

## Responses to Comments Received on the Azura Project

### 1. No new energy access

Comment: The Azura Project does nothing to bring electricity to new households. Moreover, Azura will not even satisfy the energy access needs in the immediate Project vicinity. Three communities are located within one kilometer (km) of the Project site. Two of those communities, Ihovbor-Evboeka (“Ihovbor”) and Idunmwowina-Urho-Nisen (“Idun”), have only sporadic access to electricity as a result of small transformers serving these communities. A third community, Orior-Osemwende (“Orior”), has no access to electricity. Although the EIA acknowledges that there is a high expectation among these communities that the Project will improve access to electricity in the area, the Project does nothing to meet these expectations. Thus, the Project fails to meet the energy needs of even the communities that are nearest to it. This is contrary to the goal of Power Africa.

Response: Adding additional generation capacity to the grid is the first and most critical step to ultimately increasing access to energy for all. In addition, although Azura is licensed to generate power and not to distribute power, Azura has committed to providing electricity access to the nearby communities (approximately 2900 people) through a low tension electrical distribution system.

### 2. Polluting open cycle gas turbine

Comment: Azura fails to provide “cleaner, more efficient electricity generation capacity,” much less renewable energy. Moreover, the Azura Project plans to use an open-cycle gas turbine, which is much more polluting and less efficient than a closed-cycle gas turbine. Since the Project sponsors promise to *consider* converting Azura to a closed cycle type at some unspecified future date, there is no guarantee that this will occur. Therefore, it is questionable if OPIC financing brings any environmental additionality to the Project. In addition, the Project contravenes the cleaner energy goals of Power Africa.

Response: A request is being made to Azura to evaluate the feasibility of switching to combined cycle within one year of commencement of operations. The initial goal is to commence electricity generation as soon as possible to address the dire situation of electricity shortage in Nigeria. It should be noted that the construction period for open cycle is less than a year compared to about two years for combined cycle. It is a normal business practice to start with open cycle when there is an acute power shortage and then convert to combined-cycle as soon as feasible. Based on current plans, Azura plans to switch to combined cycle within three years of commencement of operations, which is considered reasonable.

### 3. Flawed alternatives assessment

Comment: The Project EIA includes a flawed and incomplete alternatives analysis section. The only alternatives considered are different kind of fossil fuel feedstock, different Project locations, and coal and hydroelectric power Projects. The EIA completely fails to consider any renewable energy options. Therefore, Azura fails to comply with requirements to consider alternatives – including those to reduce or avoid greenhouse gases-in the IFC Performance Standards, which are incorporated by reference in OPIC’s Environmental and Social Policy Statement. Azura also

does nothing to fulfill the Power Africa promise to increase electricity access through mini-grid and off-grid renewable energy solutions.

Response: The purpose of the plant is to provide base load power. Renewable energy sources (except for hydro and geothermal) are generally not considered viable options for a base load plant as they supply intermittent power. There are no hydro or geothermal sources for generating power in or near Benin City. Therefore, there are no feasible base-load alternatives.

#### 4. Poor use of limited public resources

Comment: OPIC financing for Azura provides little if any additionality and would squander precious public financing that can be better focused on renewable energy access Projects that lack alternative financing options. This would be more consistent with Power Africa's goal to increase energy access and also meet OPIC's requirements to scale down its portfolio of greenhouse gases thereby providing OPIC with the greatest leverage to achieve both mandates. In addition, Azura has already secured financing from 19 other institutions.

Response: The Project qualifies as additional based on the lack of appropriate, additional private sector funding options. Furthermore, OPIC's participation fills a critical gap in the capital structure of a Project aligned with several OPIC priorities. The Project supports the Power Africa initiative by providing electricity in Nigeria, which suffers from a chronic shortage of power and severe historical underinvestment in the sector. Azura is the first IPP in Nigeria in 10 years, the first to move forward under the ongoing sector reform in the country and the first to sign a PPA with NBET. As such, public sector support, including OPIC's, is integral to the stability of the Project and success in the early stages of the Nigerian power sector reform. Additionally, the Azura project will increase energy supply in Nigeria at a sustainable and competitive tariff by utilizing the current lowest cost new entrant generator technology as established by the Nigerian Electricity Regulatory Commission.

#### 5. Recent visits to local communities indicate confusion over Project impacts

Comment: There is a great amount of confusion over the Project's environmental and social impacts and adequacy of resettlement compensation. The community members have not been provided with the Environmental Impact Assessment and Resettlement Action Plan, and that a meaningful consultation including timely disclosure of relevant and adequate information that is understandable and readily accessible to affected groups and communities has not been carried out.

Response: The EIA has been placed in the communities and available information from the field indicates that the communities are aware of the environmental and social impacts associated with thermal power Projects, as NIPP's thermal power plant already exists in the immediate vicinity. Furthermore, Azura has conducted community meetings in which Project information was disclosed and there is documentation of the proceedings from those meetings. In addition, Azura followed the EIA process applicable in Nigeria including disclosure of the EIA in Benin City. A non-governmental organization (Lift Above Poverty) participated in the RAP steering committee to provide additional third party assistance in disseminating information. While there were

delays in compensation related to the time necessary to secure official approval, the community that will be affected by this Project (Ihovbor-Evboeka) has been compensated for the land expropriation.