

Mobilizing Local Capital for Renewable Energy

Key Issues in Mobilizing Local Capital- Banker/Investor Perspective

- Uncertain revenue streams
- Difficulty in getting bankable projects
- Lack of familiarity by banks with projects/developers
- Investors don't see the profit margins
- High transaction costs
- Prior renewable energy failures increase risk perception
- Lack of familiarity with the sector
- Domination of public sector
- Lack of long term financing
- Different banks have different needs (e.g., commercial and development needs)
- Private banks don't look at projects, or savings they will generate, just looking at the balance sheet
- Bankers don't know how to do due diligence

Key Issues-Developer Perspective

- Small companies, lack of capital, high transaction costs
- Collateral requirements
- Public sector competition
- Red tape, administrative bureaucracy, permitting requirements, contractual issues
- Lag times in payments
- Lack of debt, equity, and working capital
- Time/cost of raising capital is high (up to 10% of funds being raised)
- Foreign exchange risks and other risks that cannot be hedged
- First time projects are difficult
- Lack of reliable resource data
- Customer don't pay

Key Issues - Generic

- Land use issues
- Interconnection with the grid
- In Mexico cant sell power, only self generation

What would help?

- Financing institutions with knowledge and willing to deal with this sector
- Experts who can help the banks in due diligence
- Project experience base
- Ease of permits and red tape; go faster in every part of the project
- Guarantees and partial guarantees
- Hedging of renewable resource risks and other risks (e.g, foreign exchange)
- Education/promotion campaigns for renewable energy
- Working capital and finance
- Standardized documents
- Banker training

What would help?

- PPAS with transparent pricing
- Mezzanine Finance
- Risk Mitigation Instruments and Guarantees
- Bundling of projects reduce transaction costs and more desirable for bankers
- Public Bank lending, insurance, guarantee structures
- Lines of credit in commercial banks