

Jan 15, 2021 - - **Carmen Arroyo**

## Renewables portfolios grow in Caribbean, Central America

Developers and investors are beginning to build portfolios of renewables in the Caribbean and Central America, a region that is slowly diversifying its energy mix despite lacking investment-grade ratings.

As elsewhere, strategies range from greenfield development to acquisitions of operating assets and everything in between. Some firms, like German asset manager **MPC Capital**, are looking to bring the capital markets into play by raising funds targeting the region, which appeals to them in part due to its high barriers to entry.

"The Caribbean and Central America are highly fragmented markets, which shields us from the competition that you would find in other markets, and we can be picky about the deals and projects we select," says **Martin Vogt**, CEO of MPC Capital's recently launched renewable platform **MPC Energy Solutions**.

And although the markets are small, contracts are often denominated in US dollars. "We can avoid the local currency risk entirely," explains Vogt.

One of the main hurdles – the lack of investment-grade sovereign ratings – can be overcome with careful credit work and by focusing on local utilities that are themselves owned by international companies with strong balance sheets, such as **AES Corp**.

"The country's investment grade is not a problem *per se*, as we ran a detailed analysis on our offtakers and they have a credit quality that goes beyond the sovereign," says Vogt.

Other international developers perceive similar advantages in a region that has a tradition of large monopolies and independent power producers but not renewables.

In terms of project finance, France's **Neoen** was recently able to lock in debt from development finance institutions for its 140 MW Albireo solar-plus-storage project in El Salvador, which it recently brought online ([PFR, 12/16/20](#)). In some cases, local banks can also assist.

There are also firms that have been dedicated solely or mainly to the region for many years, such as **InterEnergy Group**, which owns a 1.2 GW portfolio in the Dominican Republic, Jamaica, Panama and Chile.

InterEnergy recently acquired an operational 34 MW wind farm and a 140 MW pipeline of development-stage renewables in the DR jointly with the **Fondo de Desarrollo de Sociedades** for \$52 million. The fund is managed **AFI Popular**, an affiliate of the DR's largest bank, **Grupo Popular**.

InterEnergy provided 75% of the capital, while the remaining 25% was invested by the fund. The deal closed on December 29.

Spanish law firm **Garrigues** advised InterEnergy.

The operational wind farm, Matafongo, is located in Peravia, in the southwest of the country, and has been online since 2019. It was developed by Avante Genera, a subsidiary of Spanish holding company **Inveravante**, which financed construction with loans from **Banco del Progreso** and **Banco Popular Dominicano**, the latter being an affiliate of Grupo Popular.

The deal comes as the DR looks to reduce its reliance on fossil fuel-based generation. Following an election last year, the new government announced plans to favor renewables and the private sector ([PFR, 8/28/20](#)).

InterEnergy has been committed to the country for years, having been the first company to develop wind farms there.

MPC Capital's new renewable energy platform, MPC Energy Solutions, aims to develop 500 MW of renewable projects by 2023.

The firm already owns wind and solar facilities in Jamaica, Costa Rica, and El Salvador, and is working on an additional 330 MW portfolio in the region. The capacity will be divided as follows:

- 240 MW in Colombia
- 70 MW in Jamaica
- 20 MW in El Salvador

MPC listed its platform on the Oslo Stock Exchange's Euronext Growth segment, having raised \$100 million in an equity private placement. MPC itself co-invested in the new fund.

**Fearnley Securities** and **SpareBank 1 Markets** were the bookrunners on the private placement, which was oversubscribed.

Norway's **Wiersholm** law firm advised MPC.

"The successful initiation of MPC Energy Solutions underlines the ability of the MPC group to tap capital markets for attractive real asset investment strategies," said MPC Capital's CEO **Ulf Holländer** in a statement on January 11.

MPC Capital's existing assets in the Caribbean and Central America are:

- Tilawind – a 21 MW wind farm in Costa Rica
- Eight Rivers – a 37 MW solar project in Jamaica
- San Isidro – a 6.4 (MW) DC solar project in El Salvador

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