



Keeping up with Demand: Financing SE Asian Power in 2016

**PFI Financing Energy Projects in Asia Conference
Project Finance Conference Singapore**

22 October 2015

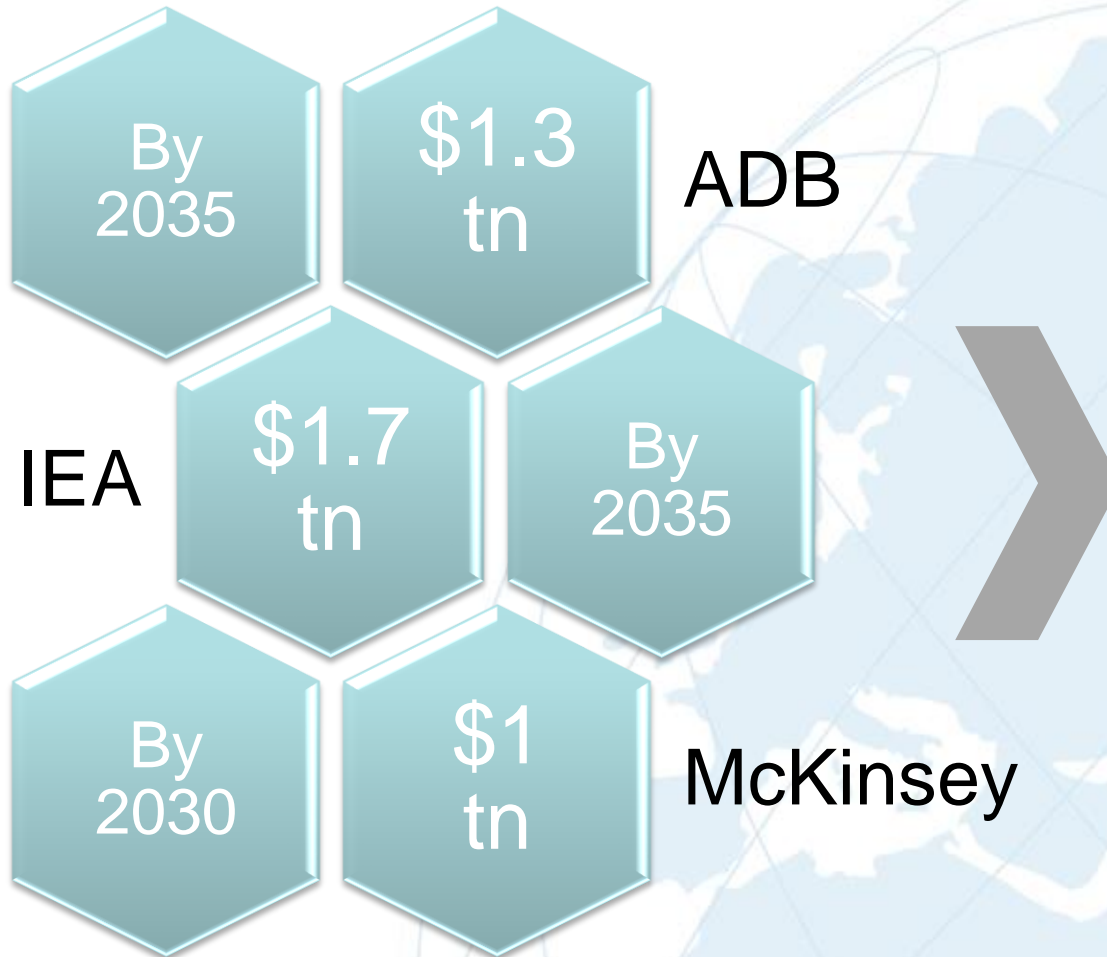
**Allard M. Nooy
CEO InfraCo Asia**



Is there Investment Demand?

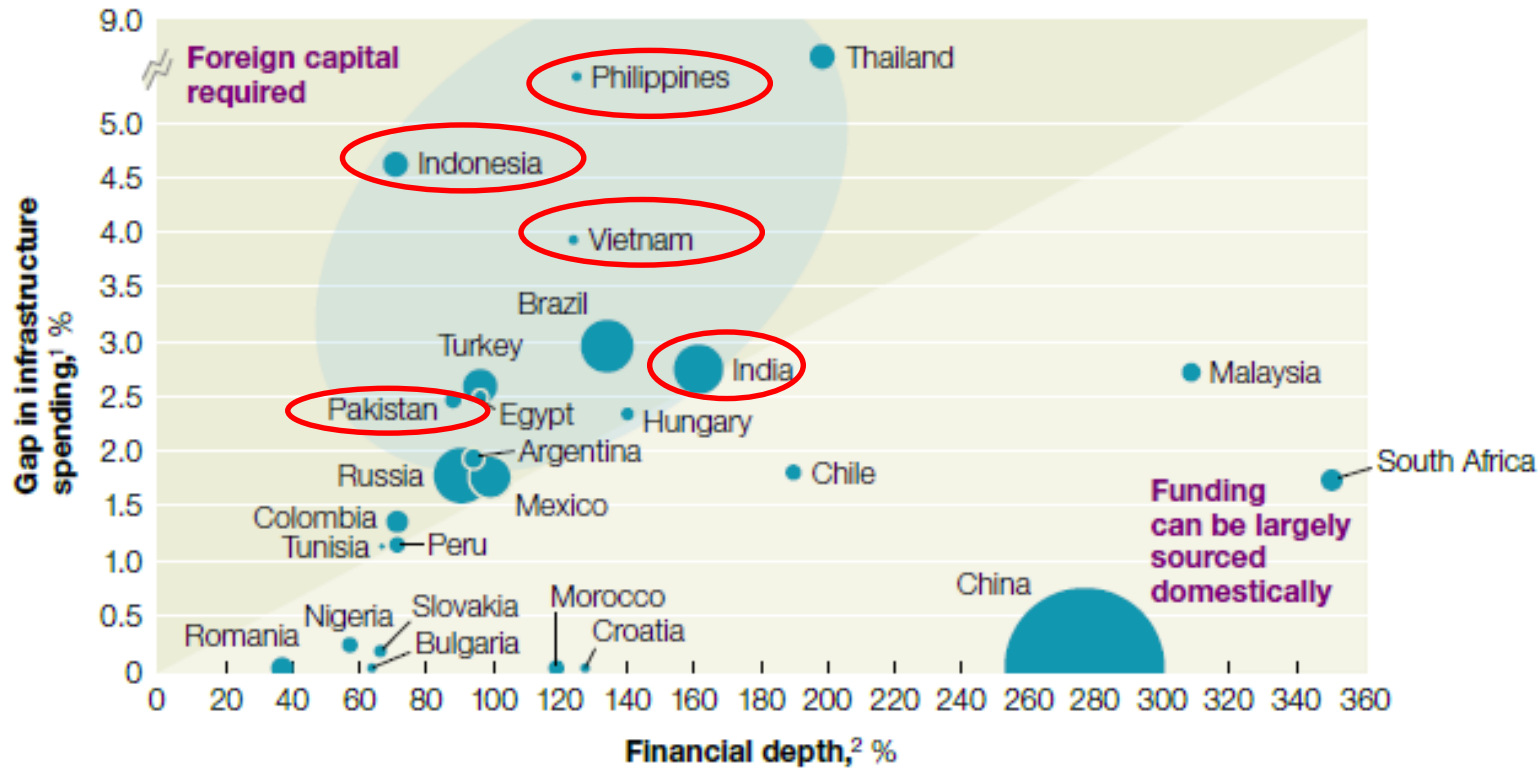
ENERGY SECTOR- DEMAND?

What's the opinion on demand for Energy investment in SEA?



- Same underlying message: There is sufficient demand for investment
- Renewable Energy expected to constitute a significant portion
- Investment required to either maintain or increase growth

Funding gap exists in most countries



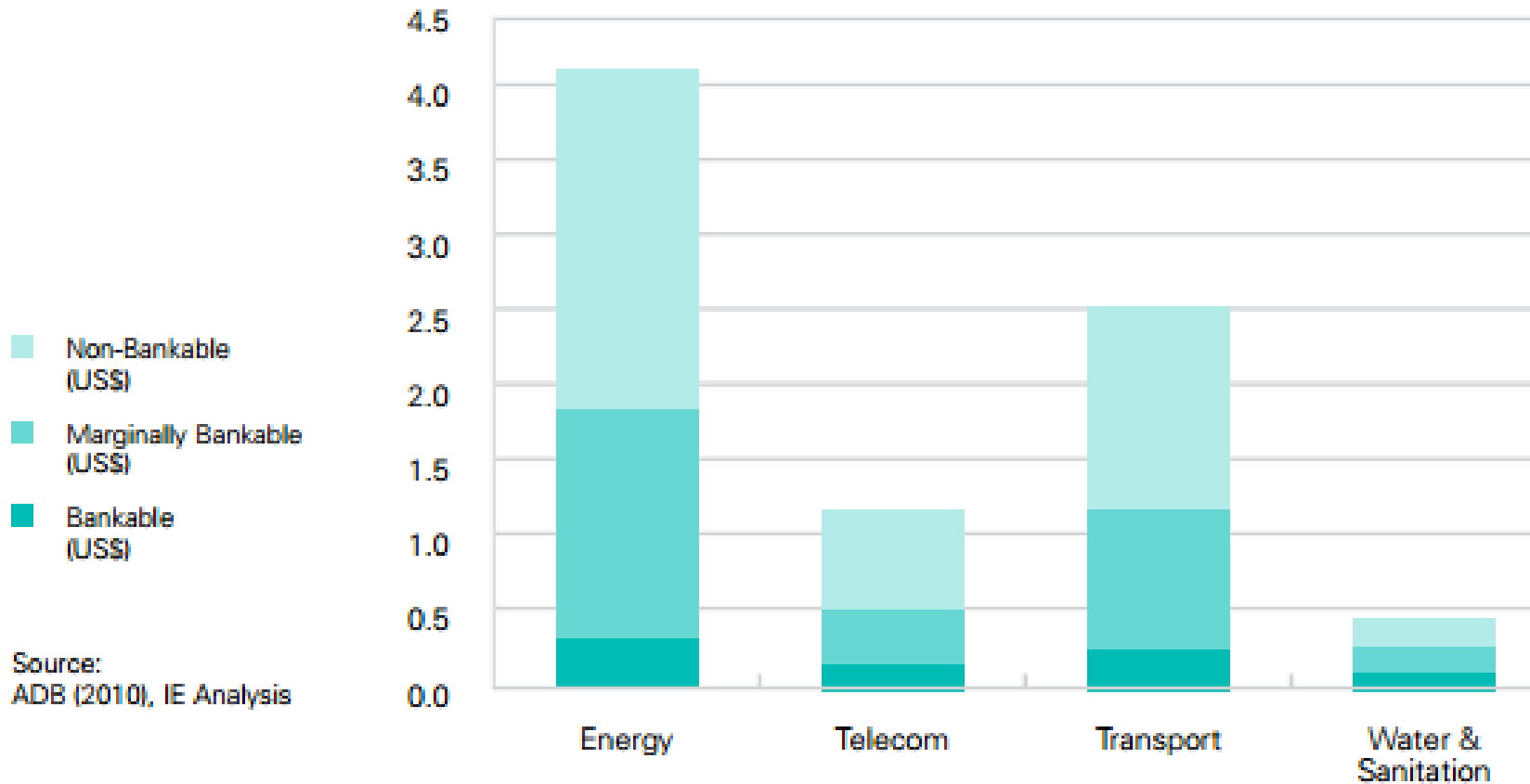
¹Gap in needed vs actual infrastructure spend as % of GDP, 2009.

²Value of bank deposits, bonds, and equity as % of GDP, 2009.

Source: McKinsey Global Institute

Funding gap exists since Domestic & Public funding is not enough & Foreign / Private Sector Investment is key to bridging this gap

Yet, available private funds not fully used due to lack of bankable projects in Asia



- Only 5-10% of demand in Asia is currently bankable (US\$ 40 to 80 Billion per year)
- 30-45% of demand in Asia is marginally bankable (US\$ 240 to 360 Billion per year)

Marginally bankable projects can be made bankable with a relatively small investment

Stages of Infrastructure Project Development



InfraCo Asia can play a key role in attracting more private sector investment

- Investment at this stage only \$2 to \$3 Million (2 to 10% of the total cost depending on project size)
- However, riskiest stage of investment
- Lack of sources of early stage financing in industry

Peers in the industry

- IFC Infra Ventures
- Global Infrastructure Facility
 - Recent World Bank initiative
 - Supported by Australian government, European institutions and Swiss firms

Most institutional investors focus on Stage 3 and Stage 4 projects as a way to diversify their portfolios

- Commercial Banks
- Multi-laterals
- Private Equity
- Pension Funds
- Sovereign Wealth Funds
- Infrastructure focused government sponsored funds such as AIF, AIIB



What are countries talking about- Going Green

FOCUS: RENEWABLE ENERGY

Why the focus?



Environment

1. Reducing carbon foot print
2. Improving the quality and reducing the waste (ash/ spent fuel)



Dependence

1. Reduce dependency on import of fuel
2. Ability to manage Foreign exchange flow



Investment

1. Attract foreign investment
2. Improve the local financial market- Debt & Equity

Renewable Energy – South East Asia

Country	Renewable Target	Main support scheme	Tax Incentives	FDI limitations
Thailand	20% by 2036	Feed in Premium	Various	<ul style="list-style-type: none"> 49% equity cap in service sector including electricity
Indonesia	25 % by 2025	Feed in Tariff	For geothermal	<ul style="list-style-type: none"> Full ownership of PPP based power plants Transfer of certain % to govt at project end
Philippines	50% by 2030	Feed in Tariff	For renewables	<ul style="list-style-type: none"> Blanket 40% limitation for all sectors Electric Power Industry Reform Act allows 100% ownership of power assets
Malaysia	24% by 2050	Feed in Tariff	None	<ul style="list-style-type: none"> Foreigners can invest via PSAs Restricted to 30%
Vietnam	5% by 2020, 6% by 2030	Tax Relief, Feed in Tariff for wind	Import duty incentive, other taxes	<ul style="list-style-type: none"> Investment Law allows upto 100% Infrastructure is an encouraged sector
Cambodia	70% rural electrification	Dedicated fund	None	<ul style="list-style-type: none"> All sectors of economy open to FDI 100% ownership allowed in most sectors
Laos	30% by 2025, 10% of transport	Only policy document	None	<ul style="list-style-type: none"> 100% ownership allowed via 2009 Law In practice, required to give up partial stake
Myanmar	10% by 2030	Only policy document	None in specific	<ul style="list-style-type: none"> 100% ownership of Myanmar based entities

Introduction

ABOUT INFRAACO ASIA

Introduction to InfraCo Asia

- **Commercially managed** infrastructure development and investment company headquartered in Singapore
- Aims to **stimulate** greater **private** sector investment in infrastructure
- Funds **early stage, high-risk** infrastructure development activities by taking an equity stake in projects
- Seeks commercially **viable infrastructure** projects that contribute to economic growth and **social development**
- Focusses on **risk management and mitigation and funding** successful implementation of sustainable infrastructure projects
- Committed to **tackling** the major institutional market **obstacles** hindering private participation in infrastructure development in poorer countries
- Development activities are outsourced to teams of Project Developers, save for core corporate management
- Transitioning to a model of entering into development services agreements with **multiple developer teams** as well as **co-invest** in third party development projects.

Supported by PIDG

- InfraCo Asia is backed by the Private Infrastructure Development Group (PIDG) a multi-donor organisation that promotes private infrastructure investment in developing countries through a range of specialised financing and project development facilities and programmes



Private Infrastructure Development Group (PIDG)



Thank you

For further information please visit:

www.infracoasia.com

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