

FINANCE IN FOCUS

DEVELOPING A FINANCING MARKET FOR THE ASSET CLASS - POWERHIVE

Mini-grid developers often appear to encounter a funding paradox: The equity capital available to them at corporate level is venture capital with high risk/return expectations, while the mini-grids that they are developing have more of a utility-style profile (i.e. lower risk and returns with long-dated performance). Funding in-country at the asset level, however, is difficult because mini-grids are too small for, and differ from the traditional single-asset pattern used in, project finance.

The REPP team has been working hard to find solutions to this problem, concentrating on in-country funding at asset level.

During 2018, REPP worked with established mini-grid company Powerhive to structure an asset vehicle and senior secured loan to fund the construction of up to 100 mini-grids in Kenya. Powerhive had been constrained from self-funding this due to requirements of their corporate finance structure. By structuring and providing funding at a local/asset level, REPP is unlocking the financing problem while hoping to encourage other financiers to adopt similar approaches.

The facility allows for the rollout of mini-grids over time by providing tranching drawdowns. It also permits Powerhive to build a track record of performance and revenue data on a group of mini-grids so that, in future, they are better equipped to attract private finance into similar vehicles. REPP included conditions in the loan documentation so as to ensure that the mini-grids funded complement the Kenyan government's overall electrification strategy.

MINI-GRID ASSET VEHICLE SENIOR SECURED LOAN

Borrower:	Powerhive's East African SPV
Lender:	Renewable Energy Performance Platform
Facility type:	Convertible amortising senior secured loan
Amount:	US\$3m
Tenor:	10 years + 1-year grace period
Location:	Kenya
Interest rate:	Not disclosed
Arranger:	Camco Clean Energy
Legal counsel:	Trinity International LLP