

ENERGY



- Alteo Energy Ltd (AEnL – 65.10% Alteo owned company): Operates a 41 MW biomass/coal power plant at Union Flacq, Mauritius. The company supplies steam and electricity to Alteo Milling Ltd and exports an annual average of 170 GWh to the national grid. It generates more than half of its production from bagasse and cane trash that are renewable energy sources.

- Helios Beau Champ Limited (Helios – 49% Alteo owned company): A joint venture with Qair (Mauritius) Ltd, operates a 9 MW photovoltaic farm at Beau Champ, Mauritius, since December 2018. It exports its average annual production of 16GWh to the national grid.
- TPC Limited (TPC – 45% Alteo effective interest): Operates a 17 MW bagasse power plant generating steam and electricity for its sugar processing requirements and electricity for its entire irrigation network needs. It exports its average surplus of 15 GWh to the Tanzanian national grid. For financial reporting purposes, this activity is aggregated with TPC's sugar operations.

MARKET ANALYSIS

Between 2019 and 2020 calendar years, total electricity generated in Mauritius decreased by 11%, from 3,237 GWh to 2,882 GWh while peak demand decreased by 2.6%. (Figures from Energy And Water Statistics - 2020) This decrease results from the current COVID-19 pandemic since many hotels and other businesses did not operate during extended periods in FY21.

Total electricity generated in Mauritius in 2020 was from the following sources:

59.2% of the total electricity produced in Mauritius was generated by Independent Power Producers, such as Alteo, and the remaining by the Central Electricity Board (CEB).

The National Budget 2021-2022 announced a remuneration of Rs3.50/KWh of bagasse energy exported to CEB for sugar cane planters and producers as part of a Biomass Remuneration Framework. This bold measure taken by Government was a major step towards securing the sustainability of the cane industry in Mauritius, hence preserving the future availability of bagasse for electricity generation.

Through partnerships with renowned international firms, the renewables sector continues to represent a crucial avenue of growth for Alteo's Energy cluster with a 100% biomass thermal project already presented to the CEB. The 2021-2022 National Budget speech set the challenging target of generating 60% of the national electricity from renewable sources by 2030. It also announced the launch of a Request For Proposals for a 40MW wind farm and for hybrid renewable projects to replace coal energy. Alteo, in collaboration with its partners, intends to respond to these tenders.

Alteo's commitment to greener energy production solutions extends to the Group's operations in Eastern Africa, a region where access to electricity is still relatively limited. As stated in the International Energy Agency (IEA) December 2020 Electricity Market Report, the African electricity sector remains characterised by its large geography, limited interconnection and trade, improving electrification and prevailing system adequacy issues. Moreover, according to the IEA's World Energy Investment 2020 report, investment in Africa remains dominated by renewables. The continent thus represents further growth opportunities for Alteo's Energy cluster.

PERFORMANCE REVIEW

	Revenue		Normalised EBITDA		Profit after tax	
	Rs'000		Rs'000		Rs'000	
	2021	2020	2021	2020	2021	2020
Alteo Energy Ltd	711,815	638,307	126,468	97,961	37,027	(11,586)
Consolidated Energy Ltd	-	-	(985)	(4,071)	(590)	59,449
Share of results of Helios Beau Champ Ltd	-	-	-	-	4,383	11,495
	711,815	638,307	125,483	93,890	40,820	59,358

- The performance of AEnL was favourably impacted by better efficiencies despite less bagasse availability due to a lower cane tonnage and a lower offtake from Alteo Refinery Ltd (ARL) following its closure in 2020.
- Overall energy production at AEnL decreased from 181.3 GWh to 177.0 GWh in financial year 2020-21 with the lower offtake from ARL being only partly compensated by a slightly higher offtake from CEB.
- Sugar cane tonnage for crop 2020 was lower than crop 2019, as such, bagasse energy production decreased from 91.5 GWh to 81.1 GWh.
- Cane trash energy production was at par with the comparative year and remained relatively low – pending the release of the Biomass Remuneration Framework which is expected to create the necessary environment to enable the scaling up of this energy source.
- Coal energy production in 2020-21 was at par with last year at 89.7GWh.
- The availability of the power plant for the year under review was 98.4%, a slight decline against the previous year.
- The KWh produced per tonne of bagasse ratio increased from 241 to 244 mainly due to better bagasse quality with reduced mill throughput while the KWh to tonne of coal ratio increased from 1,326 to 1,388 due to more stable demand from the CEB.
- Helios Beau Champ Limited exported 16.3 GWh to CEB in financial year 2020-21 with an average availability of 99.75%.
- Consolidated Energy Co Ltd has ceased its operations since December 2018 upon the expiry of its Power Purchase Agreement (PPA). In the comparative year it benefitted from non-recurring gains from the sale of its equipment.

SHORT TO MEDIUM-TERM OUTLOOK

- AEnL's PPA ends in December 2021 and the company has engaged in discussions with the CEB to extend it until the new 100% biomass power plant project materializes.
- AEnL's future financial performance will depend on the terms of renewal of the PPA.
- Alteo intends to bid on several energy projects but none of these are expected to influence the performance of the cluster over the next financial year given the lead time for the development of such projects.

LONG TERM STRATEGY

The strategy for the cluster is to sustainably and efficiently transform available energy sources into electricity while furthering its transition into renewable energy sources. Alteo has the ambition to develop further into renewable energy sources through a 100% biomass thermal project as well as wind and solar projects in Mauritius and East Africa.

- In line with that strategy, the Group has been investigating alternative sources of biomass. It intends to participate actively in the future development of this segment in Mauritius and to collaborate with the relevant authorities on the preparation of the Biomass Remuneration Framework announced in the 2021-2022 National Budget speech.
- In Kenya, preliminary studies have been launched on a 100% bagasse fueled power plant project and are progressing.
- In Tanzania, TPC aims towards the continuous development of biomass production onsite to increase electricity production for the grid, coupled with investments to reduce internal consumption.

THE PPA RENEWAL PROCESS FOR ALTEO ENERGY LTD



The Union Flacq power plant is extremely reliable, with an average annual availability of 98% over the last few years.



Alteo Energy Ltd is an Independent Power Producer (IPP) and, as such, has a Power Purchase Agreement (PPA) with the Central Electricity Board (CEB) in Mauritius that mainly ensures that (a) the national electricity grid will be provided with a stable source throughout the length of the contract and, (b) that the electricity produced will be bought by the CEB at an agreed price for the duration of the contract. Such agreements have been the norm for all IPPs in Mauritius and Alteo Energy Ltd's current PPA is coming to an end on December 31, 2021. A brief conversation with Sébastien Lavoipierre, Chief Operating Officer of Alteo's Industrial Activities, walks us through the renewal process and highlights the next milestones for Alteo's Energy cluster.

When did our PPA with the CEB begin and when does it end?

Alteo Energy Ltd's power plant has been in operation since the mid-80s and there has been an agreement with the CEB since then. However, when the second power plant was built, a new PPA was signed on August 5, 1997, and lasted to December 21, 2018. It was then extended to December 31, 2021, with updated terms, and we are presently negotiating another extension with the CEB.

What are the key points of this PPA and its extension?

Our current PPA is what is commonly called a 'take or pay agreement'. In essence, this means that the CEB has agreed to take a precise amount of electricity from us for the national grid or compensate us for the shortfall. Our current PPA allows for the annual purchase of 170 Gwh of electricity produced from bagasse, cane trash and coal by the CEB. We are looking to a 3-5 year extension on nearly the same terms as the current agreement.

Why ask for a 5-year renewal instead of a longer (or shorter) period?

The current PPA only allows for maximum extension of 5 years. In line with government's strategy to develop renewable energy and move away from coal, Alteo aims to replace the existing plant with a more efficient one operating on biomass only, thus helping decrease the country's dependency on fossil fuels.

What is the future for our Union Flacq power plant?

Alteo Energy's power plant in Union Flacq consists of 2 units, respectively aged 23 and 37 years old. Yet, despite a venerable combined age of 60, the power plant is extremely reliable with an average annual availability of 98% over the last few years. However, it cannot run forever and, more importantly, it runs on coal during the off-season.

Thus, in line with our group's commitment and vision, we responded to the Request for Information regarding renewable energy projects launched in March 2021 by the CEB with a proposal for a 100% biomass power plant in Union Flacq to replace our ageing plant. This state-of-the-art project would use more efficient technology than our current power plant and would burn bagasse, cane trash, wood, and selected green waste all year long to produce electricity from renewable sources only. As such, this project and the future of our Union Flacq plant are dependent on the recently announced Biomass Framework and its power to drive the development of local biomass sources. We believe that the potential for change and growth is here and that, in the next few years, all existing power plants will be replaced by more modern, efficient and clean equivalents.

