



Overseas Private Investment Corporation

Climate Change and Impact Assessment

November 16, 2010

Our Organization

As the U.S. Government's premier development finance institution, OPIC mobilizes the participation of U. S. private capital to support sustainable economic development in emerging markets.



*Shading denotes
OPIC-eligible countries*

OPIC currently manages a \$13B portfolio of projects in over 150 countries and operates on a self-sustaining basis at no net cost to the American taxpayer.

Our Solutions

OPIC offers innovative financial solutions to support private investors, including debt financing, insurance, and investment funds

Products

■ Debt financing

- Ranges from large structured finance to small business loans
- Loan amounts up to \$250M with fixed rate terms for up to 20 years

■ Insurance

- Offers coverage for risk of expropriation, political violence, and currency inconvertibility

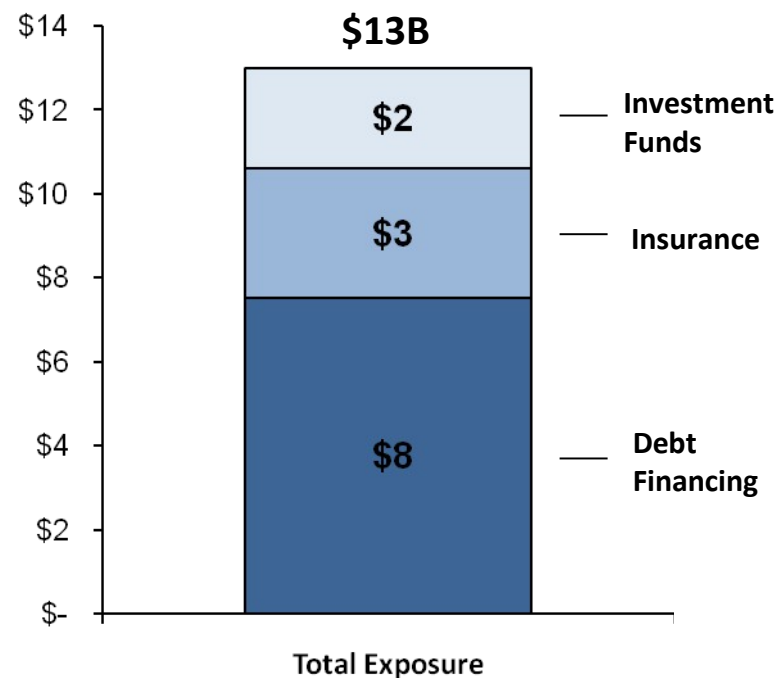
■ Investment funds

- Provides debt that is matched by privately raised equity to support funds investing in emerging markets

■ Other financial products

- Designs hybrid financial products to help private investors mitigate risk

Current Portfolio *



*As of June 30, 2010

Our Policy Standards

Investors and project proposals must satisfy certain policy criteria to receive OPIC financing

Eligibility Criteria for Investors

To be eligible for OPIC financing, applicants must:

- ✓ Have a **commercially viable business plan** and successful track record
- ✓ Be **U.S. owned**
 - Loans: 25% U.S. ownership
 - Insurance: >50% U.S. ownership
 - Funds: managed by a U.S. manager or involve U.S. equity investment
- ✓ Maintain **private sector control** (<50% government ownership)

Policy Standards for Projects

OPIC supported projects must:

- ✓ Contribute to **sustainable development** goals
- ✓ Be located in one of our **~150 eligible countries**
- ✓ Comply with international **environmental standards**
- ✓ Respect **human rights** and **worker rights**
- ✓ Cause **no loss of U.S. jobs** or adverse impact on the U.S. economy

Office of Investment Policy

OIP is responsible for ensuring that all OPIC projects meet statutory requirements

Three teams within OIP

- ✓ Labor and Human Rights
- ✓ Economic Impact Analysis
 - ✓ U.S. Economic Impact
 - ✓ Host Country Developmental Impact
- ✓ Environment and Social Policy

Major responsibilities

- ✓ Prior to OPIC approval, projects must receive all four policy clearances from OIP
- ✓ OIP monitors projects for compliance with conditions in the loan documentation or insurance contracts
 - ✓ OIP staff perform 30-50 site visits each year
- ✓ OIP runs the Self Monitoring Program
 - ✓ All OPIC projects are required to submit a Self Monitoring Questionnaire (SMQ) annually
- ✓ OIP reports to Congress statistics regarding OPIC's portfolio each year

Policy Standards: Environment and Social

Projects must comply with the applicable IFC Performance Standards and applicable host country laws and regulations

OPIC Must:

- ✓ Deny assistance for projects with “major or unreasonable hazards”
- ✓ Deny assistance for projects involving significant degradation of national parks and protected areas
- ✓ Ensure programs are consistent with other Foreign Assistance Act provisions related to tropical forests and biodiversity
- ✓ Notify host countries about potential supports of “sensitive” projects
- ✓ Publicly disclose “sensitive” projects for 60-day public comment

Unique Aspects of OPIC’s Policies

- ✓ Greenhouse Gas Cap: Constrains new carbon additions to the portfolio
- ✓ For existing projects, define scope as risks and impacts of existing facilities plus the impacts and risks of any planned expansions or modifications
- ✓ OPIC does not delegate E&S review to Financial Intermediaries.
- ✓ Categorical prohibitions cannot be mitigated or compensated

GHG Policy

OBJECTIVE

- OPIC introduced its Greenhouse Gas/Clean Energy Initiative in 2007

- Three-fold objective:
 - Support the reduction of greenhouse gas emissions associated with OPIC supported projects
 - Promote Energy efficiency and conservation
 - Encourage carbon sequestration in land use and forestry practices

GHG Policy

Our current cap works out to ~1.34 million tons/year

- Reduce Direct Greenhouse Gas Emissions associated with projects in OPIC's active portfolio by 30 percent over a ten-year period (June 30, 2008 – September 30, 2018) and by 50 percent over a fifteen-year period (June 30, 2008 – September 30, 2023).
- Annual transactional cap for all new projects within a given year with significant, direct greenhouse gas emissions.

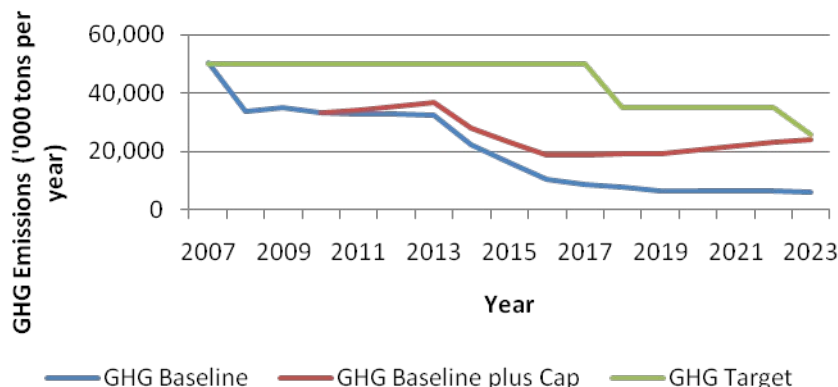
Baseline: 50.5 million tons CO₂eq/yr

10 Year Target: 35.4 million

15 Year Target: 25.2 million

Annual Cap: 1.34 million

OPIC's Portfolio GHG Emissions Profile



Renewable and Clean Energy

- Projects involving renewable energy are assigned a greenhouse gas emission level of zero (provided there is no fossil fuel components of the Project)
- Projects that are to be considered renewable fuels must meet additional criteria including:
 - Fuels must be produced only from renewable biomass
 - Fuels that are used to replace or reduce the quantity of fossil fuel present in transportation fuel, heating oil or jet fuel
 - Fuels must meet lifecycle greenhouse gas emissions reduction thresholds when compared to average gasoline and diesel that they replace.
 - Reduction thresholds are as follows:
 - Renewable fuel—20%
 - Advanced biofuel-50 %
 - Biomass based diesel-50%
 - Cellulosic biofuel—60%
- Projects involving clean energy technologies are assigned a greenhouse gas emissions level of zero
 - In order to be eligible applicant must demonstrate through an independent third party audit that there is a Greater than 20 percent reduction in the intensity of energy usage from the base case

Tracking

- OPIC tracks and reports on an individual project basis the annual Greenhouse Gas emissions associated with projects in OPIC's active portfolio with direct emissions that exceed 25,000 metric tonnes of CO_{2eq} per year
- OPIC reports on an annual basis the projected Greenhouse gas emissions associated with each newly committed project with direct emissions that exceed 25,000 metric tonnes of CO_{2eq} per year
- OPIC reports on investments in renewable energy and environmentally beneficial projects and services, including investments to improve energy efficiency. Annual greenhouse gas emission estimates are subject to a third party verification.

Changes for our investors

- For new projects applicants must identify and implement technically and financially feasible and cost effective measures for improving efficiencies in consumption of energy, water and other resources and material inputs.
- Applicants must demonstrate that measures to reduce significant project related greenhouse gas emissions were evaluated and that technically and financially feasible and cost effective measures were incorporated into the final design of their Project
- Projects that are expected to produce or currently produce direct emissions exceeding 25,000 metric tonnes of CO_{2eq} per year must quantify and annually report to OPIC the direct emissions from their projects. Applicants must also quantify the significant indirect emissions associated with off-site production of electricity used by the Project.
- Projects in Energy intensive sectors must meet energy efficiency guidelines and benchmarks established by international organizations, or develop and implement an energy management program to achieve these guidelines and benchmarks.

GHG Policy

How the policy has affected the Portfolio

- No or few thermal power projects
- More renewable projects
- More Clean Energy/Energy Efficiency projects