Africa Finance Corporation

ECOWAS Renewable Energy Investment & Business Forum

Case Study on Cabeolica Wind IPP in Cape Verde
Presentation Outline

1. PPP Overview
   - Introduction
   - Benefits

2. Typical Structure / Timeline for PPP Power Project

3. Project Overview - Cabeolica S.A.
   - Highlights
   - Rationale and Benefits
   - Structure
   - Timeline

4. Critical Success Factors

5. AFC Value Add
Public-private partnerships (PPPs) refer to an arrangement between the government and a private enterprise, where the private enterprise supplies infrastructure assets and/or services that traditionally have been provided by the government.

The goal is to combine the best capabilities of the public and private sectors for mutual benefit.
PPP Overview – Benefits

- Improve Service Delivery & Customer Satisfaction
- Improve Cost Effectiveness
- Increase investment in public infrastructure
- Reduce Public Sector Risk by transferring select risks to private sector
- Deliver capital projects faster, and often cheaper, making use of increased flexibility and access to local and international resources.
- Improve planning & implementation capacity; and budget certainty
- Better use of assets, resulting in higher level of service, greater accessibility, and reduced occupancy cost for public sector
Typical Power Project Structure / Timeline - IPP

- **Sponsor Vehicle (Private Investors)**
- **Institutional Investors**
- **DFIs/MFIs**
- **Commercial Lenders**
- **NERC/ESIA/Other Government**

**Project Company**
- **Power Purchase Agreement**
- **Financing Agreements**
- **Generation License, Permits**

**Other Service Providers**
- **EPC Contract**
- **O & M Contract**
- **Fuel Supply Agreement**

**Contractors**
- **EPC Contractor**
- **Operations & Maintenance Contractor**
- **Fuel Supplier**

- **Shareholders’ Agreement (Equity)**
- **Shareholder Loan Agreement**

- **Offtaker – Corporate Customer, Bulk Trader**

**Timeline**
- Development / Finance (3 Years)
- Construction (1 – 5 Years)
- Operations (10 – 30 Years)
Project Overview: Cape Verde Greenfield Wind IPP

• **Opportunity**
  - Cape Verde is an archipelago country with outstanding wind resources, a heavy reliance on expensive imported fossil fuel for energy generation and a strong growth economy with one of the better credit ratings in Sub-Saharan Africa. Failed public approach.
  - The Project comprises the development, construction, ownership and operation of 30 wind turbines on 4 islands: 25.5 MW of installed capacity added in Cape Verde.
  - AFC worked with international developer, InfraCo (established by donors) and electricity company, Electra, to deliver the project.
  - The Project is appropriately structured and has widespread support from the Government of Cape Verde; Electra and Lenders.

• **Project Highlights**
  - Project development work was completed in 2010 with all major contracts and agreements in place (PPA, EPC, O&M). €45.0m debt capital commitments secured from AfDB and EIB in Q4 2010.
  - Construction completed: Q4, 2011- Phase 1, 15.3 MW and Q2, 2012 - Phase 2, 10.2 MW), 2011.
  - AFC has majority interest in a €61.0m innovative renewable energy project underscores commitment to this sub-sector in Africa.

2011 Africa Energy Award Winner: Best Renewable Project in Africa
Rationale and Benefits

• 25.5 MW wind power capacity installed on 4 islands → 25% of installed capacity

• Employment creation and capacity development

• Project enables the GoCV to diversify energy mix currently dominated by diesel thermal power generation: Annual fuel savings of over $12 M projected (>65 GWhr/yr)

• High penetration of renewable energy (>25%), reduced emissions and access to CDM revenues (60k MT/yr).

• Project represents the first commercial scale privately financed PPP wind farm in Sub-Saharan Africa and creates an opportunity for scale up and replication across Africa

2011 Africa Energy Award Winner: Best Renewable Project in Africa
2011 Africa Energy Award Winner: Best Renewable Project in Africa
AFC investment appraisal commenced as Project was reaching the end of the project development stage in May 2010. AFC negotiated co-developer and investor role.

- Development Agreement signed between Infraco & GoCV/Electra and AFC, FinnFund
- EPC Contract + Service & Availability Agreement signed with Vestas (Global Leader)
Critical Success Factors

- Government Support
- Stable Macroeconomic Growth
- Technology
- Renewable Resources
- Project Management
- Risk Management
- Stable Policy/Regulatory Framework
- Performance Guarantees
# AFC Value Add

We highlight some of the key roles AFC can play towards successful financial close and execution of PPP projects

<table>
<thead>
<tr>
<th>- Key Points-</th>
<th>- Value Add-</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Early Stage Project Support</strong></td>
<td>Project development advisory and co-ordination to ensure all elements of the Project are bankable, completed on time, and appropriately funded.</td>
</tr>
<tr>
<td><strong>Early Stage Equity Capital Raising</strong></td>
<td>Attracting the right caliber of long-term oriented investors who would provide a base for debt/equity raising and ultimate project success.</td>
</tr>
<tr>
<td><strong>Debt Syndication</strong></td>
<td>Syndicates major offerings of long-dated debt instruments, lending its industry expertise, structuring ability and balance sheet stability.</td>
</tr>
<tr>
<td><strong>Mezzanine Financing</strong></td>
<td>Advisory and anchor financing for a successful issue of structured financing instruments, tailored to align with the Project cash flow dynamics, and specialized investor groups.</td>
</tr>
<tr>
<td><strong>Technical Advisory</strong></td>
<td>Industry experts review and advise on any engineering/construction related elements of the Project, ensuring consistency with international standards and financing realities.</td>
</tr>
<tr>
<td><strong>Financial Advisory</strong></td>
<td>Advise Projects on subsequent capital raising programs including valuation support, investor education and marketing. AFC also coordinates parties involved in the fundraising process e.g. lawyers, lenders, future potential investors, etc.</td>
</tr>
<tr>
<td><strong>Innovative Financing Solutions</strong></td>
<td>Organize unique local currency infrastructure bonds to unlock long-term capital from new sources (e.g. Pension funds) that are often unavailable in the local financial markets. AFC will also arrange any credit enhancements necessary to lower borrowing costs and enhance marketability of bond issues.</td>
</tr>
</tbody>
</table>
Contact Information

Oliver Andrews
Director, Origination & Coverage
T: +234 279 9617
E: oliver.andrews@africafc.org

Batchi Baldeh
Senior Vice President - Power
T: +234 279 9616
E: batchi.baldeh@africafc.org

Africa Finance Corporation
A: 3A Osborne Road, Ikoyi, Lagos
    Nigeria
T: +234 279 9600
E: contact@africafc.org