

SAGCOT Investment Opportunity in Tanzania

Background

Tanzania has a long history of sugar cane production and it has now a prioritized national policy to attract foreign investments into modern and industrial scale sugar cane production. Between 2001 and 2010, the production of sugar in Tanzania increased from 130,000 Mt pa to 280,000 Mt pa. This has been principally due to the refurbishment of four old sugar cane estates and rejuvenation of sugar cane farms. However, production capacities in existing mills are now approaching their limit and annual consumption is at 500,000 MT pa and growing rapidly.

Tanzania has considerable areas of undeveloped arable land, good growing conditions for sugar cane, existing national sugar cane industries, a stable political environment and, finally, very supportive national and local governments. EcoEnergy has through an agreement with Government been given access to an area suitable to develop more than six projects, each having an estimated crushing capacity of 2-2.5mn Tcpa. This is in an area with suitable soil for sugar cane, good access to water and good access to a deepwater port. As a first stepping stone to the development of this cluster of projects, EcoEnergy will develop a smaller greenfield sugar cane project of approximately 11,000ha in Bagamoyo.

The Bagamoyo processing facility has an average designed throughput capacity of 1.0 million Tcpa and will be established on the estate designed and prepared for production of ethanol/sugar, plus co-generation of electric power. As Tanzania has

Overview

- 6-8 projects to produce sugar, ethanol and electric power.
- Large company estates combined with comprehensive outgrower schemes, all irrigated.
- Total funding requirement US\$ 4-6 bn for the whole program and US\$425mn for the first project, most coming from development banks.

The Southern Agricultural Growth Corridor of Tanzania (SAGCOT) is a public-private partnership (PPP) designed to improve agricultural productivity, food security and livelihoods in Tanzania. SAGCOT will foster a business environment conducive to the development of profitable, well-functioning agribusinesses. SAGCOT offers a variety of investment opportunities including, but not limited to, backbone infrastructure, 'last mile' infrastructure, marketing, storage and processing infrastructure, 'on-farm' investment and technology.

Social sustainability	Environmental sustainability
<ul style="list-style-type: none"> - Employment of over 2,000 people - Housing allowances to all employees securing improved living conditions - Support and strengthening of existing local education and health systems - Comprehensive outgrower programme supporting 1,500 families 	<ul style="list-style-type: none"> - International best practice and environmental standards (developing wildlife corridors / waste management / recycling of waste water) - Carbon neutral (no cane burning / all mechanical harvesting / cleared biomass used for biopower / mulching of soils creating carbon sink / fossil free processing of sugarcane / moving towards fossil free equipment trucks and vehicles) - Maximisation of green power (state of the art high pressure boilers / biomass from land clearing used to produce power / biopower for 11 months / year) - Ethanol produced from molasses as a by-product replacing imported petrol

a large structural domestic sugar shortage, for the foreseeable future the company will maximize sugar production in this first project that is also strategically located in relation to the Dar es Salaam market.

The project aims for the highest sustainability standards, creating a baseline for future projects. Sustainability is an integral part of the project design and is considered as an important future competitive advantage.

The cluster of projects designed for sugar/ethanol/power and large estates with irrigation is an estimated investment of US\$4-6bn over 20 years, The Bagamoyo project will produce approximately 120,000 tonnes of sugar for sales to the domestic market, up to 15,000 million litres of ethanol for domestic and export markets and 100,000 MWh/year for sale to the Tanzanian national electricity grid. Up to 300,000 tonnes of sugar cane, or approximately 30% of all supply, will be sourced through a comprehensive outgrower programme.

The project is expected to reach financial close by Q3 of 2012. The construction is expected to last 26 months. The first factory is expected to start processing at the end of 2014.

Current partner structure

- o A debt consortium led by, African Development Bank and the Development Bank of Southern Africa (DBSA), are in the process of finalising full due diligence for mezzanine and senior debt financing
- o Guaranteed off-take for ethanol from the SEKAB Group for the first project
- o Guaranteed off-take for power from the Tanzania Electric Supply Company (TanESCO)
- o A cost and time overrun guarantee most likely provided by Swedish development agency, SIDA
- o O&M partnership with experienced operators on sugar

cane and industrial processing

- o EPC contract for a turnkey processing plant from a experienced supplier
- o The Government of Tanzania will have a long term shareholding of 25% in all projects exchange for land
- o All partners in the Bagamoyo project are committed to develop the cluster of projects

Why invest in EcoEnergy Tanzania?

- EcoEnergy (part owner of Europe's largest importer of Brazilian ethanol over the last ten years) has identified Tanzania as a high potential location for sugar cane estate and processing, as well as sugar, ethanol and power production.
- EcoEnergy has identified Tanzania as it has considerable undeveloped arable land, good growing conditions, existing national sugar industries, stable political environment and supportive national and local governments.
- EcoEnergy has the ambition to develop a number of projects for sugar cane starting with a stand-alone green-field sugar cane project of approximately 11,000ha in Bagamoyo, 100km north of Dar es Salaam.
- EcoEnergy has agreed with the Government of Tanzania to cooperate in developing such an agro-industrial sector through the development of a number of further projects.
- EcoEnergy is convinced that the East African domestic market will drive further project developments and finds that the East African countries are very committed to first remedy the big and growing structural import dependency on sugar and gasoline by providing attractive investment conditions for large greenfield projects.

The total funding requirement for the full cluster of projects is US\$4-6bn and the Bagamoyo project is US\$425mn, mostly financed by development banks.



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