Africa GreenCo: Risk Mitigation through partnership, aggregation, diversification and market access

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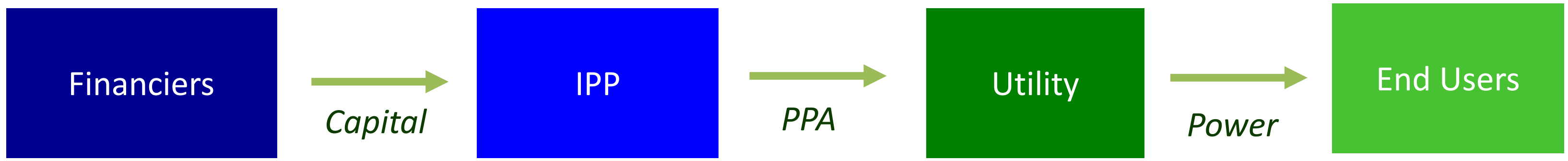
Current Bilateral Model

AFRICA GREENCO
Africa Green Regional Energy: Efficient, New and Creditworthy Offtaker



- Bilateral model places sole reliance credit strength of single offtaker
- Requiring governments to underwrite utilities' obligations puts significant strain on sovereign balance sheets
- Credit enhancement on a one-off basis adds cost and delay and inaccessible to smaller projects
- DFI financial resources insufficient support required expansion (US$60-90bn p.a.)
- New business models required to attract significant private sector capital and move from billions to trillions
- Sector development should be done in partnership with utilities and governments, combining financial support with technical assistance and structured political dialogue to achieve sustainable market development and long-term benefits.

Active Market Participant / Operating Entity

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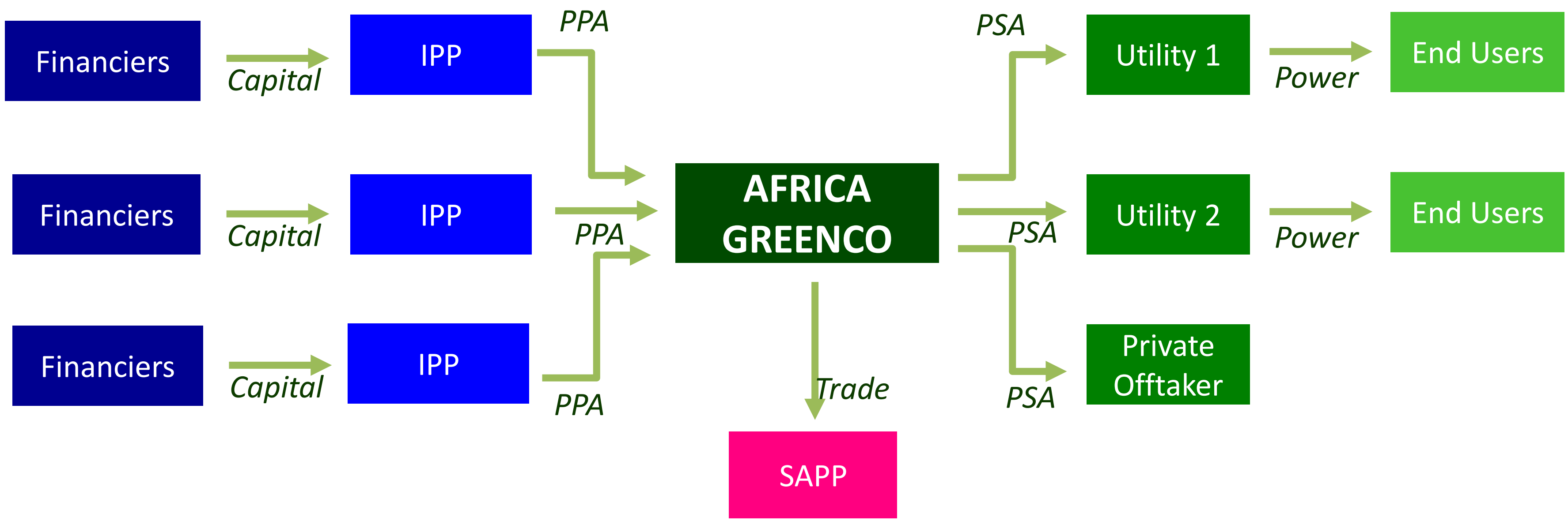

- Creditworthy and independently managed - interposed between IPPs and offtakers
- Technical and legal capacity and framework to execute transactions more efficiently
- Structural risk mitigation – public private partnership, aggregation and diversification
- Addressing inefficiencies of 'single buyer, single seller' model
- Leverages regional power pools to reduce the probability of default crystalizing
- Aggregating DFI support centrally avoids risk of 'crowding out' private sector at IPP level
- Operationalizes blended finance principles to support sustainable market development

PPP Capital Structure

Efficient deployment of risk-tolerant donor capital can leverage significant private sector capital and achieve transformative change

Type of Capital	Anticipated Sources	Sizing / Uses
Guarantee	DFI DFI / Climate Finance	Repayment of commercial debt to IPPs in case of PPA termination for offtaker default
Equity	MDB DFI DFI / Climate Finance Host Gvmt Donor	Liquidity payments under PPAs in case of PSA default
Grant	Donor / Climate Finance / Foundations	Start-up costs / Initial operating losses

Evolving capital structure increases impact

Scale and diversification increase leverage, capital efficiency and investor returns

- GreenCo's risk mitigation capacity improves over time through trading experience and geographic diversification
- Regional trade reduces dependence on domestic markets, allowing countries to access the financial (and therefore tariff) benefits of pooled credit
- Diversification of risk facilitates leverage; the same capital can support more projects
- Initial concessional capital can exit having created a long term commercially sustainable business