

UN's Commission for Sustainable Development

Mobilizing Private Sector Financing
for Energy Projects:

BREAKING BARRIERS

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**Barriers: Private Sector Investment
in the Energy/Power Sector**

- What are the barriers?
- InfraCo as a barrier breaker!
- Countries – a close up look
- How to break barriers
- Capital requirements

NON-SYSTEMIC BARRIERS

Typical best practices may lead us astray

- Special operations by outsiders
- Stretch Goals
- Detailed game plan
- Experts
- Results Oriented
- Apply lessons of past successes

SYSTEMIC BARRIERS

All Market Players are Aware of the following:

- Lack of creditworthiness of offtakers
- Ability of consumers to pay full tariff
- Legal system's lack of clarity
- Land rights
- Changing regulatory system
- Stability of political leadership
- Corruption
- Currency: Depreciation, Convert & Repat

InfraCo as a Barrier Breaker

- Funds high risk development capital from project origination
- Brings experience from numerous projects, markets and economic cycles
- Gets local
- Accesses ministries, SOEs and market drivers

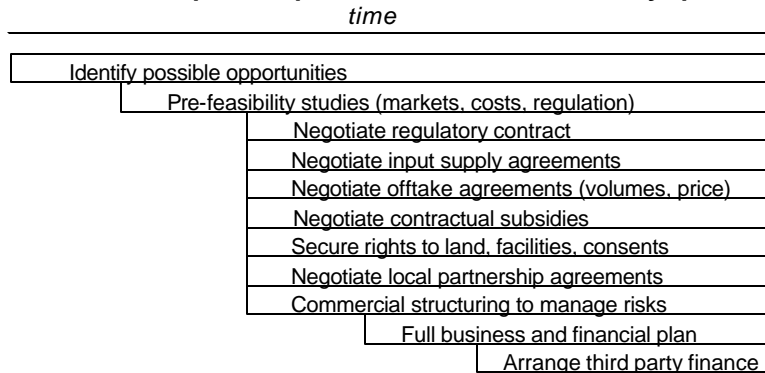
InfraCo

- **Privately managed infrastructure project development company funded through the Private Infrastructure Development Group (PIDG) comprising:**
 - DGIS (Netherlands)
 - SIDA (Sweden)
 - SDC (Switzerland)
 - DFID (United Kingdom)
 - World Bank,
- **Cooperation Agreement with IFC International Finance Corporation**
- **Operates in South Asia, South East Asia and Sub-Sahara Africa**
- **Develops Infrastructure Projects in the Power, Transportation and Water sectors**
- **Creates privately financed infrastructure projects balancing the interests of host governments, private sector investors and financiers**

Project Development Process

Early stage infrastructure development

- Is a complex, protracted and risky process



Projects Under Development

- Kalangala – InfraCo is developing the infrastructure required for this integrated agribusiness project in Uganda
- Cenpower – InfraCo is developing a greenfield 300 MW IPP in Tema that will use gas from the West Africa Pipeline
- Sunyani Housing – InfraCo has agreed to develop housing in an area of Ghana that is short of adequate and affordable housing
- Aba Power – InfraCo has agreed to develop this 120 MW IPP in SE Nigeria

Breaking the Barriers: Vietnam

- Power demand

- Growth of approx 15% pa
- Electric consumption
2002: 392 kwh/person

- CROSSROADS!

- Support private sector investment Vs. Stifle growth

Barriers:

- Overly complex
- Local partners reluctant to cede control
- Sector reform – potentially premature

Efforts to break barriers:

- Know the people
- Transfer knowledge
- Consistent/clear message
 - Minister/SOE roundtable
 - Frequent meetings

Conclusion:

- Leaders recognize – Embrace private investors
- Patience, Patience, Patience

Breaking the Barriers: Uganda

- Installed Capacity: 300MW

- Current Situation: Severe Load Shedding due to lower hydro-electric production (falling water levels in Lake Victoria) and increase in demand
- Deregulated Energy Sector with Single Buyer (Transmission Company) willing to enter into long-term contracts

Barriers:

- Poor credit of transmission company; requiring Government Support, itself in need of enhancement
- Sector under financial strain due to cost of thermal energy emergency power (diesel-fired generators)
- Low electrification levels (4% of households)

Effort to break the barriers:

- Structure Credit Enhancements to Support Obligations of Government of Uganda
- Development of alternative energy projects;
- Development of electric distribution projects

Breaking the Barriers: Zambia

- Demand growth exceeds 10% pa attributable to mining and agricultural sector

- Good investment in telecoms and mining and recently, agriculture

Barriers:

- Small market
- Appreciating currency given mineral exports
- High local interest rates

Efforts to break the barriers:

- New ways to enhance local currency finance

Conclusion:

- Zambia is a fairly attractive economy
- Off investors' radar screen

Breaking the Barriers: Mozambique

- Demand growth outpacing supply, especially in metro and agricultural areas

- Hydro dependent

- Gas reserves can provide generation diversification

- EDM, single distributor is willing to enter into PPAs

Barriers:

- Poor credit of transmission co
- Low electrification levels
- Many rural areas do not have electricity

Efforts to break the barriers:

- Develop new power using export potential (S. Africa) as commercial anchor

- Alternative energy

 - Small scale hydro

 - Bio-diesel and ethanol

- Development of transmission capability from northern gas fields to S. Africa supply Maputo and Beira along the way

Breaking the Barriers: Nigeria

Installed Capacity: 4,000 MW
Population: 150 million

- Industrial users dependant upon costly diesel
- Gas currently flared, thus not used in generation
- Positive transition – State owned power company to be restructured and privatized

Barriers:

- Environment for private sector investment only now being established – regulator created 2006
- Reputation for non-transparent procurement

Efforts to break the barriers:

- Development of gas fired power plant and distribution concession
- Partnership with local developer, plus strong backing from major multilateral lenders
- Work with Government regulators to develop bankable regulatory arrangements – first IPP in Nigeria

How to Break Barriers

- Get local – be an insider
- Establish realistic, shared goals
- Consider pilot projects
- Have a flexible game plan
- Share knowledge and experience
- Learn and enjoy the ride
- Realize the uniqueness of your project

Capital Requirements

Break the barriers
before you go broke!

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