

FINANCE IN FOCUS

BUILDING SCALABLE FINANCING MODELS FOR ENERGY ACCESS - POWERGEN/CROSSBOUNDARY ENERGY ACCESS MINI-GRID FINANCE VEHICLE

Mini-grids can be an excellent way of providing power to the more than 600 million people without access to electricity in Africa. However, significant amounts of finance – both public and private – will need to be mobilised to fulfil their potential.

But mini-grids have different characteristics from the perspective of financiers. They are a combination of low voltage distribution, power generation and power retail, and are subject to several risks such as tariff regulation, grid encroachment and uncertainty over the amount and value of electricity that they will sell to consumers. They are utility-style assets that are unlikely to attract venture capital in the medium term but are also unsuited to either traditional Project Finance transactions or standard retail-style financing. New, innovative financing structures are needed to realise their potential.

REPP has been playing a leading role in developing financing structures for this asset class. In the last annual report, we highlighted an off balance sheet loan that REPP completed with Powerhive, and since then we have developed this structure further with PowerGen and CrossBoundary Energy Access.

In this structure, PowerGen develops and builds mini-grids and then transfers operational assets into an off balance sheet financing vehicle owned by CBEA, continuing to perform operations, maintenance and revenue collection in an insolvency remote structure. REPP has supported both parties, providing PowerGen with important expansion capital as a USD2 million anchor investor in their Series B equity round and mobilising equity from other investors such as Shell New Energies and Sumitomo, and providing a USD3 million senior secured debt facility to the CBEA off balance sheet vehicle.

This approach has great potential to transform the market for financing mini-grids by adapting tried and tested financing structures that financial institutions are familiar with and use regularly. We are participating in a follow-on transaction with CBEA and are also thrilled that CBEA has also decided to publish a white paper, term sheets and project finance model for the structure, providing a truly transformational step to unlock the potential of distributed utilities to improve lives and constrain emissions growth.

SERIES B EQUITY INVESTMENT

Investee:	PowerGen holding company
Investor:	Renewable Energy Performance Platform
Investment type:	Equity (Series B)
Amount:	USD2 million
Location:	Benin, DRC, Kenya, Nigeria, Sierra Leone, Tanzania
Use of funds:	Development of mini-grids and expansion into new markets
Pricing:	Not disclosed
Arranger:	Camco Clean Energy
Legal counsel:	Womble Bond Dickinson
Co-investors:	Shell New Energies, Sumitomo Corporation, Omidyar Network, Acumen, DoB Equity, MicroGrid Investment Accelerator, Electrifi

MINI-GRID ASSET VEHICLE SENIOR SECURED LOAN

Borrower:	CBEA – PowerGen Assets Tanzania Limited
Sponsor:	CrossBoundary Energy Access Holdings
Lender:	Renewable Energy Performance Platform
Developer:	Powergen Renewable Energy Ltd
Facility type:	Senior secured term loan
Amount:	USD3 million
Tenor:	12 years
Location:	Tanzania
Interest rate:	Not disclosed
Arranger:	Camco Clean Energy
Legal counsel:	Baker & McKenzie

