

Berne Union DFI Meeting

Cases



Berne Union Outreach: African Regional Development

Kilifi, Kenya

Alec Joubert & Eugene Obiero

Thursday 22nd March 2018

ABOUT REPP



Renewable Energy Performance Platform

Initiated by



European
Investment
Bank

Funded by



Department for
Business, Energy
& Industrial Strategy

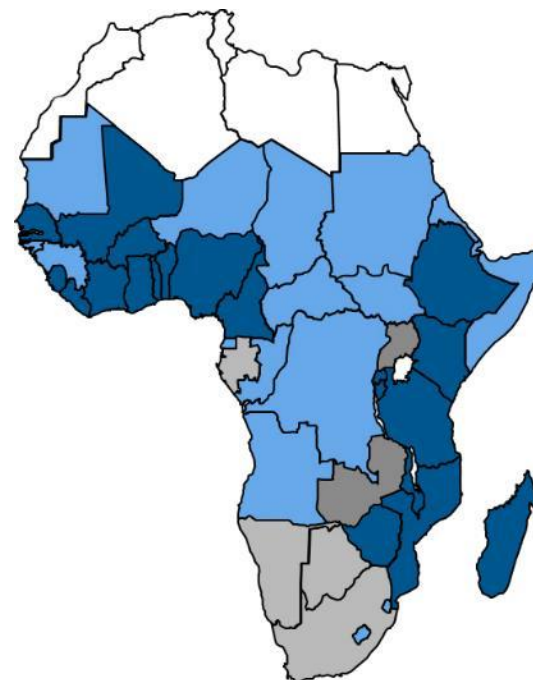


Funded by
UK Government

Managed by



camco
clean energy





Eligible technologies and types

Technologies

- 🔌 Solar PV
- 🔌 Run-of-river hydropower
- 🔌 Onshore wind
- 🔌 Biomass
- 🔌 Biogas
- 🔌 Solar CSP
- 🔌 Geothermal
- 🔌 Waste-to-Energy

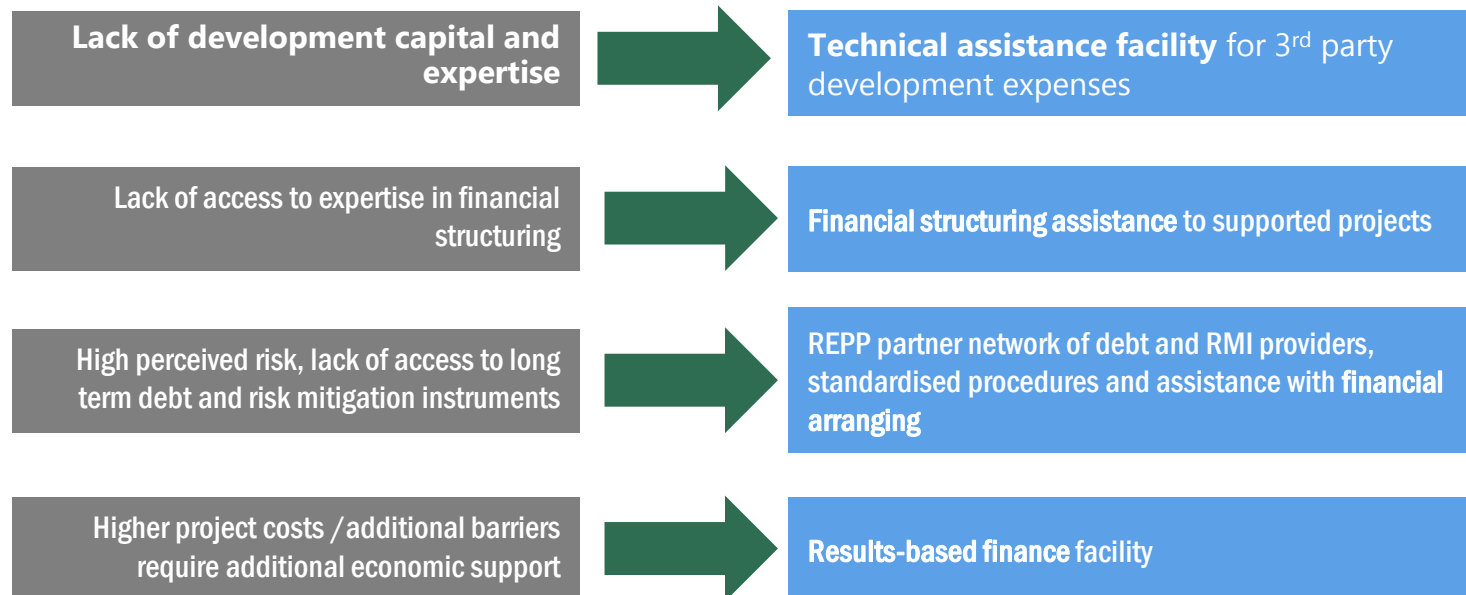
Project Types

- 🔌 Grid-connected and off-grid
- 🔌 Public utilities and private offtakers
- 🔌 Micro-grids and Mini-grids
- 🔌 Greenfield and brownfield
- 🔌 Renewables-storage hybrids



REPP is designed to overcome barriers

Projects up to 25MW (wind 50MW)





Contact

For more information, please contact:

Camco Clean Energy, London

Unit 4.12, Clerkenwell Workshops
31 Clerkenwell Close
London, UK
EC1R 0AT

<http://www.camcocleanenergy.com/>

Geoff Sinclair

Managing Director

geoff.sinclair@camcocleanenergy.com

Benjamin Hugues

Director

benjamin.hugues@camcocleanenergy.com

Camco Clean Energy, Nairobi

Gath Plaza
Muthangari Drive
Nairobi
Kenya

Eugene Obiero

Senior Manager

eugene.obiero@camcocleanenergy.com

Alec Joubert

Director

alec.joubert@camcocleanenergy.com



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African Energy Guarantee Facility (AEGF)

March 2018



Africa Energy Guarantee Facility (AEGF)

Project Description

BACKGROUND AND OBJECTIVES

- Addressing one root cause for limited/expensive availability of private capital for African energy projects: offtake, sovereign and political risk
- EIB/EU response to SE4ALL initiative
- Work to enhance existing local market capacity (ATI) to address these risks, in a prudent manner
- Mobilise new technical and financial capacity too
- Potential to roll out to new regions and sectors
- Potential to cover comprehensive / credit risk in the future

Africa Energy Guarantee Facility (AEGF)

...Products

TAILORED RISK MITIGATION

- Different investors = different policies, risk outlooks and tolerances
- Suite of insurance products offered to mitigate the specific risks concerning each investor in each project
- Broadly categorised as arbitral award default and political risk insurance (the latter covering specific risks of war/civil disturbance, expropriation, currency inconvertibility and contract frustration/repudiation)
- Assurance of a policy issued by a multilateral with preferred creditor status and backed by a major reinsurer
- Expanding the menu

Africa Energy Guarantee Facility (AEGF)

...Innovative elements

Structured guarantee with EIB participation

- A portfolio mezzanine guarantee from EIB allows Munich Re to offer increased reinsurance capacity dedicated to the African energy sector
- First-time EIB risk participation in investment insurance exposure
- ATI retention and first-loss from Munich Re ensures alignment of interest
- Open architecture

EU standards in investment insurance

- Social, environmental and procurement standards specific to EU/EIB financing will be applied for the first time in investment insurance
- Capacity building and contractual structure are new to the industry



Africa Energy Guarantee Facility (AEGF)

Structure and Partners



RISK SHARING STRUCTURE

- EIB mezzanine (2nd loss) guarantee provided to reinsurer
- 1st and residual Loss retained by reinsurer
- Reinsurer provides reinsurance cover to primary insurers (partial retention at insurance level)

AGENT ROLE

- Dedicated agency to provide underwriting support on complex transactions
- Eligibility checks, supervision on EU standards, monitoring and reporting
- Knowledge transfer & sharing platform

Africa Energy Guarantee Facility (AEGF)

Portfolio Model – MunichRe

Portfolio composition

- At least USD 1.1 billion in investment insurance exposure or USD 1 billion in reinsurance exposure – we estimate this means USD 1.4bn in project finance
- Portfolio based on an indicative pipeline and historical track record
- Generation, access and efficiency – but how can we best help the access?
- Risk: country concentration limits apply and phased portfolio ramp-up
- Modeling on a number of assumptions – time to analyze, educate, tweak
- EIB standards:
 - 100% of portfolio eligible under EIB E&S rules
 - 50% of portfolio eligible under EIB procurement rules

Next steps

- Utilisation: Is there sufficient demand? How do we ensure awareness? How do we ensure product usefulness and acceptance?
- New participants: guarantors, primaries, reinsurers
- Other regions: neighbourhood
- Other sectors: all infra, all PPPs, trade
- Other products: comprehensive (challenges)

Africa Energy Guarantee Facility (AEGF)

Partners



Over 135 years in reinsurance business. Operates internationally and apply a range of disciplines to produce pioneering concepts. **Solid capital base, in-depth risk expertise, market know-how and an understanding of the refinancing and capital management of primary insurance companies.** Heavily invests in knowledge. Approximately 12,000 staff in reinsurance. Premium income of around €27bn in financial year 2014.

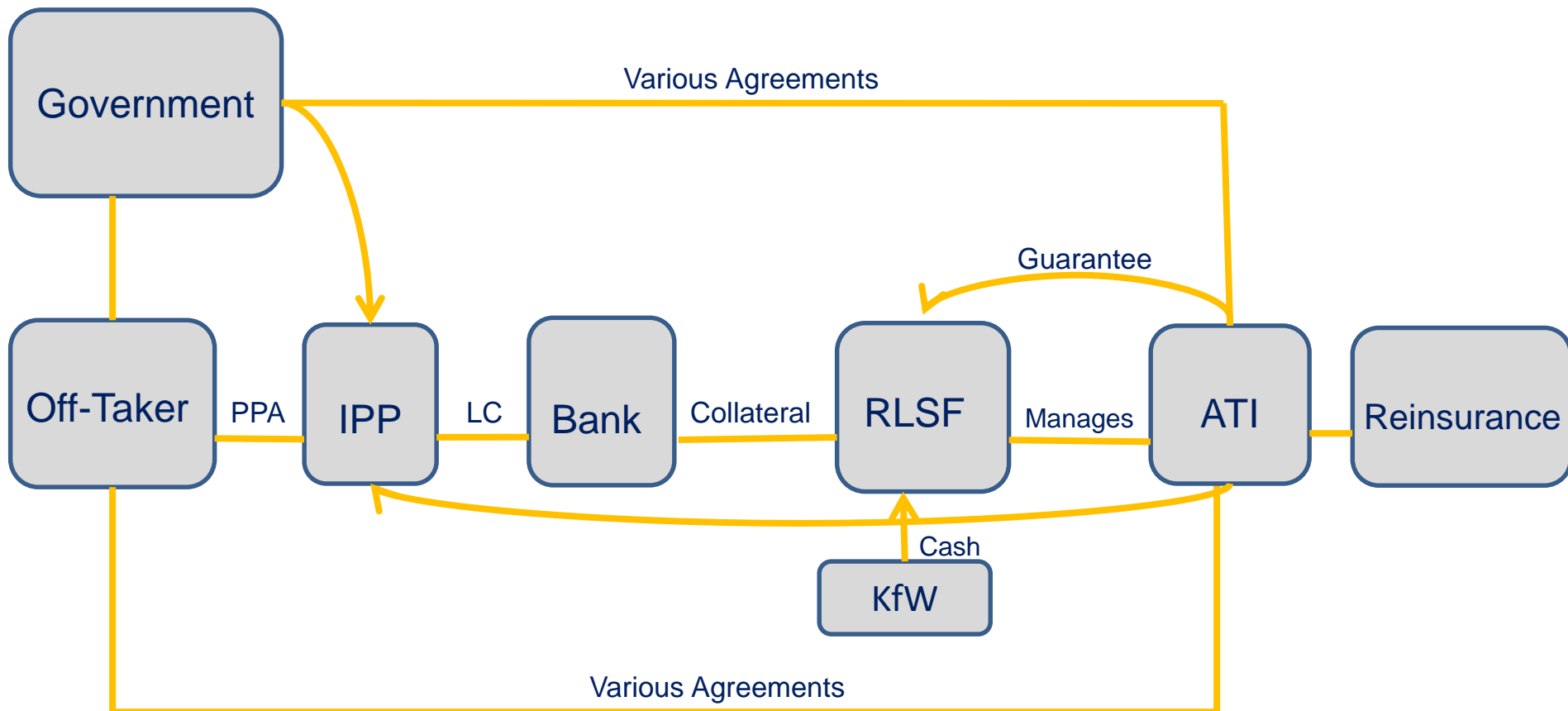


African Trade Insurance Agency
Agence pour l'Assurance du Commerce en Afrique

Objective of reducing the business risk and cost of doing business in Africa. Help increase investments into our African member countries and two-way trade flows between Africa and the world. **Launched in 2001 with the financial and technical support of the World Bank and the backing of seven African countries.** The African Development Bank is also shareholder. Since 2003, **supported over \$25 billion worth of trade and investments across the continent, secured an investment grade rating of 'A' from Standard & Poor's**, and expanded membership significantly.



RLSF: Overview



Contact

Jef Vincent

Senior Advisor

jef.vincent@ati-aca.org

DL: +254 719 014 244 | M: +254 718 925 346

Kenya Re Towers, 5th Floor Upperhill off Ragati Road

P.O. Box 10620, GPO 00100 Nairobi, Kenya

Office L: +254 20 272 6999 Office M: + 254 (0) 722 205 006/7

F: +254 20 271 9701

www.ati-aca.org



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African Trade Insurance Agency
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