



Overseas Private
Investment Corporation

Sustaining & Accelerating the Growth of Renewable Energy Markets in Southeast Asia: Lessons from the Field

Asia Clean Energy Forum

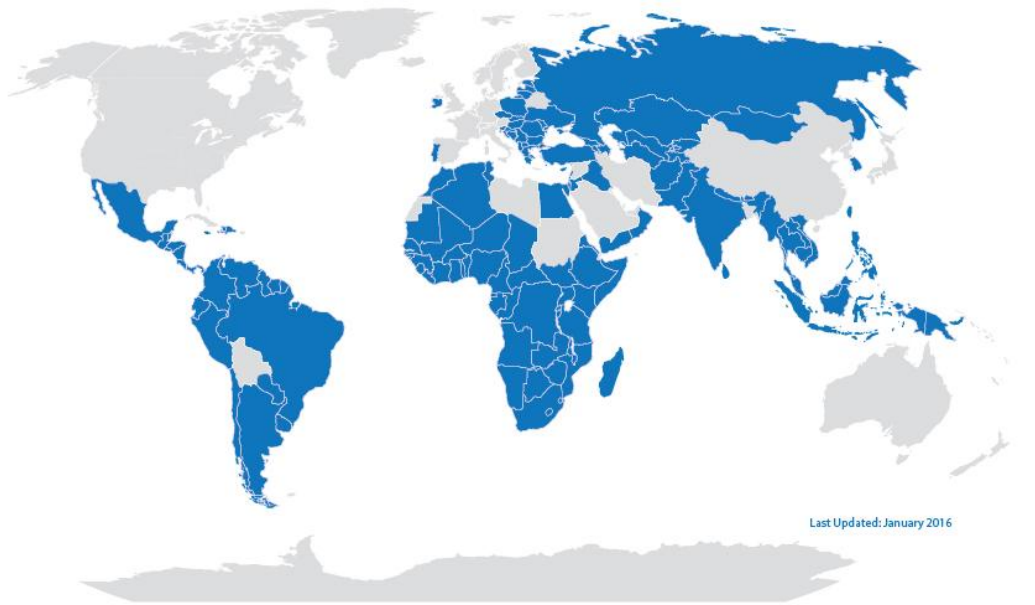
June 7, 2016

Our Organization



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

OPIC currently manages a \$20 billion portfolio of projects in more than 100 countries and operates on a self-sustaining basis at no net cost to the American taxpayer.



Last Updated: January 2016

Our Solutions



OPIC offers innovative financial solutions to support private investors including debt financing, insurance, and support for private equity investment funds.

Products

Political Risk Insurance

- Protection against political violence, expropriation and currency inconvertibility, as well as specialized coverage
- Policy coverage up to \$250M per project, for up to 20 year term
- Fixed premium, cancellable only by insured

Investment Funds

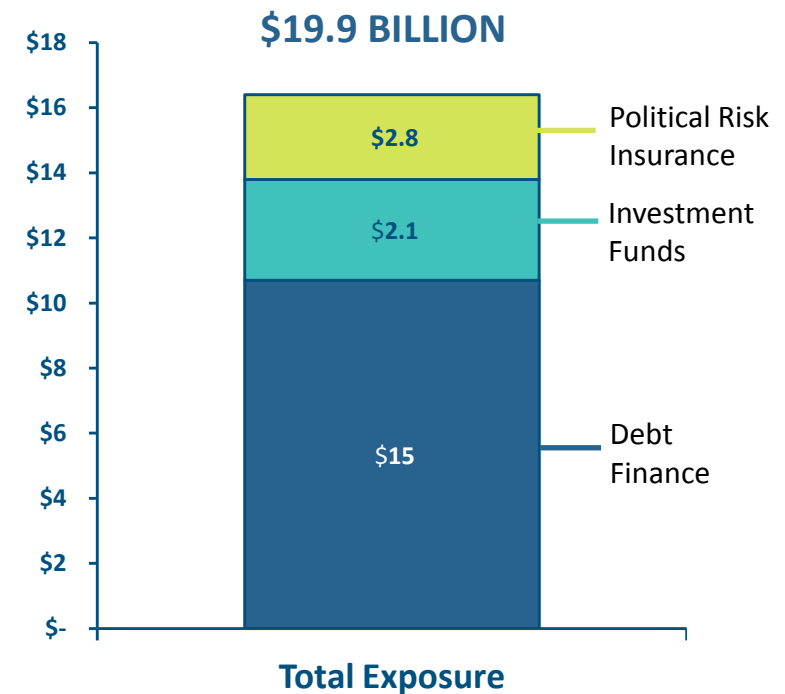
- Senior debt for private equity funds selected by competitive process
- Provide up to \$250M with bullet repayment, zero coupon structure
- Investment decisions made independently by selected fund managers

Debt Finance

- Limited recourse, long-term finance for private sector projects as well as corporate loans
- Loan amounts up to \$250M per borrower with tenor and amortization tailored to transaction
- No syndication requirement or risk
- Specific programs for providing finance to small-and-medium-sized enterprises

Current* Portfolio

Based on a \$29B Statutory Capacity



*September 30, 2015

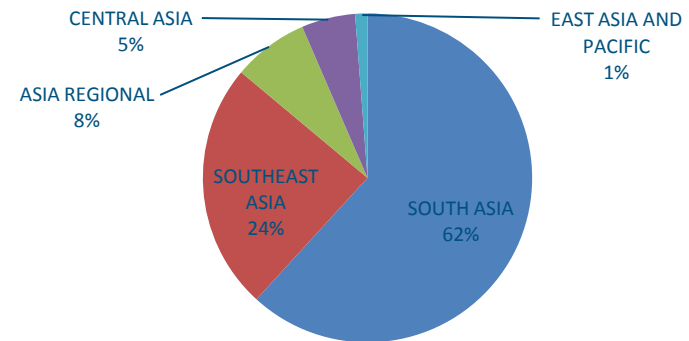
Asia & Asia Pacific Exposure



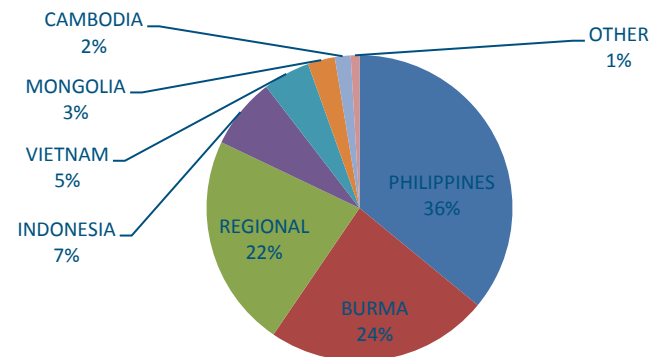
OPIC has been active in the region since the 1970s.

- **Since 1974** OPIC has committed more than \$16 billion to advance over 1,000 projects in Asia.
- **Infrastructure**, energy (including renewable energy), manufacturing, and microfinance and small business lending projects comprise much of this investment.
- **Asia** now comprises approximately 16% of OPIC's current portfolio, with \$3.3 billion of exposure.
- **Asia Pacific** exposure reflects 26 projects with \$1.1 billion of commitments.
- **Rebalancing** towards Asia Pacific which is underweight relative to other geographies.

Asia Portfolio: Current, by Subregion



Asia Pacific Portfolio: Current, by Country



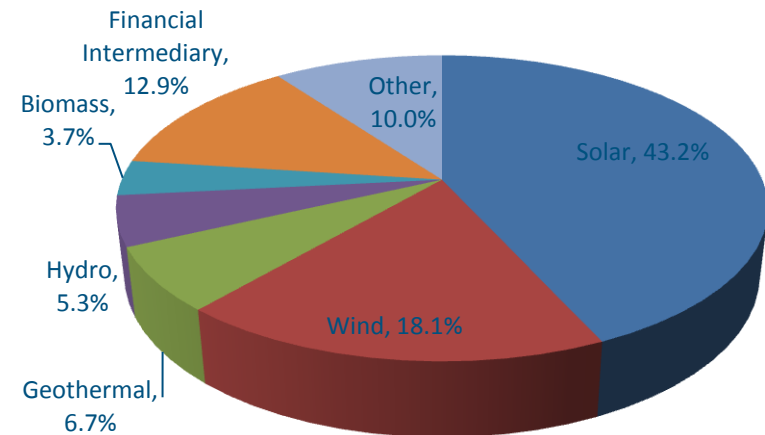
Asia Pacific Clean Energy Initiative



OPIC's regional office, opened in July 2014, reflects a renewed focus on the region.

- **USACEP:** The U.S. Asia Pacific Comprehensive Energy Partnership focuses on clean and renewable energy, natural gas, markets and interconnectivity, and sustainable development.
 - **\$6 billion** of U.S. support is available for USACEP investments in the region, of which \$1 billion is to come from OPIC.
 - **OPIC** has committed over \$6 billion towards clean energy in emerging markets globally since 2009.
- **US-ASEAN Connect:** This will combine the expertise and resources of the U.S. government and private sector to assist ASEAN and member states in achieving the economic objectives, and focus on:
 - **Business Connect:** enhanced commercial and investment engagement
 - **Energy Connect:** sustainable and efficient energy solutions
 - **Innovation Connect:** entrepreneurship and innovation
 - **Policy Connect:** creating a policy environment that enables ASEAN and member states to achieve their economic objectives

**Total Renewables Commitments
(2007-2014)**



Global: \$6.1 billion
Asia: \$1.3 billion

Key Issues in a New RE Program

Both international investors as well as host country entities must take a long term partnership approach to renewable energy investments. Win-win is possible when:

- Risks are respectively and clearly allocated to entities best able to manage
 - Respective strategic, financial and other key objectives of each party are met
 - Realistic technical and financial performance expectations exist on all sides
 - Government is willing to let the private sector execute, within reasonable agreed contractual confines
 - Safeguards are provided for first private investors in the sector
 - Protection from evolving cheaper technology and future sector changes as industry is rationalized and liberalized
 - Best practices are adopted for sector's legal and regulatory regimes
 - Objective, transparent, predictable and fair rules
 - All parties have a long-term partnership approach to challenges
 - Flexibility with sanctity of contract
- Renewable energy a key component of mid-to-long term sector strategy
 - Not only green objectives but typically also fuel mix and energy independence as well as local economic benefits
 - Clear understanding of impacts on system costs and allocation of related subsidies
 - Recognition of evolving and different technologies and cost profiles, including by scale and location
 - Grid: ability to connect and ability to sustain targeted levels and types of renewable power
 - Staged implementation with capacity limits to control program costs, address initial technical concerns, and allow competitive selection of investors able to execute and perform

*September 30, 2015

Example: Utility Scale IPP



75 MW wind farm
Sidrap, Sulawesi, Indonesia



First wind IPP in Indonesia:

- **Developer:** UPC Renewables
- **Offtake:** PLN, under 30 year PPA
- **Tariff:** Negotiated
- **Government Support:** No contractual undertaking
- **New Technology Issues:** Grid capacity, management of intermittent power

Example: Rooftop & Retail Solar



Azure Sunlight: rooftop solar

Simpa Networks: home solar systems



Not your typical project financing:

- **Developer:** Experienced ingredients
- **Commercial basis:** Strong economic and financial fundamentals supported by initial rollout performance
- **Payment mechanisms:** From leasing to non-traditional
- **Technology:** Proven

Investment Priorities



RENEWABLE ENERGY

Goal: Support projects that advance a sustainable lower-carbon economy, greater resource efficiency and a cleaner and more secure energy supply.

Since 2007, OPIC's renewable energy portfolio has grown 50-fold.

FOCUS ON LOW INCOME COUNTRIES

Goal: Create economic opportunity in the world's poorest countries by partnering with the private sector and supporting sustainable development.

Among OPIC's 2015 commitments, nearly half supported development in countries with the lowest incomes.

IMPACT INVESTING

Goal: Support projects that address common social and environmental challenges in sectors such as agriculture, education, access to finance, housing for the poor, small and medium enterprise finance, healthcare, renewable energy and sanitation.

OPIC is the U.S. government's largest impact investor and the majority of OPIC's investments are in impact sectors.

SUPPORTING SMALL BUSINESSES

Goal: Support for American small businesses, which consistently comprise the majority of projects supported by the agency annually.

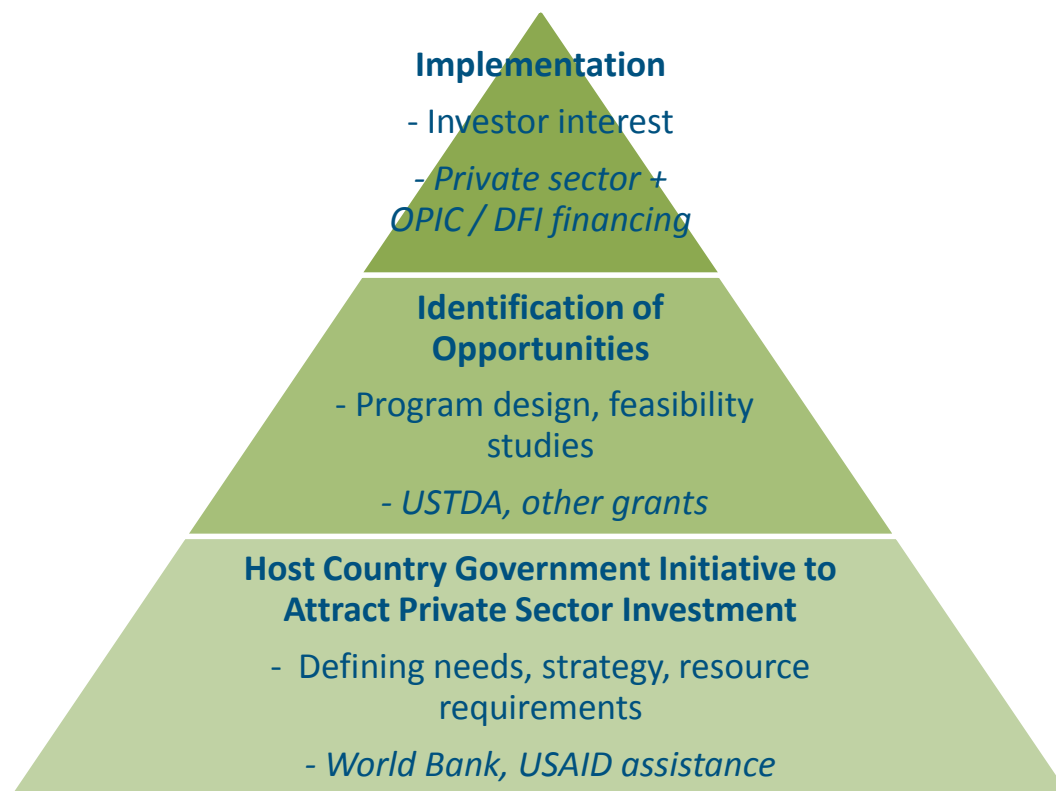
75% of OPIC's 2015 projects involved small and medium-sized businesses.

When Does OPIC Get Involved

OPIC brings investment capital – through financing, political risk insurance and private equity solutions – once private sector investors have determined a project is commercially viable.

Themes of Involvement

- *Fill in gaps where the private sector is unable to meet the needs of a project in order to make it sustainable*
- *Support only viable projects and thus not only provide the intended benefits to the host country but also ensure repayments to OPIC*
- *Work with host country government to confirm alignment of interests and development objectives*



Our Impact



Clients that OPIC currently supports are producing significant sustainable economic development results* across a number of sectors.

- **Agriculture** projects are sustaining livelihoods for nearly **one million small holder farmers**.
- **Energy** projects are expected to generate more than **3.5 gigawatts of electricity** in the developing world – the equivalent of the power demand of roughly **three million U.S. homes**.
- **Healthcare** projects are treating patients at a rate of more than **seven million patient visits per year** – in both small clinics and large hospitals.
- **Education** projects are educating more than **120,000 students** in primary and secondary schools, and more than **25,000 students** in higher education.
- **Housing** projects have constructed affordable homes for over **60,000 homeowners** and have provided more than **200,000 home mortgages**, the majority of which are first-time homeowners.
- **Water** infrastructure projects are producing over **150 billion liters of water** each year, the equivalent of more than **260 billion bottles**.
- **SME** and microfinance clients are providing access to finance to over **10 million SME** and microfinance borrowers.
- **Renewable energy** projects in solar, wind, geothermal, and biomass will avoid over **five million tons of CO2 annually** as an alternative to fossils.

*September 30, 2015

Our Clients and Partners

OPIC coordinates with other U.S. government agencies and international partners to provide financing and risk mitigation products to a wide range of clients.

Current Clients

Small/Medium Businesses and Multinationals



Nonprofits and Impact Investors



Strategic Partnerships

U.S. Government

- Departments of State, Commerce, and Treasury
- USAID & USTDA
- Millennium Challenge Corporation
- Ex-Im Bank and SBA

Development Finance Institutions

- Other DFIs (CDC, FMO, DEG)
- IFC and MIGA
- Regional Development Banks (IDB, ADB, AfDB, EBRD)

Other Partners

- U.S. Chambers of Commerce
- AmChams
- NGOs
- Financial Institutions

Our Policy Standards



Investors and project proposals must satisfy certain policy criteria to receive OPIC financing and insurance.

Eligibility Criteria for Investors

To be eligible for OPIC financing and insurance, applicants must:

- ✓ Have a **commercially viable business plan** and successful track record
- ✓ **Involve the U.S. private sector** in a meaningful way in the project seeking OPIC support
- ✓ Maintain **private sector control** (<50% government ownership)
- ✓ Confirm that commercially viable private sector financing or insurance **is not already available** for the project

Policy Standards for Projects

OPIC supported projects must:

- ✓ Contribute to **sustainable development**
- ✓ Be located in one of our approximately 160 **eligible countries**
- ✓ Comply with **international best practices** regarding environmental and social impact
- ✓ Support **internationally recognized worker** rights
- ✓ Cause **no loss of U.S. jobs** or adverse impact on the U.S. economy

U.S. Connections in OPIC-Supported Projects



OPIC policy requires that finance and direct insurance projects have a meaningful connection to the U.S. private sector.

How Does OPIC Define U.S.?

- A U.S.-organized entity generally must be at least 25% U.S.-owned.
- A foreign organized entity generally must be at least majority U.S.-owned.

How Does OPIC Measure U.S. Involvement?

- OPIC requires U.S. involvement in the project company in an amount that is equivalent to 25% of the project company's equity, which may be met with equity, long-term debt or other U.S. contracts or, by combining these types of involvement.
- OPIC will support investment funds if the fund has raised U.S. equity equal to 25% of OPIC's loan support or if the fund is managed by a U.S. manager.

How Does OPIC Measure the Duration of U.S. Involvement?

- For an ongoing project, U.S. entities need to retain a 25% interest in the project through final disbursement of the OPIC loan. In the case of a start-up or 'greenfield' project, the U.S. entities need to retain a 25% interest through physical completion of the project.
- OPIC must approve any proposed transferee of the interest.

How Does OPIC Define U.S. Small Business?

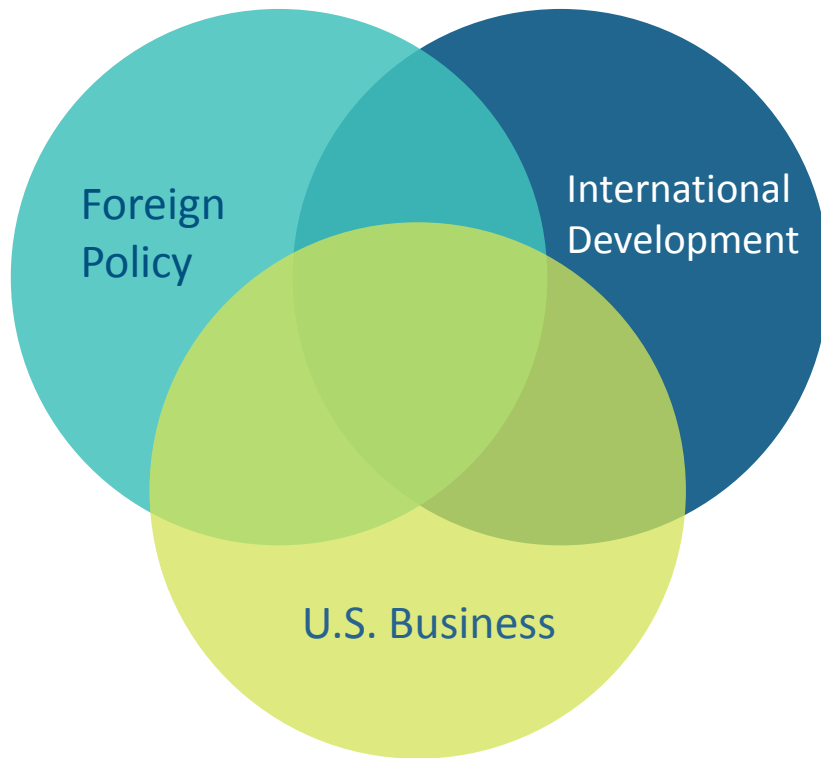
- This is defined as a business with annual revenues during the last fiscal year of less than \$400M; entities/individuals without revenues, net worth of less than \$100M.
- Consistent with the U.S. Small Business Administration, OPIC also considers a business with 500 or fewer employees as "small."

Administrative Development Priorities



OPIC is uniquely positioned to support the administration's development strategy.

OPIC's Unique Position



“We’re changing how we define development...we need to harness all the tools at our disposal—from our diplomacy to our trade and investment policies.”

— President Obama, 9/22/10

Administration Priorities

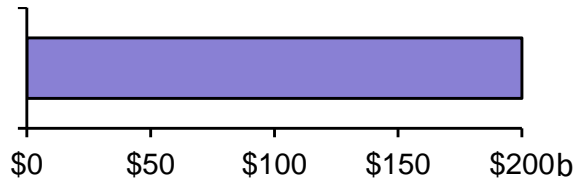
- Support broad-based, sustainable economic growth
- Proactively target specific countries, regions, sectors, and technologies
- Mobilize private sector investment
- Elevate development as a central pillar of national security policy

Our Work

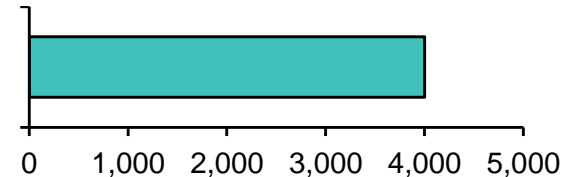


Since its establishment in 1971, OPIC has supported over \$200 billion of investment in developing markets across more than 4,000 projects.

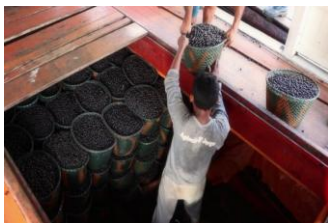
Total Investment Supported



Total Projects Financed



Haiti: \$6M loan to *Haiti 360* to produce high-quality concrete to rebuild homes and other infrastructure destroyed in the 2010 earthquake.



Brazil: \$3.7M loan to *Sambazon* for the construction of an environmentally-sustainable, organic açaí-berry processing facility. Project has created income for 10,000 family farmers in the Amazon rainforest.



India: \$3M loan to *Simpa Energy* to sell solar-as-a-service to energy-poor households and microenterprises in rural India. *Simpa* is using the loan to expand its customer base from 5,000 to more than 50,000.



Ghana: \$150M in political risk insurance to *Belstar* for a project that will increase clean water access and make the country's water treatment plants more efficient.

OPIC Project Lifecycle



SOURCING	▼	Clients and Partners; Interagency; Business Development
PRESCREENING	▼	Statutory and Policy Eligibility; Additionality; Development Impact; Financial Viability
APPLICATION	▼	Business plan; Eligibility of investor/project; Creditworthiness; Developmental Return; Investor/Management Experience/Track Record
DUE DILIGENCE & POLICY REVIEW	▼	Credit and Risk Underwriting; Policy Review; Legal Review; Character Risk Due Diligence (CRDD)
APPROVAL	▼	Vice President; Credit Committee/Evaluation Committee; Investment Committee and President & CEO; Board of Directors
PROJECT CLOSE	▼	Finish CRDD, Legal and Policy Review; Negotiation and Execution of Commitment and Insurance/Financing Agreements; First Closing on Equity Raising (Funds); First Disbursement
PORTFOLIO MANAGEMENT	▼	Ongoing monitoring of financial health, policy compliance, and development impact; Loan Repayment; Restructuring or Write-Off; Insurance Modifications and Claims;

I have a project. Where do I start?

1

Is my project commercially viable?

2

Is my project capable of debt service?

3

Does my project support sustainable development?

4

Is my country of interest eligible?

5

Is this type of project eligible?

6

How do I register for insurance?

7

How do I apply for an OPIC loan?

8

Where can I get help with my business plan?

Please visit

www.opic.gov

See Investor Screener

Resources & Contacts



Resources

- Review the website: www.opic.gov
- Review *The Investor Screener*
- Consult *Small Business Guide*:
<http://www.opic.gov/small-business>
- Discuss your project with OPIC:
info@opic.gov or +1 (202) 336-8400
- **Insurance:** Complete Form 50
- **Finance:** Complete *Section 1a* of Form 115
- Need assistance? Loan Originators:
www.ednaccess.com

OPIC Contact

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