

INTERVIEW

First Project Financing for Solar Photovoltaic Project in India

Supporting Japanese Companies' Participation in the Solar Photovoltaic Power Generation Business

Interview with Tomoyuki Miyaguchi (then-Deputy Director) and Kota Sasaki (Loan Officer) of Division 2, New Energy and Power Finance Department I, Infrastructure and Environment Finance Group

The Japan Bank for International Cooperation ("JBIC") signed, in September 2017, a project finance ("PF") agreement with an Indian subsidiary of SoftBank Group Corp. ("SBG's Subsidiary") in relation to a solar photovoltaic project in India.

Under this project, SBG's Subsidiary constructs, owns and operates a solar power generation plant with a total generation capacity of 350MW in the state of Andhra Pradesh in the south of India. All of the generated electricity is sold to Indian state-owned thermal power generating company NTPC Limited ("NTPC") for 25 years. This is the first PF for a solar photovoltaic project in India financed by JBIC.



Deputy Director Miyaguchi



Loan Officer Sasaki

The first solar photovoltaic project in India by a Japanese company

In light of continued economic growth in India, demand for electricity continues to rise. The Indian government is striving to develop 100GW of solar power capacity by 2022, with the aim of securing a stable power supply and diversifying electricity power sources.

Miyaguchi explained, "The Indian government's target of 100GW solar power capacity is ambitious because such power capacity is equal to that generated by 100 large power plants with a capacity of 1 million KW. On the other hand, India has high potential for solar power generation, as the country is blessed with large areas of land that receive a sufficient amount of sunlight and insolation. As a result of the 100GW target, the government is proactively attracting foreign investment into India with a view to promoting the development of power from renewable energy sources such as solar power generation, through the use of independent power producer (IPP) projects.

In 2014, Japanese Prime Minister Shinzo Abe and Indian Prime Minister Narendra Modi announced the "Japan-India Investment Promotion Partnership" under which Japan will provide JPY3.5 trillion of public and private funding to invest in projects such as electric power development and transportation infrastructure projects in India over the next five years. In response to this, in 2016 and 2017, JBIC, along with Japanese companies and financial institutions, had dialogues with India's Ministry of Power, Ministry of New and Renewable Energy and NTPC regarding the improvement of the investment environment in India's power generation sector."

Following the Great East Japan Earthquake in 2011, global telecommunications company SoftBank Group ("SoftBank") has become highly interested in the use of renewable energy sources for power generation, given electricity supply is crucial for its business operations. At the time of the earthquake, SoftBank's operations at its mobile communication base stations were temporarily disrupted due to the power outage that occurred. In light of this experience, SoftBank started to build and operate mega-solar power plants across Japan. This eventually led the company to winning a bid at the end of 2015 for a solar photovoltaic project in India, aimed at building a solar power generation plant with a total generating capacity of 350MW at the solar park in the state of Andhra Pradesh. To invest in this project, SoftBank requested JBIC to provide financing in the form of PF.

Negotiating with related parties in view of India's legal system and market practices

In recalling the negotiation process, Sasaki said, "We invested a lot of effort into developing a PF scheme and contracts that take into account India's market practices as well as the requirements of the country's laws and regulations. At the same time, since this project requires long-term financing, we also examined carefully the loan



application from various viewpoints, including policies of the Indian central government and state government, and the creditworthiness of NTPC given its critical role as the offtaker of the electricity generated from this project.

Extensive negotiations among the project participants, including SoftBank, NEXI and Mizuho Bank, were required to structure the PF scheme, take account of Indian laws and market practices, and to reach agreement among the participants regarding allocation of key risks. These efforts led to the signing of a PF loan agreement in September, 2017."

Sasaki visited the site of the project in India in November, 2017. During the visit, officials from the Indian central government and state government who were also present at the site, expressed their appreciation and high regard for the Japanese company's (SoftBank's) business execution capability, as SoftBank completed the construction of the solar power plant on schedule and within budget despite it being such a large project.

Promoting Japanese investment into India through continuing dialogue with the Indian government

Sasaki explained JBIC's future efforts by saying, "Global attention is focused on investment in India's solar power business which is targeting a capacity of 100GW of solar energy by 2022. Capitalizing on our experience gained through this project, we will provide a wide range of financial support for Japanese companies which strive to enter into the renewable energy power business such as solar power generation, not only in India, but also in other countries".

Miyaguchi was recently transferred to the Cabinet Secretariat of the Japanese government, where he is currently engaged in the formation of a policy which will encourage more Japanese companies to participate in infrastructure projects overseas. He explained, "JBIC has made several proposals to the Indian government through direct talks with them, such as the offering of JBIC's long-term loans denominated in Indian Rupees and credit enhancement provided by the Indian government for an offtaker. I believe that JBIC will contribute to improving India's investment climate and increasing business opportunities for Japanese companies through continuing consultations with the Indian government going forward. I hope these efforts will boost Japanese investment, and loans, into India".

JBIC Provides Project Finance for Solar Photovoltaic Project in India

The Japan Bank for International Cooperation ("JBIC") signed, in September 2017, a project finance ("PF") agreement with an Indian subsidiary of SoftBank Group Corp. ("SBG's Subsidiary"), for a solar photovoltaic project in India.

The loan is co-financed by Mizuho Bank, Ltd. and the loan provided by Mizuho Bank is insured by Nippon Export and Investment Insurance (NEXI).

Under this project, SBG's Subsidiary constructs, owns and operates a solar power generation plant with a total generation capacity of 350MW at the solar park located in Kurnool district, in the state of Andhra Pradesh in the south of India. All of the generated electricity is sold to NTPC for 25 years.

SBG's Subsidiary started to sell the electricity generated from this solar power plant to NTPC in July, 2017 in accordance with the Power Purchase Agreement.

