



July 2022

About GreenCo

Africa GreenCo (**GreenCo**) through its operating entities in sub-Saharan Africa acts as an intermediary offtaker and service provider, purchasing power from renewable Independent Power Producers (**IPPs**) and on-selling that electricity to utilities and private sector offtakers (i.e., commercial, and industrial users) and markets of the SAPP. GreenCo mitigates the risk of purchaser default through an ability to secure alternative buyers or through short-term trading on the SAPP electricity markets. Through its participation in competitive power markets, GreenCo promotes cross-border power transactions and a more dynamic and liquid short-term power market; a deep, dynamic market ultimately stimulates the supply of, and demand for, finance for energy projects, facilitating the mobilisation of private sector capital more quickly towards critical and transformative capacity addition.

Recognising the challenges faced by national utilities across Southern Africa and the unsustainable burden placed on national governments in providing guarantees in respect of their national utility's obligations to IPPs, GreenCo aims to facilitate the evolution of power markets in Southern Africa into a dynamic multi-seller, multi-buyer model.

GreenCo acts as an independent intermediary with the energy trading systems and financial structures to comprehensively collateralise its off-take agreements with IPPs. This results in the de-risking of projects which will translate into lower project funding costs for IPPs and ultimately lower tariffs, benefitting the wider economy of the region. GreenCo has successfully completed two rounds of funding, having raised USD 1.5m in October 2020 and USD 15.5m in May 2022. Its current investors are Private Infrastructure Development Group's InfraCo Africa, the Danish Government's Investment Fund for Developing Countries and EU's EDFI ElectriFI.

GreenCo's **Vision** is to lead in sustainably transforming renewable energy (**RE**) markets in Africa with its innovative approach to addressing offtaker creditworthiness, the single most important obstacle to unlocking private sector investment in new RE generation capacity on the continent.

GreenCo Structure

GreenCo operates in Zambia through GreenCo Power Services, which was established in 2018 and is a subsidiary of Africa GreenCo Group, United Kingdom. GreenCo operates in Namibia via GreenCo Renewable Energy Services and is in the process of incorporating GreenCo Power Services in South Africa.

In Zambia, GreenCo operates under an Electricity Trading License from ERB and is the first Market Participant member of the Southern African Power Pool (**SAPP**) with effect from 8th October 2021. SAPP is the regional power pool of the SADC region which enables trade between its interconnected members. It was established in 1995 by its twelve member countries, which are represented by their respective electric power utilities. GreenCo is proud to be SAPP's 18th member and the first admitted as a Market Participant.

SAPP membership is a key factor in enabling GreenCo to act as a creditworthy buyer and trader of renewable energy and to play a transformative role in mobilising significant private sector investment in renewable energy, strengthening the national and SAPP electricity markets and facilitating a shift away from the current single buyer model which places heavy financial burdens on governments and utilities. The region is in urgent need of more energy generation capacity to harness its enormous renewable energy potential, to support economic recovery and provide clean and affordable energy to its citizens.

GreenCo's model offers key innovations in the architecture of the electricity market and enhances value – with more electricity generation and improved security of supply – in partnership with established industry players. GreenCo will be offering various power services and will support small-medium sized renewable energy IPPs with access to the SAPP and national markets. Additionally, to its financial creditworthiness, GreenCo will mitigate the risk of purchaser payment default through a diversified portfolio and the ability to secure alternative buyers or through short-term trading on the SAPP electricity markets.

GreenCo Services

Power Purchase Agreement

GreenCo provides IPPs long-term power purchase agreements (**PPAs**) against which developers mobilise funding for their projects. Bankability of GreenCo's PPA is derived from our demonstration of SAPP competitive markets as a credible alternative, diversified market to effectively mitigate the risk of default from bilateral commercial and industrial consumers in GreenCo's customer portfolio. Having immediate access to the SAPP markets means GreenCo can continue to trade power after a bilateral customer event of default has occurred, thus keeping the IPP whole. This reimagines the static bilateral model as a dynamic multi-seller, multi-buyer model that can mitigate risk across borders through the market.

In the highly unlikely event that SAPP market prices fell below the required threshold to meet monthly PPA payments (GreenCo's market modelling indicates a 0.1% probability of default to a typical solar PV plant in the SAPP-connected region) to an IPP, a Liquidity Buffer is deployed as a first loss structure to make up the difference between the price realised on the market and PPA price, and is sized cover up to twelve (12) months' worth of PPA payments, effectively collateralising the PPA.

Providers of debt and equity capital to projects therefore take a credit risk view on the viability of SAPP as a primary demand risk mitigation market, and on the creditworthiness of GreenCo's investors (see details below) as providers of capital to support the Liquidity Buffer. This translates into improved cost of capital for projects, and ultimately the realisation of competitive generation tariffs.

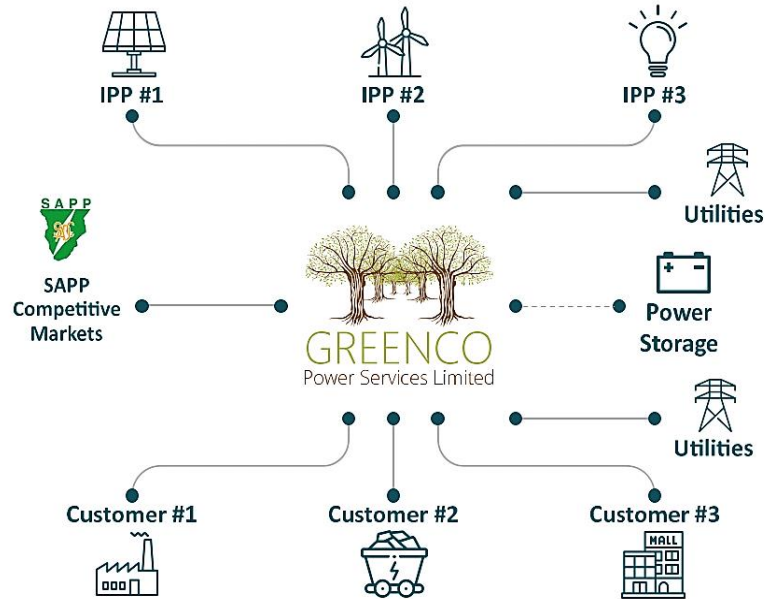
GreenCo implements this model through its regional trading reach, strong market analytics and execution capabilities of its SAPP-certified energy traders using its bespoke Energy Trading and Risk Mitigation (**ETRM**) system.

Trading Services Agreement for market access to the SAPP

GreenCo also provides trading services to generators, IPPs and commercial customers in any SAPP-connected country who wish to benefit from GreenCo's regional trading capabilities to access the SAPP markets via a Trading Services Agreement. Such access can enable generators to take advantage of favourable market conditions, mitigate offtake risk, and/or maximise the value of any excess capacity without becoming a direct member of SAPP. GreenCo also enables customers to access alternative sources of power. Lenders to IPP projects have expressed positive views on the impact of such trading services in facilitating the bankability of projects which rely on a single offtake arrangement directly with consumers or utilities, as it provides comfort of an alternative market access in case of any default issues.

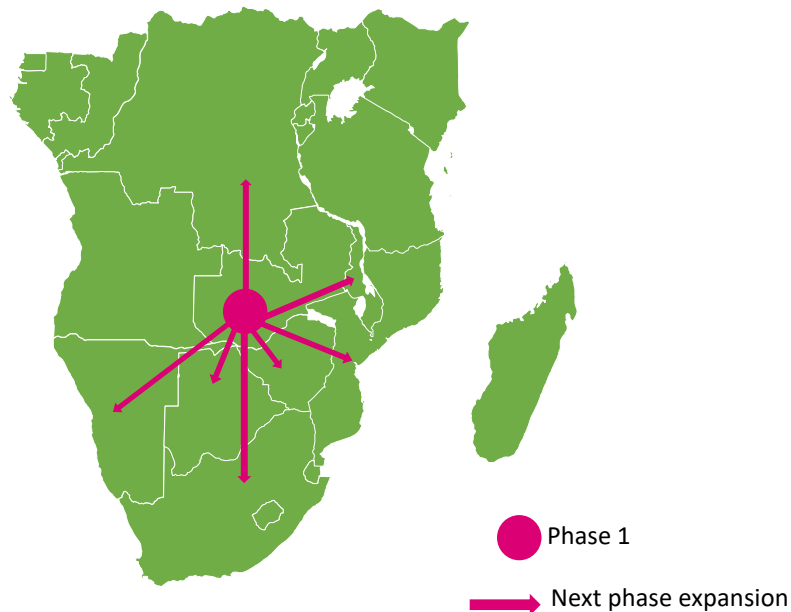
Overall, the trading services are not limited to a specific use case. GreenCo sees itself as a service provider and collaborates with its clients to optimise existing or new transactions.

The GreenCo Model



Regional Expansion

With its regional model, premised on the integrated powers markets of the SAPP, GreenCo is rapidly rolling out its expansion programme to establish additional operations in multiple SAPP-connected markets, in close collaboration with the respective national government authorities, regulators, utilities and wider key stakeholders. Such operations will comprise (i) providing access to the Southern African Power Pool (SAPP) markets for generators and customers; (ii) committing to long term fixed price PPAs to facilitate greenfield development or brownfield expansion, and (iii) acting as an aggregator of geographically dispersed and technologically diversified RE generation in its markets to aid power systems efficiency.



GreenCo's Benefits

To Governments	To IPPs	To Utilities
<ul style="list-style-type: none"> • Reduction in sovereign guarantee contingent liabilities for power development • Reduction in subsidies to energy sector as competitive commercial power prices reflect enhanced credit risk • No termination guarantees required for private sector buyers • Support transition to renewable energy and to help meet SDGs and other clean energy development targets • Supports policy moves to open access and increased private sector investment in ESI 	<ul style="list-style-type: none"> • Mitigates offtaker risk and improves access to project financing. • Provide route to regional power market • Reduces development lead times with standardised contracts and offtake arrangements • Ability to mitigate performance risk of the IPP by purchasing alternative power in the market • Revenue share arrangements for ancillary services and/or market pricing 	<ul style="list-style-type: none"> • Additional revenue streams for unbundled system services • Reduced reliance on high cost, high carbon emergency power • Shift time and cost burden for renewable energy contracting away from utility • Facilitates new capacity and increased integration of renewables on more flexible terms (including storage) • Support transition to open access regime • Provision of ancillary services and asset optimisation

GreenCo Key Milestones

Pilot Project – GreenCo ran a competitive tender in April 2021 to procure its first solar PV project (Pilot Project) in Zambia. The tender attracted nineteen (19) regional and international developers, culminating in the selection of the Ilute Solar consortium (comprising Western Solar and Serengeti Energy) as preferred bidder in August. This is likely to be the first renewable energy power plant on the African continent, through an innovative financing model, that does not place burdens on the national treasury for the payment obligations of its offtaker. It is also the first project in Zambia to take advantage of the new open access regime introduced by the Electricity Act of 2019 and the Electricity Regulation Act of 2019.

SAPP Membership – On 8th October 2021, GreenCo became the first member of the Southern African Power Pool (SAPP) in the Market Participant category of non-utility and non-asset operating members. This demonstrates the shared vision and understanding of the critical role regional power markets will play in the next phase of Africa's power sector development.

Regulatory Licencing – The Energy Regulation Board (ERB) issued GreenCo with a Standard Trading Licence of 20 years in Zambia, effective from 14th January 2022.

Second Financial Close – On 13th April 2022, GreenCo achieved its second financial close with an equity investment of USD15.5m by the Danish Investment Fund for Developing Countries (IFU), the EU-funded Electrification Financing Initiative (EDFI **ElectriFI**) and Private Infrastructure Development Group's (PIDG) **InfraCo Africa**. This investment provides the requisite capital to scale up operations as a regional creditworthy buyer of renewable energy and support the growth of its supply portfolio.

The laid down foundations outlined above put GreenCo on a firm footing towards realising the aspirations we share with industry stakeholders and the wider community of sustainable energy development, a just transition away from carbon-based sources, increased access to clean and affordable electricity and the attainment of key SDGs for our region.