

***Energy in
Central
America:***

***Renewables,
Integration,
Investment***

Institute of the Americas

San Salvador

December 12, 2008



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

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

Presented by:

John F. Moran

Director, Insurance

***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*

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:**
 - ◆ **New Green House Gas/Clean Energy initiative**
 - ◆ **Renewable Energy/Sustainable Development Finance team**
 - ◆ **Political Risk Insurance for Renewable/Clean Energy Projects**
 - ◆ **Six Global Renewable Energy Investment Funds**

- **SME/Microfinance, Housing, CAFTA, and Africa/Middle East**

- **Rapid Economic Development Initiative (REDI): Afghanistan, Pakistan, Liberia, West Bank and Lebanon**



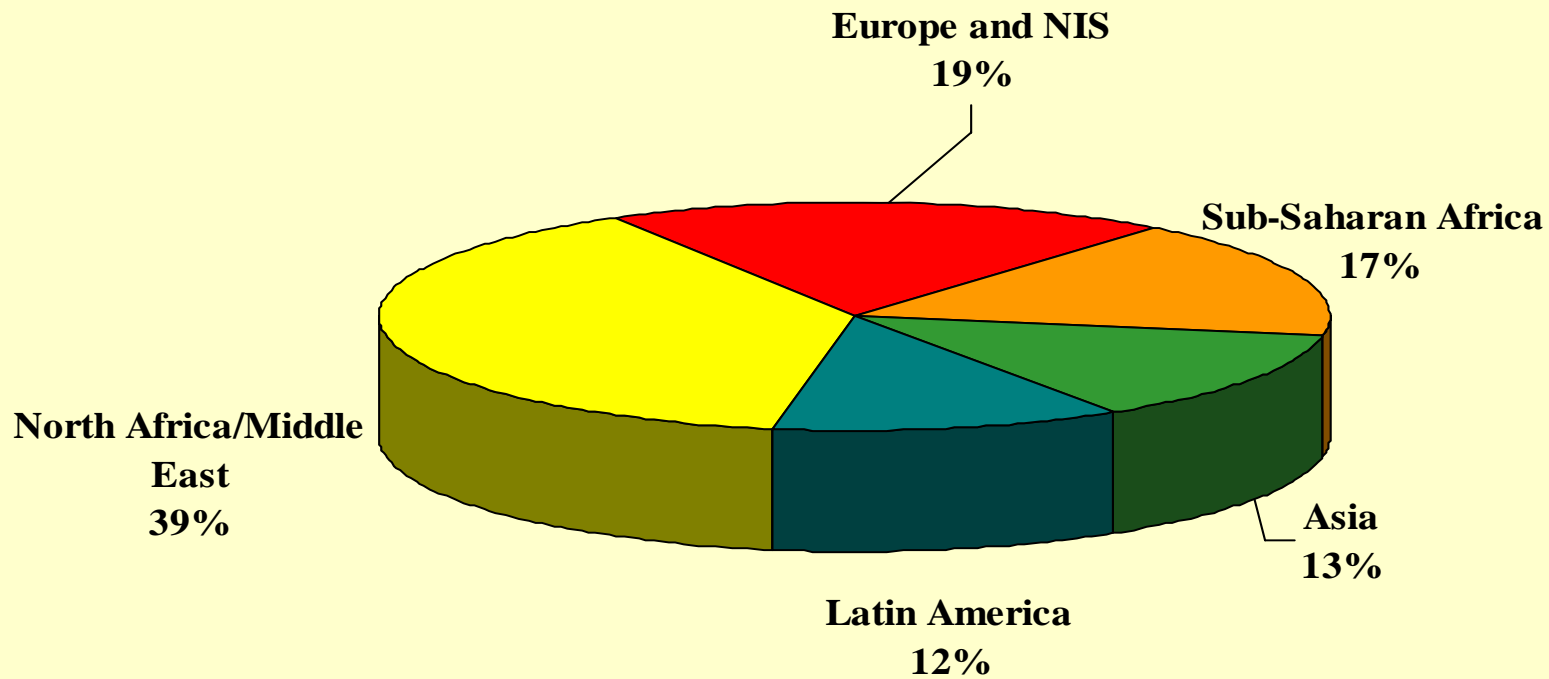
Country Eligibility and Regional Priorities

- Active in Central America and Mexico
 - ◆ Nov. 08 – OPIC Board Approval of \$180 million for SME and Mortgage Lending in Central America
 - *Part of OPIC/US Treasury commitment to Latin America Small Business Lending Initiative, announced in June 07 and OPIC's ongoing commitment to support CAFTA Countries*
 - ◆ Oct. 08 – OPIC Board approval of \$350 million for three new private equity investment funds for Latin America
 - Funds will have a combined total capitalization of \$1.45 billion
 - ◆ OPIC-sponsored Investment Conference for Latin America and the Caribbean in El Salvador, May 2007



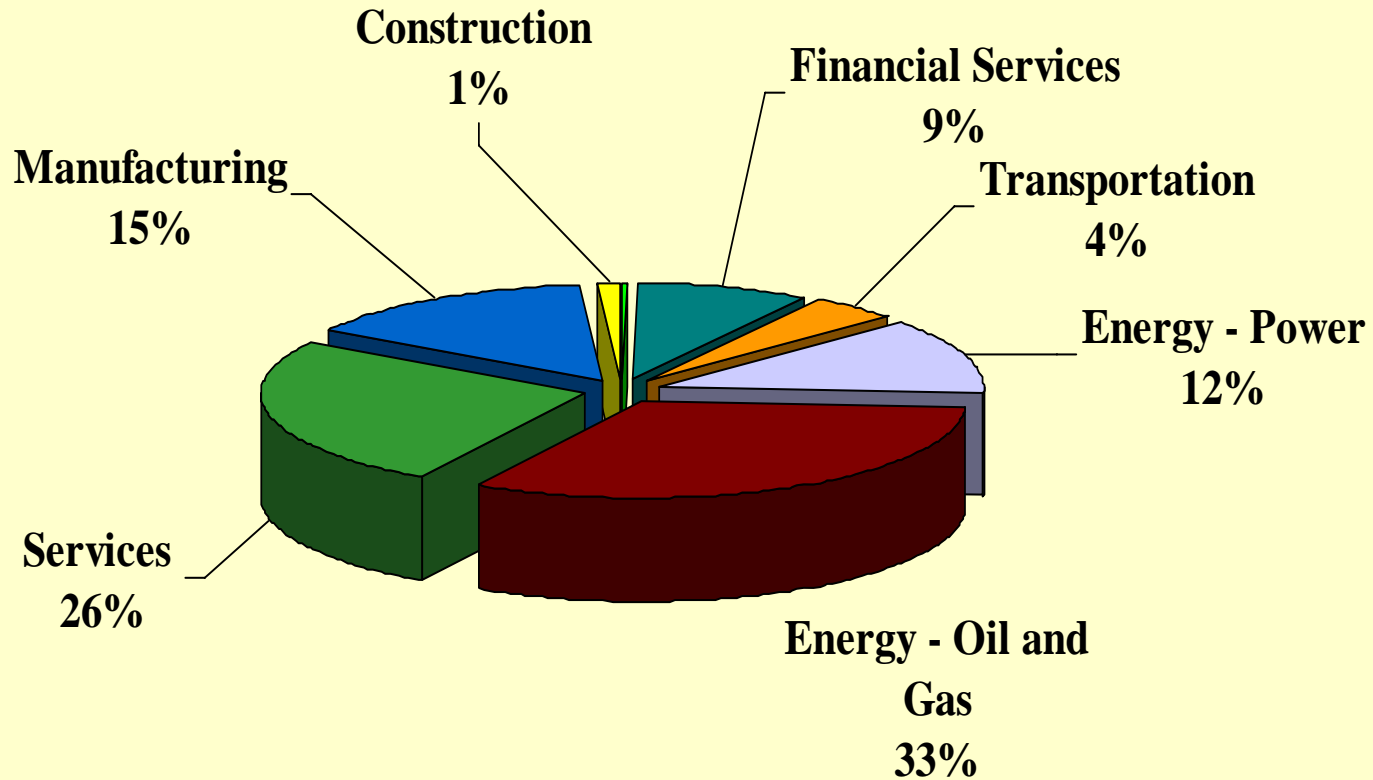
OPIC's Portfolio

Regional Concentration as of 12/31/07



OPIC's Portfolio

Concentration by Sector as of 12/31/07



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
- 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:

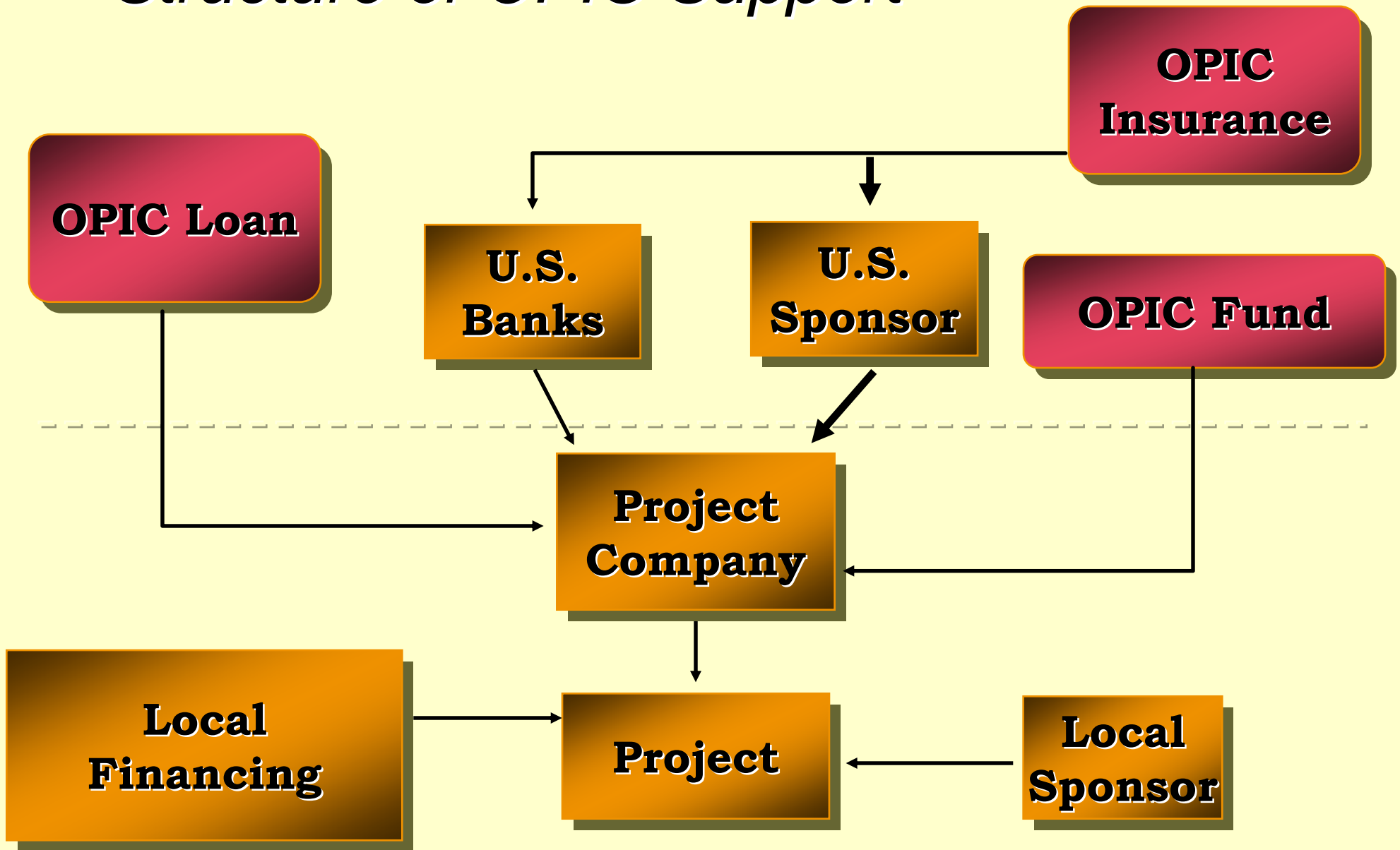
Access to equity for top-flight local companies

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 and “denial of justice” by host country government counterparty



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 off-taker risks (i.e., political risk mitigation - insurance)
- Smaller, e.g., “run of river”, hydro
- Grid and non-grid Biomass transactions
- Carbon finance projects, e.g., where carbon credits are part of commercial structure



Recent OPIC Deals in Energy and Renewables

India: *Windpower facilities*

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

Togo - *100 MW thermal power plant*

Kosovo - *8.3 MW Hydro facility*

Serbia - *Two small hydro projects*

Liberia - *Waste to Energy Generation Facility*

** Deal pipeline almost \$1B in potential projects*



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 selected by OPIC make investment decisions without OPIC approval*
- *Do not require US investor in project*
- *OPIC policy criteria apply*



Conclusion

- *Strong track record in mobilizing new investment capital for SMEs and private sector businesses in Central America*
- *Focus on supporting investment in the renewable energy/clean energy sector*
- *Continued support of commercially viable, developmentally sound projects in difficult market conditions*

***For
More
Information***

Overseas Private Investment Corporation

1100 New York Avenue, N.W.

Washington, D.C. 20527-0001 USA

Tel. (OPIC/USA)+1 202 336-8674

E-Mail: ***jmoran@opic.gov***

Internet: ***www.opic.gov***

