

**HERA**  
INTERNATIONAL

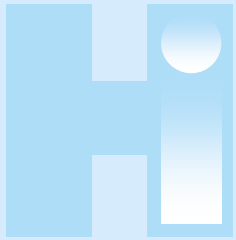


# **Mobilising Private Investment in Developing Countries Part II**

**Private Financing Advisory Network  
(PFAN)  
Applications & Experiences in Chile**

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**Santiago, 05 October 2006**



# INTRODUCTION TO HERA

Project Developer & Financing Arranger:

- Holding Co & HQ in Vienna
- Operating Co's / Offices in Cyprus, Moscow and Johannesburg

We develop, structure, finance & implement Infrastructure Projects for Governments and / or Companies

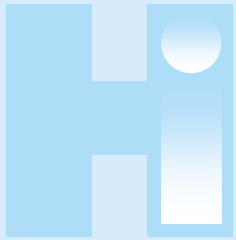
- Power & Energy
- Transportation & Communications

Exclusively for Developing Countries & Transition Economies

Privately Owned / Independent

Involvement in CTI since 2004

- Founder Member & Global Coordinator of PFAN initiative



# WHAT IS PFAN?

## Private Finance Advisory Network

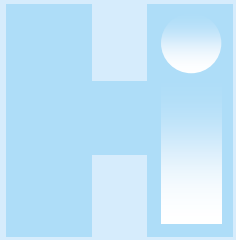
Informal Network of Private Sector Companies / Individuals

- under CTI Umbrella in support of the UNFCCC
- Common interest / involvement in providing finance and financing services to climate friendly projects

Offers a project finance consulting service to project sponsors & developers to help them raise international finance

Aims:

- Knowledge & Know how Transfer (Practitioners' Guide)
- Technical Assistance
- Provide an interface between public sector policy goals and private sector commercial reality
- Increase the number of bankable renewable energy projects and help get them to financial close



# WHAT IS PFAN? (2)

## New Initiative

- Trial Phase inaugurated in May 2006
- Initial capacity for ca. 10 projects

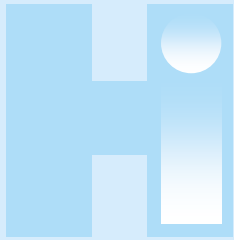
## Learning as we go along

- How & where can we add value?

## Can be a Provider / Source of Financing (from members)

## Service is provided “free” to the project developer / sponsor

- Costs absorbed by CTI during trial phase
- Subject to acceptance into the project pipeline



# WHO IS INVOLVED?

## Specialist Investment Funds / Institutional Investors

- FE Clean Energy Group
- Fiorella H. La Guardia Foundation
- Triodos International Fund Management

## Consultants / Advisors

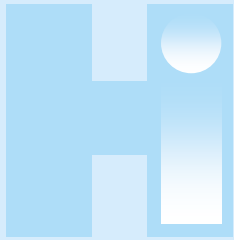
- HERA International Group
- E & Co

## Other Private Sector Companies to be included in future

- Contractors / OEMs ?
- Banks ?
- Developers / Industry Investors / Operators ?

## CTI / UNFCCC

## Network Effect



# HOW DOES IT WORK?

Initial Review of Project Proposal – Acceptance into Pipeline

- PFAN Member assigned to project as dedicated consultant

3 Phase programme designed to guide projects to bankability

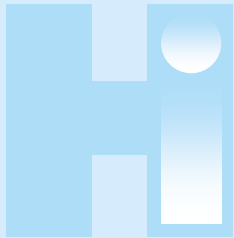
- Exchange & review of information & development status

Formal review provided to project sponsor / developer at end of each review phase

- Critical feedback, advice for continued development & structuring
- Decision to proceed to next phase / terminate at each review

Financing Proposals from PFAN Members

- Right of first refusal for interested PFAN members (if appropriate)
- Offered terms should be fully commercial and competitive



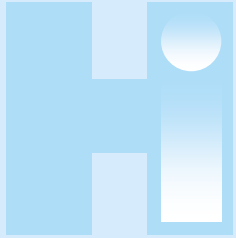
# HOW DOES IT WORK?

## Support & Commitment from sponsor is Pre-Condition

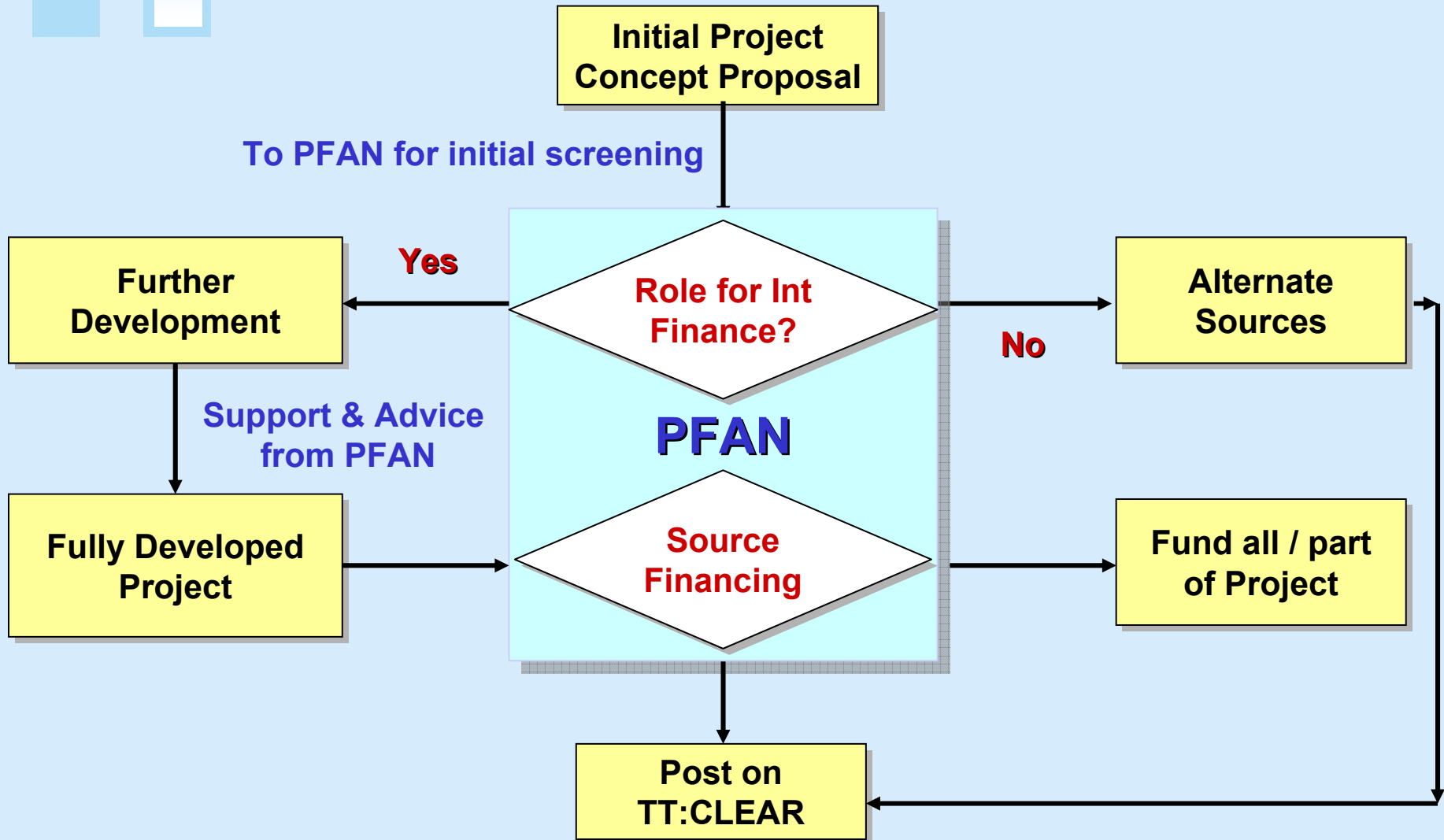
- Information supply
- Willingness to act on advice / input
- PFAN may “terminate” involvement after each review stage if commitment is lacking and / or financing thought unlikely

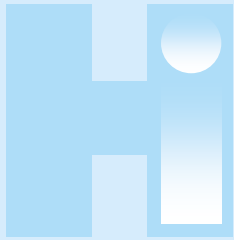
## Desk top, hands-off approach

- Policy of non-interference
- No hidden agendas
- Supplemental source of advice and funds
- Fills *advice gap* for smaller / less experienced developers whose projects are nonetheless valid & valuable
- Some hands-on ability during Phase 4 of review process



# PFAN – FLOW CHART





# WHY ARE WE HERE?

Recognition of the dynamism of the Chilean Renewable Energy Sector

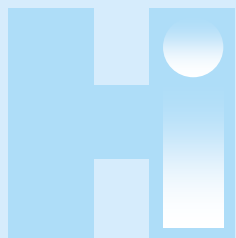
- Reflection of successful government policy

By Invitation of CORFO

- Despite high development level and sophistication of private sector participants a requirement was identified particularly to help small and medium sized projects access international capital / financing

With CORFO's support we have been introduced to a number of Chilean projects which may be eligible for inclusion in the PFAN pipeline

- Hoping to reach agreement with the project sponsors during the conference



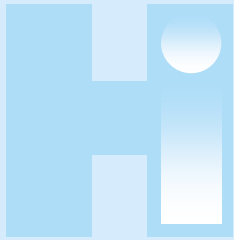
# CURRENT SAMPLE PROJECTS

## Initial Review Stage / Pipeline Induction

- Photovoltaic Power Station / South Africa (10 - 20 MW)
- Upgrade and Expansion of existing power station in Botswana; adaption for clean coal technology (400 MW / USD 600 mio)
- Small Hydroelectric Power Station in Mexico (8,5 MW / USD 17 mio)
- Bio Diesel Refinery in Brazil (66.000 tpa / USD 18 mio)

## 3 Chilean Projects - initial review complete / 2nd review under way (subject to agreement with sponsors)

- Small Hydro (5,6 MW / USD 5 mio)
- Biomass (8 MW / USD 14 mio)
- Wind Farm (20 MW / USD 30 mio)



# INITIAL CONCLUSIONS FROM CHILEAN PROJECTS

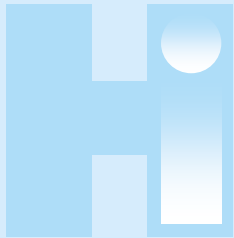
There are a lot of “good” / “valid” projects out there that could access international financing

Integrated early stage project & financing development is crucial

- Financing is not a bolt-on extra but an integral project element

PFAN can be a useful gateway to international finance especially for smaller / medium sized projects

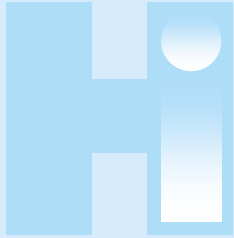
- Not seeking to substitute / replicate local markets / expertise
- Supplementary / additional tool
- Provides international experience & exposure / access to networks
- Advice on presentation of project proposal for international consumption
- Knowledge of return requirements / risk parameters / terms & conditions



# SOME KEY ISSUES

## What are we looking for?

- Consistent regulatory, legal and commercial framework
  - Ability to quantify, manage & price risk
- Commercially & technically experienced Project Sponsors
  - Financially committed / Equity stake
- Proven Technology (can still be new / state of art)
- Risk Sharing / Diversification
  - Consortia (suppliers & contractors)
  - Integrated project approaches & Linkage
- Repayment Ability / Security
  - Strong Cash Flows & Cover Ratios under worst case conditions
- Adequate Return
  - In consideration of all hard & soft factors / Triple Bottom Line
  - Different for each individual project case



# EXPECTATIONS FOR THE FUTURE OF PFAN

Trial Phase to mid 2007

Secure 2 – 3 financial closures on the back of PFAN work and advice within the next 4 – 6 months. **(At least 1 from Chile)**

Secure “permanent funding” for PFAN during 2007

- Expand PFAN Network membership
- Formalise network
- Expand processing capacity

Identify further projects for PFAN pipeline induction

Target: Financial Closure of 10 – 20 medium sized projects p.a.