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Renewables and World Bank Guarantees

Argentina Renewables Workshop

Buenos Aires

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World Bank Group: Organizational Structure

Long-term loans to governments at low cost and grants

Loan Guarantees/ Payment Guarantees

Long-term loans, equity, structured and securitized products.

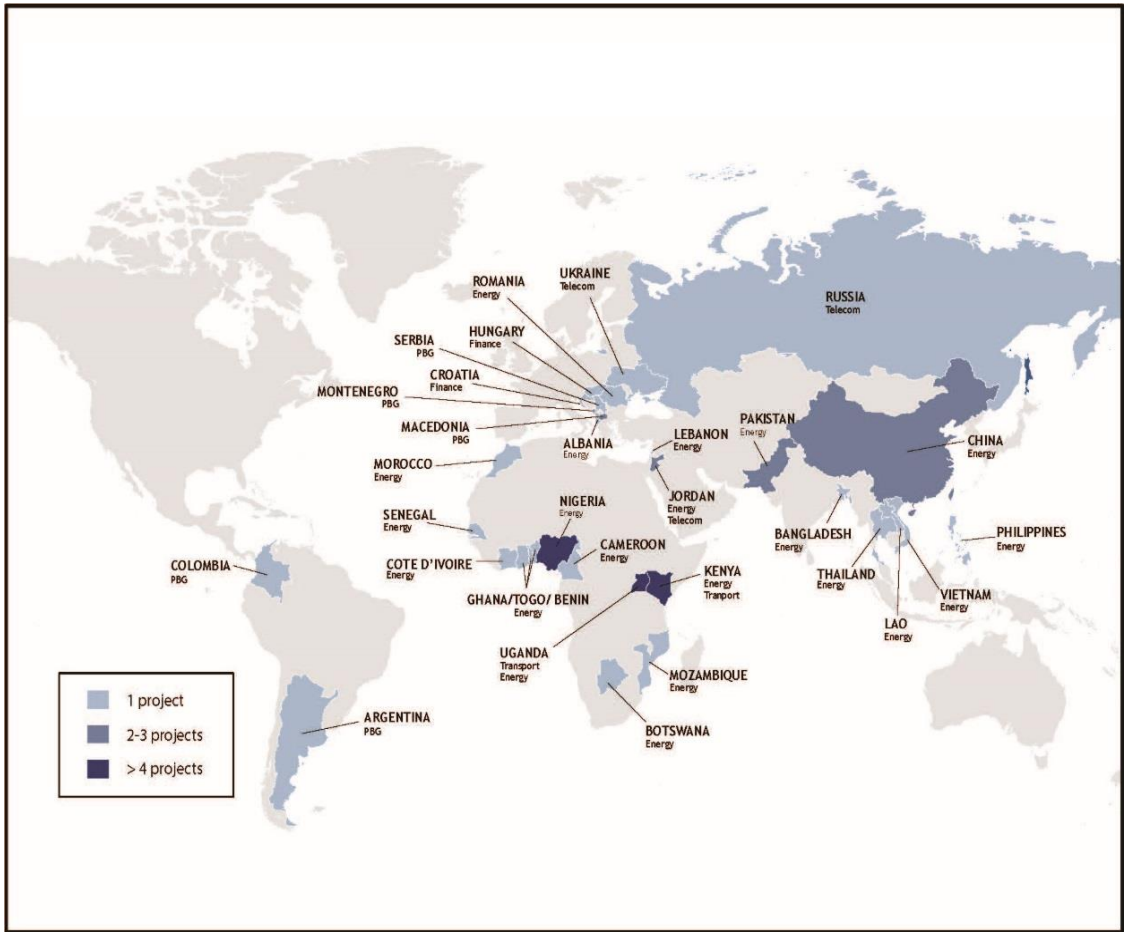
Advisory and risk mitigation services to private enterprises in developing and transition countries

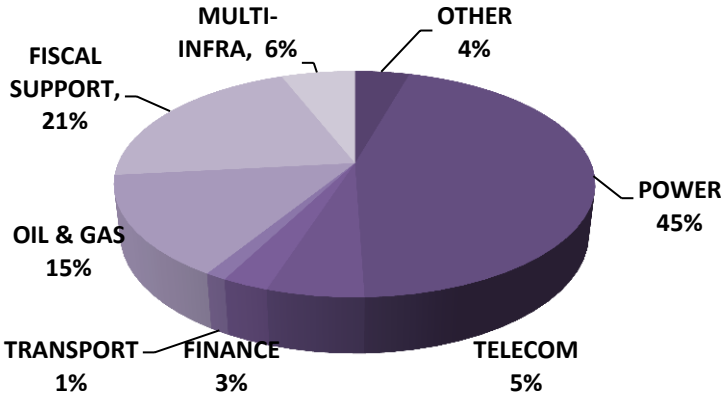
Political risk insurance or guarantees to promote foreign direct investment into developing countries.

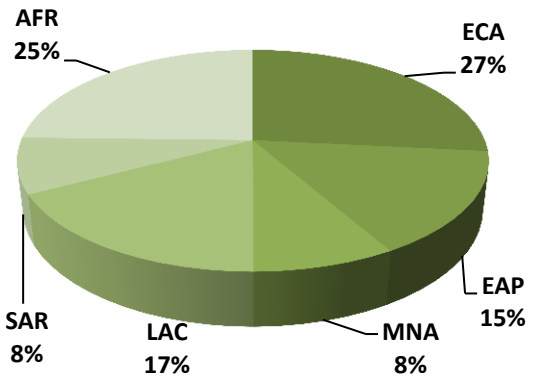
Public and private entities

World Bank Guarantee Program - overview

- About 50 WB Guarantees in over 40 countries
- Helped mobilize about US$30 bn with approx. US$6 bn coverage



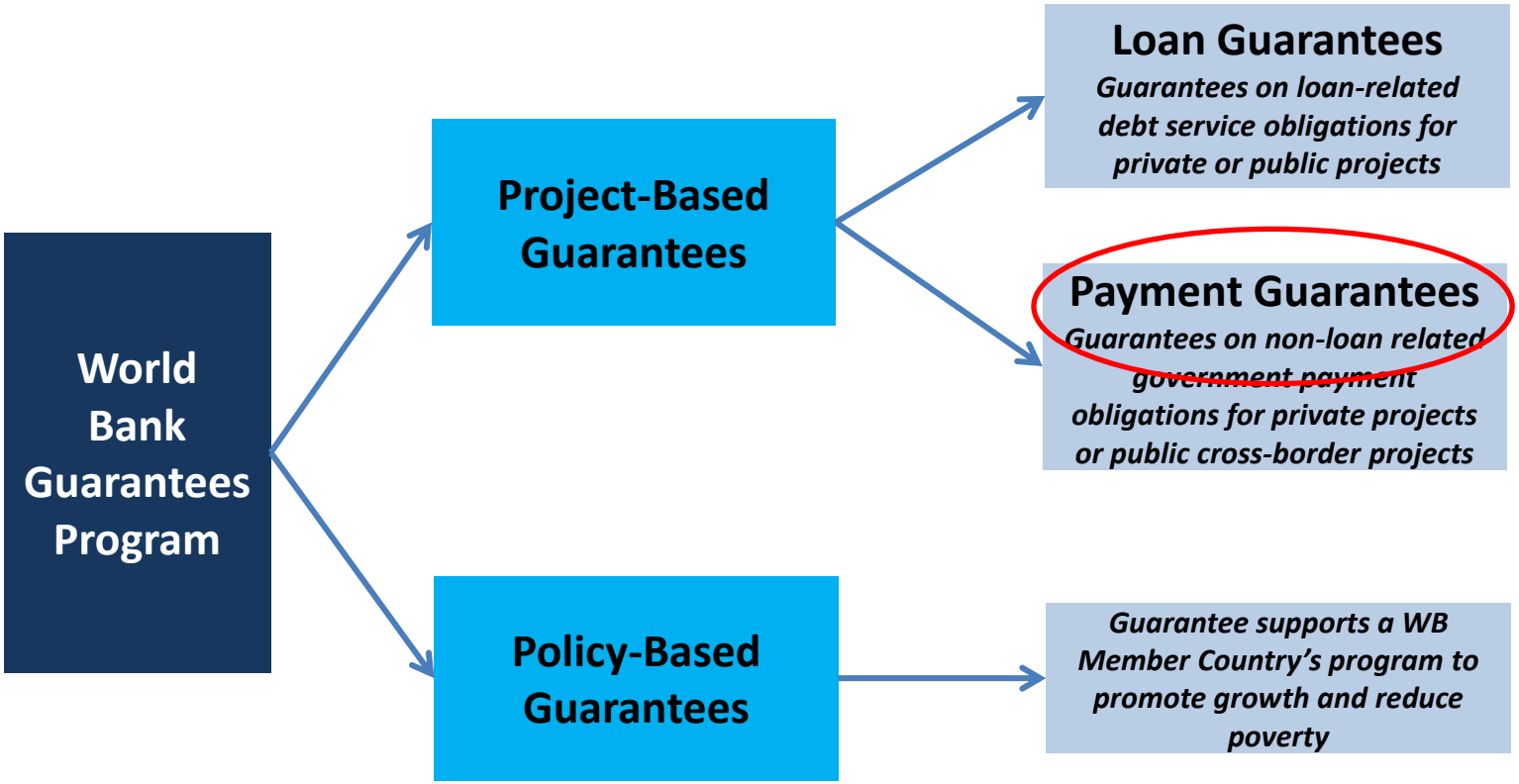




Fundamentals of World Bank Guarantees

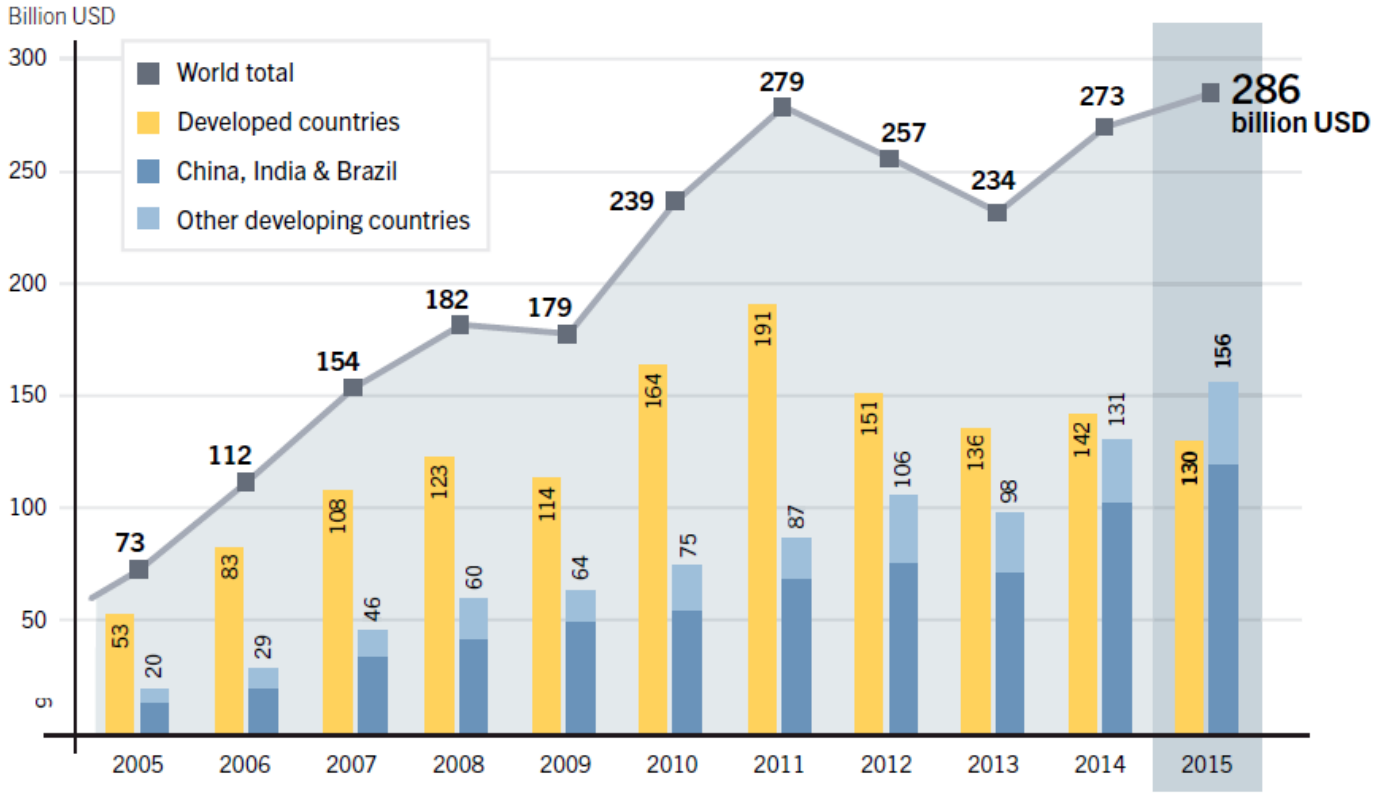
- Help mitigate risks and make private investments occur.
- Anchored on the strong day-to-day relationship of the WB with the Government.
- As Guarantor, WB's interest is to keep the projects operating; thus WB aims to support the Government/SOE to avoid a default.
- The cost of WB guarantees is concessional. WB guarantees are not syndicated or sold down.
- For each guarantee, the WB and the Government (MoF) sign an Indemnity Agreement under which the member country commits to support the project and repay the WB any amounts that the WB pays under the Guarantee.
- The main value of the WB involvement is to help solve problems before they result in a default/failure to meet obligations.

Type of World Bank Guarantees



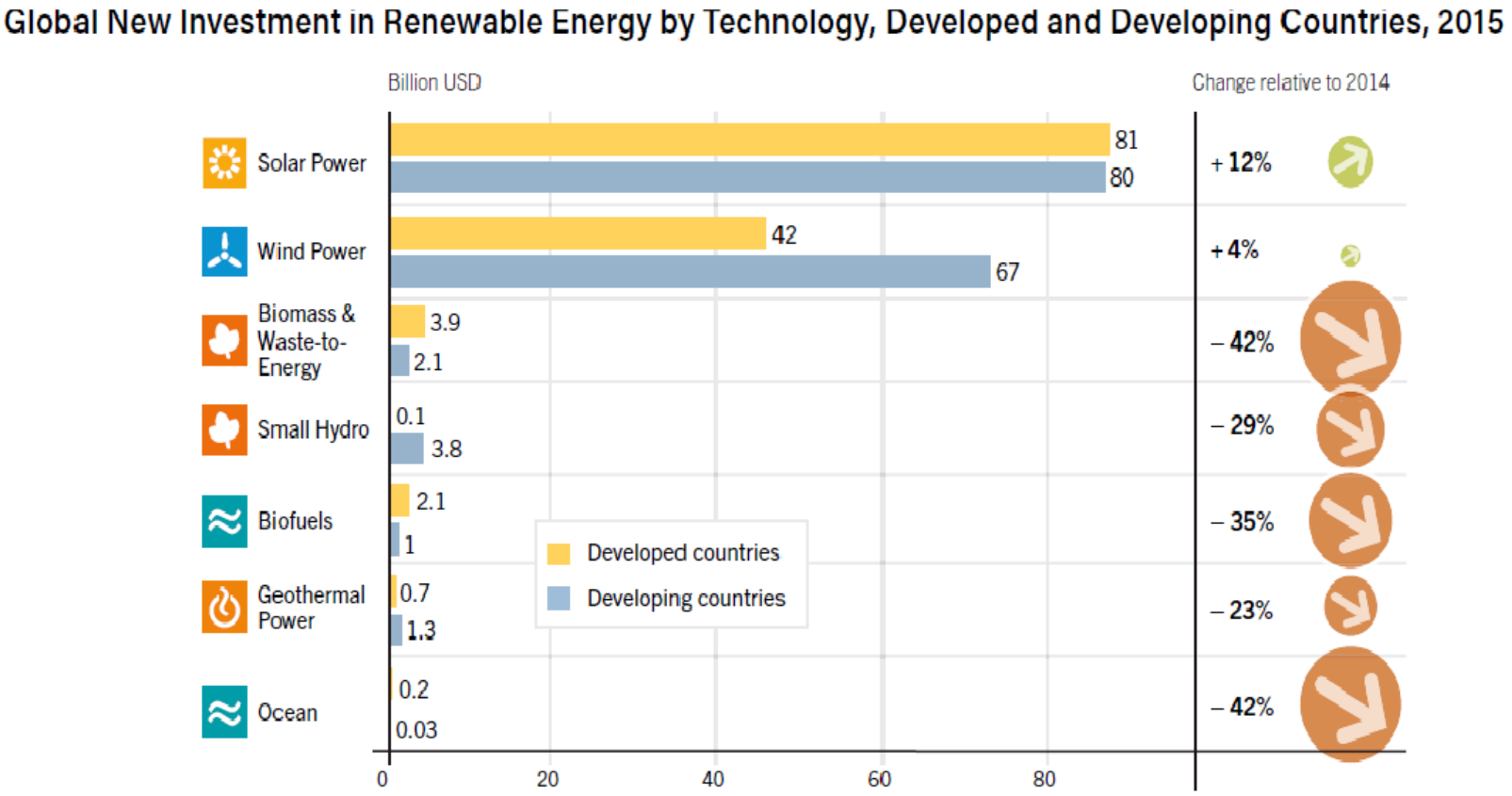
Renewables – The Global Energy Transition

Global New Investment in Renewable Power and Fuels, Developed, Emerging and Developing Countries, 2004–2015



Source: REN21 2016 Key Findings

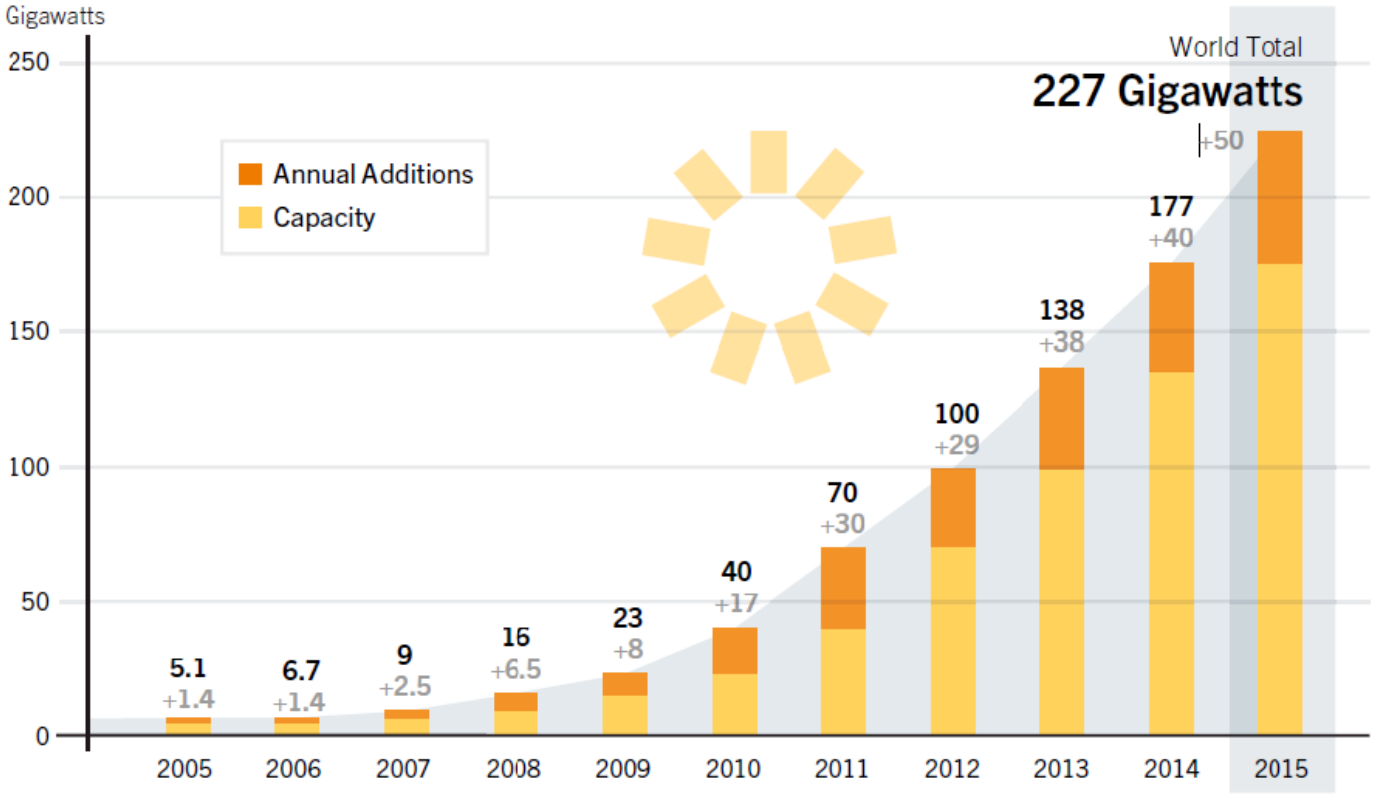
Investment Flows



Source: REN21 2016 Key Findings

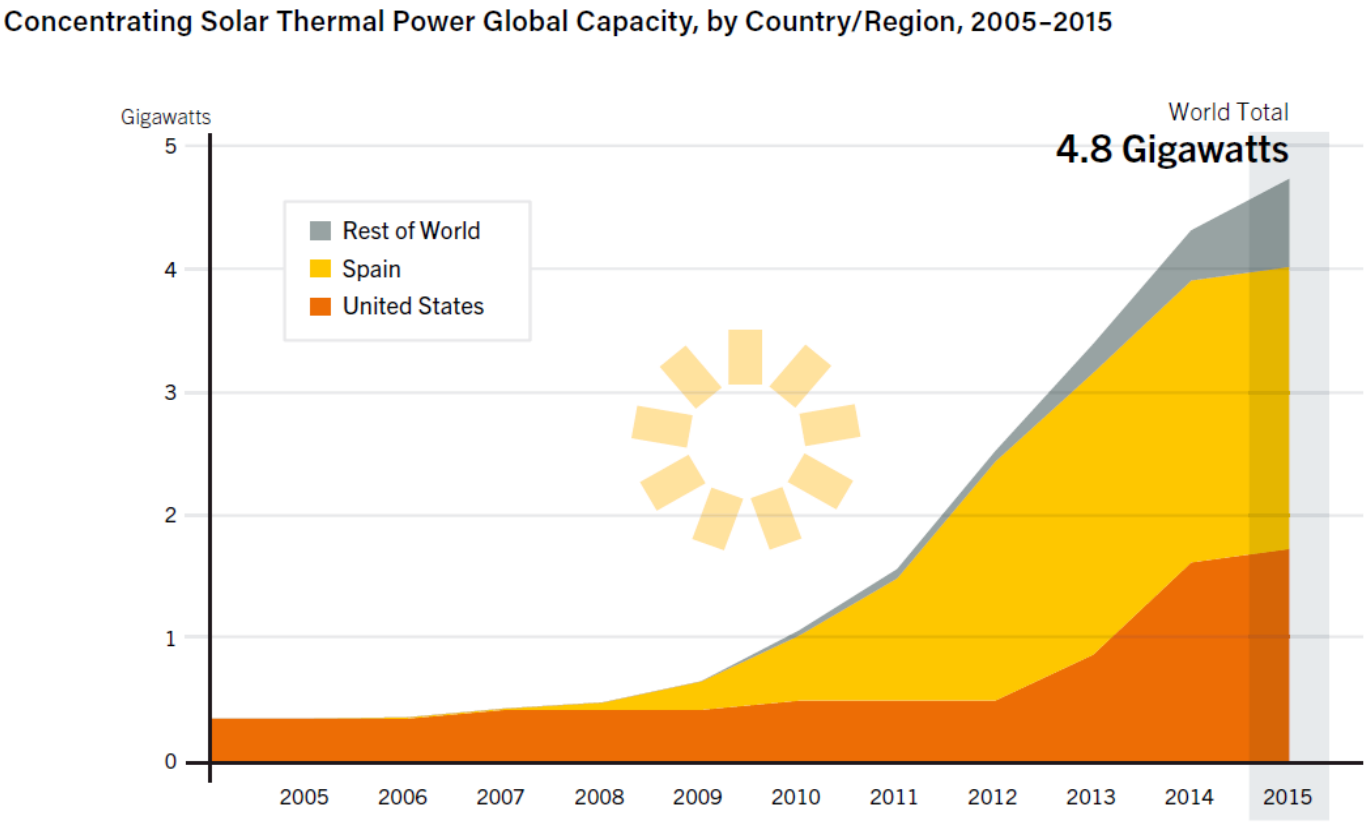
Solar PV

Solar PV Global Capacity and Annual Additions, 2005–2015



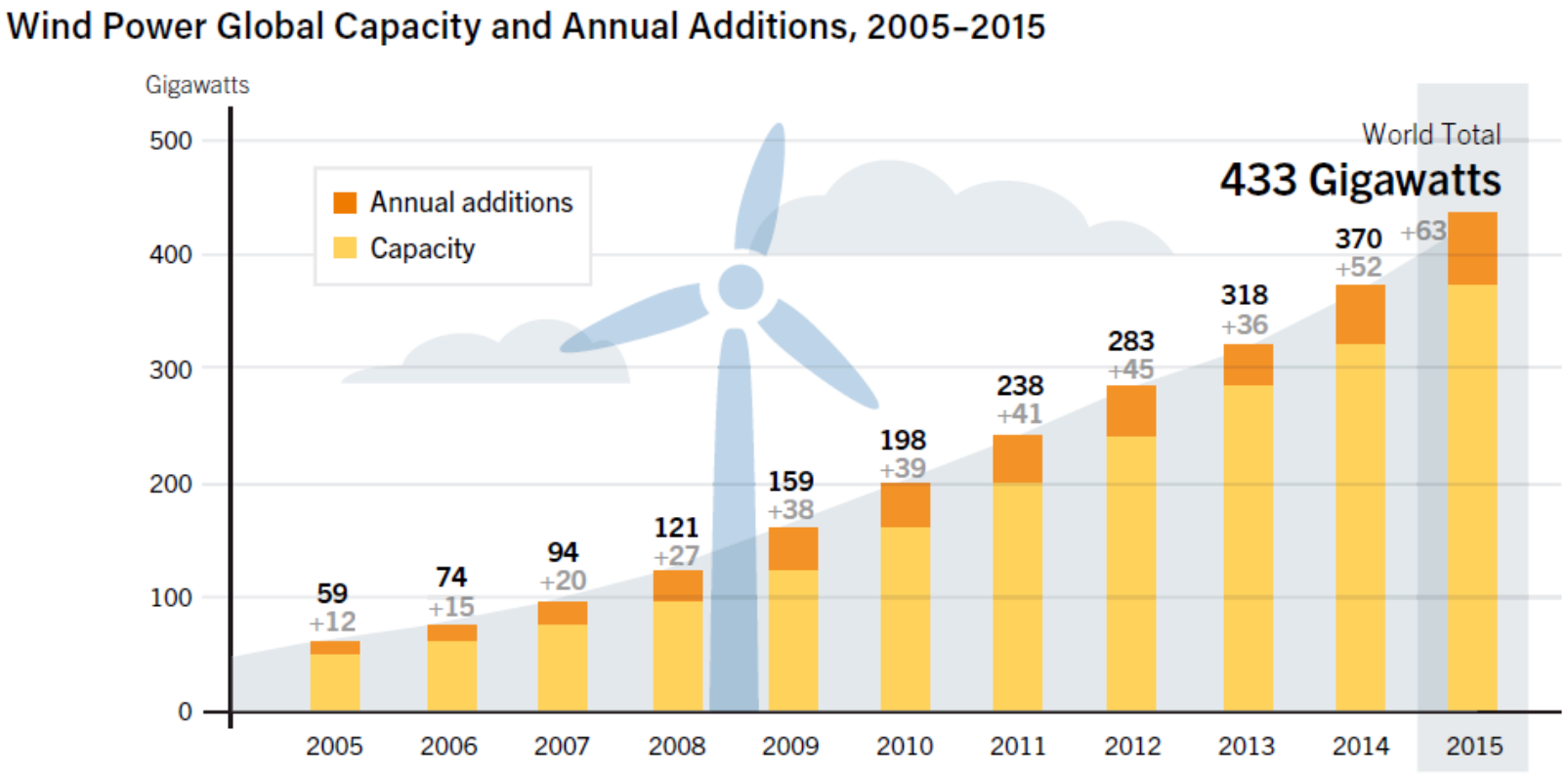
Source: REN21 2016 Key Findings

Concentrating Solar Thermal Power



Source: REN21 2016 Key Findings

Wind Power

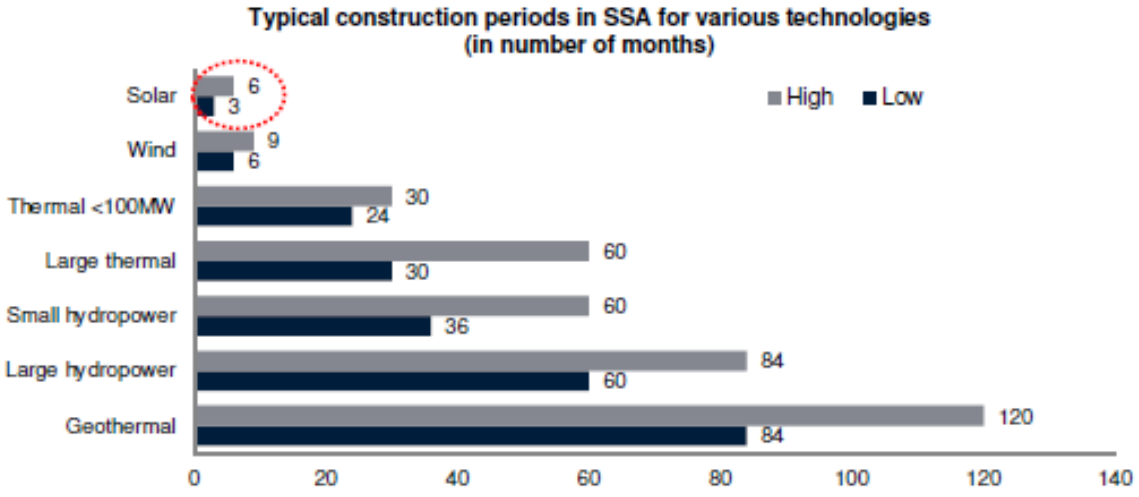


Source: REN21 2016 Key Findings

Solar capacity increasing fast…

- Solar can be built faster than other alternatives
- Solar PV below 10 US¢/kWh is now common in emerging markets. Recent bids around 4-5 US ¢/kWh in Peru and Mexico, 3 US ¢/kWh in Dubai

Solar power can be built in 3-6 months vs. 3-10 years for thermal, hydropower & geothermal

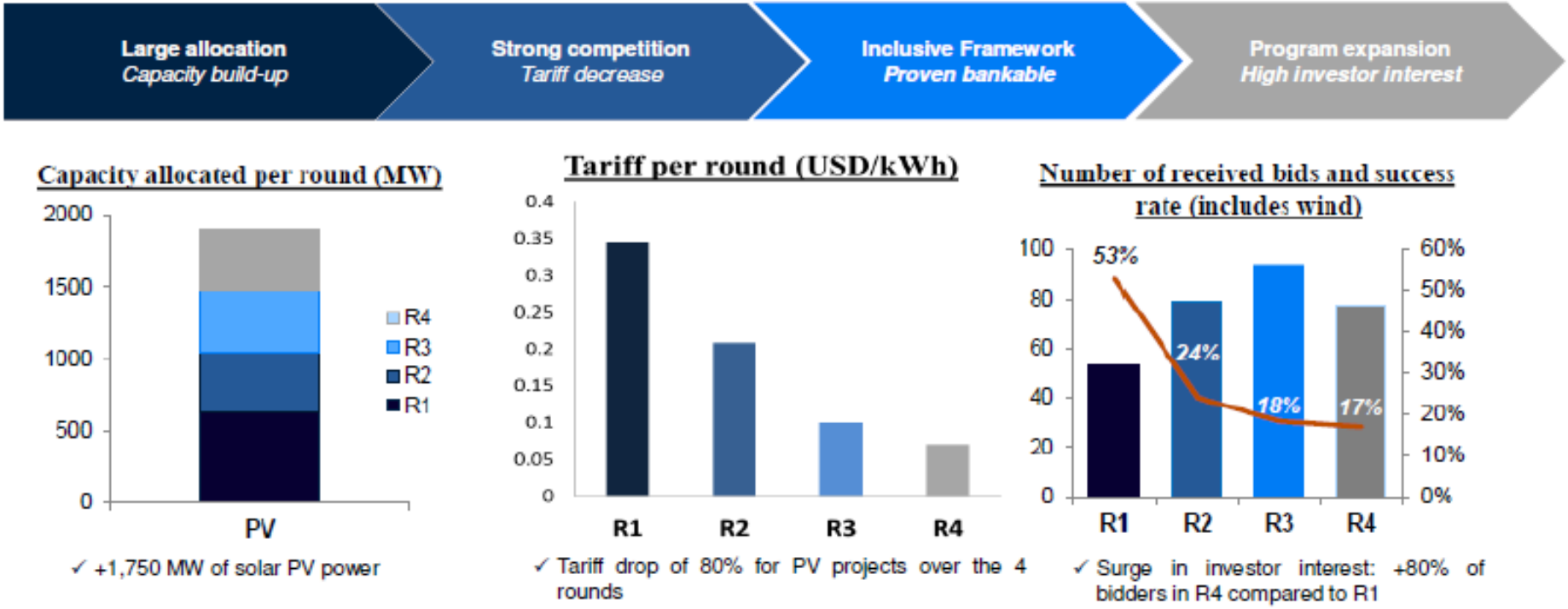


✓ Solar could address urgent needs for power in many markets

…but not in all markets yet

Barriers remain in many emerging markets: lack of market scale, lack of competition, high transaction costs, high perceived risk and cost of capital, limited resources, and/or low retail tariffs.

Scale, standardization and competition are critical as shown in South Africa



WBG tools can help address barriers

Scaling Solar is for Governments to rapidly mobilize competitive, transparent, privately-funded grid-connected solar PV projects.

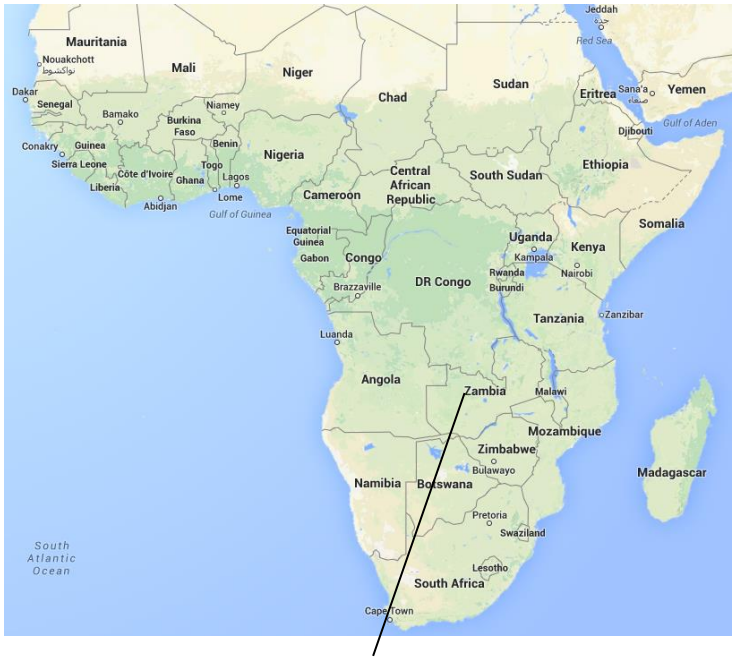
Scaling Solar brings together several World Bank Group services under a single engagement:

- Transaction advice to assess the right size and location for power plants in the grid network.
- Simple and rapid tendering to ensure strong competition from committed industry players.
- Standardized, balanced project documents to eliminate drafting and negotiation delays.
- Competitive financing and insurance attached to tender and available to all bidders.
- Risk management and credit enhancement products to lower financing costs and deliver lower tariffs.

Scaling Solar Zambia – Key facts and lessons

The President of Zambia launched the urgent development of 600 MW of solar power. WBG Scaling Solar model selected. **Round 1 just awarded.** Round 2 under preparation.

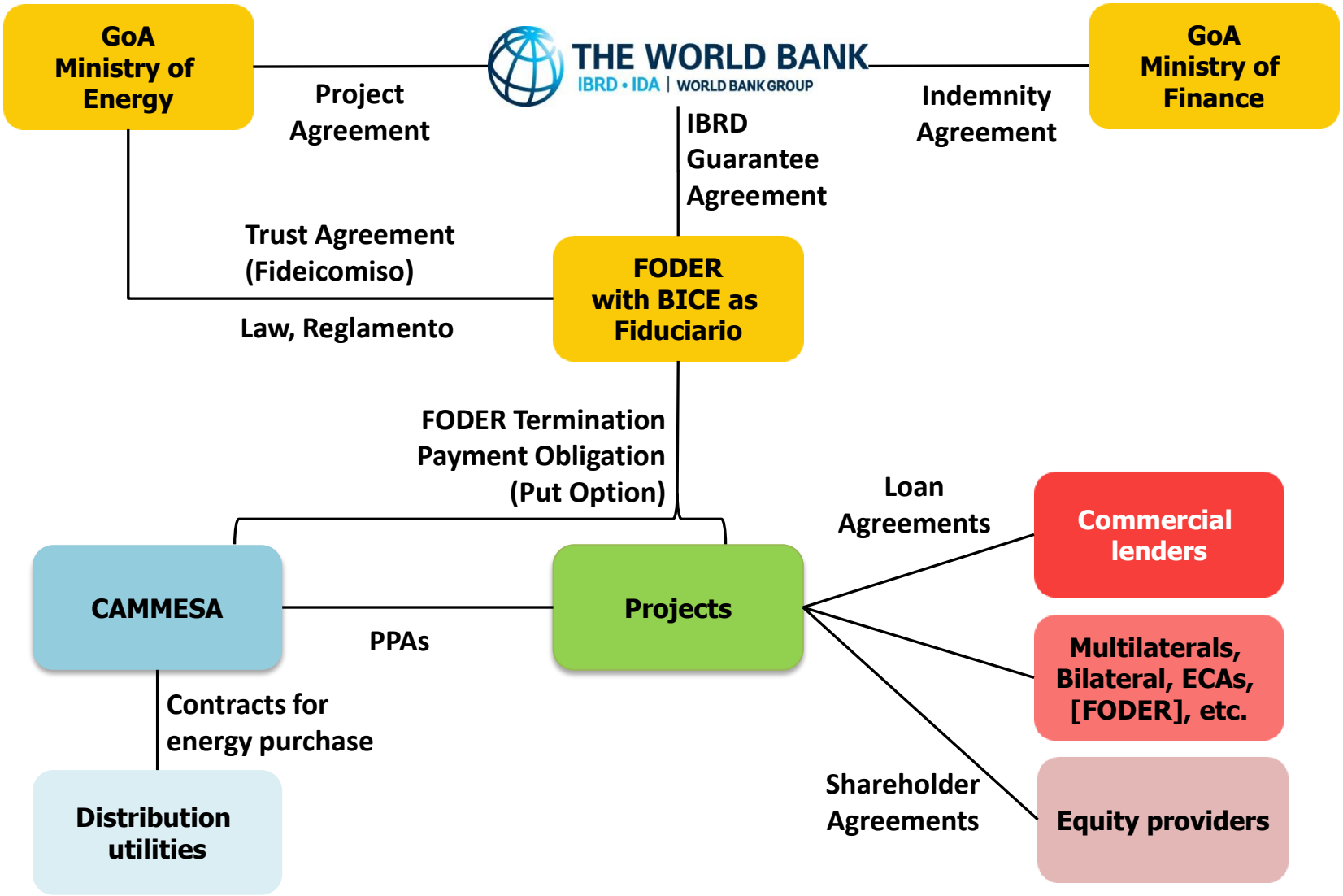
- Round 1: Two solar PV plants of up to 50 MW each
- Scope: develop, finance, construct, own, operate
- Response: 48 EoIs received, 11 shortlisted, 7 proposals received from strong international bidders
- Timeline: 9 months from start to bid award.
- Results: NEOEN S.A.S. / First Solar Inc. and Enel Green Power S.p.A. lowest bidders at tariffs of **US¢6.02/kWh** and **US¢7.84/kWh** respectively. The tariffs are fixed (non-indexed) for the 25-year contract period equating to an average of **US¢4.7/kWh** in real terms for the lowest bid.



Zambia

- **Proposing well-balanced documents, a clear process, and mitigating the key risks allowed a developing country like Zambia, despite difficult macroeconomic situation and off-taker situation, to benefit from low prices with high quality bidders in a short time.**

Proposed Structure in Argentina



Feedback. Q&A