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## InfraCo launches Philippines co-development venture

Singapore-based InfraCo Asia Development will develop run-of-river mini hydro projects in the Philippines with Alternergy Hydro Partners.

InfraCo will invest half the equity required to develop the platform's pipeline of six permit-ready North Luzon-based projects totaling around 26MW, CEO Allard Nooy told *InfraAsia*.

InfraCo has committed USD 1.1m to the Alternergy partnership at the outset of the agreement – via a convertible loan facility – to match the funds invested by Alternergy. That “will bring at least one project to financial close before the end of the year,” Nooy said.



The 4MW Dupinga project will be the first mini-hydro plant from the portfolio to reach financial close, in 3Q16.

The USD 17m project will be funded with new debt in addition to the equity committed – with InfraCo providing funds to match Alternergy's investment.

Construction is expected to start in 4Q16 and be completed in around 20 to 24 months' time.

No offtake agreements have been signed for the power. The project will be eligible for a 20-year feed-in tariff (FiT) of PHP 5.9 (USD 0.125) per kWh set aside for 250MW of completed hydro projects on a first come, first served basis. The FiT is granted only after the project is audited by the Department of Energy and receives a certificate of commerciality.

Nooy said the developers have the option to enter into an agreement with an offtaker – such as Meralco under a fixed PPA – or sell power via the wholesale market if they cannot get a FiT for one or another reason. “There are elections and rules can change under a new government,” he explained.

The portfolio of projects has the potential to expand further. The rest of the platform's pipeline of mini hydros will undergo feasibility studies and permitting over the next 12 to 24 months, Nooy added.

InfraCo's funding for the platform is expected to increase to about USD 2m when the other early stage projects get going. “We do a 50-50 match first and thereafter it is a dollar for a dollar so we maintain that 50-50 position” explained Nooy.

As part of the partnership InfraCo has appointed directors on the board of a special purpose vehicle to provide strategic input, infrastructure development expertise as well as funding.

### Co-development program

The Philippines agreement is the first under InfraCo's new co-development program which is designed to support local developers to meet their pre-financial close, high-risk project development costs in 12 countries in South Asia and South-East Asia.

The existing developer maintains the lead to bring the projects ultimately to financial close, hence InfraCo will not invest more than 50% of the existing funding.

Nooy said the firm has a few other co-development deals in the pipeline. “The concept is that an existing developer comes to us if they have run into issues such as running out of time or running out of funding, lack of relationships in the debt markets, or regulatory issues where developers are not able to get the right access to senior government officials.”

In Alternergy's case, the developer could not raise funds from infrastructure funds or specialised private equity funds because of the relatively early stage in development for five of the six projects.

“We put development dollars at risk to de-risk projects and ultimately bring them to financial close in cases where the private sector is unwilling or has failed to invest.” Nooy said.



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