
- Built on a platform of a reformed energy sector
 - New Electricity Act enabling private sector participation
 - An independent pro-investment Energy Regulatory Commission
 - A cost reflective tariff
 - A track record; success breeds success
- Use of standard documentation reflecting risk allocation designed to facilitate project financing
- Clear decisive leadership within the Energy Sector
- Co-operation and full involvement of officials from the Attorney General's Office and the Ministry of Finance
- Development Finance Institutions being somewhat less affected by the banking crisis

Reasons for Success II

- Engagement with experienced lending institutions
- Recognition of the need for Government Support
- A willingness to learn from previous deals inside and outside Kenya



Challenges Encountered

- The project faced a legal challenge from a disgruntled unsuccessful bidder
 - This led to an eight month delay
 - The disgruntled bidder had an seemingly endless ability to frustrate the development process
 - The project was only able to proceed when the disgruntled bidder was offered an opportunity to develop another project
- Following the December 2007 Presidential Elections Kenya experienced a difficult period
 - Initially our lenders were reluctant to continue participation in the Project; participation resumed when a political solution was agreed
- The Project closed on October 8th 2008 right in the middle of the banking meltdown

Private Sector Participation

- Government does, however, have the option to complete projects in the Public Sector

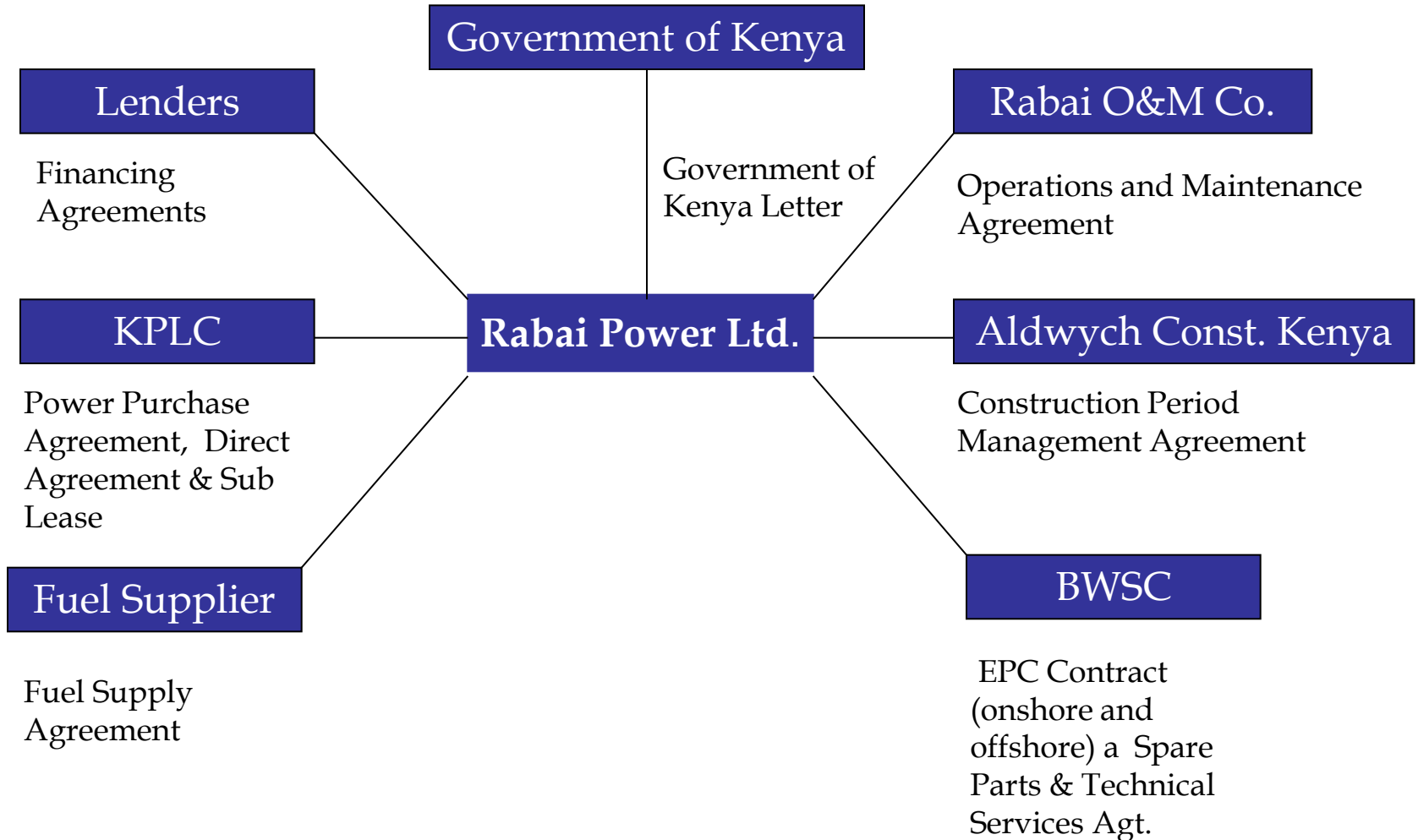
Public

- Amount of cash is finite and is required for uses such as health and education
- The utility has to be in a position to raise the capital required to complete any given project
- Public projects have a tendency to run over time and over budget

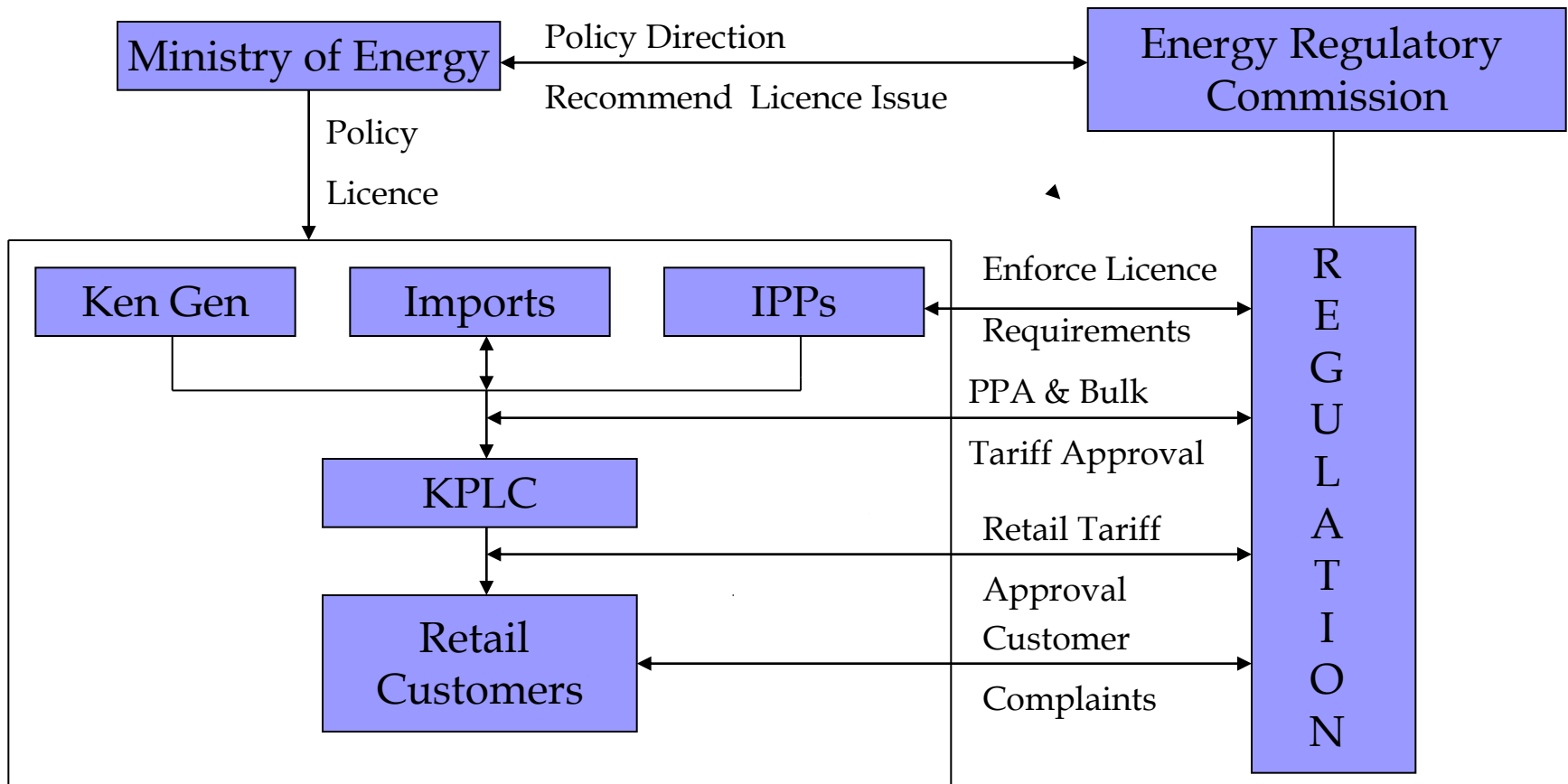
Private

- Funds are readily available for well structured projects
- The utility has only to pay electricity and not to raise the capital for any given project
- Performance levels are typically high
- The private sector takes performance risk

Project Contractual Structure



Sector and Customer Information – Sector Overview



Success Breeds Success - Kenya Coal an Extensive Bidding Field

- Guma (SA), with Vattenfall and CMC
- Globeleq
- Sithe Global
- Daewoo International
- Union Fenosa Foster Wheeler
- Kepco
- AES Europe
- En Comm
- Aldwych International / BHEL

N.B. The biddings field for Rabai only attracted four bidders.

Recent Photograph

