



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

PPP Overview – Introduction

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

Wide
Infrastructure
Gap: \$ Billions

Growing
demand for
private sector
participation in
infrastructure

Inadequate
Government
resources:
Priorities?

Urgent need for
alternative funding
of Infrastructure

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

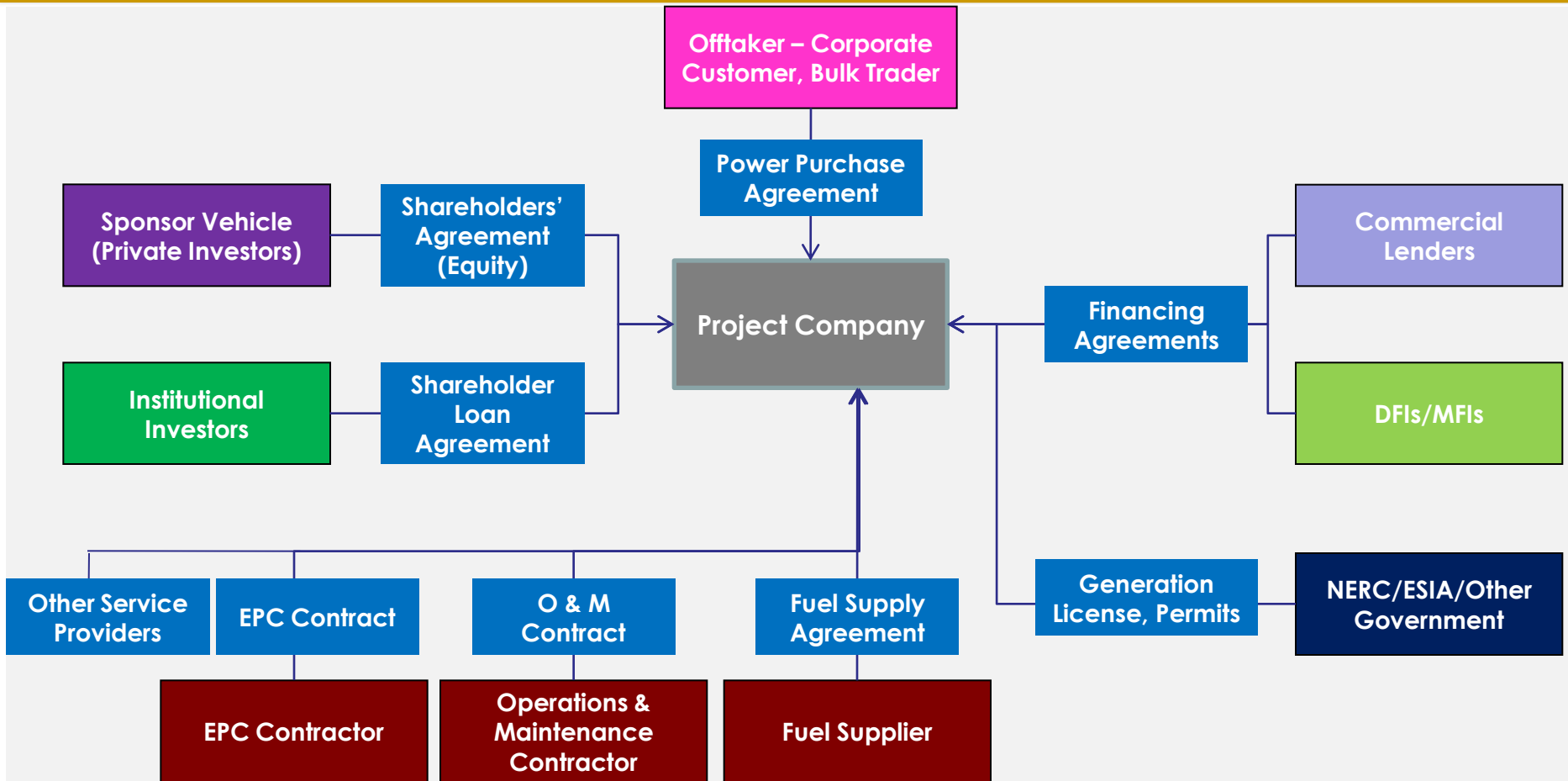
Reduce Public Sector Risk by transferring select risks to private sector

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



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**

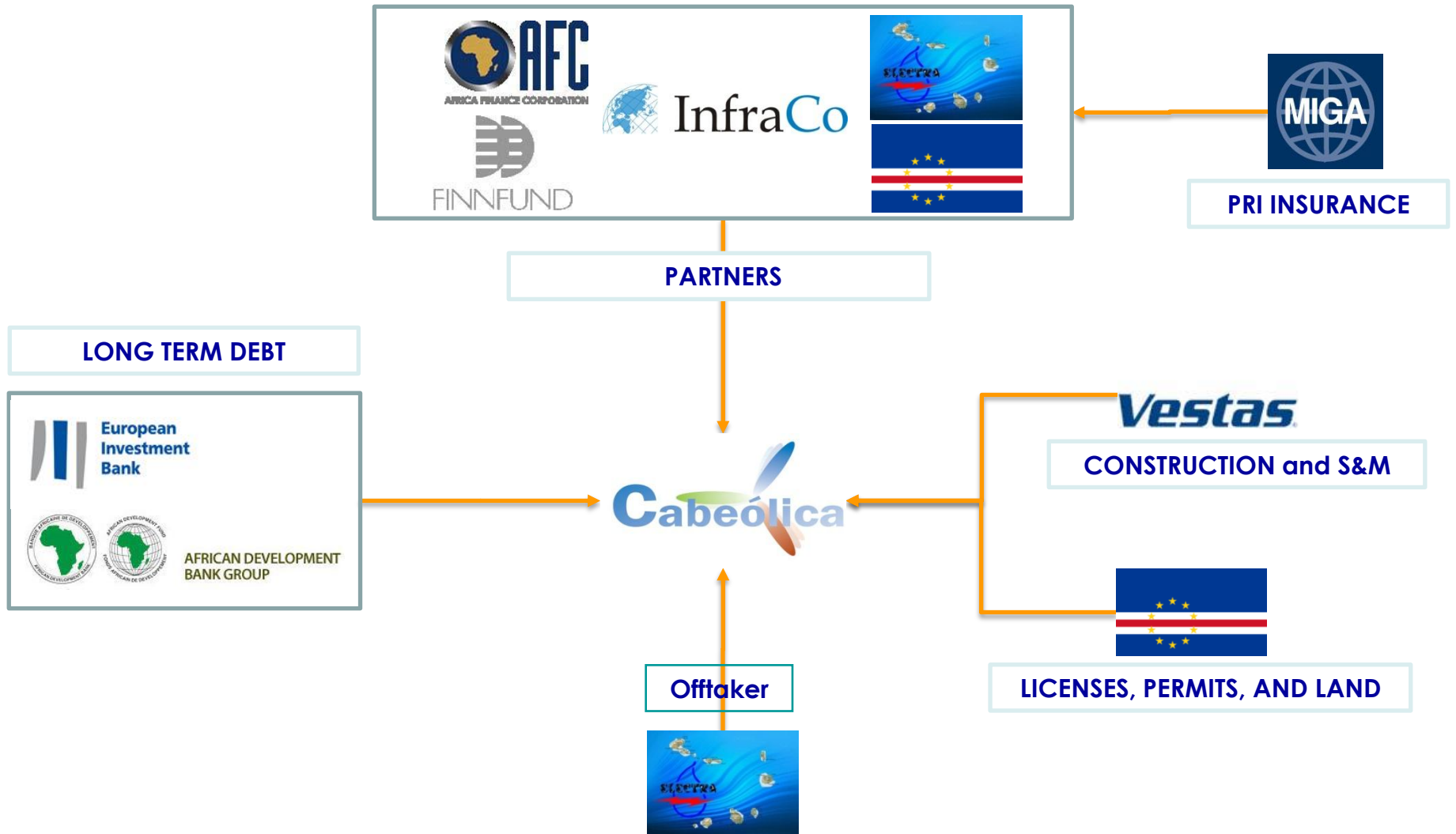
- Project development work was completed in 2010 with all major contracts and agreements in place (PPA, EPC, O&M). €45.0m debt capital commitments secured from AfDB and EIB in Q4 2010.
- Construction completed: Q4, 2011- Phase 1, 15.3 MW and Q2, 2012 - Phase 2, 10.2 MW), 2011.
- AFC has majority interest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



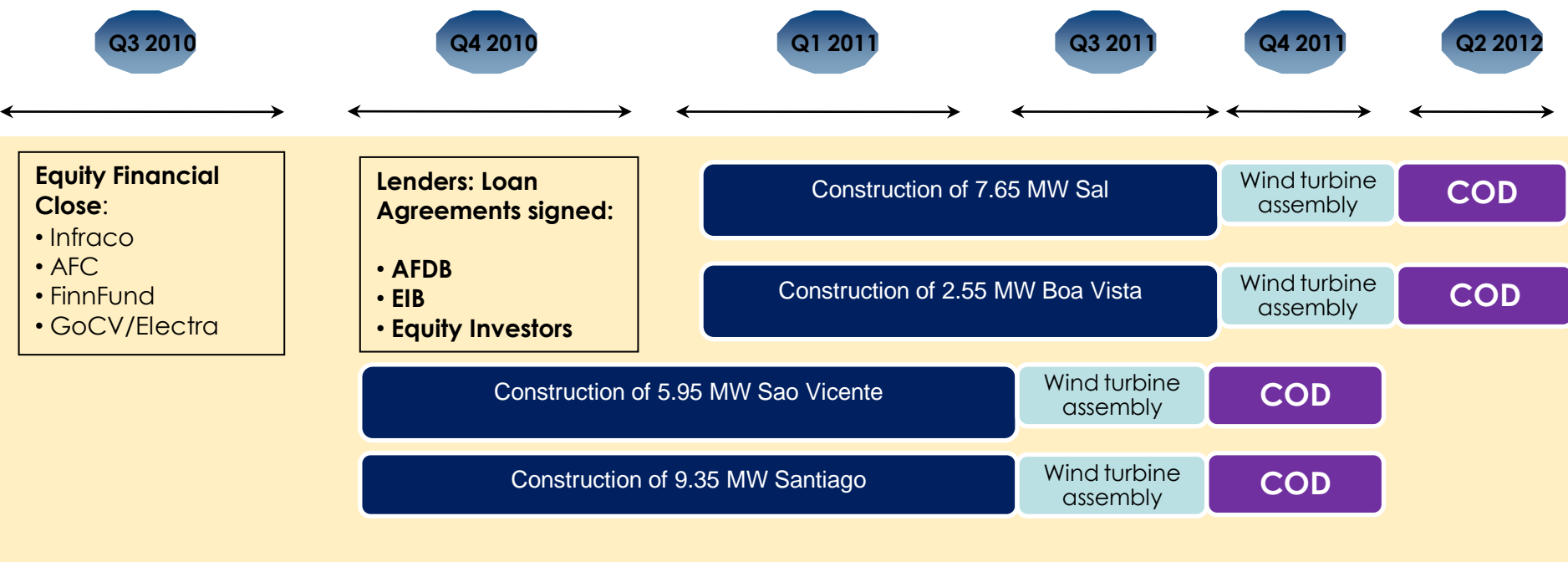
Rationale and Benefits

- 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**

Structure



Project Implementation Timeline



- 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



AFC Value Add

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

- Key Points-

- Value Add-

Early Stage Project Support

Project development advisory and co-ordination to ensure all elements of the Project are bankable, completed on time, and appropriately funded.

Early Stage Equity Capital Raising

Attracting the right caliber of long-term oriented investors who would provide a base for debt/equity raising and ultimate project success.

Debt Syndication

Syndicates major offerings of long-dated debt instruments, lending its industry expertise, structuring ability and balance sheet stability.

Mezzanine Financing

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.

Technical Advisory

Industry experts review and advise on any engineering/construction related elements of the Project, ensuring consistency with international standards and financing realities.

Financial Advisory

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

Innovative Financing Solutions

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.

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