



RURAL ELECTRIFICATION AGENCY

ENERGY • EMPOWERMENT • EFFICIENCY



TERM SHEET

EEP PHASE II

PARTIES

PROJECT BENEFICIARIES

SELECTED HIGHER INSTITUTIONS

PROJECT DEVELOPER

RURAL ELECTRIFICATION AGENCY

THROUGH

THE NIGERIA ELECTRIFICATION PROJECT

PROJECT FINANCIER

THE INTERNATIONAL DEVELOPMENT
AGENCY (“WORLD BANK”)

PURPOSE OF THE TERM SHEET

- The Term Sheet is a first step in creating a legally binding relationship between REA as Project Developer and the Project Beneficiaries.
- It outlines the general terms and conditions; and rights and obligations of REA and the Project Beneficiaries in respect of Phase II of the EEP pending the execution of the Definitive Agreements between the Parties.

PROJECT OBJECTIVES (VIABILITY)

- The Plant will generate and supply electrical power to the Beneficiary and other offtakers/facilities within the Beneficiary's premises.
- The Project is intended to be executed and operated in a commercially viable manner. The Beneficiary is expected to ensure that measures are taken to provide meters for all end-users of electrical output supplied from the Plant and that the electricity supplied is fully paid for at the tariff to be agreed by the Parties (subject to any regulatory approvals).

PROJECT OBJECTIVES (SUSTAINABILITY)

- During the Term, the Plant and distribution network will be operated and maintained in a sustainable manner according to established best practices.
- An appropriate vehicle/process will be established to oversee the sustainable management and operation of the Plant during the Term.
- The Plant must be adequately insured for the benefit of the Project and in the event of any loss or damage to the equipment, any pay out must be applied towards the rehabilitation of the Plant.

PROJECT OBJECTIVES (CAPACITY BUILDING)

- A Training Centre/Workshop will be constructed and operated by the EPC Contractor during the Post-Construction Phase. If necessary, the EPC contractor will provide training to personnel nominated by the Parties.

PROJECT OBJECTIVES (ENVIRONMENT & SOCIAL)

- The Project is primarily a renewable energy project aimed at ensuring the delivery of electricity to the Beneficiary with projected minimal adverse impact on the Beneficiary and its environs in accordance with the initial assessments in the Safeguards Documents (i.e. the Sustainability Plan, the Environmental and Social Impact Assessment and the Livelihood Restoration Plan (LRP)). The REA and the Beneficiary shall carry out, and cause the EPC contractors to carry out, the Project in accordance with the Safeguards Documents which have been formulated to ensure that the Project achieves the desired objective.

PROJECT TERM

- MINIMUM OF TEN (10) YEARS

PROJECT STAGES

- **Construction :** During this phase, REA will secure the services of an EPC Contractor for the design, engineering works, procurement construction and commissioning of the Plant; upgrade of the distribution network; rehabilitation and provision of street lighting; and construction of a workshop/training centre.
- **Post-Construction:** During the 12 (twelve) months' post-construction phase, the EPC contractor will be responsible for the operation and maintenance of the Plant and distribution network.
REA and the Project Beneficiary will agree on the curriculum and structure of the Training Centre which will be operated by the EPC contractor in line with the contract agreement and in accordance with the Safeguards Documents.
REA will conduct Energy Demand Audits prior to the end of the Post-Construction Phase to ensure that the Plant is operating within its designed capacity with acceptable tolerance to prevent overloading.

PROJECT STAGES (CONTD.)

- **Operational Phase:** During this phase, the Parties will be jointly responsible for ensuring a sustainable operation of the Project in accordance with the Safeguards Documents, including the Sustainability Plan.

A special bank account will be set up with written approval of the REA , in which the Beneficiary shall ensure that all payments for electricity supplied by the Plant are deposited. These funds shall be used for the operation and maintenance of the Plant.

PARTIES' JOINT OBLIGATIONS

- Ensuring that the Project is duly executed in accordance with the Safeguards Documents and international best practices and operated in an environmentally, commercially and socially responsible manner.
- Under the auspices of REA, to establish a vehicle/body to manage the Project in line with agreed terms and conditions.
- To develop a viable curriculum for the Workshop /Training Centre.

CONTINUING OBLIGATIONS OF THE PROJECT DEVELOPER

- Provision of the technical, financial and operational resources necessary for the implementation and operationalization of the Project.
- To conduct further feasibility studies and support initiation of environmental and social impact and other essential studies required pursuant to the Safeguards Documents.
- To ensure, that for each activity under the Project of a type for which the Environmental and Social Impact Analysis (ESIA) and/ or the Environmental and Social Management Framework (ESMF) and/ or the Resettlement Policy Framework (RPF) provides that an Environmental and Social Management Plan (ESMP), ESIA and LRP should be prepared, and shall ensure that such instruments are prepared, in form and substance satisfactory to the World Bank, locally disclosed and disclosed in the World Bank infoshop before the implementation of such activity, and that the relevant activity is implemented in accordance with such instruments including incorporating said instruments in the bidding documents.
- To ensure that prior to carrying out activities, including starting civil works, which involves land acquisition or displacement, Project Affected Persons (PAPs) are compensated by the Beneficiary at full replacement cost, resettled and provided with assistance in accordance with said specific Resettlement Action Plans (RAP) and said LRP, as applicable.

FURTHER OBLIGATIONS OF THE PROJECT DEVELOPER

- To apply for and exercise best efforts to obtain the necessary regulatory approvals, permits and licences as may be required for the successful implementation of the Project in the name of the Project Beneficiary required by the, Nigerian Electricity Regulatory Commission (NERC) and the Federal Ministry of Environment and any other relevant regulatory authority.
- To employ the services of Engineering, Procurement & Construction (EPC) contractors to generate and deliver the electric power from the Plant to the designated interconnection point of the Project Beneficiary and to provide all other services as may be incidental to or required under the EPC contract to be awarded by REA.
- To procure the goods, works and services required for, and to take responsibility for any costs or charges imposed on or associated with the construction and commissioning of the Plant except costs or charges which are expressed to be the Beneficiary's obligations.
- For the duration of the Post-Construction Phase of the Project (and onwards at terms to be agreed by the Parties), REA will liaise with the Project Beneficiary in relation to the provision of diesel requirement for the Plant.

FURTHER OBLIGATIONS OF THE PROJECT DEVELOPER (CONTD.)

- To ensure the development and operation of a training and workshop centre within close proximity to the Plant for the purposes of training students of the relevant university;
- To procure and install street lighting infrastructure across some major roads within the main university campus, to enhance security and safety.
- To coordinate with all stakeholders and ensure that meetings are convened periodically to provide status updates on Phase II.
- To formulate ESIA, ESMP, LRP, a Sustainability Plan and any other additional studies and plans required by the Safeguards Documents for the Project.

CONTINUING OBLIGATIONS OF THE PROJECT BENEFICIARIES

- To grant unfettered access to its premises and ensure that all key personnel are available at all relevant times; and provide REA with the necessary support required for the successful implementation of the Project;
- To facilitate the acquisition of relevant data and reports towards the conduct of required technical and economic studies for the project
- To cooperate and assist REA to procure all regulatory and governmental approvals or authorizations required or necessary for REA to develop and operate the Plant and upgrade of the distribution network;
- On a best endeavour basis, cooperate and assist REA to procure any other necessary document or otherwise not stated herein, which is or are necessary for REA to effectively carry out its obligations.
- To allocate and secure a of suitable land free of all encumbrances, with all necessary rights of way and easements, situate within its (main) campus and to grant licence(s) to REA and/or the EPC contractor to utilise the land and appurtenant easements and rights of way for the purposes of the Project.

CONTINUING OBLIGATIONS OF THE PROJECT BENEFICIARIES (CONTD.)

- To put in place safeguards for the relocation or provide alternative compensation in respect of persons who suffer a direct and negative economic or social impact as a result of the situation/location of the Plant – Project Affected Persons (PAPs) and to adhere to the terms of the Livelihood Restoration Plan provided by World Bank to ensure resettlement or redress for PAPs.
- In the event that the land provided by the Beneficiary hereunder is found to be unsuitable in any way, the Beneficiary shall immediately identify and allocate a suitable and acceptable parcel of land in line with the provision of the RPF and acceptable to the World Bank. The Beneficiary shall also be fully liable for, and hereby indemnifies REA against, any costs incurred by reason of the unsuitability of the land initially provided, including but not limited to costs of relocation/compensation/provision of alternative livelihood or land for displaced person, costs incurred in adapting the land, contract variation, etc.;
- To provide security to safeguard the Engineering, Procurement and Construction (EPC) contractors engaged to develop, operate and maintain the Plant and other relevant aspects of the Project;
- To ensure that the Project is operated in full compliance and in accordance with the Safeguards Documents, the Sustainability Plan and other Project implementation documents developed by REA.

FURTHER OBLIGATIONS OF THE PROJECT BENEFICIARIES

- To ensure that, prior to carrying out activities, including starting civil works, which involves land acquisition or displacement, Project Affected Persons (PAPs) are compensated at full replacement cost, resettled and provided with assistance in accordance with said specific RAPs and said Livelihood Restoration Plan, as applicable;
- To ensure that the Project is operated observing the highest ethical standards and in compliance with the World Bank Guidelines on Preventing and Combatting Fraud and Corruption including preventing gender-based violence and sexual exploitation in Projects Financed by IBRD Loans and IDA Credits and Grants;
- To notify REA at all times about any disputes arising out of any of the Definitive Agreements between the Project contractors and the Project Beneficiaries. The REA may but is not obliged to attend any dispute resolution proceedings.
- To operate and maintain the street lightning infrastructure;
- To ensure that the university's electric power distribution infrastructure from the designated delivery point is fit and healthy to receive and distribute electric power delivered from the Plant;

FURTHER OBLIGATIONS OF THE PROJECT BENEFICIARIES (CONTD.)

- To take receipt of the electric power at the agreed delivery point;
- Accept title to and risk of loss of the electric power from the Plant once delivered to the delivery point;
- To observe all necessary safety and other precautions to eliminate downtime during interconnection to the designated electric power delivery point; and
- To operate and maintain all distribution network infrastructures from the electric power delivery point.
- To pass bylaws to bind the Plant and formulate works/planning policies to ensure adequate maintenance of the Project facilities.
- To ensure the effective implementation of a metering system for the entire Beneficiary facilities.

FURTHER OBLIGATIONS OF THE PROJECT BENEFICIARIES (CONTD.)

- To ensure that payments received for electricity supplied from the Plant are warehoused in the special bank account set up in accordance with the Definitive Agreement as agreed between the parties. Designated funds must be utilized solely for the operations and maintenance/sustainability of the Project.
- To be responsible for specified costs in accordance with the relevant Project agreement including without limitation, the cost of procuring diesel for the Plant.

COSTS & DISBURSEMENTS

- Cost-reflective charges will be payable by end-users.
- Efficient collections system to be established.
- Payments received will be ring-fenced and applied towards the sustainable operation of the Plant.

DEFINITIVE AGREEMENTS

- The Project will be subject to the execution of an Electricity Supply Agreement which will be the main agreement governing the relationship between the REA and the Project Beneficiaries.#
- There will be other agreements and documentation by and among the REA and/or Project Beneficiaries and other contractors/parties, which may be required to give effect to the Project.