

Pacific Environment • Environmental Rights Action/Friends of the Earth Nigeria
Friends of the Earth US • Oil Change International

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President Littlefield and Ms. Boomgard:

We write to provide comments on OPIC's potential support for the proposed Azura-Edo 450 MW Independent Power Project in the North-Eastern Side of Benin City, Nigeria. We submit these comments in light of OPIC's environmental and social policies and also in the context of President Obama's Power Africa initiative.

The President's Power Africa initiative pledges to "add more than 10,000 megawatts of cleaner, more efficient electricity generation capacity. It will increase electricity access by at least 20 million new households and commercial entities with on-grid, mini-grid, and off-grid solutions."¹ However, the Azura-Edo project fails this promise in several important regards:

No new energy access: The Azura-Edo project does nothing to bring electricity to new households. According to the Azura-Edo Environmental Impact Assessment (EIA), "the majority of the Nigerian population (and most notably the country's poor) are not connected to the national grid," and government plans to extend the grid have been "subject to long delays and serious cost overruns." The Azura-Edo project does nothing to correct these problems. The Azura-Edo EIA is explicit in its description of the project as one that connects only to the existing grid, not one that extends the grid. The project includes only a short transmission line of approximately 1 kilometer in length connecting the power plant to the adjacent Benin North Substation, and a 1 kilometer gas pipeline spur connecting the power plant to the Escravos Lagos Gas Pipeline System. As such, it is not intended to add new energy access.

Moreover, Azura-Edo will not even satisfy energy access needs in the immediate project vicinity. According to the EIA, three project-affected communities are located within one kilometer of the project site. Two of those communities, Ihovbor-Evboeka and Idunmwowina-

¹ <http://www.whitehouse.gov/the-press-office/2013/06/30/fact-sheet-power-africa>

Urho-Nisen, have only sporadic access to electricity as a result of small transformers serving these communities. A third community, Orior-Osemwende has no electricity access. The EIA states that these communities “indicated that there is a high expectation of the Project improving access to electricity in the area.” Yet, Azura-Edo does nothing to meet these expectations. The EIA states “at this stage there are no anticipated constructions, alterations or upgrades planned to the local infrastructure as part of the Project activities, apart from the aforementioned temporary construction camp.” Thus, the project fails to meet the energy needs of even the communities that are closest to it. Given the goal of Power Africa to add new energy access, and OPIC’s limited financing capacity to achieve it, the Azura-Edo project is precisely the wrong kind of project to support.

Polluting open cycle gas turbine: Azura-Edo fails to provide “cleaner, more efficient electricity generation capacity,” much less renewable energy. Given the many kinds of local and global pollution emitted by natural gas projects, the notion that this fossil fuel source is “clean” is a myth. Moreover, the Azura-Edo project plans to use an open-cycle gas turbine, which is much more polluting and less efficient than a closed-cycle gas turbine. According to the EIA, a closed-cycle gas turbine “would result in 40 percent less air emissions.” Project sponsors promise to *consider* converting Azura-Edo to a closed cycle type at some unspecified future date. However, the EIA provides no guarantee that this will ever occur, stating “...it is currently difficult to assess if and when such a conversion will become possible....” This begs the question of whether OPIC financing brings any environmental additionality to the project, and why OPIC should support a dirtier project that contravenes the cleaner energy goals of Power Africa.

Flawed alternatives assessment: The project EIA includes a flawed and incomplete alternatives analysis section. The only alternatives considered are different kinds 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-Edo fails to comply with requirements to consider alternatives—including those to reduce or avoid greenhouse gasses—in the IFC Performance Standards, which are incorporated by reference in OPIC’s Environmental and Social Policy Statement. Azura-Edo also does nothing to fulfill the Power Africa promise to increase electricity access through mini-grid and off-grid renewable energy solutions.

Poor use of limited public resources: Given Power Africa’s goal to increase energy access, combined with OPIC’s requirements to scale down its portfolio of greenhouse gasses, the agency should focus its precious resources on situations where it can provide the greatest leverage to achieve both mandates. Yet, it is reported that the Azura-Edo project has already secured 19 sources of international financing, including from the World Bank Group.² As a result, OPIC financing for Azura-Edo 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.

² <http://www.premiumtimesng.com/business/156115-19-foreign-investors-invest-n160-billion-new-azura-edo-ipp.html>

Recent visits to local communities indicate confusion over project impacts: As elaborated in the attached Field Report by Environmental Rights Action/Friends of the Earth Nigeria, recent visits to the local communities suggest there is a great amount of confusion over the project’s social and environmental impacts and adequacy of resettlement compensation. It appears that community members have not been provided with the Environmental Impact Assessment and Resettlement Action Plan, and that a “meaningful consultation” including the “timely disclosure of relevant and adequate information that is understandable and readily accessible to affected groups and communities,” as required by OPIC’s Environmental and Social Policy has not been carried out.

In light of the concerns raised in this letter and in the Field Report by ERA/FOEN, and until demands of NGOs and communities are met, we urge OPIC to reject financing for the Azura-Edo IPP.

Sincerely,

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