**Legislations and Wind Energy**

One of the most important national drivers for El Sewedy electric special in the wind energy industry is the government support, investing and developing wind power infrastructure was and still aided by Government support that showed increased commitment to this sector. Egypt Supreme Council of Energy was announced in April 2008 a commitment that by 2020 Egypt will generate twenty percent of the energy needs from renewable energy sources, at this time the power generation from wind energy was only about 365MW annually.

The government support and aid was showed through financial incentives like export credits, tax incentives and legislation for private companies, not only that but also government set measures such as minimum requirements for local sourcing of components and export subsidies to encourage companies for more production.

Having this great national driver El Sewedy take this opportunity and entered the wind power market. The company created a new group called SWEG (Sewedy Wind Energy Group), entering the wind energy filed played a great role in increasing the gross profit of El Sewedy company, the gross profit of Wind energy and electrical products has increased from 2% in 2008 to 40% in 2011, in order to do this El Sewedy grouped two transactions:

1. It acquired M. Torres Olvega with a 30% stake, it is a privately-held Spanish producer of wind turbines, the deal fr the 30% stake was for €40 million. This acquisition came with a technology transfer agreement allowing Sewedy Wind Energy Group to set up a wind turbine production facility in Egypt.

2. It did a 50/50 Joint Venture agreement with SIAG (Schaaf Industries Corporation of Germany) which is a privately held German wind tower manufacturer, the aim of this joint venture agreement is to co-produce turbines for wind energy farms. The Joint Venture was focus on small wind energy farms. The project is located in Ein Al Sukhna.

More over As El Sewedy benefits from Tax exemptions and Favorable Trade Position, a number of Greenfield facilities had been sated up, El Sewedy benefits from tax exemptions for periods of 10 years on average. On a consolidated basis, El Sewedy's tax rate was only 2% in 2008. The consolidated rate stayed in single digits until 2013.

The production of wind turbines and wind towers allowed El Sewedy to offer a full range of products to the growing wind power sector in Egypt and Africa. One of the most developed wind power markets is South Africa. The South African, government has successfully developed a local supply chain aiming to shape a Green Economy capable to install 1,8GW of wind energy capacity by 2025. The target of the local content is 60% which pushes the consortiums and South African companies to locally develop the supply chain. For instance, cement and steel towers are made in South Africa

**Legislations and encouraging exports**

One of the other important national drivers is the legislations that is related to encouraging the export to the other countries, about1900 factories and companies out of a total of 20.000 are benefiting to date from export incentives in Egypt. Export incentives have proven to be the most sustainable subsidy investment made by the government. For every 1 LE invested, there was a $1 increase in exports in 2008/09, and they are in the following forms:

**Drawback regime:** A situation in which a duty or tax that has been lawfully collected is refunded or remitted, wholly or partially, because of a particular use made of the commodity on which the duty or tax was collected.

**Export promotion programs:** Programs designed to attract more firms into exporting by offering help in product and market identification and development, pre-shipment and post-shipment financing, training, payment guaranty schemes, trade fairs, trade visits, foreign representation, etc.

As per our meeting with Mr. Mostafa one of the board of directors of el Sewedy and the General Manager of EMAS, el Sewedy electric benefits from the encouraging the exports programs as it exports its wide range of quality products to over 45 countries around the world in Africa, Middle East, Europe and Far East, this was clear in 2006 El Sewedy financial figures:

* Exports record impressive growth of 66% reaching LE 2,837 million in 2006 versus LE 1,713 million in 2005, with Europe as a new market in 2006 representing 22% of export revenues.
* International revenues exceed expectations reaching LE 617 million in 2006 versus LE 55 million in 2005 as Syria becomes fully operational for the full year. Syria capitalized on its proximity to Iraq, realizing total revenues of LE 334 million of which 73% were exports.

My References:

* Citi Bank evaluation
* <http://www.amcham-egypt.org/Trac/PositionPapers/The%20case%20for%20Government%20support%20for%20exports.doc>
* <http://www.elsewedyelectric.com/Investor%20Relations/Press%20releases/Financial%20news/Elsewedy%20Consolidated%20Results%2021-3-2006.pdf>