



MIGA: Investments in Clean Power

Access to power is essential to ending poverty. More than 1.3 billion people are still without access to electricity worldwide and almost all of them live in developing countries. Without access to energy services, the poor are deprived of the most basic opportunities needed to improve their standard of living. Hospitals go without power, children study by candlelight, and businesses reduce production capacity.

With climate change an enduring concern, countries are looking toward renewable energy sources, and clean power is an enormous boon to countries without indigenous fossil fuels. In addition to powering grids without polluting the environment, clean power brings technological advances, expertise, and jobs.

Countries are making significant investments and developing expertise in renewable energy and efficiency, laying the foundation for sustained development and prosperity. The private sector is essential to delivering solutions to support these countries' efforts. Yet, high up-front costs and perceived political risks often affect investors' decisions to move forward in many markets.

MIGA is addressing these concerns and supporting energy transformation by insuring sustainable power investments in all regions of the world. Geothermal energy in Kenya, wind energy in Nicaragua, waste-to-energy in China, and hydropower in Albania and Pakistan—these are all examples of MIGA-insured projects that demonstrate the Agency's commitment to this critical sector.

What We Do

MIGA—the Multilateral Investment Guarantee Agency—is a member of the World Bank Group. MIGA's mission is to promote foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives. We do this by providing political risk insurance (guarantees) against certain noncommercial risks to investments in developing countries, as well as by providing dispute resolution services for guaranteed investments. We also conduct research and share knowledge as part of our mandate to support foreign direct investment into emerging markets. In collaboration with our World Bank Group colleagues, we work with investors to structure deals in ways that benefit all parties and foster positive relationships with communities where they invest.

How We Help

MIGA guarantees are well-suited to reduce noncommercial investment risks in energy projects. They are designed to help companies feel comfortable with the risks they may perceive and can play a pivotal role in helping companies attract funds for large, capital-intensive investments. MIGA's coverage can be used on a standalone basis or in conjunction with the World Bank's partial risk guarantees, which offer additional benefits. Partial risk guarantees include conditions that promote stable regulatory and contractual frameworks, while helping investors obtain capital market financing on better terms and securing public obligations by a sovereign counter-guarantee.

In addition, MIGA's ability to help investors address the environmental and

MIGA insures foreign direct investments against losses related to:

- Currency inconvertibility and transfer restrictions
- Expropriation
- War, civil disturbance, terrorism, and sabotage
- Breach of contract
- Non-honoring of sovereign financial obligations

MIGA provides dispute resolution services for guaranteed investments to prevent disruptions to developmentally beneficial projects.

social risks so often encountered with power projects is a significant added value. Recognizing the importance of sustainable energy for development, MIGA colleagues have successfully advised investors on many challenges posed by the sector including resettlement, biodiversity, resource management, health and safety, and community engagement. MIGA brings to the table a strong track record, with only two power claims paid in 25 years—a testament to our demonstrated ability to help resolve disputes. With \$4.1 billion in guarantees for power projects under our belt, MIGA offers proven sector capabilities.

Bottom line: MIGA's guarantees mitigate the risk profile of your power sector investment, increasing the probability of a better risk-weighted return.

TYPES OF COVERAGE

Transfer restriction coverage protects against losses arising from an investor's inability to convert local currency (capital, interest, principal, profits, royalties, or other monetary benefits) into foreign exchange for transfer outside the host country. The coverage also insures against excessive delays in acquiring foreign exchange caused by the host government's actions or failure to act. Currency devaluation is not covered.

Expropriation coverage offers protection against loss of the insured investment as a result of acts by the host government that may reduce or eliminate ownership of, control over, or rights to the insured investment. This policy also covers partial losses, as well as "creeping" expropriation, a series of acts that over time have an expropriatory effect. Bona fide, nondiscriminatory measures taken by the host government in the exercise of its legitimate regulatory authority are not considered expropriatory.

Breach of contract coverage protects against losses arising from the host government's breach or repudiation of a contractual agreement with the investor. In the event of such an alleged breach or repudiation, the investor must be able to invoke a dispute resolution mechanism (e.g., arbitration) set out in the underlying contract and obtain an award for damages. The investor may file for a claim if, after a specified period of time, payment is not received. This coverage can be particularly useful for cases in which governments are contractual partners, including in public-private partnerships.

War and civil disturbance coverage protects against loss due to the destruction, disappearance, or physical damage to tangible assets caused by politically motivated acts of war or civil disturbance, including revolution, insurrection, and coups d'état. Terrorism

and sabotage are also covered. War and civil disturbance coverage also extends to events that result in the total inability of the project enterprise to conduct operations essential to its overall financial viability. Coverage for temporary business interruption, including both costs and lost net income, is also available.

Non-honoring of sovereign financial obligations coverage protects against losses resulting from a government's failure to make a payment when due under an unconditional financial payment obligation or guarantee given in favor of a project that otherwise meets all of MIGA's normal requirements. It does not require the investor to obtain an arbitral award. This coverage is applicable in situations when a sovereign's financial payment obligation is unconditional and not subject to defenses.

MIGA AT WORK

Geothermal Energy in KENYA

A MIGA-guaranteed investment in Kenya is helping the country address severe power shortages while simultaneously offsetting greenhouse gas emissions. The project consists of the design, construction, management, and operation of a base-load geothermal power plant with a combined capacity of 84MW on a build-own-operate basis in the Olkaria geothermal fields of the Rift Valley.

MIGA issued a guarantee of \$99 million covering the risks of transfer restriction, expropriation, and war and civil disturbance to Ormat Holding Corp. for its equity investment in OrPower 4, Inc. The electricity generated by the plant is sold under a 20-year power purchase agreement with Kenya's national power transmission and distribution utility.

The project uses indigenous geothermal fuel resources, thus lowering Kenya's dependence on imported thermal energy. Geothermal electricity production does not result in any of the conventional air pollutants associated with other fossil fuel generation options.

Windpower in NICARAGUA

Nicaragua's electrification rate is among the lowest in Central America and reliance on oil-fired generating plants has made the long-term marginal electricity costs the highest in the region. MIGA's \$16.3 million in guarantees to Eolo de Nicaragua S.A., a 44-megawatt wind farm in Rivas province, are helping the country address its power-sector issues. The Agency's guarantees cover an equity investment by Globeq Mesoamérica Energy (Wind) Limited (GME Wind) of Bermuda.

The Eolo de Nicaragua project consists of 22 Gamesa G90 2-megawatt wind turbine generators, as well as the facilities and equipment required to connect the generators to a high-voltage substation. The project is estimated to generate 170 gigawatt hours of electricity per year, without requiring any fossil fuel supply.

Powering Up RWANDA with Methane from Lake Kivu – MIGA Supports Innovative Technology

MIGA has underpinned an innovative and important project in Rwanda with guarantees of \$95.4 million to ContourGlobal Africa Holdings S.a.r.l. The coverage is for a period of up to 20 years against the risks of expropriation, transfer restriction, war and civil disturbance, and breach of contract.

SELECTED MIGA PROJECTS IN CLEAN ENERGY

INVESTOR/ GUARANTEE HOLDER	PROJECT	TYPE	HOST COUNTRY	GUARANTEE AMOUNT (\$M)
Globeleq Mesoamérica Energy (Wind) Limited, <i>Bermuda</i>	Eolo Wind Farm	Wind	Nicaragua	16.3
Korea Water Resources Corporation, <i>Korea</i>	Star Hydro Power Ltd.	Hydro	Pakistan	148.5
ContourGlobal Africa Holdings S.a.r.l., <i>Luxembourg</i>	KivuWatt Ltd.	Methane gas extraction	Rwanda	95.4
Ormat Holding Corporation, <i>Cayman Islands</i>	OrPower 4, Inc.	Geothermal	Kenya	99.0
EVN AG, <i>Austria</i>	Energji Ashta Shpk (Ashta)	Hydro	Albania	159.4
Energy Engineering Investment Limited, <i>Mauritius</i>	Hydelec Madagascar S.A.	Hydro	Madagascar	19.9
World Power Holdings Luxembourg S.à.r.l., <i>Luxembourg</i>	Bujagali Energy Ltd.	Hydro	Uganda	115.0
EDF International, France; Fortis Banque SA, Fortis Bank NV, <i>Belgium</i>	Nam Theun 2 Power Company Ltd.	Hydro	Lao PDR	90.6
Golden State Waste Management Corporation, <i>Cayman Islands</i>	Beijing Gaoantun Waste to Energy Co. Ltd.	Waste to energy	China	25.0

The project will construct and operate a 25 megawatt power-generation facility using methane gas extracted from Lake Kivu. The extraction will use a floating barge located offshore from the city of Kibuye. The extracted gas will be processed and pumped to the shore via a submerged pipeline and power will be produced by methane-powered reciprocating engine generator sets. The output will be sold to the Rwandan state-owned utility, Rwanda Electricity Corporation. Based on successful implementation of Phase 1, Phase 2 will comprise three additional gas extraction barges and three more power production blocks with 75 megawatt capacity resulting in 100 megawatts of overall power generation.

While Rwanda's economy has nearly doubled in size over the last decade, the



country's electricity infrastructure has failed to develop in pace with the broader economy: only 6 percent of the population is serviced by the national power grid. Tapping the considerable methane reserves stored in Lake Kivu will offer the

small, highly populated, and land-locked country with a domestic, cheap, and renewable source of power.



MIGA'S VALUE

As a member of the World Bank Group, MIGA offers a range of benefits to investors seeking protection and continuity for their projects in developing markets.

Keeping Developmentally Sound Projects on Track

- **Mobilizing sound investments:** As a multilateral development agency, MIGA supports investments that are developmentally sound and meet high social and environmental standards. Governments have a vested interest in the sustainability of investments covered by MIGA.
- **Resolving disputes:** By demonstrating the investments being supported are developmentally sound, meet high social and environmental standards, and are approved by the host country government authorities as well as by MIGA's Board, MIGA is in a strong position to help resolve disputes that might arise. MIGA has supported more than 700 different projects in its history, and has been able to resolve disputes that would have led to claims in all but two cases. (MIGA has paid four claims resulting from damage due to war and civil disturbance.) MIGA is able to work effectively with all parties to resolve disputes, keeping projects on track.
- **Prompt claims payment:** When claims do need to be paid, MIGA is able to pay them promptly, based on a strong balance sheet and a stable stream of operating income.

Improving Terms and Conditions for Investors/Lenders

- **Accessing funding:** MIGA guarantees help investors obtain project finance from banks.
- **Lowering borrowing costs:** MIGA-guaranteed loans may help reduce risk-capital ratings of projects, leading to lower borrowing costs.

- **Increasing tenors:** MIGA can provide insurance coverage for up to 15 years (in some cases 20), thereby increasing the tenor of loans available to investors.
- **Mobilizing reinsurance capacity:** MIGA is able to provide guarantee support for effectively any size project, through MIGA's ability to secure reinsurance capacity.

Knowledge and Experience

- MIGA can help clients structure transactions to mitigate risk efficiently.
- Clients can benefit from the agency's decades of experience, global reach, and knowledge of developing countries.
- MIGA works with clients to implement social and environmental best practices.
- MIGA ensures that appropriate risk solutions are implemented at various stages of the project life cycle.

Research and Knowledge

MIGA shares knowledge on political risk and foreign direct investment as part of its mandate to support foreign direct investment into emerging markets. The annual *World Investment and Political Risk* report examines the overall trends in political risk perceptions, foreign investment intentions, and longer-term demand for political risk insurance, especially in emerging economies (www.miga.org/wipr).

Technical Assistance

MIGA helps countries define and implement strategies to promote investment through technical assistance services managed by the Investment Climate World Bank Group. Through

this vehicle, MIGA's technical assistance is facilitating new investments in some of the most challenging business environments in the world.

Contact

Antonio Barbalho
Sector Leader
Oil, Gas, Mining, Chemicals,
and Energy
t. 1.202.473.6761
abarbalho@worldbank.org

For general information

**Multilateral Investment
Guarantee Agency**
World Bank Group
1818 H Street, NW
Washington, DC 20433
t. 1.202.458.2538
f. 1.202.522.2630
migainquiry@worldbank.org

www.miga.org
