



# Distributed energy systems somalia

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Explore different types of political risk insurance guarantees provided to investors and lenders.

Learn about the progress MIGA is making in its mission to support economic growth, reduce poverty and improve people's lives.

WASHINGTON, February 1, 2023 - The Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group has issued a guarantee of \$5.67 million to cover Kube Energy's equity and debt investments in Kube Energy Somalia LLC for a period of up to 15 years against the risks of expropriation and war and civil disturbance. This is MIGA's first project in Somalia, which became a MIGA member country in March 2020.

The project, developed by Kube Energy in collaboration with the government of the South West State of Somalia, and financed and further developed in partnership with CrossBoundary Energy, will establish the first hybrid solar power plant in Baidoa, Somalia.

The power plant will have a capacity of approximately 2.8 megawatts of solar PV modules and 4.8 megawatt-hours of battery storage integrated with synchronized generators. The project aims to increase energy access, reduce greenhouse gas emissions, and build clean power generation capacity for the city of Baidoa, an important regional trading hub with a growing population of people displaced due to conflict and drought.

The Somali energy sector is one of the most underdeveloped in the region, with electrification rates estimated at 35 percent. Much of Somalia's public electricity infrastructure was destroyed during its internal conflict, with the private sector stepping in to create small energy service providers that are now generating more than 90 percent of the electricity in the country. As a result of in-country limited electricity infrastructure, the UN has relied on its own diesel generators, and is currently one of the largest self-generators of electricity in Somalia, with an installed capacity of approximately 65 MW compared to the total grid-connected installed electricity generation capacity of 138 MW.

By entering into a power purchase agreement with Kube Energy to provide clean energy to its compound in Baidoa, the UN will reduce its environmental impact by cutting its diesel consumption and support the development of local energy infrastructure. The project will help the UN reach its ambitious target of 80 percent renewable energy use by 2030 across all its operations.

"MIGA is eager to support investment into renewable energy infrastructure in fragile markets and contribute to the UN's efforts to reach its 80 percent energy target in Somalia," said Hiroshi Matano, Executive Vice President of MIGA. "This first-of-its-kind transaction will serve as a model for other international organizations seeking clean energy at a lower cost, while encouraging energy access for communities and

governments."

This ground-breaking business model demonstrates that renewable energy investment can be achieved even in the most challenging environments. Kube Energy's model, leveraging creditworthy international organizations to allow investment in renewable energy-based electricity in fragile and conflict-affected countries, has a strong potential for replication. Kube Energy is pursuing similar projects elsewhere in Somalia, the Central African Republic, Mali, and South Sudan.

"This is a landmark deal for Kube Energy and for our partners. By showing it can be done, we have taken a giant step toward unlocking more renewable energy projects in Somalia and other fragile areas," said Mads Uhlin Hansen, CEO of Kube Energy. "The risks in the places we operate are high, but the scope to have an impact for those that have been most left behind is enormous. MIGA support helps us to overcome some of the risks in these challenging environments."

"As an investor, the guarantees provided by MIGA are critical. It improves the business environment in underserved markets by providing a certain level of confidence," said Georgina Wanyaga, Senior Business Development Manager for CrossBoundary Energy. "MIGA's support demonstrates it is possible to deliver bankable projects in remote or challenging settings, which is crucial when operating in these areas."

The solar hybrid power plant will lead to significant greenhouse gas emissions savings, as the solar power produced will displace diesel generators which are highly polluting. The project will displace an estimated fuel usage of approximately 1 million liters per year, resulting in avoided greenhouse gas emissions of approximately 2,800 tons of CO<sub>2</sub>e per year.

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