



Federal Ministry  
for Economic Affairs  
and Energy



# “renewables Made in Germany” Initiative

Renewable Energy Sector Thailand

Financing Opportunities and Risk Mitigation

Bangkok, June 8th, 2015

Project Finance International: Dr. Joachim Richter

# PFI Corporate Profile

Highly specialized Consulting Company

- Financial Engineering
- Export & Trade Finance
- Financing Marketing
- Political Engineering
- Research inside the Donor-Institutions



- Financial Experts for Export Initiative Renewable Energies

# Financial Engineering – Risk Mitigation

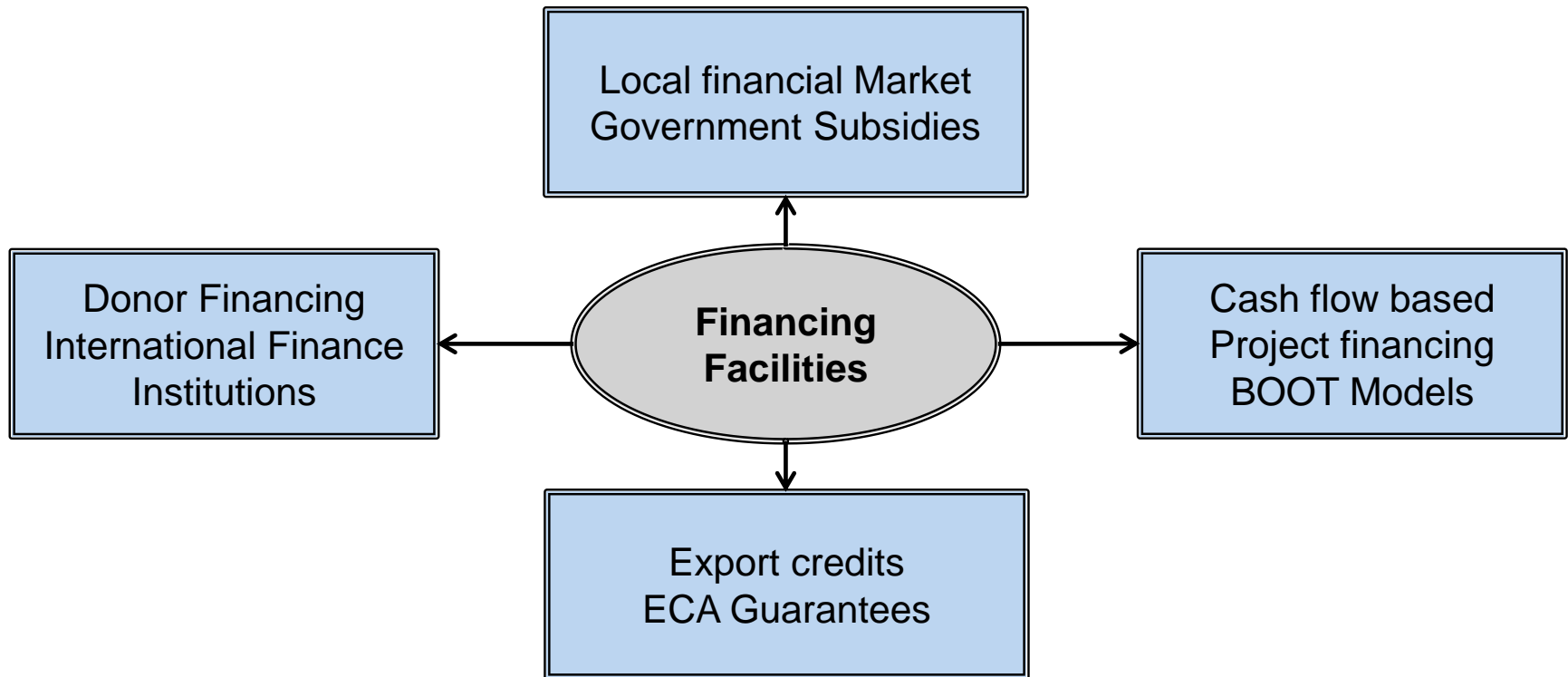
## Business Rational for Exporting Companies

- The creative project development
- The creative financing,
- The professional risk management

decides in an increasing global competitive pressure about the sales success

- This applies for EPC Contractors, (Sub)-Suppliers, Consultants

# 4 Financing Scenarios



# 1<sup>st</sup> Scenario - The Donor Financing

Loan Contract between **Development Bank / Donor Organization** and ***the Government of Thailand***

3 general principles

- Application Principle
- Sovereign Guarantee
- Tender Procedure



A grayscale world map with three callout boxes. The first box, labeled 'World Bank Group', points to North America. The second box, labeled 'KfW/DEG Frankfurt', points to Germany. The third box, labeled 'ADB Manila', points to the Philippines.

**World Bank Group**

**KfW/DEG  
Frankfurt**

**ADB  
Manila**



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**PROJECT**  
FINANCE INTERNATIONAL

# 1<sup>st</sup> Scenario - The Donor Financing

**Thailand** is evaluated as “graduated” country  
➡ no more traditional development loans

- Private sector project support
- IFC and MIGA (World Bank Group);
- Asian Development Bank Private Sector Department
- DEG



- Contact Resident Missions in BKK

# Business Opportunities Donor financed projects

## Consulting Companies

- Feasibility Studies, project preparation,
- specific services –Environmental Assessment Study institutional capacity
- Lender`s Engineer

## Suppliers and specific technology provider

- project is structured in individual lots
- individual procurement of lots

## EPC contractors

- turn key procurement
- business rational for (local) SMEs ➡ **nominated subcontractor**



# How to track Business Opportunities

- Country Assistance Strategy
- Sector Support Strategy
- Monthly Operational Summary
- Project Information Document
- Project Appraisal Document
- Contract Awards
- United Nations Development Business
  
- World Bank „Doing Business Assessment“  
(important for potential Investors)

## 2<sup>nd</sup> Scenario - local financial market

Finance Institutions in Thailand will receive refinancing loans from International Finance Institutions (IFIs) like

- The World Bank / International Finance Corporation
- Asian Development Bank

# 2<sup>nd</sup> Scenario - Commercial financial Market

Private Sector Departments from International Finance Institutions

- The World Bank (IFC/MIGA)
- Asian Development Bank

DEG from Germany / Member of KfW Banking Group

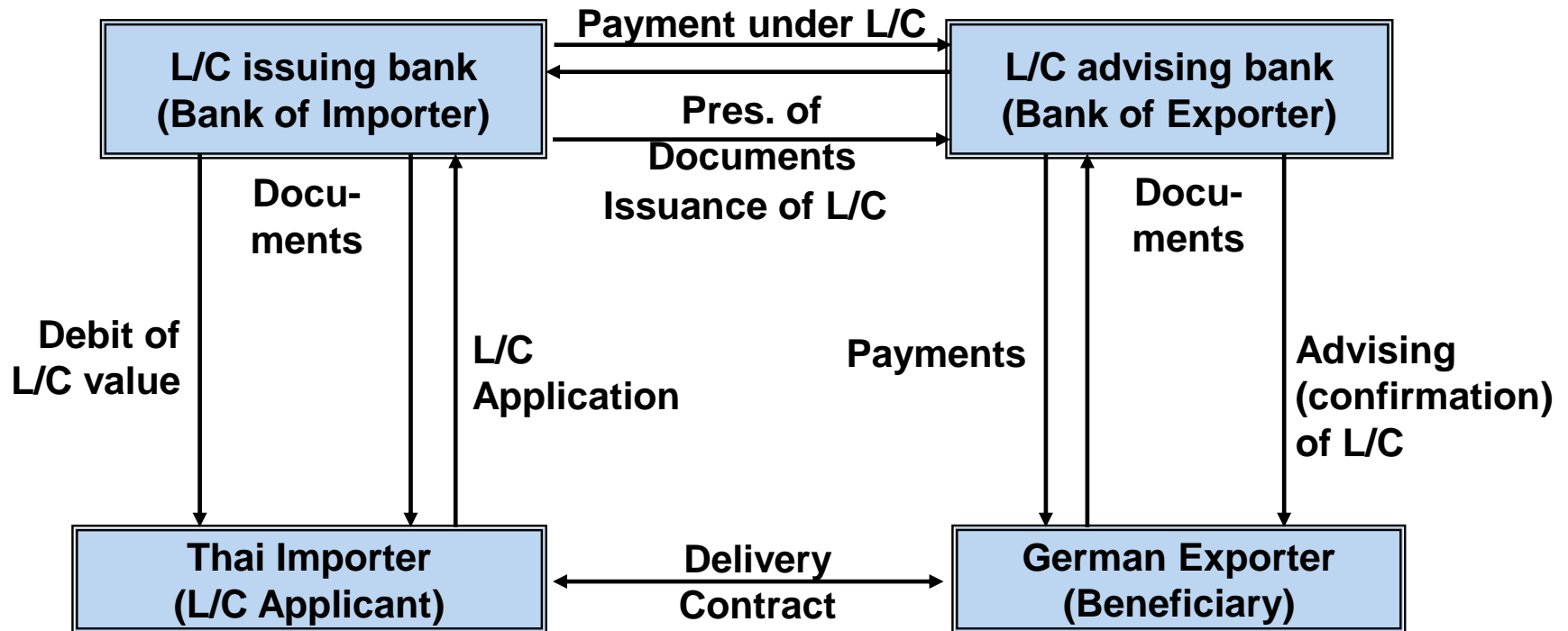
## 2<sup>nd</sup> Scenario - local financial market

- „Thailand Energy Efficiency Revolving Fund“
- „ESCO Venture Capital Fund“
- „Promotion Vehicle“ – Feed in Tarif i.e. „Adder“
- Partial Risk and Partial Credit Guarantee from World Bank

# 3<sup>rd</sup> Scenario - export financing – risk mitigation

- Payment Securities
- Export Credit Agencies

# Letter of Credit



# 3<sup>rd</sup> Scenario - export financing – risk mitigation

- **Trade Facilitation Programme** supported from ADB and IFC
- Counter guarantee for LC with longer tenor

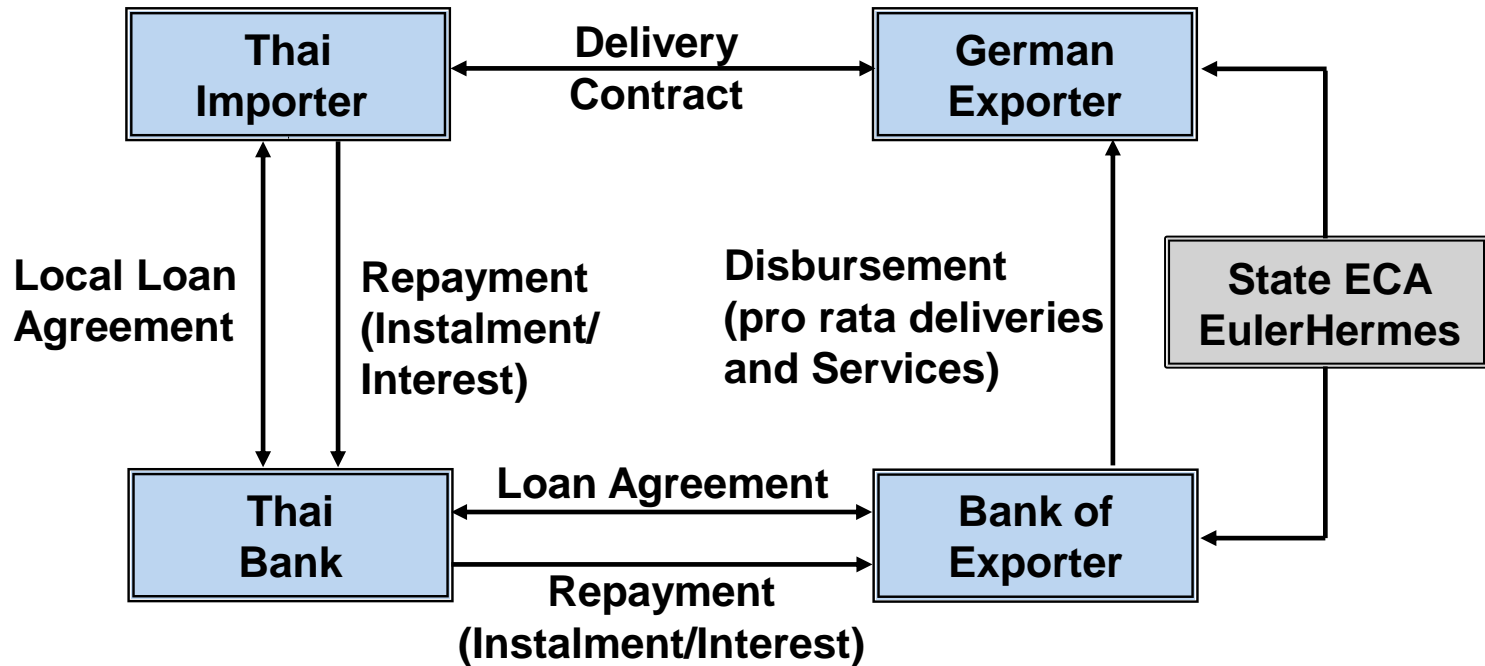
# Euler Hermes-covered Buyer's Credit

Buyer credit cover enables banks to insure their receivables arising from the financing of a German export transaction

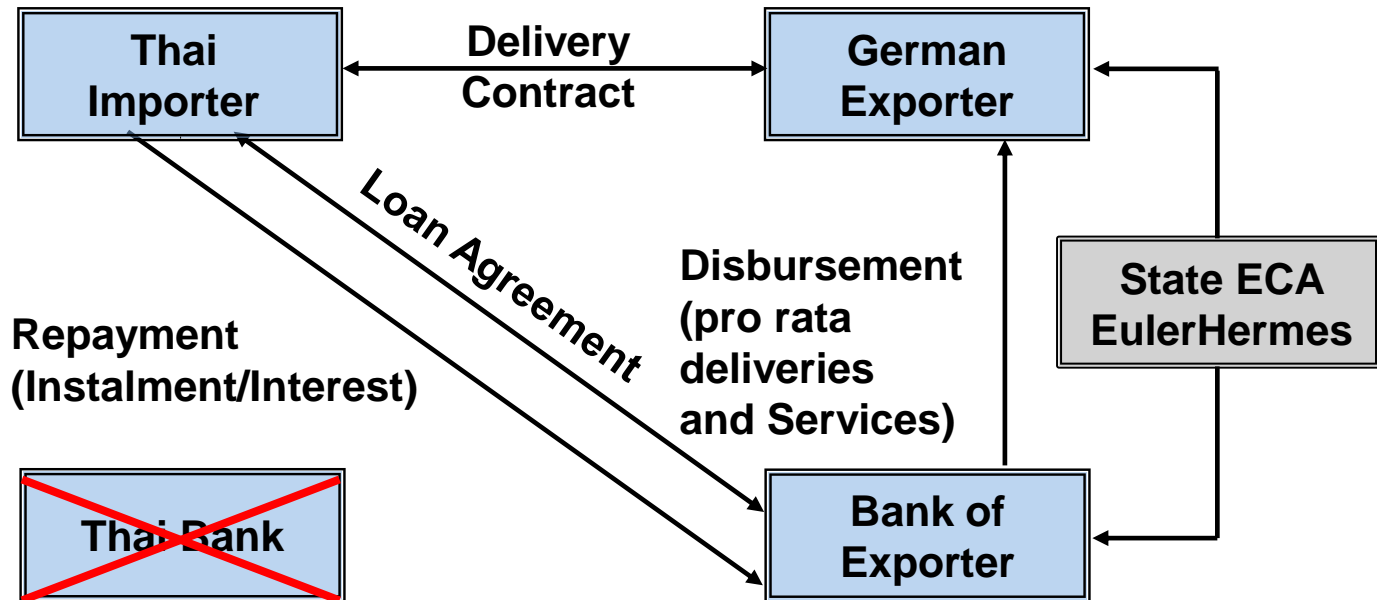
- Buyer credit cover offers protection against payment default, particularly if the borrower becomes insolvent
- the borrower fails to make payment within one month after due date (protracted default)
- adverse measures are taken by foreign governments or warlike events arise local currency amounts are not converted or transferred



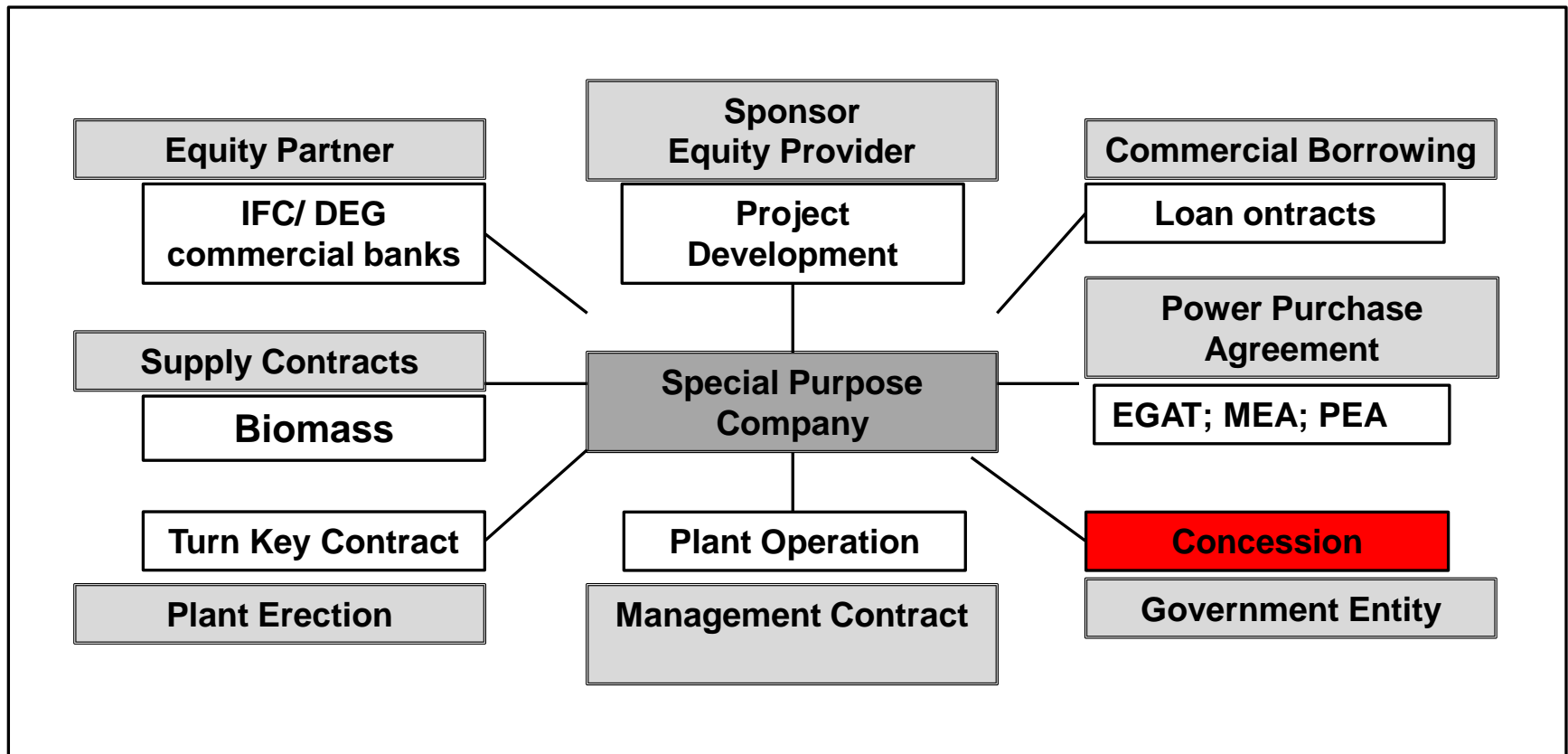
# Euler Hermes-covered Buyer's credit (Bank-to- Bank Loan)



# Euler Hermes-covered Buyer's credit (Corporate loan)



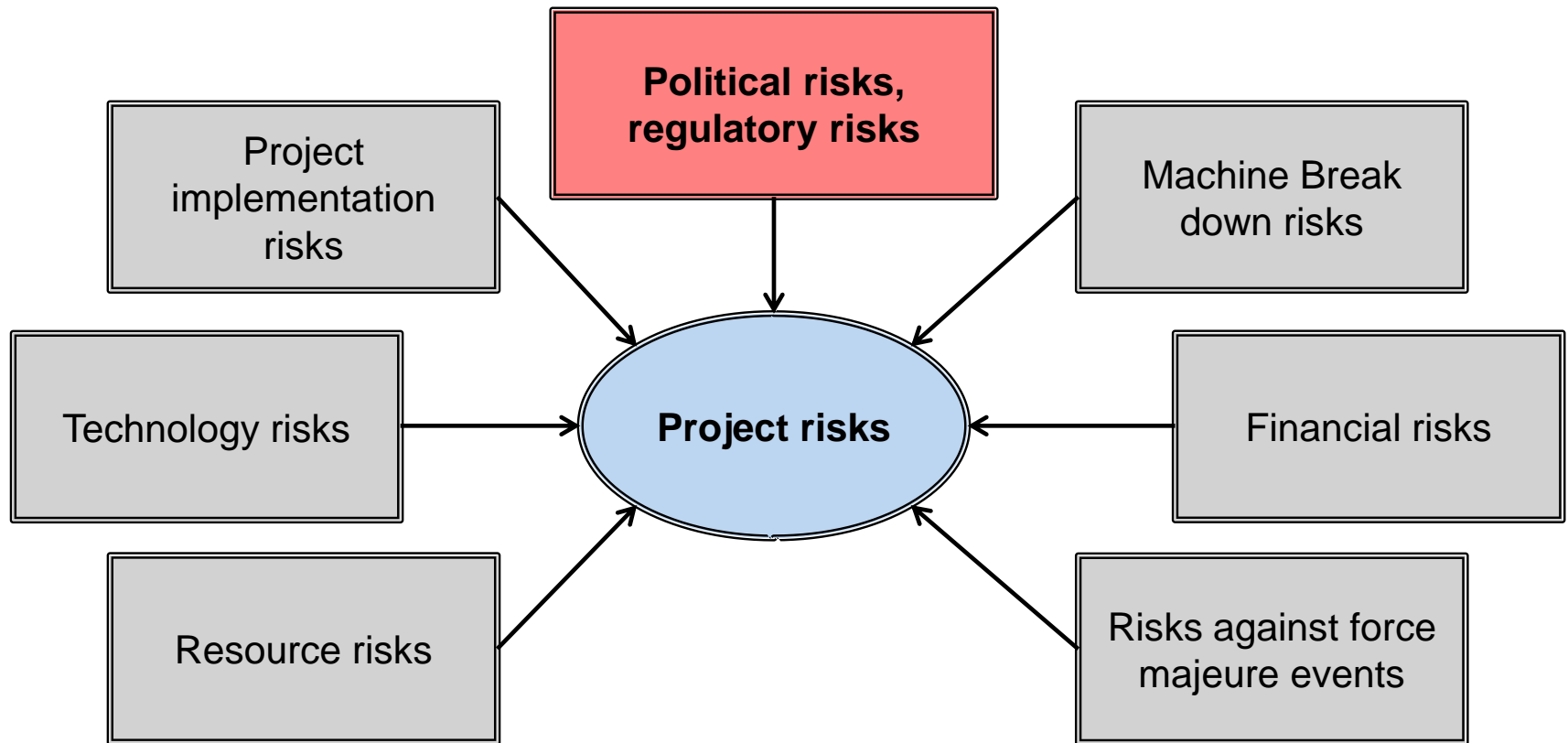
# 4<sup>th</sup> Scenario - Cash Flow based Project Finance



# 4<sup>th</sup> Scenario – BOOT Projects (IPP PP Scenario)

- After intensive project preparation work, “due diligence” – Financial closing  
“captive power plant” will be built
  - **B**=“build”
- The plant will be owned and operated  
„Debt Service Cover Ratio“
  - **O+O**= “own” and “operate”
- After termination of concession period plant will/might be transferred to the State
  - **T**= “transfer”

# Risk allocation for RE Projects



# Investment Guarantees of the Federal Republic of Germany

Investing abroad means to pursue opportunities

Whereas technical and financial issues are more or less calculable risks to be considered when planning an investment abroad

The political environment in emerging countries very often is almost unpredictable and must therefore play a predominant role in the overall risk assessment.

# Investment Guarantees of the Federal Republic of Germany

The Federal Republic of Germany may grant guarantees for eligible foreign direct investments of German entrepreneurs by protecting them against political risks.

Investment Protection Treaty (IPT) between Germany and Thailand

**Thank you very much for your kind attention!**

# **Profitable business in the Emerging Markets**



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