Scaling Developing World Prosperity without Choking the Planet to Death

Presentation to PNWER, July 14 2015
Michael Brownrigg
Founding Partner
Total Impact Capital
TOTAL Impact Capital

• TOTAL Impact Capital is a Merchant Bank for Impact Investment
  – Sources of Social Capital flat; motivating profit-seeking capital into food, water, disease, environment = critical

• We specialize in sourcing and developing global investment opportunities that are socially and financially attractive.
  – Work with individual and corporate investors

• We also work with governments and foundations to deploy new market-based financing structures
  – E.g. Social Impact Bonds
In 2000, 4% of urban households were “middle class” (>\$9000/yr). By 2012, 68% were (174 mm households)
From 1996-2006, China commissioned two 600 MW coal-fired plants a week, every week, for 10 years in a row.

Added 114,000 MW of fossil-fuel-based capacity in 2010.

What happens as India, Africa, SE Asia and Latin America move up the middle class lifestyle curve?
AMF: Impact at Scale

- **AMF** is a new global financial guarantor for essential infrastructure
- **AMF**’s guarantees essential projects, thereby raising to national AAA rating
  - Will launch in Q4 with $525 mm in capital: will catalyze over $10 bn in project value over five years, every five years
  - Model: charge issuer premiums of ~9-10% of principal, collected upfront.
  - By tapping into local pension/insurance funds, lower costs to issuers
  - Key insight: currency-matched financings
- **AMF** has created sub-funds for investors with specific sectoral or geographic interests, such as green energy
  - $100 mm in **AMF Low Carbon Fund** leads to $2 billion in project finance
- **Attractive Economics:** AMF expects a 35%+ IRR for initial investors -- arising from EM annual deal flow of $250 Bn and attractive pricing.
- **Incredible Team:** done it before
**Supply:** World Bank estimates ~$20T in EM infra development over next 15 years;
- AMF estimates $250Bn annual flow; current AMF pipeline is $10Bn, likely to double or triple a year after launch

$9T EM pension fund/insurance/SWF savings pool

$9 TN in EM pools (growing to $17 TN by 2030) restricted from investing in higher yielding local currency infrastructure bonds. AMF’s AAA guarantee allows them to invest.

When Argentina defaulted on its debts in 2001, unmatched currency transactions bore 70% losses. Losses on currency matched deals were near-zero, despite the country’s enormous economic dislocations.


Avoid original sin: Mismatched Debt

Prior Monolines EM Default Experience (1996 - present)

Total Insured by Monolines

$43bn

Defaults $30mm (0.07%)
Case Study: South Africa PV

• In 2013 the world’s largest concentrated photovoltaic (CPV) solar plant was partly funded by 1 billion ZAR (~$80 million) in BBB (national-scale) project bonds sold to institutions in South Africa.

• The plant will generate enough power for 10,000 homes.

• These bonds would likely have qualified for an AMF financial guarantee.

• The AMF-guaranteed bonds would have been rated AAA on the national rating scale, making them attractive to a much larger group of investors (both domestic and global) and significantly reducing the project sponsor’s cost of financing.

• We will launch with a pipeline of a dozen green energy projects.
• **Green Bonds are taking off:**
  – Yet most current financings made possible by Green Bonds are unmatched

• **AMF Re can expand the use of green bonds in EM nations and de-risk EM green financings**
Significant Equity Growth for Investors While Building Green Power Worldwide

Adjusted Book Value ($ millions)

- **Initial AMF equity**: $525
- **2016**: $678
- **2017**: $1,084
- **2018**: $1,738
- **2019**: $2,602
- **2020**: $3,663

47% CAGR

**Proof: Possible to Do Well, Do Good, Do Scale**
Thank you

Catalyzing Investment in Green Projects in Emerging Markets