

InfraCo Asia Partners with Biomass Group to Develop Pellet Plants and Biomass Supply Chain in Sri Lanka

Singapore, 28 November 2017

InfraCo Asia, part of the Private Infrastructure Development Group, has signed a Joint Investment and Development Agreement (JIDA) with Biomass Group to develop a first-of-a-kind, agri-energy infrastructure project in Sri Lanka. The project will help align the country's agricultural and industrial sectors by producing biomass pellets from Gliricidia trees. This will provide a new stream of income to smallholder farmers and a fresh source of clean energy for export and domestic use.

Co-Development with Sri Lankan Partner

InfraCo Asia Development Pte. Ltd. (InfraCo Asia), as part of its Co-Development Program¹, has signed a Joint Investment and Development Agreement (JIDA) and other definitive agreements with **Biomass Group Ltd** (Biomass Group) for investment in **Biomass Ventures Pte Ltd** (Biomass Ventures). The investment will support the development of a biomass supply chain and pellet plants in Sri Lanka.

On the supply chain side, the scope of the agreement includes supporting the development of an IT platform, which will help track and streamline smallholder farmers' production of raw materials from Gliricidia trees, and the logistics infrastructure required to collect the materials and aggregate them for both export and domestic use. On the pellet plant side, InfraCo Asia's investment will assist and support the covering of design and procurement costs, along with other steps necessary to achieve financial close of the first stage of the overall project. As part of the agreement, InfraCo Asia will invest US\$2.44m in Singapore-based Biomass Ventures.

Allard Nooy, InfraCo Asia CEO, said, "InfraCo Asia is proud to be working with a partner who is committed to leveraging and enhancing synergies between the agricultural and industrial sectors in Sri Lanka. Biomass Group adeptly balances development impact and the need for commercial viability while providing smallholder farmers with a new income stream. The result is a product that has the potential to help millions of people have better access to increased income and clean energy."

Lucky Dissayanake, Director of Biomass Group, said, "Biomass Group will have a transformative impact on Sri Lanka's energy and agriculture landscape. At the same time, we aim to provide economic empowerment to the smallholder farmers registered to supply. In some cases, we expect farmers to double their per capita income by participating in the program."

The Technical Assistance Facility (TAF), a sister facility company of InfraCo Asia, and also part of the Private Infrastructure Development Group (PIDG), has provided financial support for the monetisation of carbon credits being generated through the sequestering of carbon in the Gliricidia trees. The project will be registered for forestry carbon credits and net proceeds will go directly into development activities for

InfraCo Asia Development Pte. Ltd.

Office 9 Raffles Place
Address Level 18, Republic Plaza II
Singapore 048619
+65 6823 6860
www.infracoasia.com

Registered Address 10 Collyer Quay
#10-01 Ocean Financial Centre
Singapore 049315

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surrounding communities, with a focus on water security solutions, crop insurance for small farmers, and other training initiatives, including English-language lessons.

Supply Chain & Pellet Plant Development

Developing a supply chain and building pellet plants are the two key components that will define the outputs of InfraCo Asia's partnership with Biomass Group.

The IT platform will track the production of the more than 100,000 smallholder farmers who are targeted to grow and harvest material from Gliricidia trees. It will track Gliricidia growth and concentration, and enable efficient harvesting, collection, and transportation to the processing plants.

The development of the initial pellet plants, including the engineering design and the tendering for the EPC of the first plant, will also be undertaken as part of the agreement. The plants will take Gliricidia feedstock and convert it to pellets. The initial target is a production capacity of 150,000 tonnes of pellets per year. The pellets are intended to be available for export as well as for domestic power production.

The Gliricidia Tree & Sri Lanka's Biomass Potential

As a fast-growing, high-calorific-value tree, Gliricidia provides a number of benefits to farmers' existing operations. It is a nitrogen-fixing plant that improves soils, which can also lead to higher yields in other crops grown on-farm. The leaves are rich in proteins, and can be used as livestock fodder and fertilizer, and can be made into pesticides and fungicides. Intercropping Gliricidia with existing cash crops will introduce a new, viable income stream to cultivators, without the requirement of additional land.

The Bio-Energy Association of Sri Lanka estimates that 54 million tonnes of biomass can be produced in Sri Lanka per annum, translating to up to 4,000MW produced from dendro power (electricity generated from sustainably grown biomass).

About InfraCo Asia

1. InfraCo Asia Development Pte Ltd (InfraCo Asia) is a commercially managed infrastructure development and investment company of the Private Infrastructure Development Group (PIDG) .
2. Headquartered in Singapore, it aims to stimulate greater private sector investment in infrastructure in South and South East Asia. InfraCo Asia funds high-risk infrastructure development activities by taking an equity stake with a focus on socially responsible and commercially viable infrastructure projects that contribute to economic growth, social development and poverty reduction. At the appropriate time, either as close as possible to financial close and/or commercial operation, InfraCo Asia aims to (partially or fully, as appropriate) exit each project. It does this through the sale of its stake to the private sector in order to catalyse private sector investment and participation into the projects and countries it is involved in.

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3. InfraCo Asia is currently funded by three members of PIDG – the UK Department for International Development (UKAid), the Australian Department of Foreign Affairs and Trade (DFAT) and the Swiss State Secretariat for Economic Affairs (SECO).

For more information, please visit www.infracoasia.com and www.pidg.org.

About Biomass Group

Biomass Group is a vertically integrated renewable energy company that develops biomass resources to produce pellets and power. As an agro-energy program that combines food, fuel, and livelihood development, the organisation relies on an innovative partnership model to source supplies from small holder farmers and plantation owners. Once at full operational capacity, Biomass Group has the potential to generate millions of tonnes of commercial biomass. It aims to have transformative impact on the livelihoods in rural communities in Sri Lanka, and deliver on the United Nations Sustainable Development Goals.

ⁱ Complementary to the Developer Services Program, InfraCo Asia's Co-Development Program involves investing in third-party projects to provide pre-financial-close development capital to projects that meet InfraCo Asia's investment criteria. The Co-Development Program is managed by the InfraCo Asia Management Team. Details include:

- Third party developers take a majority or 50% stake and lead project development, and InfraCo Asia provides early stage risk capital, capped at 50% of development costs.
- InfraCo Asia provides project development and financing expertise, along with corporate governance oversight that helps bring projects from development stage to financial close.
- In return for development funding and assistance, InfraCo Asia will have the right to an equity stake in the project, board positions, and exit with returns on its investments.
- InfraCo Asia aims to exit from projects as soon as feasible: at financial close, when the project is sufficiently de-risked, after commercial operation, or when it can attract private capital on its own merits.

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