

# »» Renewable Energy Finance

DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH

## Power to Change

BMWi, July 2015

**KFW** DEG

## »»» DEG at a glance



Partner in Business

»» Part of a strong group



Domestic Promotion

We promote Germany

**Business area  
Mittelstandsbank**

Promotion of SMEs,  
business start-ups

**Business area  
Privatkundenbank**

Promotion  
construction of new  
housing  
and modernisation  
as well as education

**Business area  
Kommunalbank**

Financing of municipal  
infrastructure projects  
and global loans  
Germany/Europe  
Agency Business for the  
Federal Government

International Financing

We ensure inter-  
nationalisation

**KfW IPEX-Bank**

International  
project and  
export finance

We promote development

**Business area  
KfW Development  
Bank**

Developing and  
emerging-market  
countries:  
Financial cooperation

**DEG**


Developing and  
emerging-market  
countries:  
Private sector  
promotion

Promotion of environmental and climate protection



## »»» DEG at a glance

<b>Founded</b>	<b>1962</b>
<b>Employees</b>	<b>503</b>
<b>Headquarters</b>	<b>Cologne</b>
<b>Shareholder</b>	<b>KfW, Frankfurt</b>
<b>New business</b>	<b>EUR 1.5 billion</b>
<b>Portfolio</b>	<b>EUR 7.8 billion</b>
<b>Equity</b>	<b>EUR 2.1 billion</b>
<b>Balance sheet total</b>	<b>EUR 5.3 billion</b>



▶ DEG is a partner for companies investing in emerging markets and developing countries. For 50 years, we have been successfully supporting people and markets on the spot.

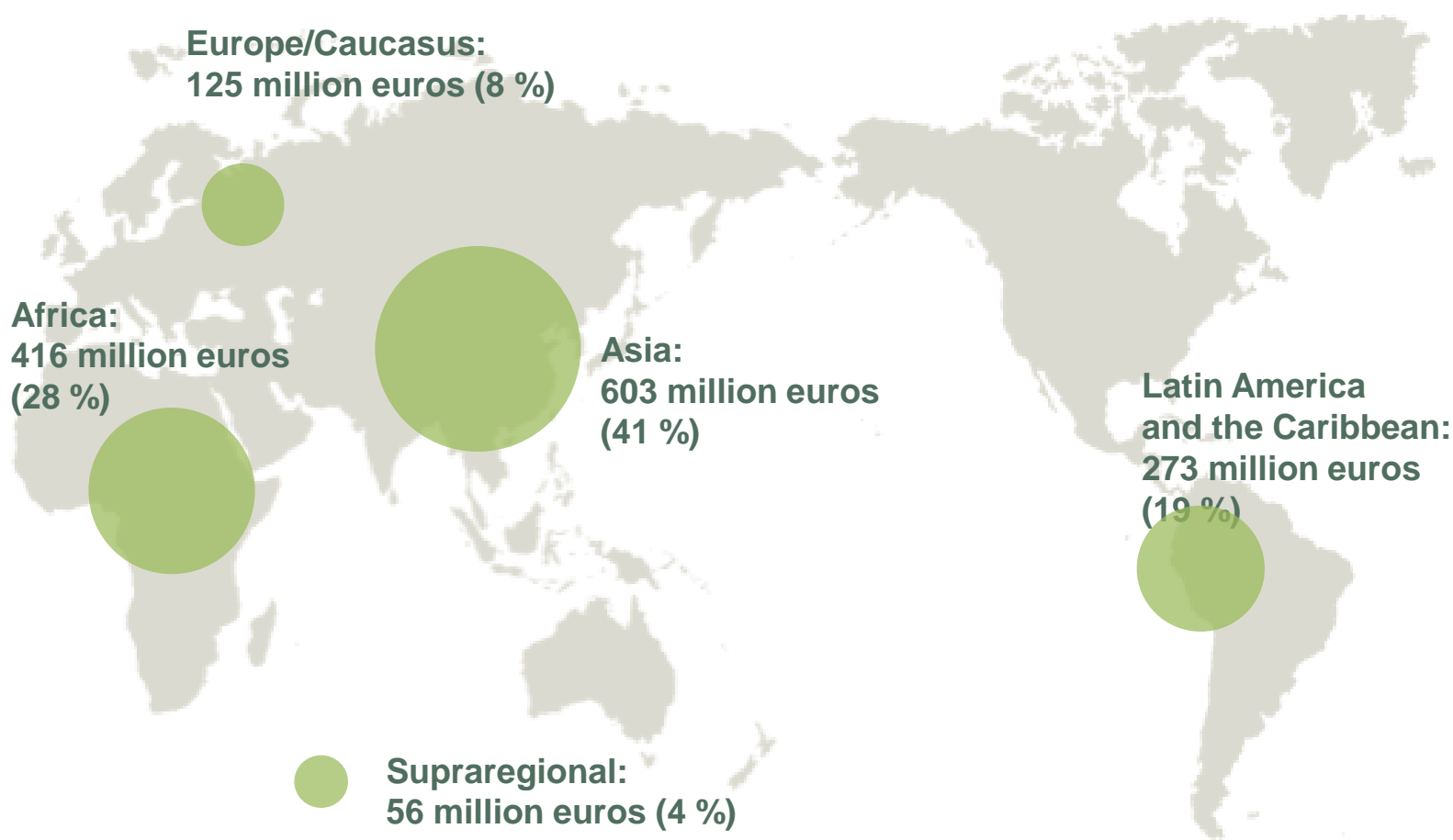


## »» DEG's commitment



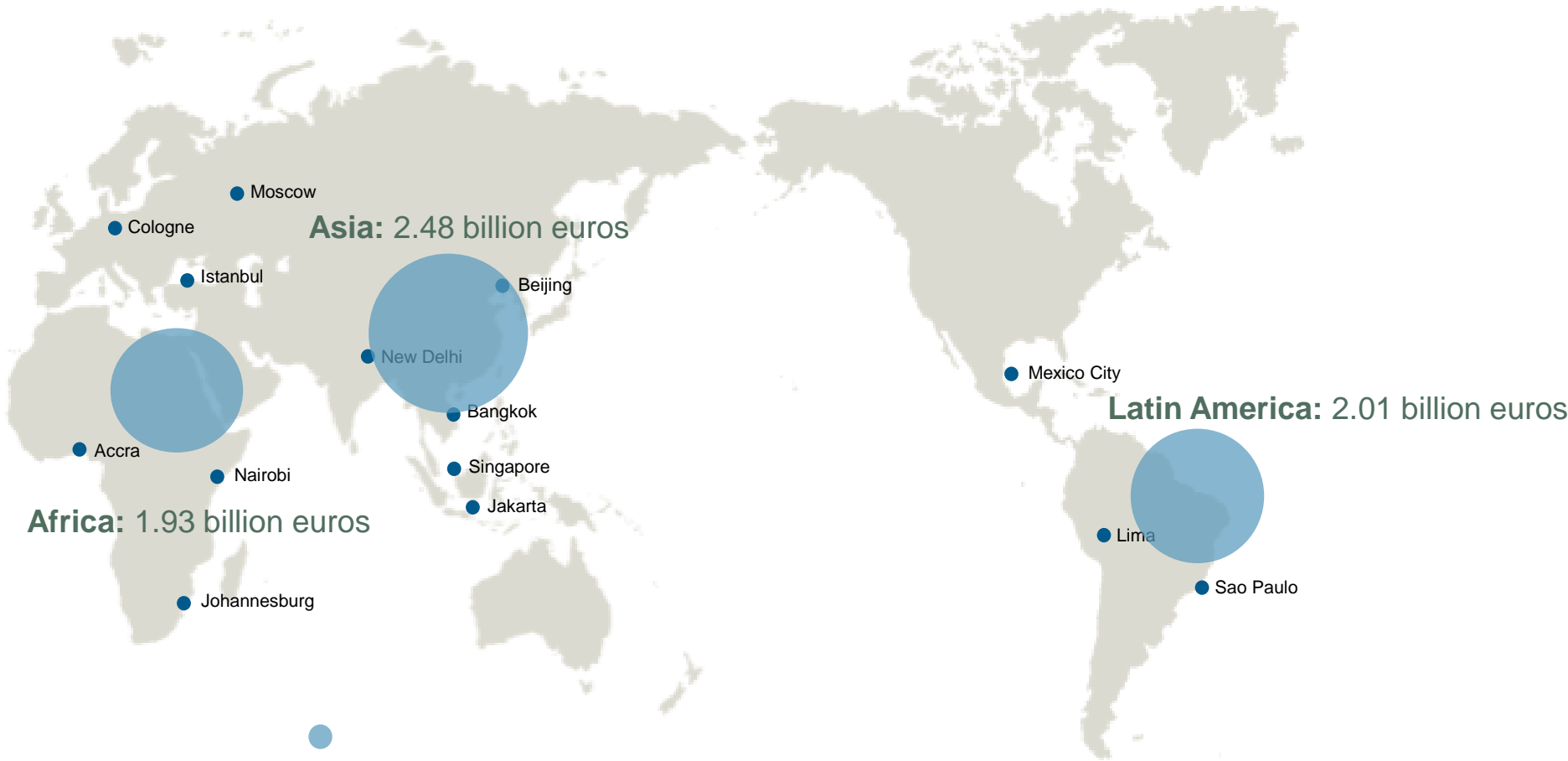
# >>> New commitments 2014 by region

Around 1.5bn euros allocated to entrepreneurial investments



>>> DEG locations and portfolio

14 locations. 7.8bn euro worldwide.





# >>> New commitments 2014 by sector

Financing for investments across all economic sectors

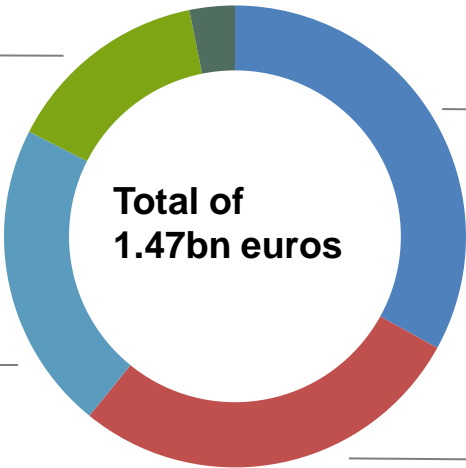
**Services**  
118 million euros (8 %)



**Agribusiness and food industry**  
131 million euros (9 %)



**Manufacturing industry**  
274 million euros (19 %)



**Financial sector**  
490 million euros (33 %)



**Infrastructure**  
460 million euros (31 %)





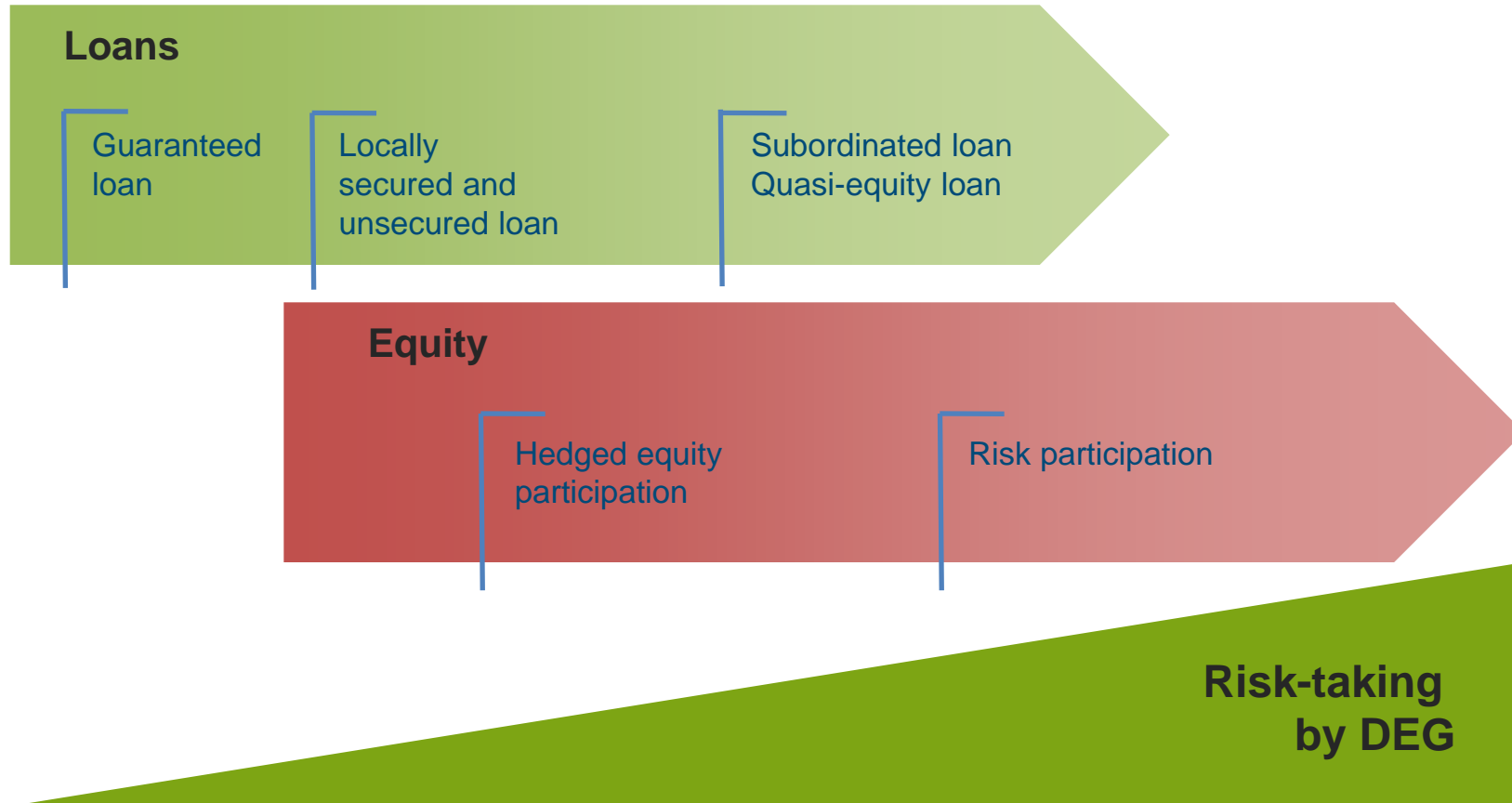
## »» Partners and Products



Partner in Business

# >>> DEG's financing offer

Tailor-made capital for foreign investments



# »» Project financing structures



## Sponsor / Partner

- › Integrity, transparency of shareholder
- › Know-how, track-record, financial standing
- › Experienced management
- › Corporate governance
- › Private sector project
- › International accounting standards

## Environmental & Social Aspects

- › Environment: In compliance with local regulations and IFC Performance Standards
- › Social Standards: In compliance with international standards of the ILO and the UN
- › CSR – Corporate Social Responsibility

# »» Project financing tools

## General project criteria

### Long Term Loan

- › Up to EUR 40 million (or USD or partially local currencies)
- › 4 – 15 years
- › Fixed or variable interest rates
- › Security in project assets; completion guarantees in green-field projects

### Equity Capital

- › Usually between EUR 5 – 25 million
- › Only minority stakes; Participation no to exceed 30% of share capital; in certain cases, voting rights and seat on board of directors
- › Flexible structures (sub. loans; convertible loans, preferred shares etc.)
- › IRR on market standards depending on project and country risk

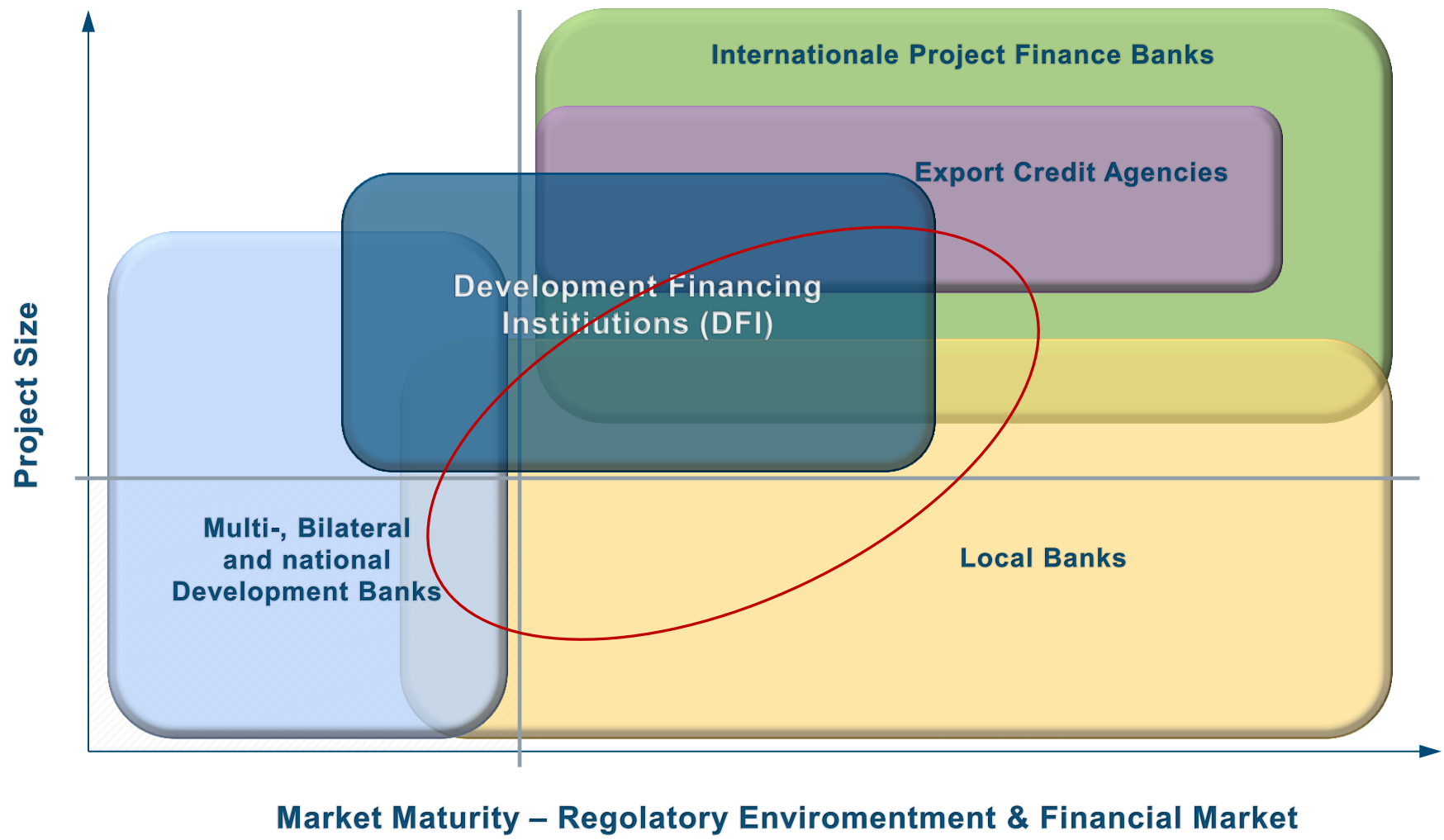
### Mezzanine Finance

- › Usually between EUR 5 – 25 million (or USD)
- › Combining elements of equity participation and senior loan
- › Flexible structures (sub. loans; convertible loans, preferred shares etc.)
- › IRR on market standards depending on project and country risk





>>> International sources of finance



# >>> Performing in partnerships

## Cooperations with EDFIs

### European Development Finance Institutions

- › Association of 15 bilateral DFIs
- Benefits:
- › Larger financing volumes
- › Shared risks
- › Harmonised standards
- › Efficient, joint due diligence
- › Structuring of complex finance
- › Further strong partners, such as International Finance Corporation (IFC), regional development banks

### Interact Climate Change Facility









- › Pte. Ltd. company funded by 11 EDFI members, the European Investment Bank (EIB) and Agence Française de Développement
- › Initiative to offer additional funding in private sector renewable energy and energy efficiency projects
- › Up to EUR 45mn increase in initial financing
- › Efficient and fast track process with low administrative overheads

### Friendship Facility Agreement

- › DEG – FMO – Proparco
- › Initiative to offer financial deal sizes up to EUR 100mn
- › Efficient coordination through single point of contact with leading DFI



# »» DEG Development Programmes

Promotion	How much and for whom?	What is co-financed?	By whom?
<b>develoPPP.de</b>	Up to 50 % of costs (no more than EUR 200,000) for German/European companies	Co-financing of developmentally and economically sound projects, such as training centres, qualification of suppliers, improvement of water- and energy-supply systems, environmental measures, pilot projects etc.	BMZ  Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
<b>develoPPP.de - One World, No Hunger</b>	Up to 50 % of overall costs (maximum of EUR 200,000) for German/European companies	Co-financing of developmentally and economically sound projects in the areas of agri-food industry, rural vocational training and further education. The projects are intended to benefit Africa's rural regions in particular.	BMZ  Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
<b>Feasibility studies</b>	Up to 50 % of costs (maximum of EUR 200,000) for German/ European enterprises with an annual turnover of up to EUR 500m	Co-financing of feasibility and market studies, legal opinions and environmental studies etc. in preparation of a specific investment	BMZ  Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
<b>Climate partnerships with the private sector</b>	Up to 50 % of costs (maximum of EUR 200,000) for German/European enterprises	Co-financing of investments with a structure-building effect in the field of climate protection	 Bundesministerium für Umwelt, Naturschutz, Bau und Reaktorsicherheit
<b>Transaction manager</b>	Up to EUR 100,000 for German enterprises with an annual turnover of up to EUR 500m	Co-financing of advisory fees for preparation/evaluation of an investment	BMZ  Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
<b>Technical Assistance</b>	Up to 50 % of costs (maximum of EUR 200,000) for German/ European and local enterprises	Co-financing of pre-investment or accompanying measures which are directly linked to a DEG investment	BMZ  Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
<b>Up-scaling</b>	Up to EUR 500,000 as a repayable subsidy in the event of success, no more than 50 % of the total investment volume for German and local SMEs in developing countries	Co-financing of innovative pioneering investments of SMEs on the brink of commercialisation (pilot phase)	 

# »» DEG's development programmes

develoPPP.de

## Financing objectives

**Funds for developmentally and economically feasible projects in developing and emerging-market countries**

- › eligible projects with broad and structural effects
- › supporting the private sector in globalisation

## Target group

German and other European companies

## Scope of application

- › demonstration and pilot plants
- › environmental and social projects
- › development of innovative products and services
- › technology transfer
- › education
- › improvement of water and energy supply
- › and others

## Funding partner



## Exemplary project

rural electrification in Mozambique by means of solar energy



## Financial contribution

- › up to 50 %
- › up to EUR 200,000

## From idea to realisation - quick and non-bureaucratic





# »» DEG's development programmes

## Feasibility studies

### Financing objectives

**Funds for studies in preparation of developmentally and economically sound private-sector investments in developing and emerging-market countries**

- › firm investment intention of the company interested
- › introduction of new technologies, processes and services

### Target group

German and other European companies with an annual turnover of usually < EUR 500m

### Scope of application

- › legal opinions
- › studies on procurement or logistics
- › site analyses
- › market analyses

### Funding partner



### Exemplary project

photovoltaic plant in South Africa



### Contribution DEG

- › up to 50 %
- › up to EUR 200,000

### Efficient and target-oriented

all-year submission of project proposals by companies

assessment of project proposals with regard to feasibility and potential for success

joint preparation of suitable proposals

final decision on funding

implementation of feasibility study

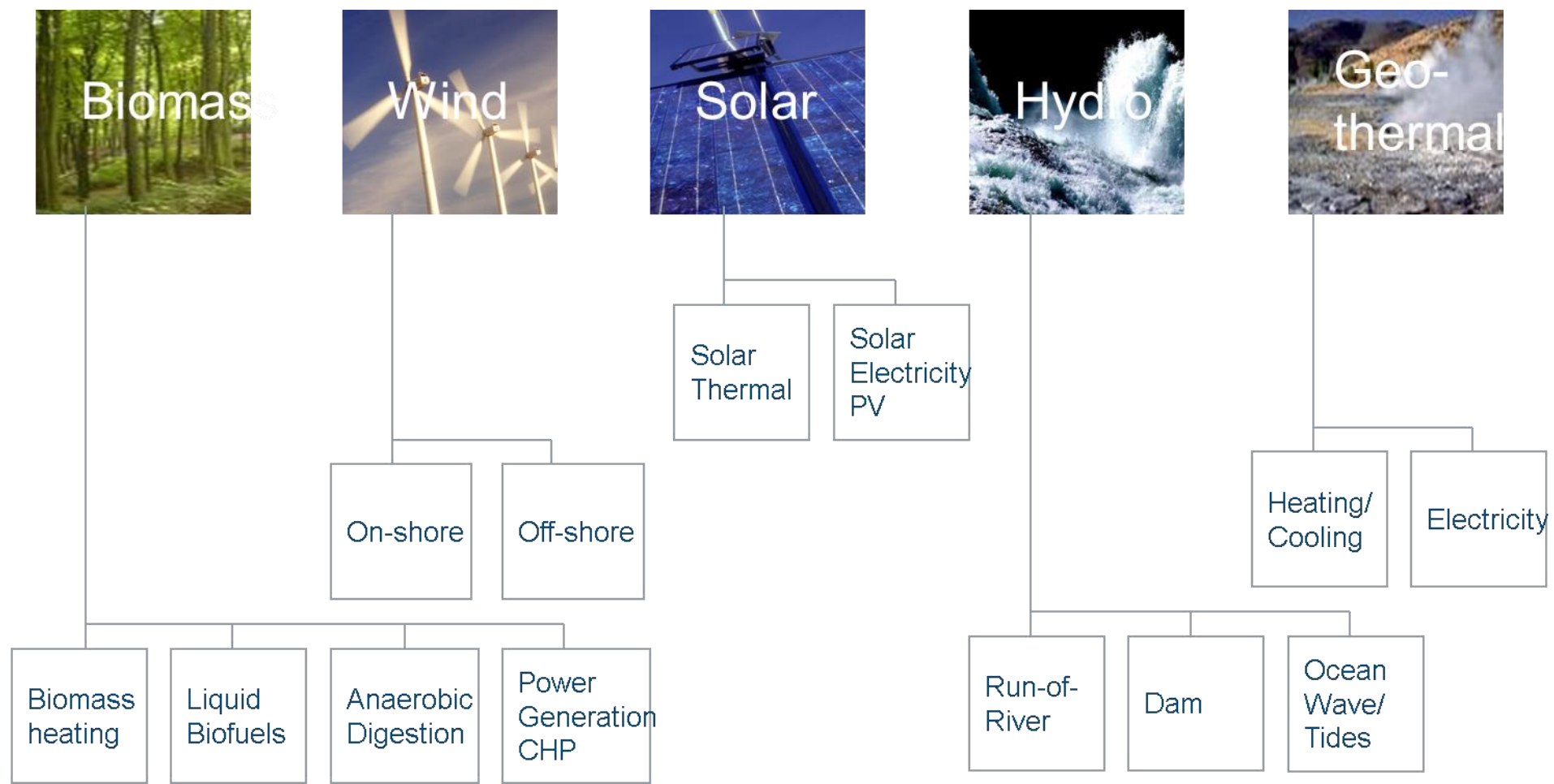
## »» Performance



Results matter

# >>> Segments of renewable energy

DEG's target sectors



# >>> Renewable energy expertise

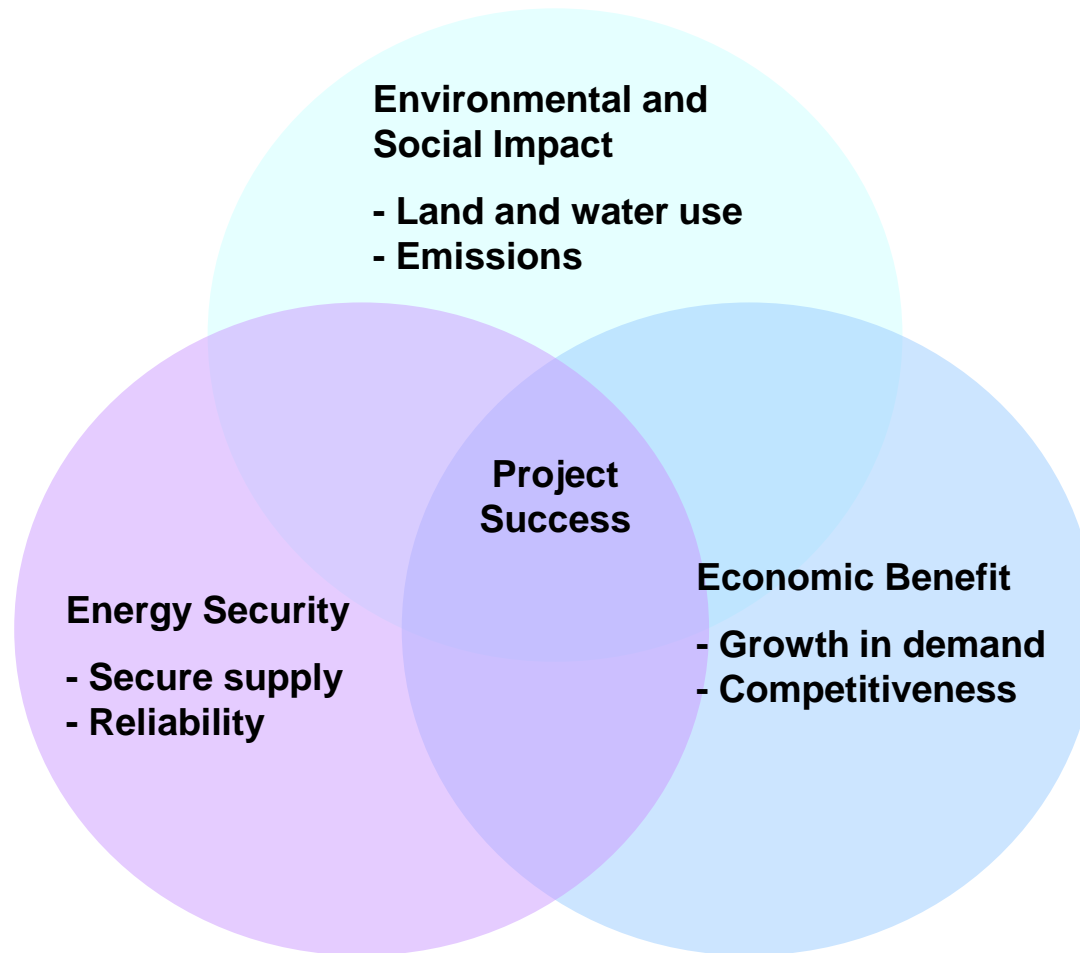
## DEG's strength in Project Financing



- › In-depth sector expertise built-up from a long track record of projects
- › Long-term commitment to challenging market environments
- › Financial strength belonging to one of the largest German banking groups
- › Involvement considered as sanity check
- › Products range all financial needs of RE-Projects
- › Good international reputation
- › DEG is able to mobilize additional funds via cooperation partners



## »» Elements of Success



# ››› Project Assessment

## Macro

Political risk  
Macroeconomics  
Jurisdictional risk  
Expropriation/ nationalization risk  
Financial market

Legal framework  
Fiscal space  
Tariff structure  
System payment risk  
Regulatory risk  
Transfer-of-profit risk

## Micro

Management/ Reputation risk  
Construction/ completion risk  
Performance risk  
Operational risk  
Documentation/ contract risk  
*Force majeure* risks  
Fuel supply risk (harvest risk)

# ››› Risk Allocation in Financings

<b>Risk:</b>	<b>Description of risk:</b>	<b>Risk usually borne by:</b>	<b>Instrument to allocate risk:</b>
<b>Construction</b>	Risk of construction cost overrun or delay.	Private sector	Project contract
<b>Operational</b>	Risk of operational cost overrun, substandard operational performance, etc.	Private sector	Project contract
<b>Force majeure</b>	Risk of a natural disaster, etc.	Private sector	Insurance, project contract
<b>Commercial</b>	Risk of insufficient demand, private supplier/purchaser contracts not being honored, etc.	Private sector (sometimes host country partly)	Project contract (sometimes minimum revenue guarantee)
<b>Financial</b>	Risk of interest rate fluctuations, funding risks, etc	Private sector	Project contract, financial structuring
<b>Political</b>	Risk of expropriation, revocation of permits, asset confiscation, currency inconvertibility or non transferability, war, riots, etc.	Host country or third party guarantor	Political risk guarantee or insurance
<b>Regulatory</b>	Risk of changes in laws and regulations, tariff setting rules, taxation, and of public supplier/purchaser contracts not being honored, etc	Host country or third party guarantor	Project contract, partial risk guarantee
<b>Exchange rate</b>	Risk of currency devaluation / depreciation	Host country (sometimes private sector)	Project contract, foreign exchange guarantee, or structured financing.

Source: Sirtaine (forthcoming.)

# >>> Market Environment

## Country Risk Rating

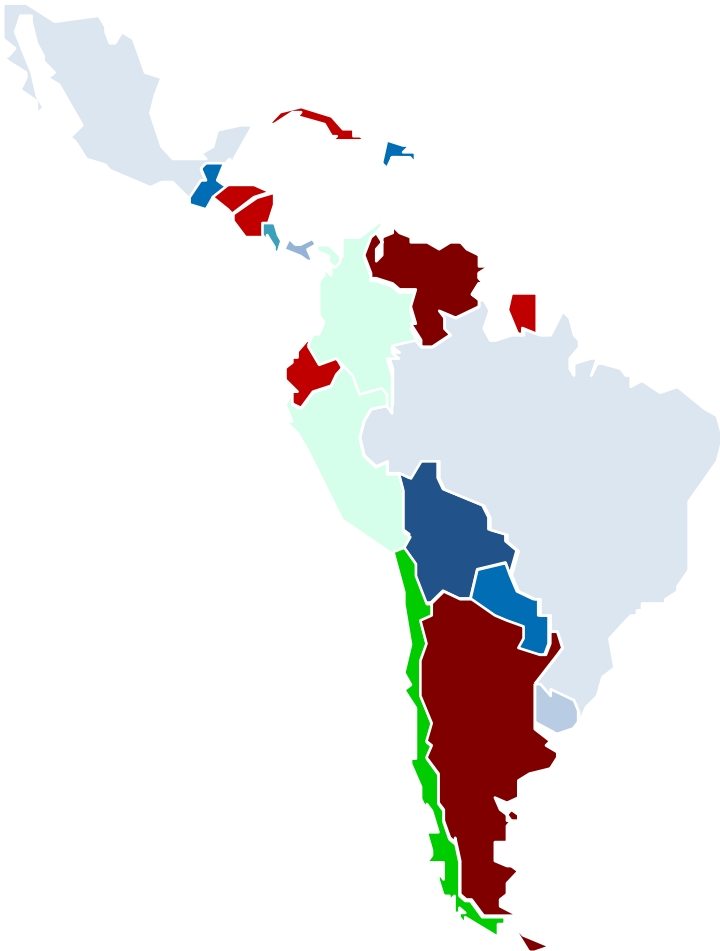
	M-Klasse	S&P	Moody's	Fitch	
	M1	AAA	Aaa	AAA	
	M 1	AA+	Aa1	.	
	M 2	AA	Aa2	AA+	
	M3	AA-	Aa3	AA	
	M3	.	A1	.	
	M4	A+	A2	AA-	
	M4	A	A3	A+	
	M5	A-	.	A	
	M6	.	Baa1	A-	
	M7	BBB+	Baa2	BBB+	
	M8	BBB	.	BBB	
	M8	BBB-	.	.	
	M9	.	Baa3	BBB-	
	M10	BB+	Ba1	BB+	
	M10	.	Ba2	.	
	M11	BB	.	BB	
	M12	BB-	Ba3	BB-	
	M13	.	B1	.	
	M14	B+	B2	B+	
	M15	.	.	.	
	M16	B	B3	B	
	M17	B-	.	B-	
	M18	CCC+ bis CC	Caa1 bis Caa3	CCC+ bis CC	
	M19	C, SD, D	Ca bis C	C, DDD, D	

Investment Grade

Speculative Grade

Watch List

Non-Performing





»» Next to your business



Stay in contact

## »» Next to your business



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# »» DEG – your partner for development

**Thank you!**

**Danke!**

*Gracias!*

**Obrigado!**

