

# IMPLEMENTING MITIGATION AND ADAPTATION PROJECTS IN AFRICA

## Lessons

NOVEMBER 2013

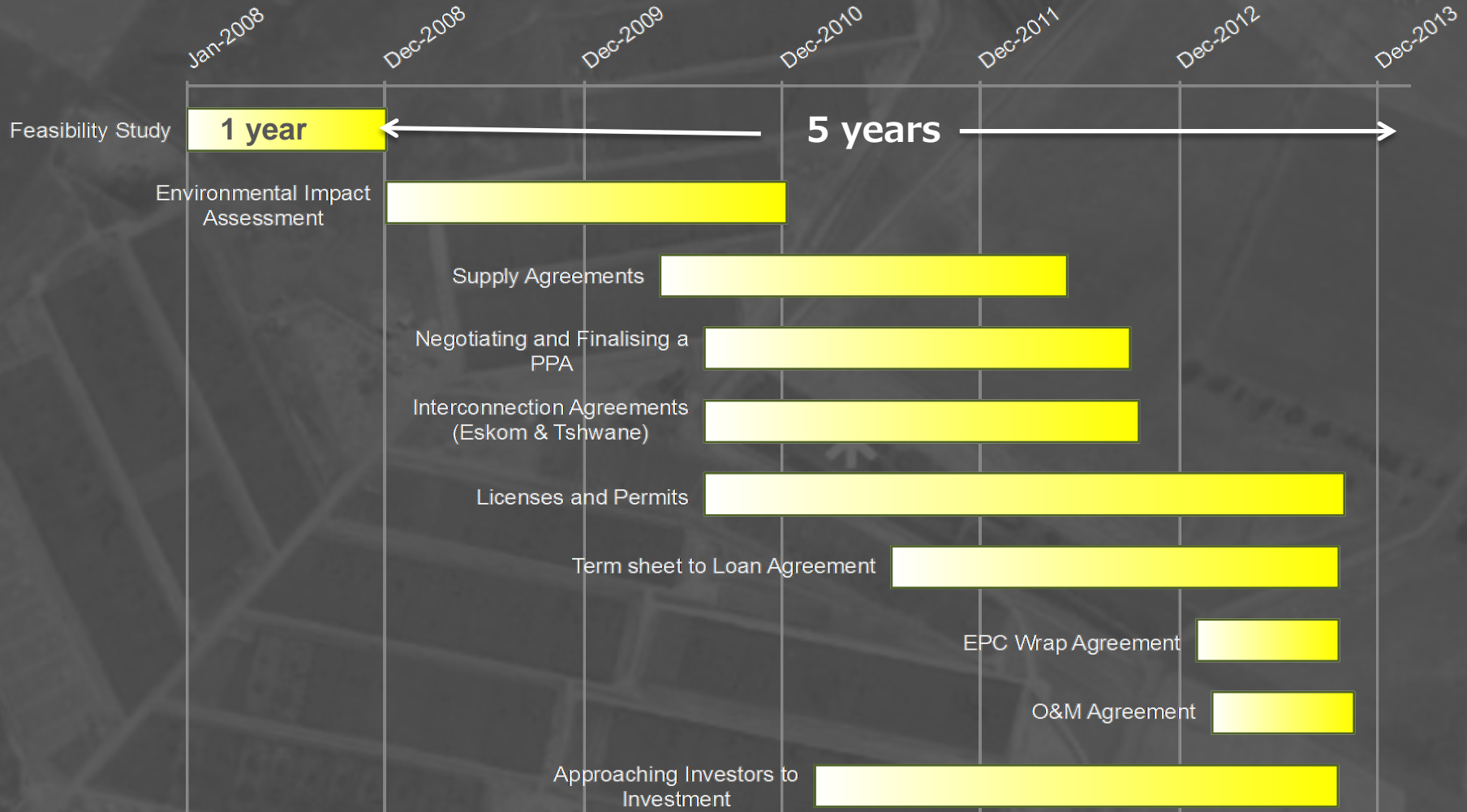
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# PROJECT ONE – BIOGAS IN SOUTH AFRICA



- BIO2WATT, A RE PROJECT DEVELOPER HAS FINALISED THE 1<sup>ST</sup> COMMERCIALY VIABLE GRID-CONNECTED BIOGAS PROJECT IN SOUTH AFRICA – BBP (PTY) LTD (“BBP”).
- 3,3MW OF ELECTRICAL POWER SOLD TO AN INDUSTRIAL OFF-TAKER VIA A PPA.
- BBP WILL OPERATE FOR 10 YEARS, WITH THE OPPORTUNITY TO RENEW AGREEMENTS FOR AN ADDITIONAL 10 YEARS.
- TOTAL PROJECT COSTS AMOUNT TO \$13.5M.
- THE PROJECT IS STRUCTURED AS A LIMITED RECOURSE FINANCE TRANSACTION, WITH A 70%:30% DEBT TO EQUITY RATIO.
- BBP IS AT FINANCIAL CLOSE AND SHOULD BECOME OPERATIONAL IN Q3 2014.

# BBP – PROJECT TIMELINE



**PRE-DEVELOPMENT COSTS ~\$1.5m**

# SOME INTERESTING FACTOIDS

56

No. of iterations performed on the Project Finance Model

1,500

Pages of legal documents

18

No. of direct project stakeholders

\$600k

... spent in legal fees

6

No. of Grants obtained

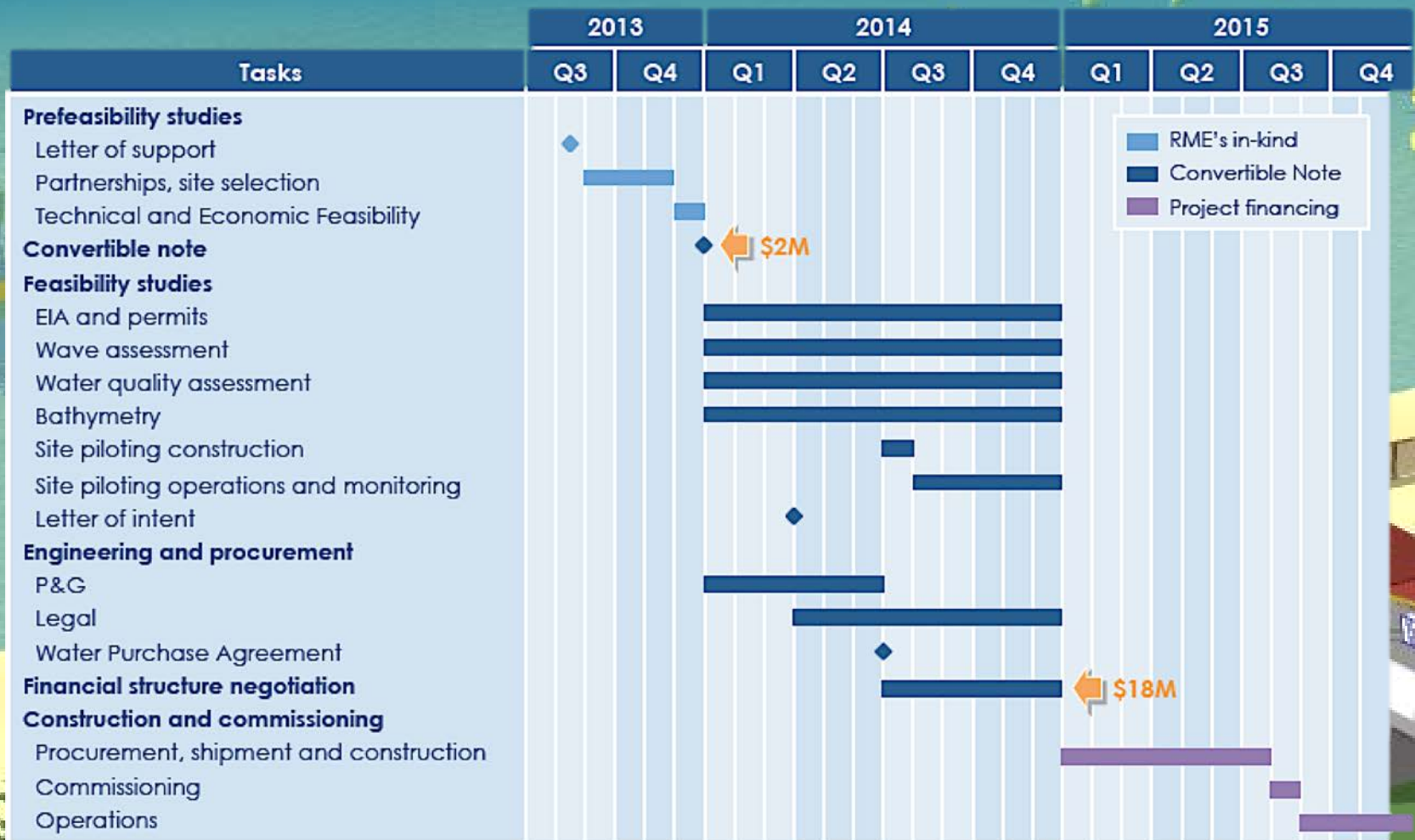


# PROJECT TWO – WAVE POWERED DESALINATION IN CAPE VERDE



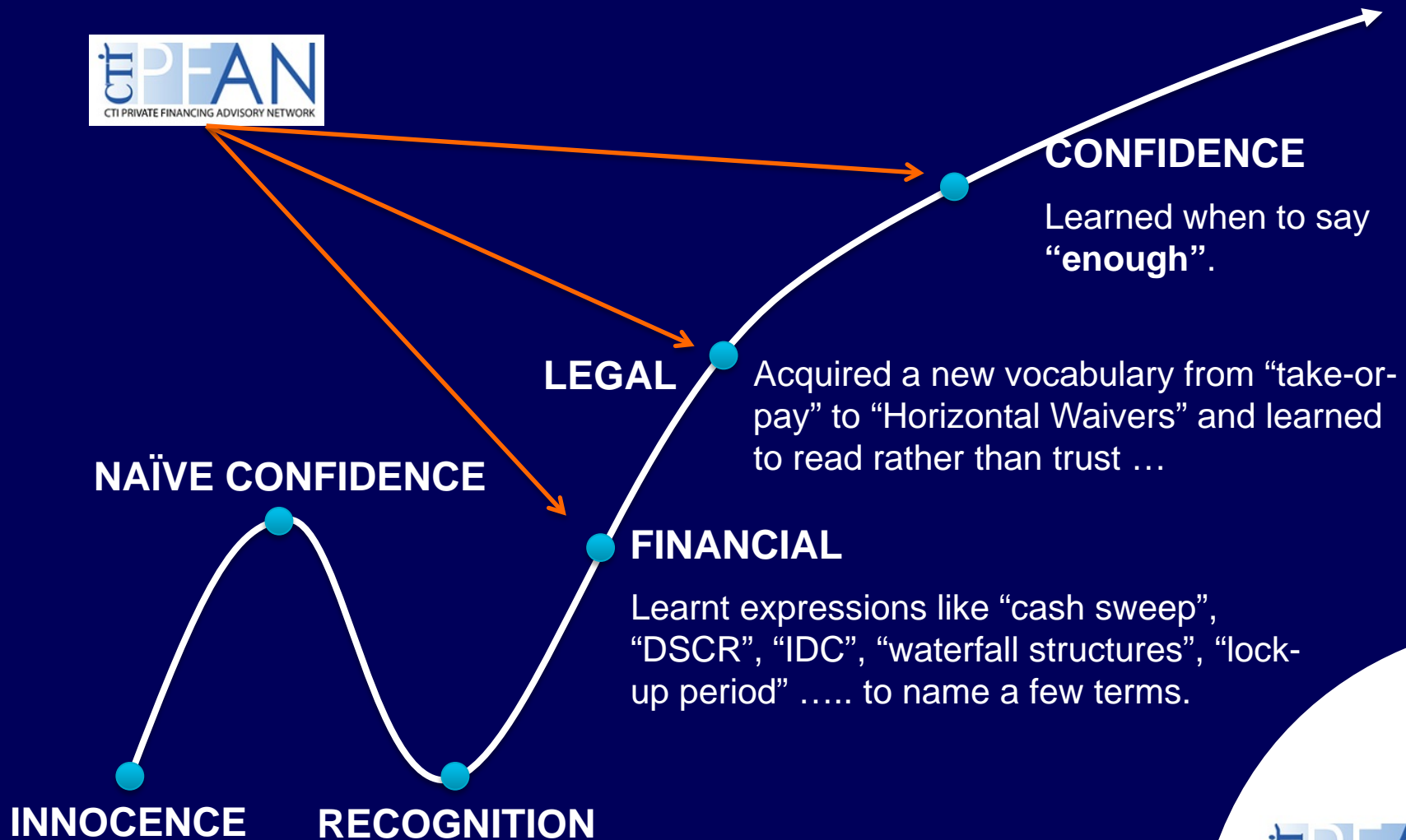
- RESOLUTE MARINE HAS CONCEPTUALISED THEIR 1<sup>ST</sup> COMMERCIALY VIABLE WAVE POWERED DESALINATION PROJECT IN CAPE VERDE
- PROJECT ECONOMICS LOOK GOOD
- CAPITAL COSTS ARE REASONABLE .... SO FAR. PROJECT COST ESTIMATES DO NOT TAKE RISK PREMIUMS INTO ACCOUNT YET
- CAPE VERDE GOVERNMENT IS KEEN, BUT NOT THE MOST CREDITWORTHY ENTITY
- A LOT OF WORK TO BE DONE TO CONVINCe BANKS AND EQUITY PROVIDERS

# ... Ambitious schedule



In less than 2 years, we could have the world first wave-driven desalination system operating in Cape Verde

# DEVELOPER'S LEARNING CURVE



# LESSONS FOR DEVELOPERS:

## **COSTS:**

A “SMALL” PROJECT-FINANCED RE PROJECT  
WILL COST SUBSTANTIALLY MORE ...  
PREDEVELOPMENT EXPENSES CAN AMOUNT TO  
10-15% OF PROJECT COSTS (1<sup>st</sup> time)

## **LEGAL ADVISORS:**

MAY COST > 5% (MAY BE FLOWN IN)

## **FINANCIAL ADVISORS:**

NEEDED .... (CTI-PFAN)

## **AGREEMENTS:**

FINANCIAL CLOSE CAN EASILY BE  
PUSHED OUT BY 12 MONTHS

## **YOUR BANK:**

THE LESS THEY KNOW  
THE LONGER IT WILL TAKE

## **YOUR INVESTORS:**

NEED TO BE PATIENT



# LESSONS FOR REGULATORS:

- SIMPLIFY AND ACCELERATE LICENSING PROCESSES
- CREATE A POLICY FRAMEWORK THAT CATERS FOR SMALLER TO MEDIUM SIZED PROJECTS
- ADAPT PROJECT FINANCING REQUIREMENTS TO THE SIZE OF THE PROJECT
  - LOWER GUARANTEE REQUIREMENTS
  - EPC SILVER BOOK AS STANDARD

# BENEFIT OF CTI PFAN INTERVENTION:

- PROJECT FINANCE ASSISTANCE
- DEAL STRUCTURING
- MANAGE DUE DILIGENCE PROCESS
- STAKEHOLDER NEGOTIATIONS
- FINANCIAL MODELING
- CONFIDENCE BUILDING