

Project Disclosure
Konexa Renewable Generation & Distribution
22 October 2021



Who is our prospective client?

Climate Investor One (“CI1”) is considering an investment opportunity in the Energy Company of the Future (ECOF), trading as “Konexa”. Konexa has developed a unique vertically integrated renewable energy generation and electricity distribution platform and has partnered with the Kaduna Electricity Distribution Company (KAEDCO) to pilot this platform under a long-term sub-franchise agreement in Kaduna City, Kaduna State, northern Nigeria (“the Project”). Within its sub-franchise area, Konexa will construct and operate a 2.5MW AC embedded generation solar photovoltaic (PV) plant as an independent power producer (IPP), distribute and sell power to end customers, undertake grid network upgrades to refurbish and expand grid network distribution and last mile reticulation infrastructure, and deploy smart metering infrastructure and an advanced utility management system to digitise and automate network operations. Additionally, Konexa will deploy solar mini-grids and solar home systems to off-grid customers in rural villages and remote settlements located within the sub-franchise area. The Project will be constructed under a turn-key and fixed price Design-Build, Operations and Maintenance contract.

What is the funding objective?

CI1’s investment will finance the construction of the Project, which will contribute to Nigeria’s energy sector reforms and improve the country’s grid stability and performance of the distribution network and reduce technical and commercial losses. In addition, the Project will support the Government of Nigeria’s objectives as expressed in the country’s UNFCCC Nationally Determined Contribution (NDC). Nigeria is targeting a 20% reduction in greenhouse gas emissions from Business as Usual by 2030. This will partially be achieved through increasing renewable energy capacity, specifically installation of 13 GW of off-grid solar PV, and through grid improvements to reduce transmission and distribution losses.

Why do we want to fund this project?

Nigeria is Africa’s most populous country and the largest economy in Sub-Saharan Africa (SSA), yet it has one of the most challenging and complex energy systems in SSA. Despite far-reaching power reforms launched by the Government of Nigeria in 2001, the energy sector still faces significant issues including substantial losses, grid instability, inadequate generation capacity and deteriorating grid infrastructure. Konexa is Nigeria’s first independent, integrated utility platform, and the Project will pave the way for further opportunities like this in new markets where successful energy reforms are needed. Supporting a pioneering utility platform under the umbrella of a sub-franchise model is expected to set a precedent for future IPPs, not only in Nigeria but in the wider West Africa region.

Environmental and social rationale

The Project has been classified as Category B+ in terms of environmental and social (E&S) impacts and risks. Adverse E&S impacts are limited and effective mitigation measures in line with international standards are available. The main E&S impacts and risks relate to construction activities and occupational and community health and safety. IFC Performance Standards (PS) 1-4 are applicable to the Project. IFC PS5 is considered partially applicable as a small poultry farm encroaching onto the solar PV site is being relocated. The Project does not pose any risk to sensitive biodiversity (IFC PS6) or Indigenous Peoples (IFC PS7), and IFC PS8 (cultural heritage) is not triggered beyond the standard ‘chance finds’ procedure requirement. An ESIA (including an ESMP) has been prepared for the solar PV plant and grid network upgrades. A community development programme is being implemented by Konexa, which has included the installation of a solar mini-grid to serve two rural villages, and an associated livelihoods improvement training and support programme.