African Forestry Investment Conference

13th – 14th June 2017

Accra, Ghana
Introduction to the Project
APSD Introduction

- 60MW biomass power generation project in Ghana, using eucalyptus as feedstock.
- 22,500ha of plantation required to fuel the power plant. 8,500ha have already been established.
- $65m invested to date.
- Strong developmental benefits: social, economic, environmental, contribution to UN Sustainable Development Goals (SDGs).
- Project complies with highest environmental best practice, IFC Performance Standards and Equator Principles.
Project Location

- The concession is located in the Brong Ahafo Province in Central Ghana, on the western side of the Lake Volta.

- Concession area will cover c. 42,000ha. 22,500ha to be used for the plantation, remaining land used for conservation or riparian zones, road infrastructure, villages and agricultural land.

- Land secured through 50+50 year lease agreements.

- The land registration has followed an extensive public disclosure and consultation process as required by the rules and regulations in Ghana, and all land acquisition has been done according to IFC Performance Standards.
Project Status: Overview

**Plantation:**

- 32,000ha have been leased and registered. A further 11,700ha have been surveyed, demarcated and lease documentation prepared.
- 8,500ha have been planted. A further 14,000ha will be planted.
- The company currently has 800 full-time employees, 40% of which are women.
- $65m have been invested to date, the vast majority into infrastructure and plantations on site.
Introduction

- 8,500ha planted to date, out of a total net requirement of 20,500ha.
- In addition the company will plant a further 2,000ha contingency.
- The plantation is established based on international best practices, particularly with respect to social and environmental matters.
- The plantation needs to support a sustainable annual supply of 600,000m$^3$ of logs to the power plant for 20 years
- APSD is a member of the New Generation Plantation (NGP) platform
Planting Programme

- 32,000ha have been registered to date, while a further 11,700ha have been surveyed and are ready for signing and registration. This covers the total project requirement for plantation area.

- A 2,000ha contingency will be planted in addition to the above.

<table>
<thead>
<tr>
<th>Net Planting programme (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To date</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>8,500</td>
</tr>
</tbody>
</table>
Plantation Lifecycle

1. Nursery
2. Preparations and planting
3. 1 Year
4. 2 Years
5. 3 Years
6. 4 Years
7. 5 Years
8. 6 Years

Ideal Harvesting Age

5. Transport, storage and road costs
4. Harvesting
6. Power plant
Environmental and Social Overview
Land: Previous Use

No net loss of land for agricultural purposes and no resettlement of households

Previous land allocation:
Of the concession area:
- <10% is remaining natural forest canopy cover;
- <10% is degraded forest with relatively dense tree cover;
- 45% degraded savannah with sparse individual tree cover;
- 22% open savannah/shrub land;
- c. 10% riparian areas (areas adjacent to waterways);
- Remaining areas comprised of villages, agricultural plots, roads.

Land use:
- Exploited for firewood and illegal charcoal production.
- Minimal agricultural activity (1% of the area being actively farmed), based on shifting cultivation, slash and burn.
- Very low density of human settlement and transport infrastructure.
**Land: Acquisition**

*Fully transparent negotiation process, in accordance with legislation and IFC performance standards with extensive consultations*

- Land in Ghana is owned mainly by traditional stools or the state.

- Land acquisition was carried out under a negotiated process over a 4 year period.

- Fully transparent consultation process with all stakeholders: traditional leaders, communities, regional and national Lands Commission.

- Concession area covers three stools, all with same lease agreement terms.

- APSD land is leased under:
  - long-term contracts (50 + 50 year) with local stools;
  - Above-average lease rates per hectare.
Land: Allocation

Land allocated for conservation, farming and livelihood, as well as for eucalyptus

- 42,000 ha in concession of which 22,500 ha to be used for Eucalyptus. Remaining land used for riparian, conservation zones, road infrastructure and villages, and agricultural land.

- Land to be allocated in the follow priority:

  1. **Riparian zones**: areas close to water sources, **10% of total area**.

  2. **Conservation zones**: HCV/biodiversity areas, existing forest, **15% of total area**.

  3. **Agro zones**: sustainable crop production with local communities, **10% of total area** (increase from the currently used 1%).

  4. **Infrastructure**: land allocated for power plant, access roads, offices, **5% of total area**.

  5. **Eucalyptus planting**: no conservation value, areas suitable for fast growing eucalyptus, **up to 60% of total area**.
Land: Allocation

- The resulting plantation layout forms a ‘mosaic’ pattern, which takes into account the landscape, land use requirements, environmental and social concerns.

- The aim is to establish the plantation in such a way as to create as many positive impacts as possible, while minimizing any negative ones.
Biodiversity

Assessment:

- Detailed biodiversity survey and high conservation value survey was carried out.
- A number of threatened species endangered through high degradation of land through slash and burn and illegal logging.
- Natural forest would completely disappear if no action taken.

Mitigation:

- Conservation and riparian zones.
- Replanting of indigenous trees to local area.
Community engagement & development

Strong relations with local communities through appropriate communication, policies and practices

Community engagement & development:

- Community livelihood surveys completed, stakeholder management plans in place.
- Community grievance mechanism procedure developed and communicated.
- Ongoing community engagement and consultation through community liaison forums.
- Dedicated Community Liaison Officer.
- Development fund established to support local ‘Stools’.
- Community development plan underway.
- Construction of local dams available to local villages.
- Agricultural extension office hired by the company to assist local farmers.
Labour and working conditions

Human Resource policies are fully compliant with Ghana Labour Laws and the ILO Declaration on Fundamental Principles and Rights at Work

Employment:
- c. 40% of employees are women.
- Sustainable, permanent salary.
- Exceeds Ghana minimum wage.

Employment benefits:
- National health insurance.
- State pension.
- Food allowance.
- Transportation to and from work.

Compliant with necessary local and international policies:
- Grievance.
- Working time.
- Non-discrimination etc.
- Unionised in 2016 with the Ghana Agricultural Workers Union.
Regulatory Framework
Regulatory Framework in Ghana

- The regulatory framework around plantations in Ghana needs strengthening.
- There are currently two types of plantation development in Ghana:
  - On-concession
  - Off-concession
- On-concession regulatory framework is slightly stronger and more structured than off-concession.
- The lack of a strong framework allows for interpretation and abuse. Some examples encountered by APSD:
  - Logging permits being handed out within the concession, poor supervision of loggers
  - Lack of support in protecting conservation and riparian areas from illegal logging
  - Little support in controlling hunting to protect and enhance biodiversity

- Regulatory framework needs to support plantation development as well as conservation and reforestation efforts.
A number of organisations in Ghana that have the ability to regulate forestry and plantation development rely on internally generated funds.

- **Challenge:** there is no money to be made from plantation development and plantation development can not be burdened by further cost.

- Companies are not allowed to regulate land use within the areas they control. This right lies with the traditional or governmental authorities. As a result the entities that are best placed to prevent illegal logging, hunting, charcoal production etc are helpless.

- Few incentives for local and governmental authorities to assist plantation companies when called upon.

- Lack of funds for monitoring exacerbate the situation.

- There is an urgent need for local institutions to team up with developers to support them and enforce existing regulations with respect to illegal logging, conservation areas and riparian zones.
Financing of Plantation Development

- Financing of plantation remains very challenging based on:
  - Long lead times from start-up to cash flows
  - Uncertainty of markets and pricing for potential investors and lenders
  - Competition against black/grey market with inferior products at depressed prices due to poor enforcement of local regulations
  - Funds often available to governmental entities only, not private sector
- What is needed going forward to encourage further sustainable plantation development?
  - Long term patient capital at attractive pricing is required to support further plantation development
  - Increased focus on private sector