

***XVII Latin
America Energy
Conference***

***The La Jolla
Conference***

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Hilton La Jolla

Torrey Pines



***Financing and Insuring
Investments
In The Latin American
Energy Sector***

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Overseas Private Investment Corporation (OPIC)

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



OPIC *Priorities and Initiatives*

- Renewable and Clean Energy:
 - ◆ OPIC Green House Gas Initiative
 - ◆ Renewable Equity Fund Call
 - ◆ Renewable and Clean Energy Loan Facilities

- Africa and the Middle East

- Housing

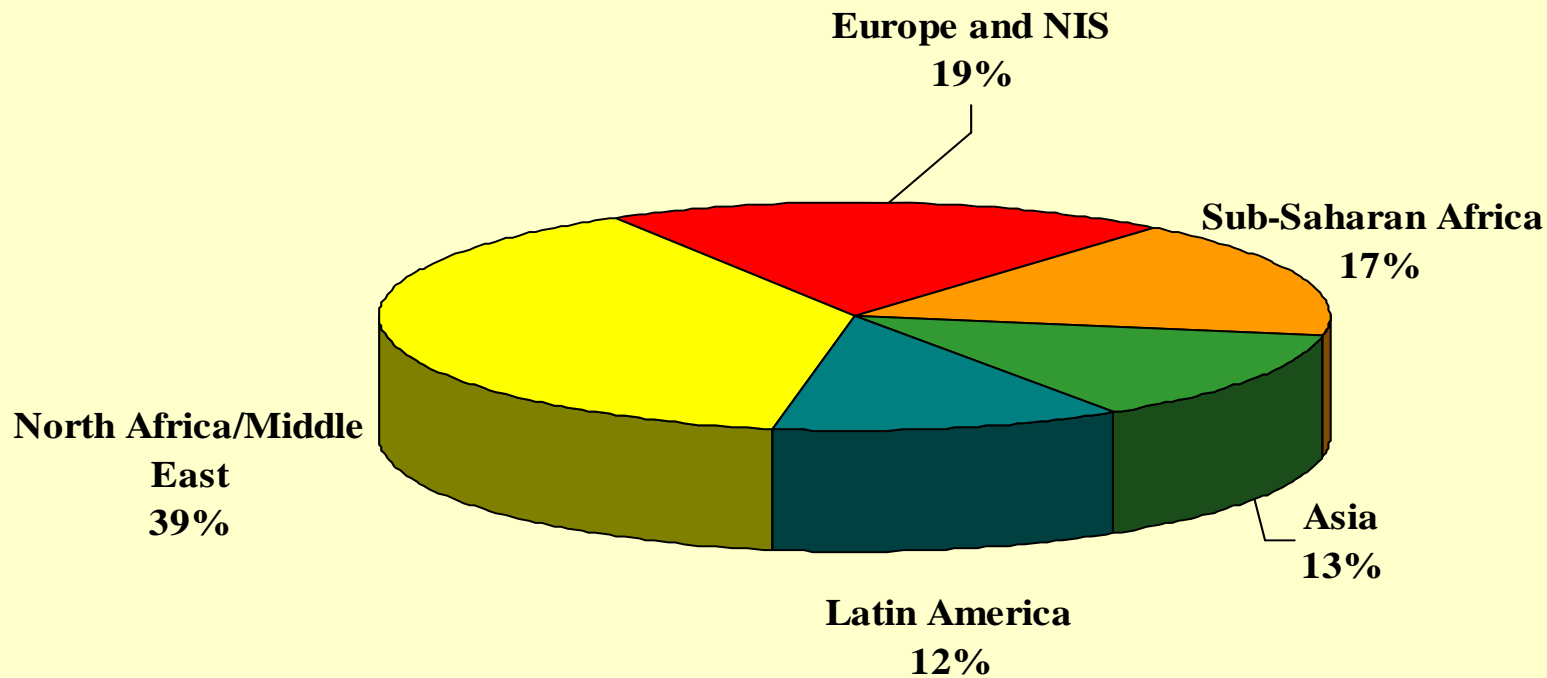
- Small Business

- Latin American Capital Markets



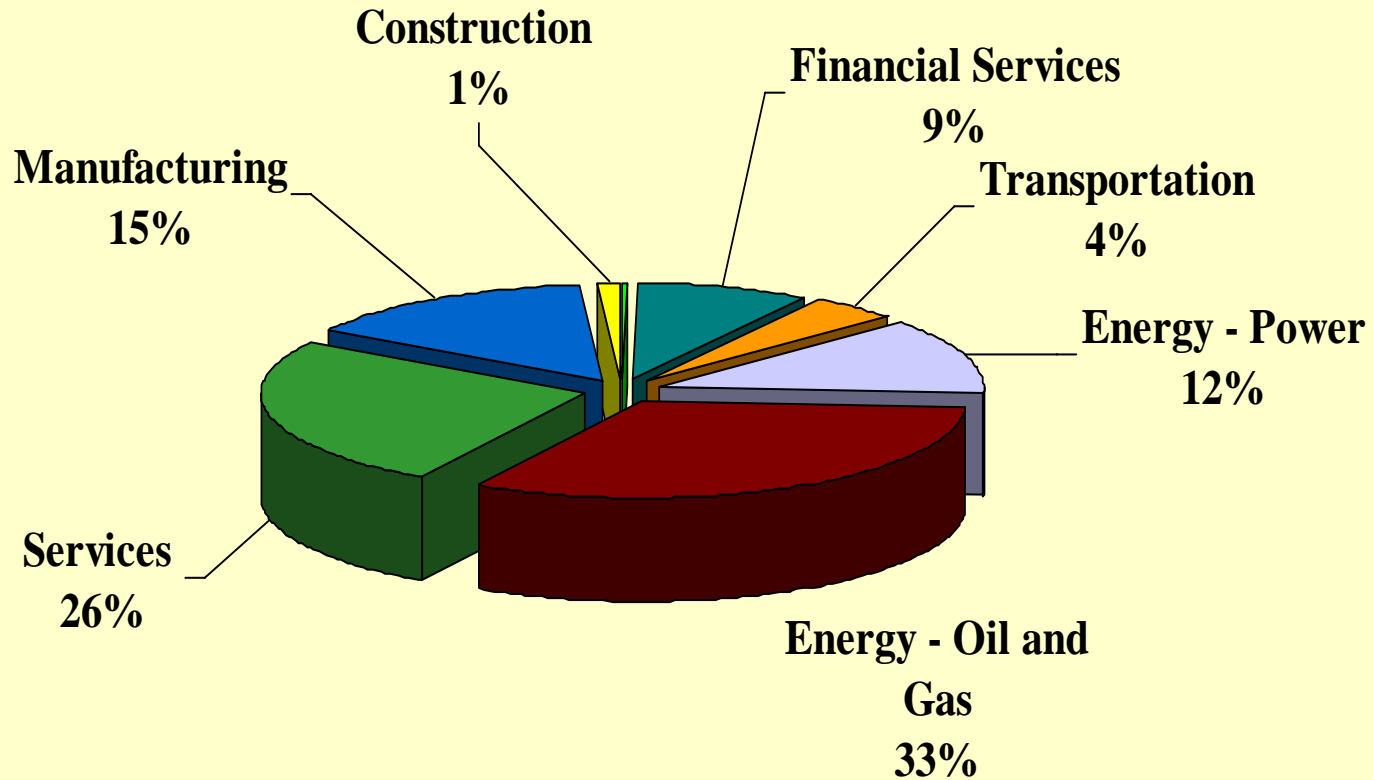
OPIC's Portfolio

Regional Concentration as of 12/31/07



OPIC's Portfolio

Concentration by Sector as of 12/31/07



Eligibility for OPIC Programs

- Investor
- Project
- Investment
- Country



Project Eligibility

- New projects, expansions, acquisitions and/or privatizations
- Supports broad range of projects in array of sectors, e.g., energy, housing, food processing, tourism, transport.
- Infrastructure, including roads, ports, railways, and other private-sector-controlled infrastructure
- Projects must be commercially viable and developmentally sound



Project Requirements

- Economically sound, commercially viable, private sector project
- Positive development effect
- No negative effect on U.S. economy
- Limited government participation (or at least private sector management control)
- Environmentally sound
- Internationally recognized worker rights enforced



Country Eligibility and Regional Focus

- More than 150 countries and regions
- Active in Latin America and the Energy Sector
 - ◆ New Latin American Capital Markets Fund - announced April 2008
 - ◆ New Global Renewable Energy Equity fund – announced March 2008
 - ◆ OPIC Conference for Latin America and Caribbean – El Salvador, April 2007
 - ◆ Strengthen ties to enhance trade relationships (Mexico/Central America, Peru and Columbia)



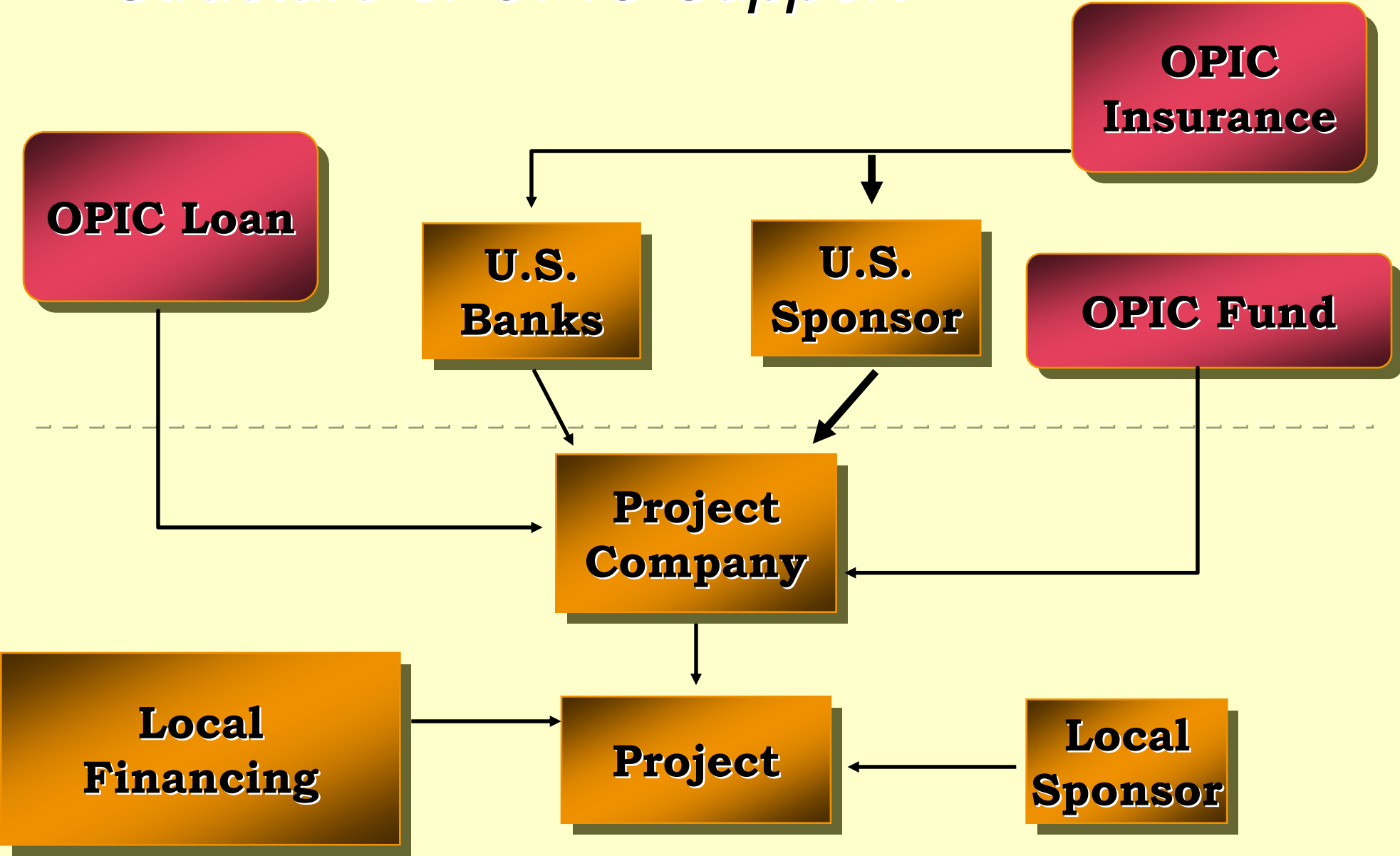
Investment Insurance:

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

- Currency Inconvertibility
- Expropriation
- Political Violence



Structure of OPIC Support



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



Benefits of OPIC Insurance

- Discourages arbitrary actions by host government
- OPIC advocacy role
- Provides comfort to banks, suppliers and shareholders
- OPIC reserves exceed \$5 billion
- Full faith and credit of the United States



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



Growth in Demand for and Supply of Renewable Energy

- Public awareness; grassroots change
- Priorities of renewable energy and emissions reductions = Gov't initiatives for developers
- Significant liquidity in the market
 - Multinational institutions
 - Banks/investment banks
 - Investment funds with green/green purpose
 - Earmarked government funding
- Bottom Line: *Markets embrace "Clean Energy"*

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 – 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***

***Latin
American
Capital
Market
Funds –
In Formation***

- Announced April 2008
- “to facilitate the investment of risk capital that will expand the breadth and/or depth of capital markets in Latin America”
- Likely to include more than one fund with OPIC providing up to \$150M for each fund
- Selection process underway with proposals due by May 22nd

Conclusion

- *Relevant and timely focus on the region and the sector, particularly renewable/clean energy*
- *OPIC has strong track records in mobilizing new investment capital -- FDI and domestic*
- *OPIC remains very interested in supporting private investment in the Latin American energy sector*



***For
More
Information***

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