



OPIC



Overseas Private Investment Corporation

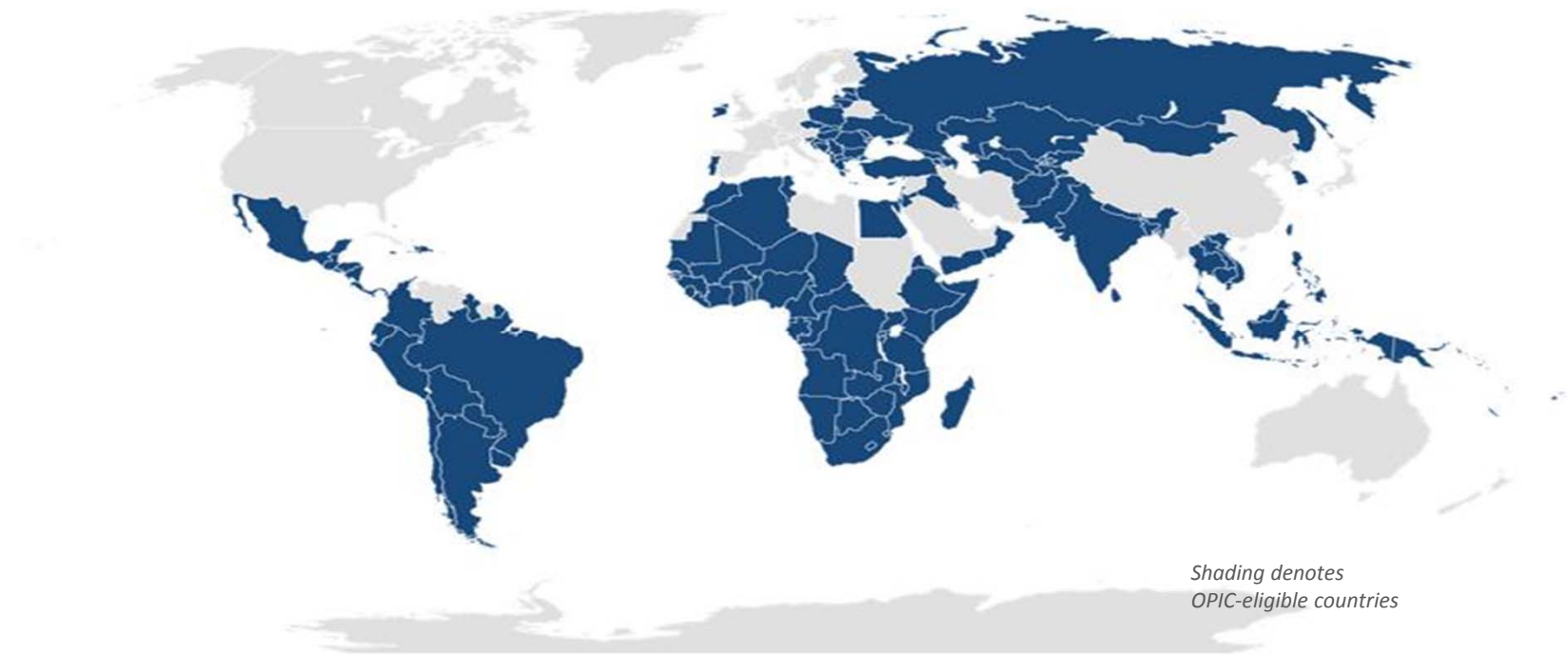
Workshop on Clean Energy
Development Strategies in East Africa

July 16, 2012
Arusha, Tanzania

The U.S. Government's Development Finance Institution

Our Organization

As the U.S. Government's development finance institution, OPIC mobilizes U. S. private capital to help solve critical development challenges and in doing so, advances U.S. foreign policy.



OPIC provides commercial support through long term project financing, political risk insurance, and investment funds leverage and is active in over 105 countries worldwide.

Our Renewable Resource Commitment

In 2011, OPIC committed \$1.1 billion of new financing for renewable resources projects and approved \$498 million to five renewable resources private equity funds.

OPIC Renewable Commitments By the Numbers

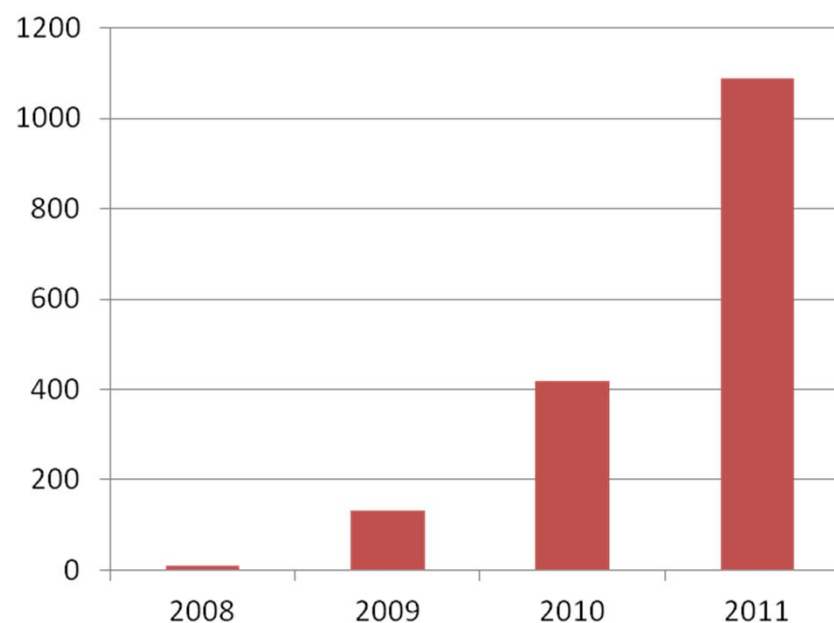
Renewable Resource Commitments \$1.1 billion

CO2 Emissions Avoided 931,000 tons

Renewable Megawatts Generated 728 MW

- Support for projects in **every sector** – wind, solar, hydro, geothermal, biomass, energy efficiency and clean tech.
- OPIC renewable resources commitments have grown from under \$10 million in 2008 to **\$1.1 billion in 2011** - representing approximately one-third of OPIC's 2011 commitments.

OPIC Renewable Resources Commitments 2008-2011 (millions of \$)



Our Commitment to Africa

With nearly \$6.7 billion of OPIC support in 441 projects since 1974, Sub-Saharan Africa has been a long standing priority for OPIC throughout most of its history.

Biomass in Liberia

Expansion of a sustainable biomass project in Liberia which harvests unproductive rubber trees and processes them into wood chips for energy production.



Agriculture in Africa

Financing for the African Agriculture Fund (AAF) to support investment in the African agriculture sector in response to continued food shortages in Africa.

Geothermal Power in Kenya

Expansion of an existing geothermal plant that will double operating capacity and add clean energy to the country's electricity grid.



In 2011, 34% of OPIC's commitments were to projects in Sub-Saharan Africa.

Our Commitment to Africa

In June 2012, OPIC, in collaboration with the U.S. Department of State and the U.S. Trade and Development Agency, announced the launch of the U.S. – Africa Clean Energy Initiative (US-ACE).

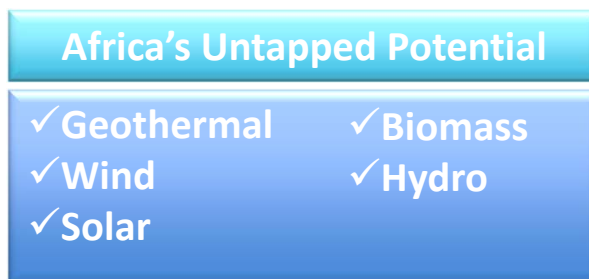
- \$20 million facility to provide funding for **project development** such as:
 - ✓ Environmental impact assessments, soil studies, and environmental management plans
 - ✓ Finalization of power purchase agreements
 - ✓ Transaction advisory services
 - ✓ Training programs to assist with the development of critical human capacity resources
 - ✓ Preparation of feasibility studies
- Eligible projects include energy efficiency, greenfield renewable energy generation, and manufacturing facilities supporting development Africa's clean energy market.
- Per project funding range between **US\$50,000 to US\$1 million**.
- Expected launch **October 2012**.



Emerging Markets Provide Attractive Investments

Factors affecting investor interest derive from political, economic, and social characteristics.

- **Large Market Opportunity** - To support economic growth and keep pace with demand, it is estimated that Sub-Saharan Africa needs to install 7GW* of new generation capacity each year.
- **Robustness of Resource** - Most countries in the region have largely untapped renewable energy potential which can be exploited by proven technologies.
- **Market Incentives** – Government supported mechanisms, such as feed-in tariffs, can improve investment returns and the profitability of capital intensive renewable energy projects.
- **First mover advantage** – First to market advantages offer investors insulation from competitive forces, often resulting in higher returns and brand recognition.



Financing required to support power development in Sub-Saharan Africa is estimated at US\$41* billion per year, indicating a critical need for countries to attract private sector investment.

Critical Factors for Attracting Investment

Investment can only happen if debt and equity are available in a market. What are the key factors in determining capital availability?

- **Established Renewable Energy Framework**
- **Creditworthy Offtaker with Strong Power Purchase Contract**
- **Stable Regulatory, Political and Economic Environment**



Established Renewable Energy Framework

Ninety-five countries worldwide have policies to promote renewable energy generation.

- ***National Renewable Energy Targets*** – Improves clarity for investors on the country’s long term vision for renewable energy and provides comfort that renewable energy is a priority sector in the country’s national energy plan.
- ***Regulatory Incentives*** – RPS/RECs and Feed-in Tariffs reduce market volatility by providing a steady level of demand and/or long term certainty on price/revenue streams.
- ***Fiscal Incentives*** – Tax credits, equipment sales tax exemptions, grants/rebates all reduce project costs thus increasing returns to investors.

Most countries have a combination of policies in place. There is no “one size fits all”.

Offtakers and PPAs

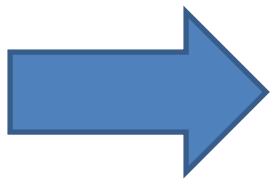
A “bankable” power purchase agreement essentially provides for a long term offtake arrangement with an adequate and predictable revenue stream.

- ***Offtaker Creditworthiness*** – strong financial statements indicating ability to meet PPA obligations, established and robust billing and payment collection systems, prices that accurately reflect cost of electricity, etc.
- ***Power Purchase Agreements*** – some of the terms investors/lenders look to include:
 - ✓ Foreign exchange
 - ✓ Change in Law/Change in Tax
 - ✓ Force Majeure
 - ✓ Offshore Arbitration
 - ✓ Termination/Termination Payments
 - ✓ Assignment
 - ✓ Transmission/Interconnection Risk

Stable Macro Environment

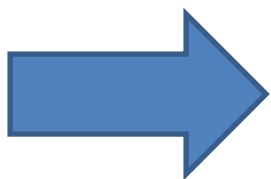
In many countries, DFIs must step in to push the market when the private sector is reticent.

- **Country and political risk**– expropriation, currency inconvertibility, political violence, business climate, enforceability of contracts, etc.



OPIC provides risk mitigation products to investors who are not comfortable with these perceived risks.

- **Regulatory risk** – discontinued or retroactively reversed renewable energy policies resulting in stranded assets and/or loss of investor trust.



OPIC provides renewable specific coverage including feed-in tariff cover, carbon credit insurance, and PPA breach of contract.



Other Attributes of OPIC Bankable Projects

OPIC can provide limited recourse fixed-rate debt financing of up to \$250 million per project and with up to 20 year tenors.

- ✓ **US eligibility** requirement
- ✓ Experienced and committed **management** team
- ✓ Proven **technology** and creditworthy EPC contractor with a strong track record
- ✓ **Availability** of renewable resource
- ✓ A financial model showing strong cash flows and maintenance of minimum **DSCRs**
- ✓ Compliant with OPIC **policy** requirements, including environment, labor rights and worker rights

Contact Us

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