



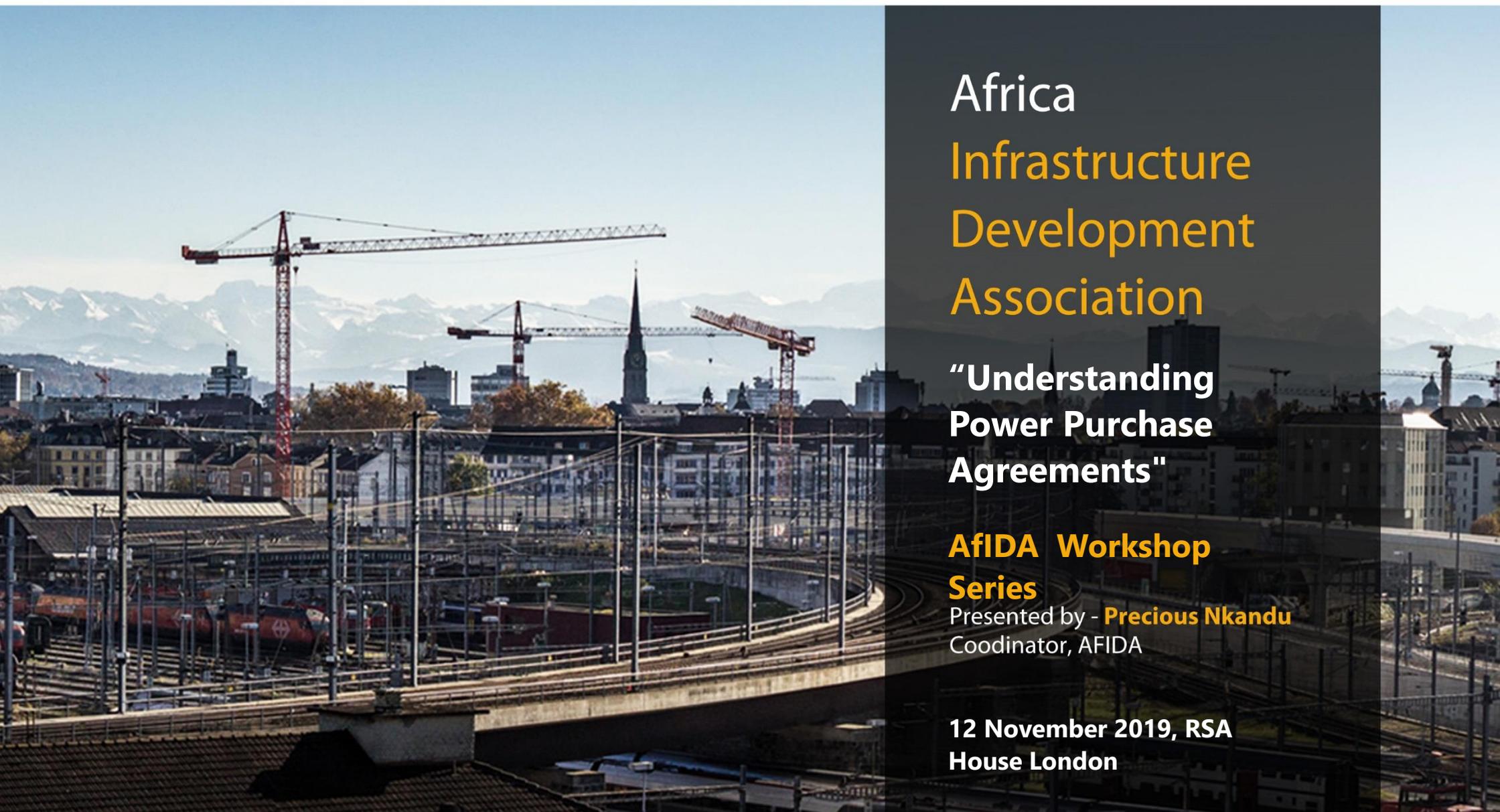
Africa Infrastructure Development Association

**"Understanding
Power Purchase
Agreements"**

**AfIDA Workshop
Series**

Presented by - **Precious Nkandu**
Coordinator, AFIDA

**12 November 2019, RSA
House London**





AFIDA WORKSHOP SERIES- BACKGROUND

Background

The one-day workshop will address key aspects of a PPA, decipher the structure of the daunting PPA agreements and link the various elements together in order to give a holistic understanding not only within the two-sided contract but also the relationship towards the country context and financing structure. The basic structure of a long-term off-take agreement is relatively simple: The seller is obliged to deliver a product with certain characteristics under a certain timeframe and the buyer is obliged to pay a tariff for that product.

Based on this underlying right and obligations relationship between seller and buyer the agreement details all sorts of relieving and as-if provisions for either one party. Additionally, one party may declare Force Majeure to seek relief of his obligation. All these elements give ample space which could lead to disputes and arbitration.

The workshop will be supported by various examples of PPAs covering different types of power generation technologies. The workshop panellists and participants will further discuss a wide range of case studies and experience in the power sector.

Workshop Panellists

Oliver Andrews, Executive Director and CIO, **AFC**

Vuyo Hlompho Ntoi, Investment Director - Portfolio Manager - **IDEAS Managed Fund, AIIM**

Ragnar Gerig, Director, Energy & Infrastructure, African & Latin America, **DEG**

Martin Kavanagh, Partner, **Herbert Smith Freehills LLP**

Joanne Elson, Senior Associate, **Herbert Smith Freehills LLP**



ABOUT THE PANELLISTS



Oliver Andrews, Executive Director and CIO, AFC

His oversight functions include end to end origination and execution of transactions for AFC. An entrepreneurial engineer and transport economist with extensive background in engineering, transport and project finance, with over 30 years' experience in the infrastructure sector as an infrastructure project developer, financier and strategic adviser. He has successfully directed numerous infrastructure deals in Africa leading project development teams providing strategic, policy, program and commercial advice on infrastructure development issues to development financial institutions, international blue chip corporations, and Governments both in Africa and Europe.



Vuyo Ntoi, Investment Director, Southern and Central Africa, AIIM

Vuyo joined AIIM in 2003 and has been involved in the management of AIIM's funds for over a decade and was initially involved in the build-up of the South Africa Infrastructure Fund's (SAIF) holdings in South African toll roads, including additional stakes in Trans African Concessions, N3 Toll Concessions and Bakwena Platinum Corridor Concessionaire. In addition, Vuyo was involved in the early refinancing of the toll road assets. Vuyo also played a leading role in the AIIM Funds' pioneer investment outside South Africa, the Lekki Concession Company. Vuyo is currently a director of Trans African Concessions, Umoya Energy Wind Farm and Cenpower Generation Company Limited.



Ragnar Geris, Director Energy, Africa & Asia, DEG

In his last position as Director Manufacturing Industry and Services he was responsible for structuring and contracting DEG's business in various industry sectors globally. From 2009 to 2013 he was leading DEG's Business Origination and Portfolio Management in Africa with investments of some US\$ 1,5 billion. Before 2009 he set up DEG's global syndication unit. Prior to 2006 he worked as Senior Manager on a professional exchange program with SIEMENS Financial Services in Munich being responsible for project and export finance in the telecommunication sector.



ABOUT THE PANNELLISTS



Martin Kavanagh, Partner, Herbert Smith Freehills LLP

Martin Kavanagh has over 20 years of experience in energy, natural resources & infrastructure finance. He is a key figure in the firm's market-leading energy and infrastructure projects team with extensive experience advising on the most complex project financings and developments across Africa and many other emerging markets. He is also the firm's relationship partner for all of the major ECAs and DFIs, including International Finance Corporation



Joanne Elson, Senior Associate, Herbert Smith Freehills LLP

Joanne Elson is a senior finance lawyer with over 10 years of experience gained in a variety of challenging roles in the energy sector. She has particular experience in complex cross-border project finance transactions in the renewable power, conventional power and oil and gas sectors in Africa, the Middle East and Europe. Joanne has also advised on financings involving ECAs, DFIs, Islamic banks and multilateral lenders and has acted on behalf of sponsors, lenders and government



WHY YOU SHOULD PARTICIPATE

- Delve into the purpose of PPAs, and the different types of PPAs and the purchasers involved in the context of the reform of the electricity sector
- Gain insight on the basic risks which a PPA must apportion, the role PPAs play in independent power projects (IPPs) and the connection to other project agreements relating to construction, the project company, operations and maintenance, financing, transport and feedstock fuel supply and insurance
- Understand the key provisions of a PPA and its impact on project financing
- Recognise the issues that could arise from contracting PPAs with government entities and state-owned agencies and enterprises
- Identify the pricing structures and how to negotiate the pricing in competitive markets

AFIDA WORKSHOP AGENDA

08:30 – 09:00 Registration

09:00 – 09:30 Welcome Remarks

09:30 – 10:30 Selling and Buying Power Purchase Agreements

This session will discuss key aspects of a PPA's buy-side and sell-side such as; Power Market Liberalisation of IPP experience and PPP schemes Requisites of a bankable PPA, PPA and fit into the overall project set-up, Understanding the link to Project Financing and Understanding the link to EPC agreements.

10:30 – 11:30 Efficient risk allocation and negotiation success factors, tactics and techniques

This session will discuss the adoption of different risk allocation, negotiation and management techniques such as; Partial Risk Guarantees (Addressing Transmission line Delay Risk with a Partial Risk Guarantee), MIGA Political Risk Insurance, Export Credit Agencies, Developments Finance Institutions and Multilateral Banks, Currency Risk Hedging, Local Currency Lending, Currency risk guarantee fund, Internal and External Liquidity Facilities.

11:30 – 12:30 PPA Risks and Termination

This session will discuss various risks and termination aspects associated with PPA's such as technical provisions; Commissioning process, Acceptance and Performance testing, Measurement and definition of capacity, availability and output, Maintenance programs for power generation plant, as well as additional PPA provisions; Local Content, Resolving Disputes, Lenders Step-in Right, Decommissioning requirements, as well as default and terminations; Buyer and Seller Default, Post-Termination Obligations and Lender Rights.

12:30 – 13:30 Case study review and Q&A session

Panellists and participants will review case studies of projects across Africa and align various aspects of PPA's (Lake Turkana Wind project in Kenya, Bujagali Hydropower plant in Uganda, Tobene Power Project, Senegal, etc.)

13:30 – 13:40 Closing Remarks and Networking Lunch



Contact US

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