

IN TIME FOR CHRISTMAS, AZURA POWER'S FIRST TURBINE CONNECTS TO THE GRID

20 December 2017, Benin City

Today's Milestone

Earlier today, Azura Power's first turbine was synchronized to the national grid and began producing electricity for distribution across the country. This is a red-letter day for the country's first large-scale, project-financed, independent power plant; and a testament to the work of the many government agencies that have helped to bring this project to life.

Today's event marks the start of a four-month period of intensive commissioning of the 459MW Azura-Edo IPP located in Benin City, Edo State. The plant is comprised of three Siemens turbines, each of which is capable of producing 153MW. The first turbine was synchronized to the national grid on 20th December 2017 and will undergo a battery of tests over the coming five weeks. Tests on the second turbine will begin at the end of January 2018, with the tests on the third turbine commencing at the beginning of March 2018. The commissioning process will then conclude at the end of April 2018 when the plant is scheduled to reach full commercial operations.

During this four-month commissioning period, the plant will produce over 100,000 megawatt hours of electricity which will be sold by the National Bulk Electricity Trading PLC ("NBET") to the country's distribution companies.

Deputy Managing Director, Mr Edu Okeke, expressed his pleasure that the commissioning process will start before Christmas: *"This festive season is one of the peak periods for electricity consumption in Nigeria and it's a source of real pride for Azura that we were able to bring our first turbine onto the Grid before Christmas Day."*

The project, whose construction began in January 2016 was anticipated to reach completion in December 2018. But with the vast bulk of the work already completed, the project is currently more than 7 months ahead of schedule. It has also become a standard-bearer for good health and safety practices, having clocked up more than 4 million man-hours of work without a single lost-time injury.

The credit for this high-level performance is shared by the EPC Consortium of Siemens and Julius Berger and all the stakeholders in the project, including, amongst others: the Presidency; NBET; the Nigerian Gas Company ("NGC"); the Transmission Company of Nigerian ("TCN"); the Federal Ministry of Power, Works & Housing; the Federal Ministry of Finance; and the Edo State Government.

NBET, for example, has a team of engineers that have conducted intensive, monthly, on-site monitoring of the works since the first day of construction. NGC has partnered with Azura in the construction of the gas spur line that connects the Escravos Pipeline System to the power plant and in the construction of the pressure reducing and metering station. TCN has also worked assiduously with Azura in the construction of the on-site switchyard and the connection into the neighbouring Benin-North Switchyard.

Meanwhile, the Honourable Ministers of Power and Finance, and their respective Permanent Secretaries, have provided unstinting moral support for the project; whilst His Excellency, the Executive Governor of Edo State, has constantly challenged the project team to *"work faster, better and safer"*.

The success, to date, of the project is also a reflection of the close cooperation and strong and consistent support that it has received from the three local communities of Ihovbor, Orior-Osemwende; and Idunmwowina and from the palace of His Royal Majesty, the Oba of Benin.

Whilst there is still some way to go and challenges to overcome, the project's management team is confident that all parties will continue to work together to enable the power plant to reach full commercial operations well ahead of schedule.

Full Cycle

Today's milestone also marks the historic completion of an industry chain where all the links are forged together through commercially negotiated contracts. Siemens and Julius Berger built the plant under the terms of the EPC Contract. The gas that was used to generate today's electricity was supplied by Seplat PLC and the Nigerian Petroleum Development Company in accordance with the Gas Supply & Purchase Agreement. NGC transported the gas to the site in line with the Gas Transportation Agreement. The electrons generated were then transmitted across the country's high voltage network by TCN per the Grid Connection Agreement. These same electrons were then bought by NBET under the terms of the Power Purchase Agreement and sold to the eleven distribution companies ("Discos") under the Vesting Contracts between NBET and the Discos. Hence, for consumers and investors alike, the catalytic power of this value chain was on full display yesterday.

The successful firing of Azura's first turbine is also a key milestone in the Government's Power Sector Recovery Plan ("PSRP") which aims to increase the security of electricity supply for millions of Nigeria's homes and businesses.

The Impact on Investor Confidence

The debt financing for this \$900m project is provided by a consortium of 15 banks from 9 different countries, including most of the European development finance institutions. The Azura-Edo IPP is also the first Nigerian power project to benefit from both the World Bank's "Partial Risk Guarantee" structure and the political risk insurance supplied by the Multilateral Investment Guarantee Agency.

For each of the banks that have invested in the Azura-Edo IPP, the project has become a litmus test of the Government's commitment to the sanctity of contract. In many emerging markets, one of the principal anxieties faced by project-financed IPP investors pertains to payment risk (i.e. will the government offtaker pay in full and on time). However, the leadership of NBET has consistently advised investors to put aside such negative sentiments; and the Azura-Edo IPP is proof of the trust reposed by the international investment community in the full faith and credit of the Nigerian government.

Moreover, tangible evidence of this creditworthiness will be furnished in January 2018 when Azura submits its first invoice to NBET for the power produced during the commissioning of the first turbine. Even though the sums involved are relatively small, the symbolism of this will be noted by investors around the world and will, no doubt, help to boost the country's credit rating during the first quarter of next year.

EMBARGOED UNTIL 16.00 ON 20 DECEMBER 2017

If you are interested in knowing more about the Azura Journey, please follow the links overleaf:

FOLLOW THE AZURA JOURNEY ON THE LINKS BELOW

www.azuraedo.com

The website of Azura Power West Africa Limited.

<https://azurawa.wordpress.com>

The daily blog tracking the construction of the Azura-Edo IPP.



Proud Partners: Staff & management of both Azura and NBET pose by the side of the turbine hall.



Tension in the Control Room: All eyes glued to the monitors.