

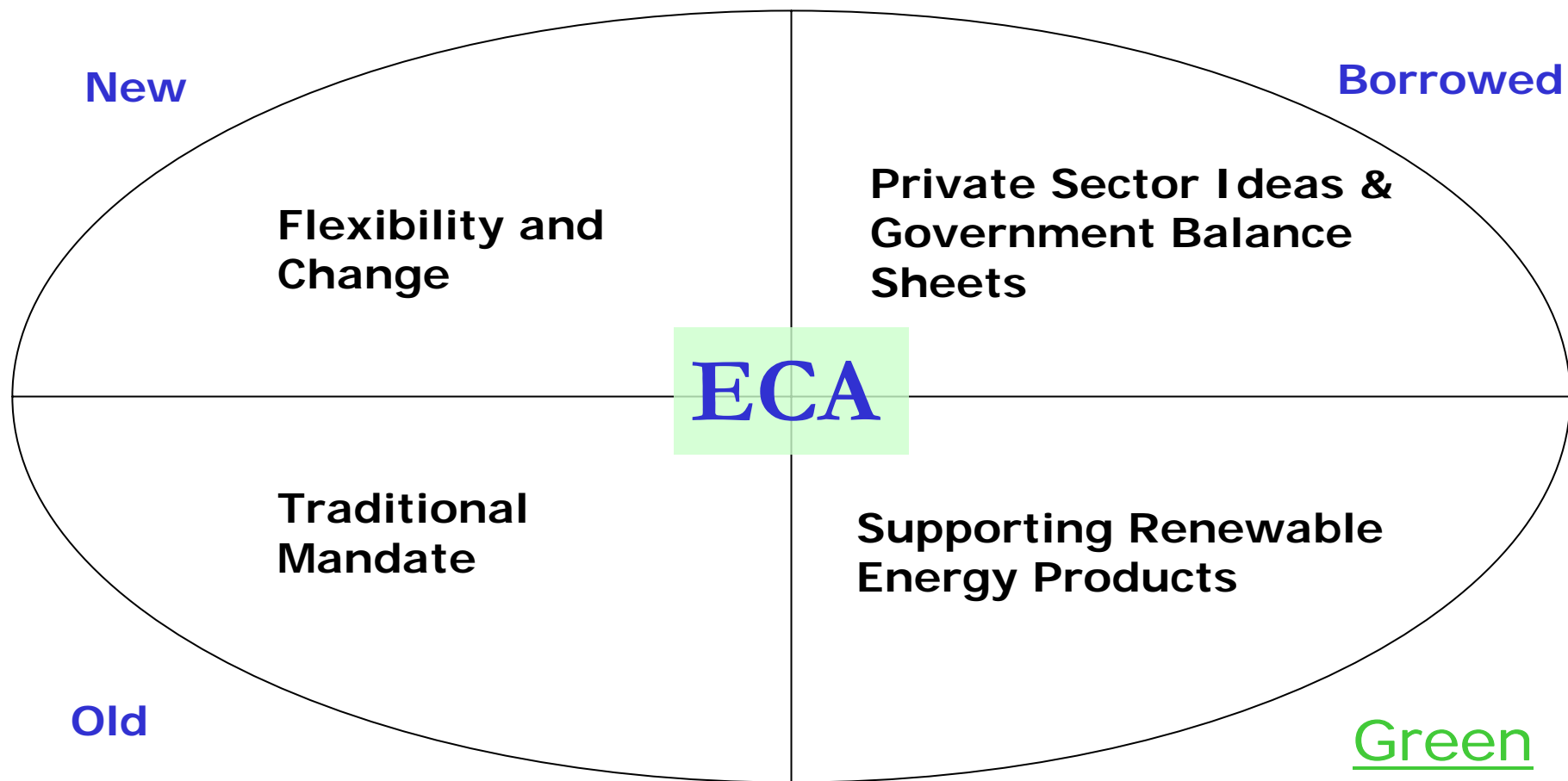
# Export Credit Agencies: Something Old, Something New, Something Borrowed and Something ...**Green**

Diana Smallridge, President  
International Financial Consulting Ltd.

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Emerging Markets Trade & Political Risk

# Today's Topics

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# Something Old ...

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- Support national exports
- Complement the private sector
  - Do not compete with it.
- Mandate still valid today



# Something New ...

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- Formalized ECA response to private sector advances:
  - Re-evaluate and diagnose where market gaps exist.
  - Respond quickly to new market developments, creating new complementary products, exiting products that no longer fill gaps.
- Flexibility and change as regular fixtures.
- New market phenomenon: local currency financing
  - ECAs could fill the gap more aggressively.
- Challenge traditional definitions & measures of national interest
- Basel II implications on ECAs' relations with insurers & banks

# Something Borrowed ...

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- Borrowing of ideas from the private market
  - WTO rules - ECAs are to be self-sustaining entities.
  - Risk management and portfolio management practices employed by the private sector should be adopted more frequently
  - Manage portfolio risk through new products
  - Risk-weighted pricing and an appreciation for return on capital
  
- Borrowing off the government's balance sheets
  - EDC's active borrowing program
  - Canadian government asking why it should allow EDC and other financial institutions to be borrowing in its name

## ... and something Green!

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□ Sustainability is a key issue

How do ECAs become **green**?

### ■ Supporting Renewable Energy Projects

**“Making it Happen: Renewable Energy Finance and the Role of Export Credit Agencies”**

[www.uneptie.org/energy/act/fin/ECA](http://www.uneptie.org/energy/act/fin/ECA)

# The Current Situation

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□ Two billion people have little or no access to energy services. Cooking and heating with low-quality biomass fuels results in air pollution that causes severe ailments



□ Energy demand projected to increase by 2/3 to the year 2030, much of which will be from emerging markets

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# Less than 1%

- ECA support for renewable energy projects between 2000 and 2003 as a total ECA insurance, guarantees and financing



# Challenges and Opportunities

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## **Challenge:**

- ❑ To install policy frameworks and financial tools that enable renewable energy products/services to achieve greater market share and move from the margins into the mainstream.

## **Commercial opportunities:**

- ❑ \$16 trillion in energy investment required to the year 2030, \$10 trillion of which needed for the global electricity sector.

# Growth in Renewable Energies

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## Wind Power:

- Over 39,000 MW installed in more than 30 countries as of Jan. 2004
  - Growing at an annual rate of 32%.
  - New installations valued at \$7 billion/year in 2001/ 2002

## Geothermal Capacity:

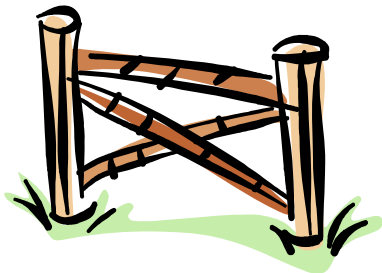
- 9,000 MW installed worldwide.
  - Total investment from 1973-95 was approximately \$22 billion; industry continues to grow at 16% per annum.



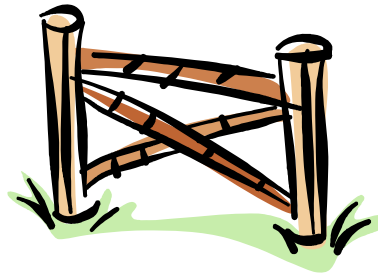
# What needs to be done to advance support?

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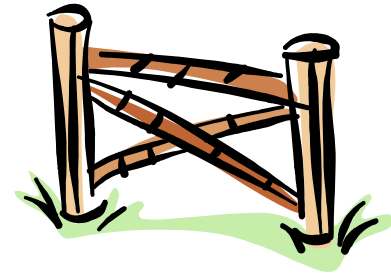
## OECD Arrangement



- Allow for greater than 15% cover for local risks on renewable energy projects



- Longer debt repayment terms for renewable energy projects



- Remove special provisions for fossil-fuel based energy projects

# What needs to be done to advance support?

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- 'One-stop-shopping' to project sponsors
- Perform industry studies on the sector
  - Specific underwriting criteria to fit the unique opportunities and risks posed by renewable energy projects
- Create targets or 'set-offs' specifically for renewable energy projects in ECA annual reports.

# Carbon Emissions Trading

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- Carbon emissions trading:  
a market to seize upon!
  - Kyoto will come into force in  
January 2008
  - Carbon credits as a  
commodity
  - Innovate new products to  
mitigate risk and remove  
barriers to emissions trading.



# Questions?

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# Thank You