

# **Asia Clean Energy Forum 2008**

*Investing in Solutions that  
Address Climate Change  
and Energy Security*

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**Manila**



## **MITIGATING RISK:**

### ***Opportunities for Financing and Insuring Investments in Renewable and Clean Energy***

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# OPIC's Mission

*“ ...to mobilize and facilitate the participation of U.S. private capital and skills in...less developed countries and areas, and countries in [market] transition”*

- ◆ *Not U.S. EXIM (i.e., not an export credit agency), nor USAID (i.e., not a foreign assistance agency)*
- ◆ *Yet many OPIC-supported projects involve significant U.S. exports*
- ◆ *OPIC Insurance offers contractors and exporters cover particularly relevant in renewable/clean energy sector*
- ◆ *OPIC finance and investment funds offer debt and equity for sound private sector projects*

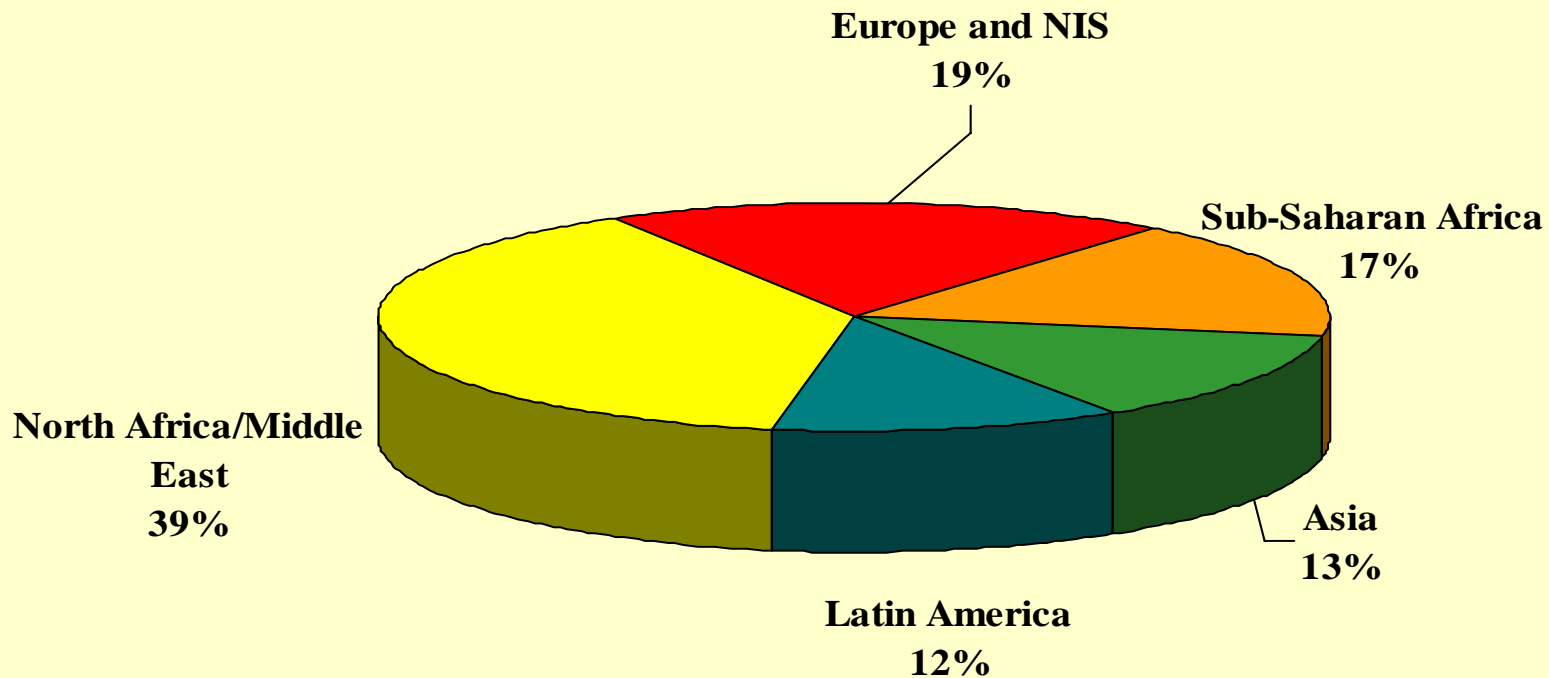
# OPIC's Goals and Objectives

- Support U.S. private investment in more than 150 emerging markets and transitioning economies
- Assist in the economic growth by facilitating private investment in projects sponsored by private enterprises
- Operate on a self-sustaining basis by supporting commercial viable projects on commercial terms
- Do not compete with the private sector



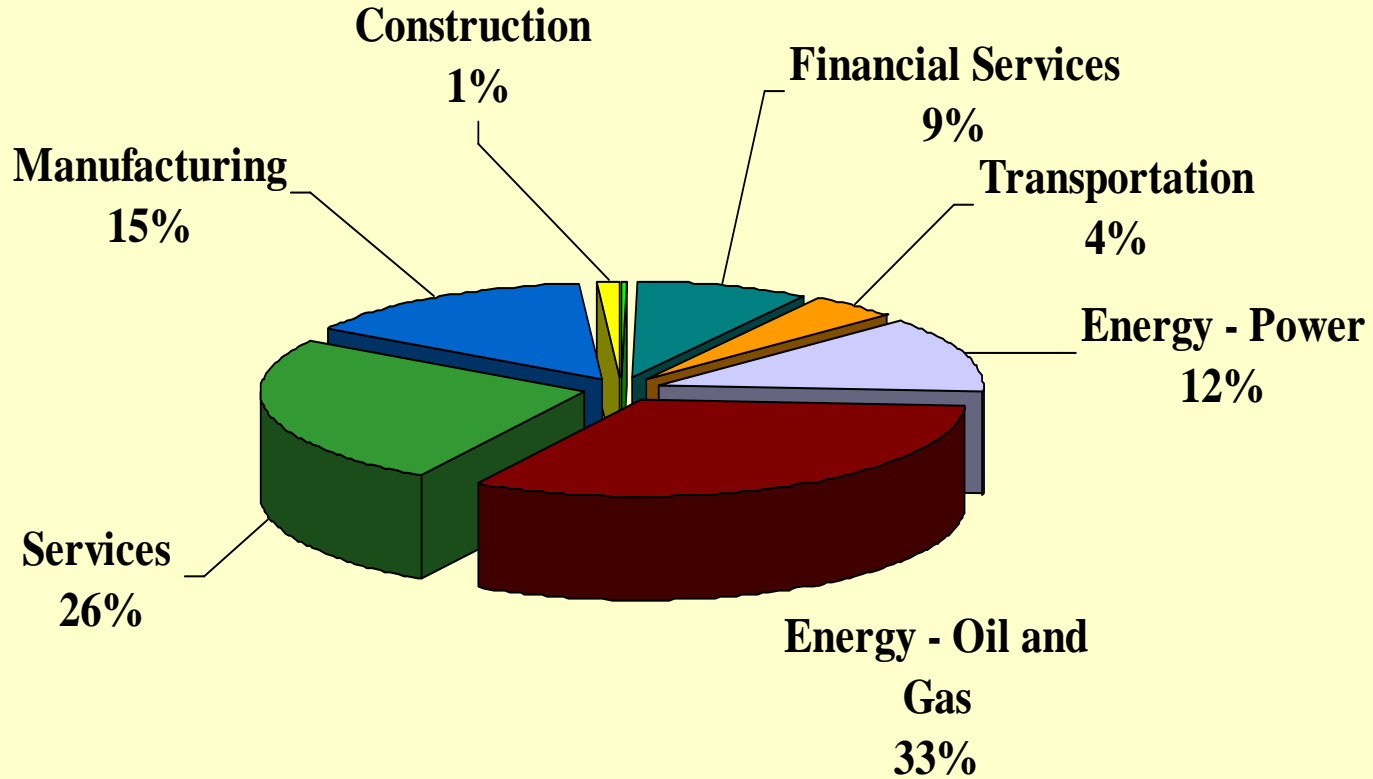
# OPIC's Portfolio

## Regional Concentration as of 12/31/07



# OPIC's Portfolio

## Concentration by Sector as of 12/31/07



# *Basic OPIC Programs*

Facilitate U.S. investment and participation in projects by providing:

- Political Risk Insurance
- Project Finance
- Investment Funds



# *Project Eligibility*

- **New projects, expansions, acquisitions and/or privatizations**
- **Economically sound, commercially viable, private sector project**
- **Positive development effect and no negative effect on U.S. economy**
- **Environmentally sound**
- **Internationally recognized worker rights enforced**



# **OPIC** *Priorities*

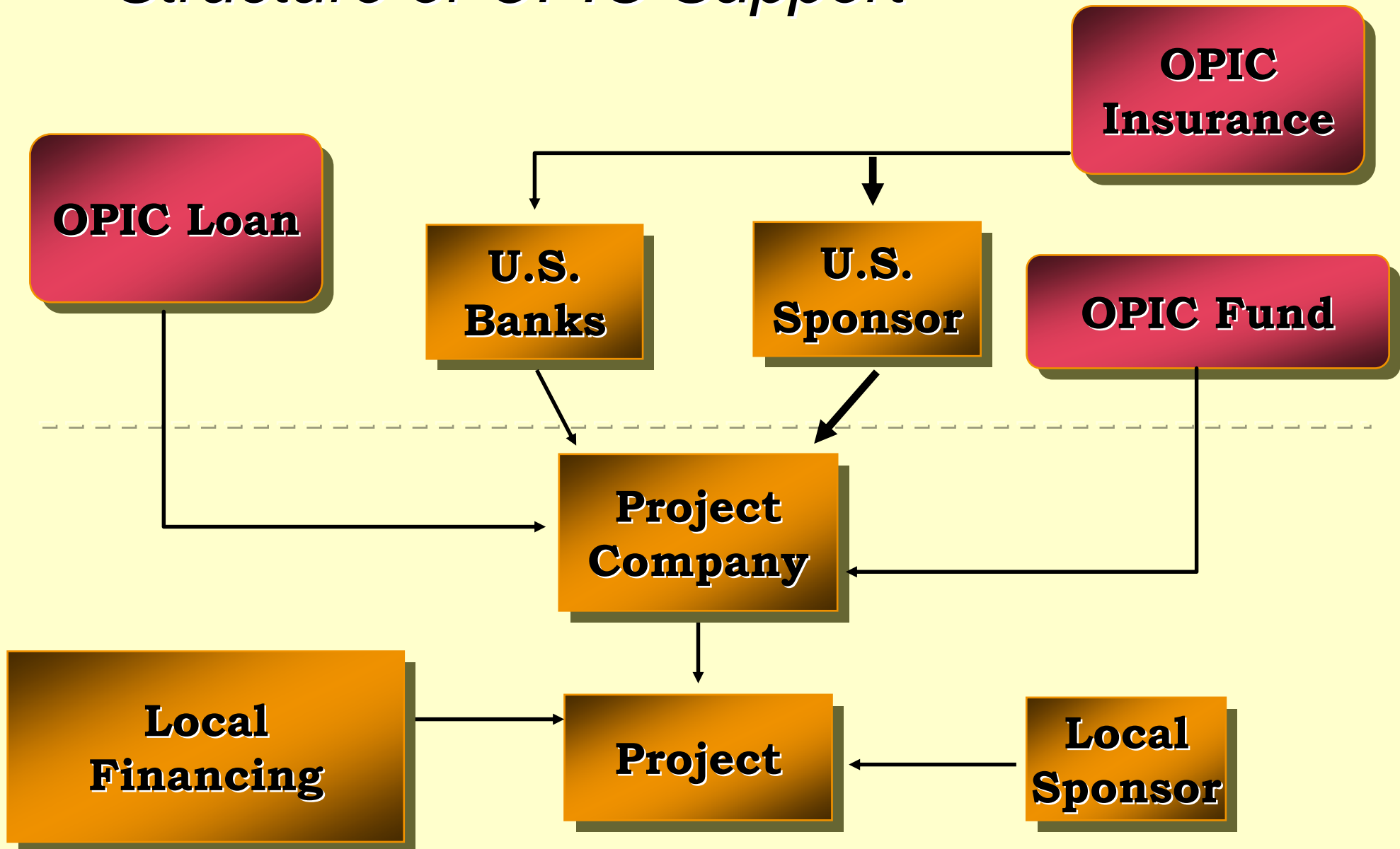
- **Renewable and Clean Energy:**
  - ◆ **OPIC Green House Gas Initiative**
  - ◆ **Renewable/Clean Energy Loan Facilities and Fund Call**
  - ◆ **Insurance for Renewable Projects**
    - “Breach of Contract” cover for agreements with host governments (sovereign and sub-sovereign)
    - Covered property, e.g., equipment, for expropriation and political violence
- **Also Post-conflict and crisis (e.g., Tsunami), Housing, Small Business, and sub-Saharan Africa**



# *OPIC Role in Renewable Energy and Clean Energy Projects*

- Act as conduit for U.S. Government policies, by driving private sector solutions
- Provide Gov-to-Gov influence/Advocacy
- Fill market gaps
- Make financing available in tough times
- Take more risk to motivate transactions
  - ◆ Conciliatory financing, not concessionary
- Look for “Triple Bottom Line”

# Structure of OPIC Support



# *Investment Insurance:*

*Protecting U.S.  
Investors from  
Real or  
Perceived  
Political Risks*

- Currency Inconvertibility
- Expropriation
- Political Violence



# Key Features of OPIC Insurance

- Policy terms up to 20 years
- Premium rates are locked in
- May be canceled by insured, but not by OPIC
- Up to \$250 million in coverage available per project; no lower limit
- Can provide enhanced coverage for US contractors and exporters doing business with host governments
- Can help attract additional financing and business support



# OPIC's Claims Experience

Total claims paid – 285 claims (\$971 million)

- 65 expropriation claims - \$600 million
- Many expropriation claims included regulatory actions by the foreign government
- OPIC's expropriation coverage includes creeping expropriation and actions that have the effect of a "taking"

# *Investment Finance:*

*Lender of Last Resort When Private Sector Financing Is Not Available*



## ***Characteristics of OPIC finance:***

- Limited recourse, long-term finance for private sector, commercial projects
- Loan amounts up to \$250 million
- Variety of financial structures which require significant U.S. investor participation in project, e.g., 25% U.S. equity stake, to qualify for OPIC support
- Can co-finance with other DFIs, commercial banks, and Export Credit Agencies

# Investment Finance

## Important considerations:

- Projects must be controlled by private sector
- Sound financial plan
- Cash flow adequate to service debt
- Partners must have strong track record in same or similar industry
- Significant collateral and the ability to provide adequate project completion support

## *Investment Funds:*

*Access to equity for top-flight local companies*

## ***Innovative Use of OPIC Support***

- OPIC cannot take direct equity in projects
- Fund managers make investment decisions
- Can work in conjunction with OPIC insurance and finance
- Over 40 OPIC-supported Investment Funds with more than \$3 billion in OPIC funding, since 1991



# Projects in Renewable Energy Sector?

- SMEs in need of smaller loan sizes
- Wind and solar projects (if not readily financed with commercial banks)
- Innovative structures relating to government, regulatory, or offtaker risks (i.e., political risk mitigation - insurance)
- Smaller, e.g., “run of river”, hydro
- Grid and non-grid Biomass transactions
- Energy efficiency projects, e.g., where coal and methane are significant

# OPIC Deal Overview –

## Hydro

### Kosovo - 8.3 MW Hydro facility - repower

- Total project costs \$8.5M to repower facility
- OPIC loan \$5.5M; Insurance \$1M (Expro & PV)

### Serbia - Two small hydro projects -- new

- Expro coverage for US investor's 50%share in JV
- Non-Payment of Award re: Land Lease

### Sri Lanka - 5 MW Hydro project -- new

- OPIC loan \$4.3M; \$1M in pol. risk insurance
- Insured by private insurer – reinsured by OPIC

# *Deal Overview – Wind*

## India:

- *US investor involved in two projects in two separate Indian states*
- *Insurance covers Political Violence, Inconvertibility and Expropriation*
- *Infrastructure coverage against potential breach of contract under PPA with state electricity agency*
- *Wind turbines are “covered property”*
- *Contract terms of 20 years*

# *Deal Overview – Solar*

## *Potential deals:*

- *Projects with US Investors who build and operate solar wind facilities*
- *Insure Investors vs. risk of loss by Political violence and/or Expropriation*
  - ◆ *Includes risk of regulatory actions of host government (sovereign or sub-sovereign ) that unfairly and arbitrarily interfere with project*
- *Finance commercially viable solar power projects with long-term debt not otherwise available from formal financial sector*

# *Deal Overview – Carbon*

## *Potential deals:*

- *Landfill/Methane Gas Capture*
- *Insure vs. risk of implementing laws and regs. that unfairly and arbitrarily:*
  - ◆ *Interfere with project's ability to obtain CER benefits*
  - ◆ *Transfer ownership CERs to Gov't*
  - ◆ *Bar transfer or trade of CERs.*
- *May consider project's certified emission reductions as part of revenue assumptions*

# **OPIC Global Renewable Energy Fund(s)**

**– (in formation)**

- ***March '08 call for OPIC to provide financing for one or more privately-managed investment funds***
- ***\$500M for OPIC-supported funds to invest 50% of capital in companies or projects in the renewable energy sector in emerging markets worldwide***
- ***Fund manager(s) selected by OPIC later this year***
- ***Private fund manager will make investment decisions***
- ***OPIC policy criteria apply***

# Conclusion

- *Relevant and timely focus on the region and the renewable/clean energy sector globally*
- *OPIC and other DFIs have strong track records in mobilizing new investment capital -- FDI and domestic*
- *OPIC very interested to support of private investment in the renewable energy/clean energy sector in Asia*

*For  
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