



## Powering The Third World

By Robert C. Hart

### News Flash >>

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#### NIGERIAN INVESTMENT

The government of Nigeria is stepping up efforts to attract foreign investment in independent power plants.

Companies engaged in transmission and distribution would get a five- to seven-year tax abatement as a result of their investment.

A new \$300 million, 350-megawatt plant owned by Nigeria Agip Oil Co. (NAOC) will benefit from the IPP incentives as it improves the electricity supply in the country.

THERE ARE BETWEEN 1.4 and 1.6 billion people in the world that are not connected to the global village because they lack safe, reliable, and efficient power. The International Energy Agency (IEA) expects electricity demand to double between 2000 and 2030, estimating that roughly \$10 trillion worth of new investment will be needed globally over the same period — more than half of which will be needed in developing countries. Even so, that would still leave 1.4 billion people without access to electricity in 2030. Helping those people get access to reliable electricity is a challenge that requires creative cooperation between governments, international financial institutions and private investors.

Since its inception in late 2002, Globeleq, whose equity is currently provided by UK-based CDC Capital Partners, has doubled its net equity megawatts to 2,800 for a total equity investment of more than \$500 million. Emphasizing majority ownership and management control, operating 78 percent of the megawatts it owns, the company's aggressive and deliberate acquisition program has garnered it seven new assets in South Africa, Tanzania, Bangladesh, Bolivia, Egypt and Uganda.



▲ Robert Hart with President Mkapa of Tanzania at the inauguration of the Songas gas-to-electricity project last fall in Dar es Salaam.

Globeleq began when CDC, which had a 50-year history of investing in the emerging markets, made a strategic decision to manage its power portfolio of just more than 1,000 net equity megawatts as a business rather than an investment portfolio. While many investors in power were seeking to exit the emerging markets, many to focus on core businesses in their home markets, Globeleq began to acquire assets, using majority control, operational excellence and regional presence to build a platform for growth and development.

#### GLOBELEQ'S STRATEGY

Globeleq's business proposition is based on two tenets: There is a growing demand for safe, clean, reliable electric power in the emerging markets; and the private-sector commercial model is the most efficient way to build commercially successful and sustainable power businesses in those markets. Globeleq is uniquely placed to bring the right kind of capital — financial and intellectual — to help build those businesses.

That wave of private investment in emerging power sector markets, which averaged \$2.1 billion per year during the 1990s, came from the unregulated or market-oriented arms of traditional regulated utilities in the United States and Western Europe. In addition to seeking new investments in merchant power and energy trading in their home countries, these companies looked well outside traditional markets for growth. When the global power sector collapsed in 2001, investors, banks and rating agencies made it clear that energy companies needed to return to their core businesses and home markets. The capital markets rewarded companies that exited international investments — even if those investments were producing adequate commercial returns. Regardless of how attractive the investments were, the capital markets assigned little or no value to investments in emerging markets by those 1990's investors.

While some of the 1990's investors still have international investments, new capital for power investments in the emerging markets will have to come from new sources. Those new sources will include private equity in the short term, regional investors seeking to branch out into power or other parts of the world,

Photo courtesy of: Globeleq

➤ **Robert Hart, right, and COBEE general manager Julio Lemaître at a hydroelectric facility owned by COBEE, one of the largest generators in Bolivia. Globeleq acquired COBEE one year ago.**

and companies like Globeleq investing in power in the emerging markets as its core business.

There are signs that capital is returning. Many of the previous would-be sellers are putting assets back on the market as there is more interest among buyers. Those few international power companies that remain in the market, Globeleq included, are moving ever closer to being “pure play” emerging market power investors. Regional investors — some with foreign financial backing — are showing increased interest, which is demonstrated by the positive response to tenders in South Asia and Africa.

We look for markets where investments in power can be commercially and politically sustainable — where sound investments can generate predictable, reliable cash flows. The investment and commercial frameworks need to be transparent, fair, stable, and credible, making it possible for a private commercial investor to accurately evaluate risks and rewards. Governments, multilateral agencies and investors need to be honest with the public and not raise expectations with unrealistic promises about lower prices and increased access to electricity. A transaction or agreement with out-of-market pricing to the detriment of the investor or the ultimate off-taker cannot be sustained; the result will be commercial and political failure.

Globeleq is uniquely positioned to help bring more power to more people in the emerging markets through commercially sustainable power businesses resting on sound, appropriately regulated market structures. In part, we have been able to build the company quickly due to the withdrawal of other investors that made good assets available in the secondary market and also provided a pool of talented, dedicated professionals with wide-ranging international experience in developing and operating power businesses. With well-developed regional platforms, we are poised to shift from acquiring existing assets, which does little to provide expanded access, to developing the added capacity that will power development in the emerging markets.

**Robert C. Hart is the CEO of Globeleq, a Houston-based company that invests in the emerging markets of Africa, Latin America and Asia.**



Photo courtesy of: Globeleq

#### GLOBELEQ FACTS

##### GLOBELEQ OWNS GENERATING CAPACITY IN THE EMERGING MARKETS OF AFRICA, THE AMERICAS AND ASIA.

➤ Since 2002 the company has acquired controlling ownership of more than 2,000 megawatts of generation capacity, reaching a total of 2,800 megawatts in 20 projects in 15 countries and building a strong position for further growth.

##### COMPAÑÍA BOLIVIANA DE ENERGÍA ELÉCTRICA (COBEE), BOLIVIA

➤ COBEE is one of the largest generation companies in Bolivia, serving the capital, La Paz, and surrounding area with 204 megawatts of generation capacity — 186 megawatts of which are hydroelectric.

##### HARIPUR AND MEGHNAGHAT, BANGLADESH

➤ Globeleq owns the Haripur and Meghnaghat combined-cycle gas-turbine power plants in Bangladesh with more than 800 megawatts of modern generation. The two facilities together provide 25 percent of Bangladesh’s generating capacity.

##### KELVIN, SOUTH AFRICA

➤ The newly refurbished 600 megawatts Kelvin coal-fired power plant serves the city of Johannesburg. The recently completed refurbishment program significantly improved Kelvin’s environmental performance and secured the supply of low-cost electricity to the 270,000 customers of the municipal utility.

##### SONGAS, TANZANIA

➤ Songas includes a gas processing plant on Songo Songo Island, a 225-km 140-mile natural gas pipeline, and a 110 megawatts power plant in Dar es Salaam. Songas will supply 20percent of Tanzania’s electricity.

##### SIDI KRIR, EGYPT

➤ Sidi Krir is a 685 megawatts natural gas-fired generating plant near Alexandria, providing power to the Egyptian Electricity Holding Company under a long-term contract.



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## MAY 23 - 24

**10th Annual Contract Risk Management for the Oil & Gas Industry**

Houston  
Quick link code: E11824

## MAY 23 - 25

**Hydropower '05 The Backbone of Sustainable Energy Supply**

Stavanger, Norway  
Quick link code: E11818

## MAY 24 - 25

**Energy Trading Central & Eastern Europe 2005**

Budapest, Hungary  
Quick link code: E11463

## MAY 29 - 31

**Second World Renewable Energy Forum: Renewing Civilization by Renewable Energy**

Bonn, Germany  
Quick link code: E11383

## MAY 31 - JUNE 1

**Capability Development & Skill Pool Management in Asian Oil and Gas**

Kuala Lumpur, Malaysia  
Quick link code: E11743

## JUNE 1 - 2

**Resource Planning & Procurement**

San Francisco  
Quick link code: E11933

## JUNE 1 - 3

**CIS Oil & Gas Summit**

Paris  
Quick link code: E11524

## JUNE 1 - 3

**Coal Power Project Development**

Denver  
Quick link code: E11869

## JUNE 6 - 7

**3rd Strategic Utility Vegetation Management**

New Orleans  
Quick link code: E11967

## JUNE 6 - 8

**5th Annual LDC Forum Southeast Gas & Power**

Atlanta  
Quick link code: E11863

## JUNE 6 - 8

**The 12th Central European Gas Conference (CEGC)**

Budapest, Hungary  
Quick link code: E11894

## JUNE 6 - 9

**CIREC 2005**

Turin, Italy  
Quick link code: E11018

## JUNE 13 - 14

**Energy Ireland Conference 2005**

Dublin, Ireland  
Quick link code: E11876

## JUNE 14 - 15

**4th Offshore Wind Energy Conference**

Hamburg, Germany  
Quick link code: E11845

## JUNE 15 - 16

**Asset Acquisition & Divestiture in the Gulf of Mexico**

Houston  
Quick link code: E11642

## JUNE 16 - 17

**2nd Annual Latin America Sustainable Development Conference**

La Jolla, Calif.  
Quick link code: E11720

## JUNE 18 - 22

**APPA National Conference and Public Power Expo**

Anaheim, Calif.  
Quick link code: E11673

## JUNE 20 - 21

**2005 Public Power Expo**

Anaheim, Calif.  
Quick link code: E11674

## JUNE 28 - 29

**Enterprise Asset Management For Power & Utilities**

Singapore  
Quick link code: E11820

## JUNE 28 - 29

**Floating Production Summit 2005**

Kuala Lumpur, Malaysia  
Quick link code: E11863

## JUNE 28 - 29

**Pipeline Management for Oil & Gas 2005**

Kuala Lumpur, Malaysia  
Quick link code: E11744

## JUNE 28 - 30

**LNG Shipping Summit 2005**

Singapore  
Quick link code: E11749

## JUNE 28 - 30

**POWER-GEN Europe**

Milan, Italy  
Quick link code: E11129

## JULY 18 - 22

**Waterpower XIV**

Austin, Texas  
Quick link code: E10894

## JULY 27 - 29

**CMTA Annual California Energy Conference**

South Lake Tahoe, Calif.  
Quick link code: E11948

## AUGUST 14 - 17

**Energy 2005 - The Solutions Network**

Long Beach, Calif.  
Quick link code: E11311

## AUGUST 14 - 18

**IEEE/PES Transmission and Distribution Conference and Exhibition Asia Pacific**

Dalian, China  
Quick link code: E11474

## AUGUST 16 - 18

**AusWEA's 7th Annual National Wind Energy Conference and Exhibition**

Sydney, Australia  
Quick link code: E11847

## AUGUST 17 - 19

**COAL-GEN 2005**

San Antonio  
Quick link code: E11641