

**Asia Clean
Energy Forum**

**Risk Management
in Clean Energy
Financing**

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Manila



***Mitigating Risk in
Emerging Markets:***

***Insuring and Financing Investments
in Renewable Energy and Clean
Technology***

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(OPIC)***

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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



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:**
 - ◆ **Focused Political Risk Insurance on Renewable/Clean Energy Projects**
 - ◆ **Established a Renewable Energy/Sustainable Development Finance team**
 - ◆ **Approved Six Global Renewable Energy Investment Funds**

- **Small Business and Microfinance**

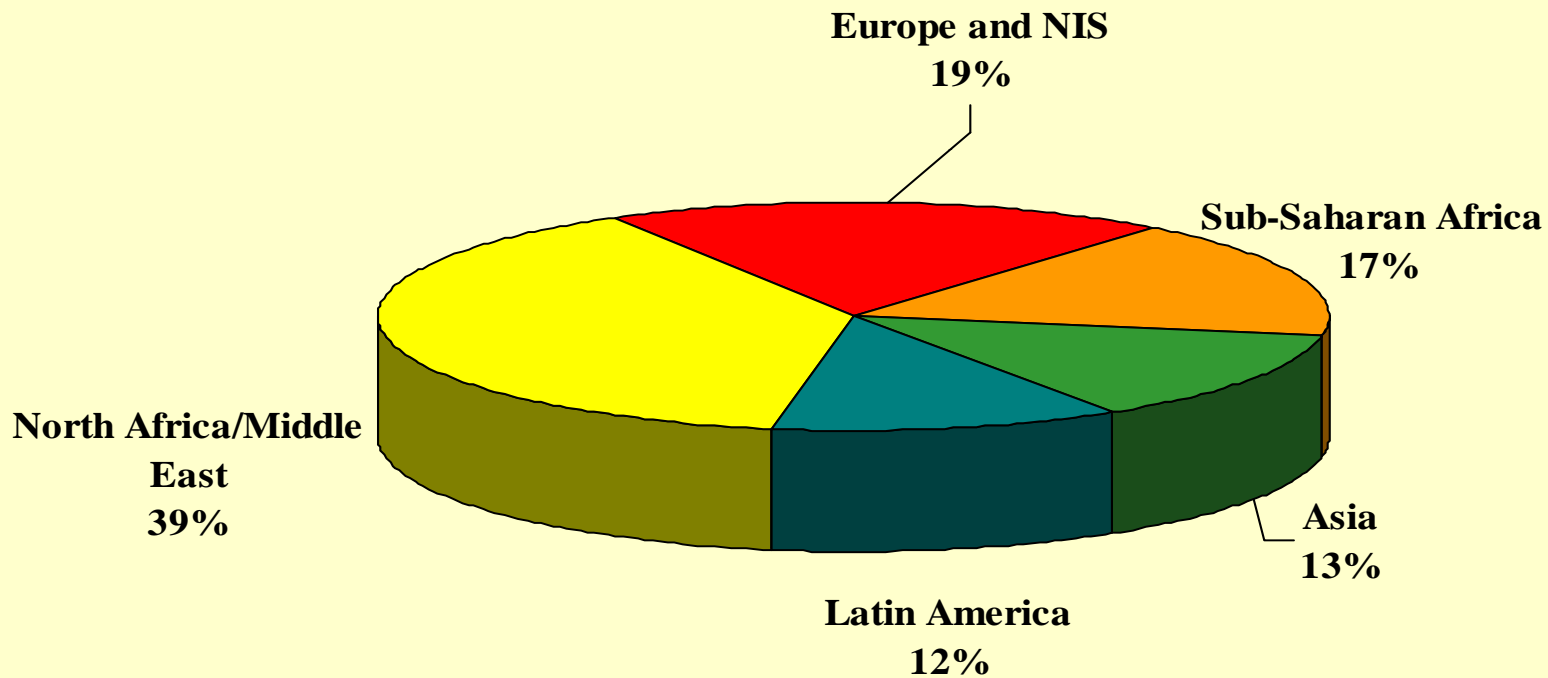
- **Active in Conflict & Post-Conflict Economies:** Afghanistan and Pakistan, Iraq, Georgia, Lebanon, Liberia, Pakistan, and the West Bank

- **Africa/Middle East**



OPIC's Portfolio

Regional Concentration as of 12/31/07



Investment Insurance:

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

- Currency Inconvertibility
- Expropriation
- Political Violence
- OPIC Insurance can include:
 - ◆ “Creeping” Expropriation
 - ◆ Title Insurance Expropriation
 - ◆ Breach of Contract/Arbitral Award Default
 - ◆ Business Interruption
 - ◆ Expanded use of Pooling/Master Contracts



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
- Enhanced coverage for US contractors and exporters doing business with host governments (not export finance)
- Can help attract additional financing and business support



OPIC

Finance at a Glance

- Requirement: 25% US ownership in the local project company
- Tenors 3-15 years
- Loan sizes \$100,000 - \$400 million
- Leverage up to 75%
- Principal grace period during start-up



OPIC Finance Loans and Loan Guaranties

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:

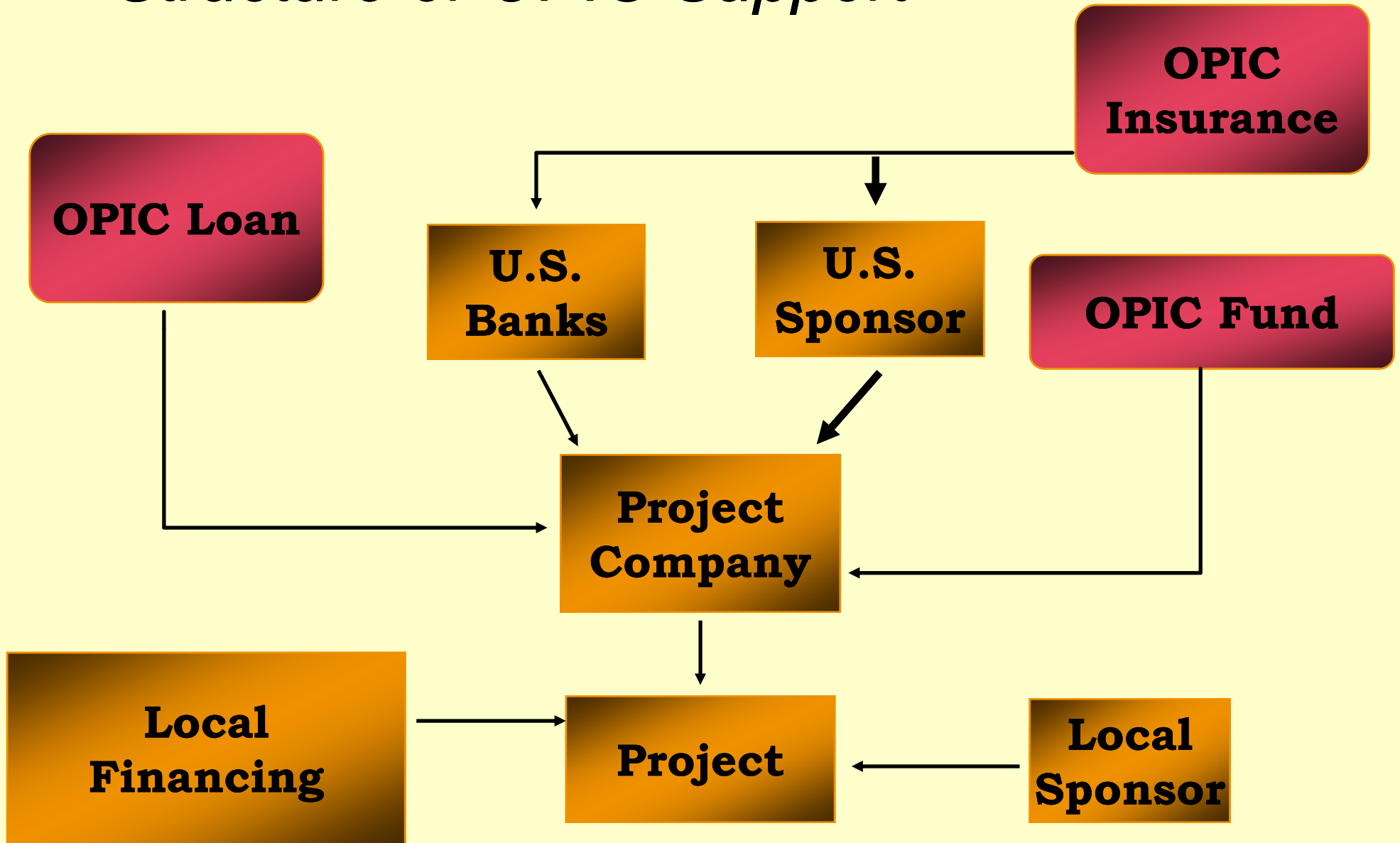
Access to equity for top-flight local companies

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



Structure of OPIC Support



OPIC Role in Renewable Energy and Clean Energy Projects

- **Act as conduit for U.S. Government policies, by driving private sector solutions**
- **Provide Advocacy**
- **Take more risk to motivate transactions**
 - ◆ **Conciliatory, not concessionary, financing**
 - ◆ **Support newer technologies**
 - ◆ **Insuring political risks, including risk of breach of contract by host country government counterparty**



Projects in Renewable Energy Sector?

- **Multi-feedstock biofuels**
 - ◆ **Algae, Jatropha, and other seed oils**
 - ◆ **Methane – waste to energy**
 - ◆ **Cellulosic feedstocks**
 - **No “food for fuels”**
 - ◆ **Issues re: US effects and environment**
- **Carbon finance projects, e.g., where carbon credits are significant part of commercial structure**
- **Wind and solar projects Smaller, e.g., “run of river”, hydro**
- **SMEs in need of smaller loan sizes**



Recent OPIC Deals in Renewables

Liberia - *Waste to Energy generation*

Kosovo - *8.3 MW Hydro (repower)*

Serbia - *Two small hydro projects (new)*

Sri Lanka - *5 MW Hydro project (reinsurance)*

India: *Windpower*

Colombia – *Hydroelectric power*

** * Deal pipeline almost \$1B in potential projects (biofuels, solar, wind, hydro, “green buildings”)*



OPIC Global Renewable Energy Funds

- *March '08 call for OPIC to support one or more privately-managed investment funds*
- *September '08 Board Approval of \$505 M for Six (6) OPIC-supported funds to invest in renewable energy sector worldwide*
- *Fund managers make investment decisions without OPIC approval*
- *Can invest in biofuels projects*
- *Do not require US investor in project*
- *OPIC policy criteria apply*



EDN -- Benefits for Small Businesses

- **Designed specifically to facilitate SME expansion into developing markets**
- **Full support network of service providers in place – specialists in a variety of sectors and niches**
- **Efficient process design utilizing private sector facilitation – tailored to SME time frames**
- **Evolving toward “one-stop” service – SBA, ExIm Bank, OPIC programs lining up in support of SMEs**
- **Several Loan Originators with Renewable Energy, Energy Efficiency and Environmental expertise**



Conclusion

- ***Strong track record in mobilizing new investment capital for SMEs and “green” businesses***
- ***Focus on supporting investment in the renewable energy/clean energy sector***
- ***Continued support of commercially viable, developmentally sound projects in difficult markets***

***For
More
Information***

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