

REQUEST FOR EXPRESSIONS OF INTEREST (EOI) PROCESS



Renewable Energy Fund (REF)

Complementary Document No. 1:
Fund, Scope of Activities
and Structure

The Bahamas Renewable Energy Fund

The **Government of The Commonwealth of the Bahamas (GOBH)**, invite submissions of expression of interest (EOI) from qualified firms and investors to participate in the **Renewable Energy Fund (REF)**.

This is an invitation for expression of interest only. This EOI is solely for information and planning purposes. It does not constitute a Request for Proposal (RFP) or promise to issue an RFP in the future. The GOBH will not pay for any information or administrative costs incurred in responding to this request.

Based on the responses to this EOI, parties will be identified to work on discussions for the development of the REF. Investors or Firms so selected may be invited to respond to a detailed RFP. If an RFP is released, a notice will be published and only pre-qualified parties will receive copies of any detailed requirements.

The GOBH will not award a contract based on this EOI or to otherwise pay for the information solicited, and it reserves the right to cancel the EOI process without penalty.

Background

Over the last year, the GOBH has been developing a platform named **Private Capital Mobilization (PCM)** to attract private capital investors into key sectors of the Bahamian economy. The Inter-American Development Bank (IDB) has been supporting the GOBH in this development. The PCM platform includes the Renewable Energy Fund as the first sector fund.

On 26 of October 2022 the **Hon. Philip Davis QC, MP Prime Minister, and Minister of Finance of the Commonwealth of the Bahamas** made a communication to Parliament concerning the National Investment Fund (NIF) Bill 2022. The NIF Bill 2022 sets a regulatory framework for mobilizing private capital in partnership with the Government in an way to advance key infrastructure projects in the Bahamas.

Through this EOI, the GOBH seeks to engage with **development partners, investors, donors, investment organizations (including fund managers), and private sector players** to establish the fund under reference. More specifically, through the EOI, the GOBH would like to assess: (a) interest in the investment opportunities (i.e., REF),

(b) views on guidelines to the RFP (to be developed after the EOIs feedback, and any major condition or requirement needed in the RFP), and (c) any pre-conditions to invest in the investment opportunities.

Responses

Parties interested in responding to this EOI must submit a white paper outlining relevant experience and resources that might suit this initiative.

White papers are **due on 29th February 2024**. Responses shall be **submitted via e-mail to BAHAMAS-PCM@IADB.ORG**. Proprietary information, should be minimized and be identified. All submissions become the GOBH property and will not be returned. The submission must provide information, and include for example:

- Name, mailing address and e-mail of contact.
- Business type, background, and key personnel.
- Client portfolio of similar projects.
- Geographic location of resources and support.
- Relevant similar experience.

Questions regarding this announcement shall be submitted in writing to BAHAMAS-PCM@IADB.ORG. Verbal questions will not be accepted.

Summary

This is an expression of interest (EOI) only to identify sources that are interested in participating in the REF. The information provided in this EOI request is subject to change and is not binding on the GOBH. The GOBH has not made a commitment to procure any services, and the release of this EOI should not be interpreted as a commitment to incur cost for reimbursement.

Please submit your EOI by February 29th, 2024



Complementary Document No. 1: Fund, Scope of Activities and Structure

This complementary document provides additional information to interested investors willing to participate in the **Renewable Energy Fund (REF)** that the **Government of The Bahamas (GOBH)** is developing to accelerate the deployment of renewable energy in the country. In this phase of the process, the GOBH is gathering expressions of interests from investors that would consider **making equity investments** of quotas between US\$30 million to US\$50 million over the life of the fund. This is a non-binding process to inform the **GOBH to advance to the next phase** which is to **initiate a formal Request for Proposals (RFP)**.

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I. Background



As part of its private capital mobilization strategy into sustainable infrastructure, the **Bahamas is developing a Renewable Energy Fund to help meet its renewable energy targets of generating 30% of its electricity from renewable sources by 2030 - 2035**. With about 1% of the 438 MW installed generation capacity currently coming from renewable resources, the investment potential for renewable energy projects in the Bahamas is sizeable. Further, the economic motivation to reduce dependence on imported, volatile, and expensive fossil fuel requires an accelerated energy transition to enhance energy security and climate resilience.

In the next 5 years, more than 100 MW of generation capacity is foreseen to be installed which requires supporting investments in generation, transmission, and storage and distribution to improve energy reliability, to replace aging infrastructure, and to rebuild back better grid infrastructure in areas which were previously affected by Hurricane Dorian. This translates to an **investment pipeline of more than USD 200 million** and the private sector is expected to play a critical role in developing and investing in renewable energy projects.

Investments in the renewable energy sector are expected to cover a range of project types, including: (i) utility-scale (photovoltaic PV solar) generation, (ii) commercial and industrial generation and energy efficiency projects, (iii) decentralized generation and mini-grids, particularly in the Family Islands, and (iv) other decarbonization or cleaner energy initiatives and energy efficiency in buildings. These investments shall be commercially sound, considering that The Bahamas has one of the highest

electricity rates in the Caribbean. Most of the electricity generation in country is based on imported diesel and heavy fuel oil. To reverse this position, the **GOBH is currently implementing a program with the IDB in the amount of US\$80 million**, which is associated with a grant from the European Commission in the amount of US\$9 million¹ to support reconstruction from Hurricane Dorian and accelerate deployment of renewable energy in the country.

Where space is available and technically feasible, utility-scale PV solar farms (or other feasible technology) can be developed. In New Providence, rooftop solar and other space-efficient measures are expected to be of interest with public buildings expected to lead by example. The tourism sector such as hotels and resorts will benefit from stable and reliable clean energy projects as well as energy efficiency projects to improve affordability of electricity tariffs. Efforts to hybridize existing mini grids will be of interest in the Family Islands. Private sector innovation and enterprise will be sought in initiating and developing the pipeline of projects.

At the United Nations climate summit in Egypt last year, Prime Minister Honorable Philip Davis of The Bahamas emerged as one of the most impassioned speakers among the more than 100 heads of state in attendance, when he argued that a safer, better future is possible, and real, concerned action can save the planet². **The subject of introducing renewable energy in The Bahamas is now of paramount importance for the country to accelerate its sustainable development.**

1. Reconstruction with Resilience in the Energy Sector in The Bahamas. Available at: <https://www.iadb.org/en/whats-our-impact/BH-L1048> and <https://www.iadb.org/en/whats-our-impact/BH-G0003> respectively.
2. <https://www.nytimes.com/2023/05/24/climate/bahamas-climate-change.html>.



II. Long-term funding Sources



Investments in renewable energy in the Bahamas will be supported by Donors and Development Finance Institutions (DFIs) that are increasingly investing in energy resilience across the Caribbean region, recognizing the urgent need for sustainable and dependable energy sources to counter the vulnerability of many island nations to climate hazards and long-term climate change. As part of the Small Island Development States (SIDS) initiative, The Bahamas is working with several partners to accelerate the achievement of its 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda, and the Paris Agreement.

There is a growing interest in blended finance approaches from Donors and DFIs to deepen the engagement of private capital and capital markets in decarbonizing the local economy to ultimately contribute to the region's economic stability and long-term sustainability³. Actors such as the Inter-American Development Bank (IDB), via its two windows of sovereign and non-sovereign financing are seeking to develop innovative approaches to engage the private sector in the Caribbean Islands. Within this context, **IDB is supporting the Government of Bahamas to develop the Renewable Energy Fund (REF), which can serve as model to accelerate the energy transition in the region.**



3. Blended finance is the strategic structuring of concessional finance (DFIs and Global Donor Community) to optimize private capital mobilization into sustainable infrastructure.

III. Envisioned Fund Structure



The REF is envisioned to be capitalized by a blend of concessional and commercial capital in a layered capital structure, as needed to ensure affordability for the Bahamian government and public as well as meet the required risk-adjusted returns for private investors. The REF will mobilize local and international private capital investments in the renewable energy sector by providing (or arranging) for risk capital and private capital where needed to improve the investment offering at the project-level. Given the early-stage market of renewable energy in the Bahamas, the REF will initially focus on interventions required to catalyze the market. It may take a more active development role, taking developer risk, in the first few projects via equity injection. It will also provide or facilitate technical support to develop the project pipeline and facilitate an enabling investment environment for renewable energy investments.



Phase 1 (Core Capital Structure)

In its initial phase it is envisioned that the REF will be capitalized via an equity injection from the Government of Bahamas of approximately US\$ 20 million (funded via a an IDB sovereign loan, Conditional Credit Line for Investment Projects, CCLIP, BH-L1048, approved in January 2020). In addition, it is expected that Donors and DFIs (catering to the private sector) will also participate in the equity structure for the core capital.



Phase 2 (Private Investors catering to renewable energy investments and Fund Manager)

In this second phase, immediately after the core capital structure is subscribed, private investors will be offered equity participation in the REF -- varying from a minority position to controlling ownership -- subject to the international public bidding conditions and other requirements in the Bahamian legislation (i.e., Companies Act, and Investment Funds Act, 2019). Phase 2 could also take place concurrently with the subscription of the core capital in Phase 1. The fund will seek to mobilize patient capital from infrastructure and impact investors around the globe, as well as from the local capital markets.

It is expected that the selected Fund Manager would also need to take an equity stake in the REF. After a certain period of time, the Fund Manager would have the option to divest its shares ownership via offer to the existing ownership of the Fund and/or third parties.



Phase 3 (Bahamian Public)

As the fund matures, and demonstrate a financially attractive track record, the REF will also seek to engage Bahamian investors via initial public offering (IPO) in accordance with Bahamas Capital Markets legislation. Learning from the experience of the Arawak Port Development (APD), historic IPO in 2012, engaging Bahamians citizens in the REF ownership will increase local impact and mitigate political risk in the future.

The REF expects to mobilize US\$ 150 to 200 million of capital in its initial two phases and will seek commitments from private investors to capitalize the fund to support this mobilization strategy. It is expected, based on similar experiences in developing countries, that the REF could additionally leverage private capital mobilization in ratios of 4 to 1, via smart use of blended finance structures at the project level⁴. While capital-raising will be staged to match the development maturity of the REF, interest from investors seeking to commit USD 30 to 50 million over the life of the fund is sought. Investors who can also support the management of the fund is desired. The REF is envisioned to be a professionally managed fund, and professional fund managers will be engaged to develop and manage the fund. The identification and selection of the fund managers will follow a competitive process.



4. Institutional Investors and Sustainable Infrastructure, A Global Review of Blended Finance Cases, World Bank, Washington DC, February 2023.



IV. Governance and Management of the Renewable Energy Fund



It is envisioned that the REF will be incorporated under Bahamian Corporate Law as a private corporation operating under a private governance and management framework. The intention is to select via competitive processes fund managers with requisite expertise and experience to manage the fund with alignment of interests between investors and management. The REF will benefit from a robust legal framework documented via adequate Bylaws and flexible but clear shareholders agreement establishing the roles and responsibilities of each party.

There is strong interest to establish the REF to finance the transition in the energy sector in the Bahamas. **The right fund management is seen as a key success factor.** There is openness therefore structuring compensation to attract talent and incentive performance. Options can include a reasonable base management fee with a well-structured carry, an earn-in equity stake, or similar arrangements. Anchor funding (i.e., GOB plus Donors and DFIs) will be put in place to initially appoint the fund management and start REF operations. **The objective is to grow the depth and breadth of REF investments and products,** and the fund management should raise additional capital as part of their remunerated responsibilities with the possibility of a success fee or other modalities that may be considered by the private sector.



