



**Asia-Pacific  
Economic Cooperation**

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**2014/SOM3/IEG/DIA/014**  
Session: 2

**Promoting Infrastructure Investment through PPP -  
The Role of Financial Institutions**

Submitted by: China



**Promoting Infrastructure Investment  
Through Public Private Partnership  
Beijing, China  
13 August 2014**



## Promoting Infrastructure Investment through PPP — The Role of Financial Institutions

Zhang Yanling

August, 2014



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### PPP Practice in Economic Development



■ Infrastructure development is a driver of economic growth.



■ The demand of infrastructure development will continue to increase in Asia Pacific economies.

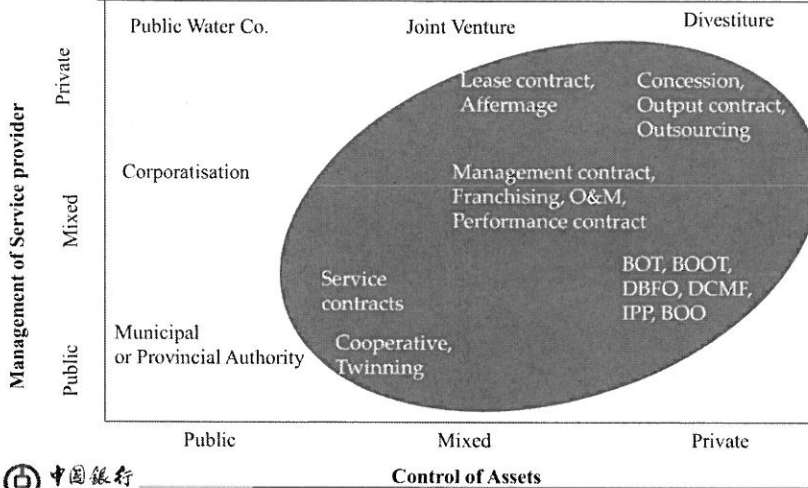


■ PPP model allocates the tasks, obligations, and risks among the public and private partners in an optimal way, therefore offers the best solution in the delivery of public services.



## Typical PPP Delivery Options Worldwide

■ There are many PPP options, including Service or Management Contract, Lease Contract, Concessions, BOT, BOOT and similar arrangements, Joint Ventures, etc.



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期向表，  
 表又提大，  
 银行融资，  
 新E. 效偏，  
 更不银行中心。

政府，私人IPM  
 混合所有制PPP，  
 市场，如如付，

## Implementation of PPPs in China

Year 1996	Year 2004	At Present
In 1996, the Chinese government started to promote PPPs in public transportation, water treatment and electricity, and has achieved some progress since then.	In July 2004, the Chinese government enacted the "The Decision on Reform of Investment System", enabling the private sector involvement in certain industries such as infrastructure, public facilities and services.	At present, the economic development in China has stepped into a new stage. On one side, there still exist some problems of capacity, standard and management in the infrastructure construction. On the other side, the government encourages the private sector to play a greater role in this field. Under this background, the popularization of PPPs is not only to improve public sector services, but also to contribute to China's economic growth.



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管理，有利可图  
 提高资金使用效率  
 贷款宽松  
 大举海外融资  
 银行，BOT，  
 BOT  
 信贷通融

## PPP Financing

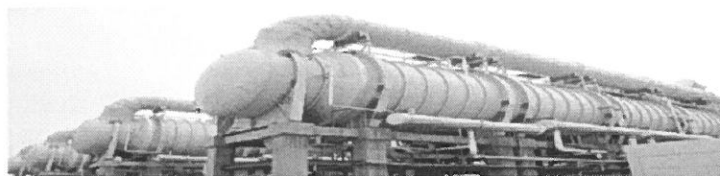
### Commercial Banks' Perception of PPP

- ▶ **Optimal Allocation of Risks** among the public and private sectors.
- ▶ **Collaborative Mechanism** that benefits all parties involved.
- ▶ Strengthen the Capability of Commercial Banks in **Risk Evaluation and Management**

## BOC's Experience in PPP Financing

From 1970s, Bank of China has conducted a great number of Onlending Loans from foreign governments and international financial institutions to support infrastructure development, which has brought the innovative idea of PPP into China.

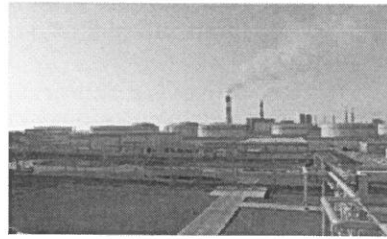
Bank of China has continuously supported infrastructure development by increasing financing commitments for infrastructure industries.



□ 100000 tons Sea-water Reverse Osmosis Desalination Project in Tianjin, China

## BOC's Experience in Overseas PPP Financing I

Bank of China has successfully supported a large number of Chinese enterprises to go global by providing Export Credit Finance to overseas PPP projects with Chinese contractors or suppliers involved .

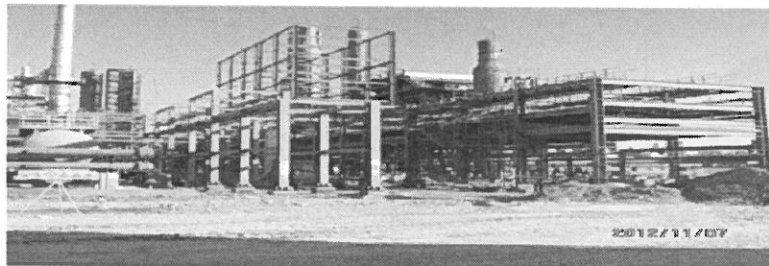


□ 430MW Gas-fired Power Plant and 15 MiGD Sea-water Reverse Osmosis Desalination Project in Salalah, Oman



## BOC's Experience in Overseas PPP Financing II

Bank of China has successfully supported Chinese enterprises to invest in overseas PPP projects through project financing, lease financing, supply chain financing and other facilities.



□ Oil Blocks Acquisition related Asphalt Plant Financing Project in Aktau, Khazakhstan



## Advices on Financial Institution's Role in PPP Financing

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### Contribute Professional Competence and Promote Economic Development

- Contribute professional competence of financial institutions.
- Provide comprehensive advisory services regarding financing arrangement and risk mitigation, etc.

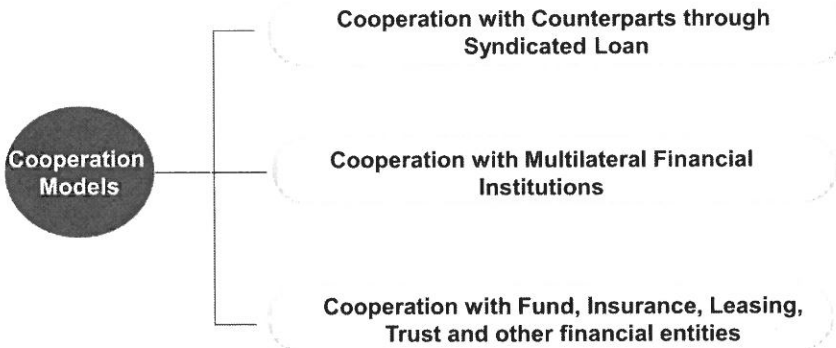
私(國)股地(機)合作

保險, 信託... 基礎養老退休基金, 以及各類 PPP

## Advices on Financial Institution's Role in PPP Financing

2

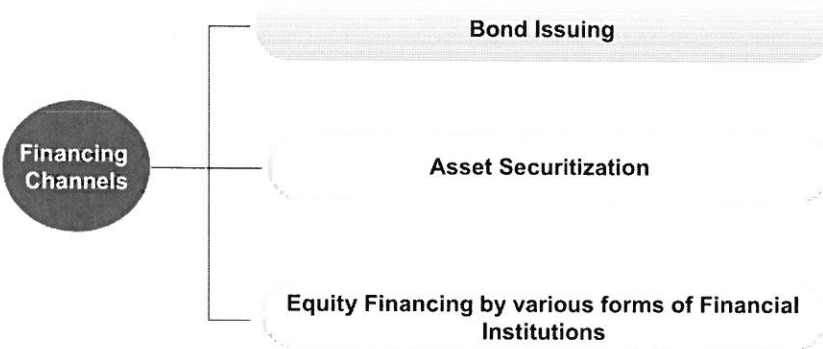
### Deepen Institutional Cooperation and Combine Complementary Advantages



### Advices on Financial Institution's Role in PPP Financing

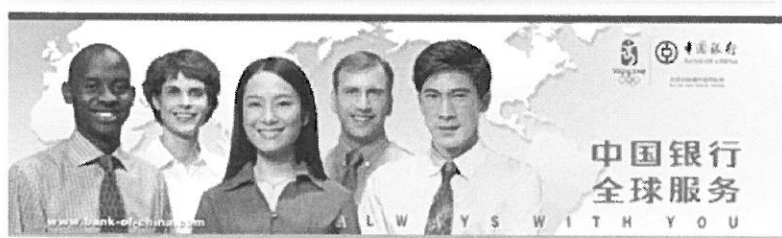
3

Enhance Innovation and Expand Financing Channels



實名  
定向導向

國內、國外  
善舉善舉、債券  
二級市場、流通  
市場、  
主權基金  
為PPP提供  
股權融資。



Thank You!







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**2014/SOM3/IEG/DIA/015**

Session: 2

## **Push Forward Energy Saving in Power Sector by PPP**

Submitted by: China



**Promoting Infrastructure Investment  
Through Public Private Partnership  
Beijing, China  
13 August 2014**




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**引入公私合营模式，助推电力领域节能减排**  
**Push Forward Energy Saving in Power Sector by**  
**Public-Private Partnerships**

周支柱 Zhou Zhizhu  
2014年8月 Aug, 2014

南方电网综合能源有限公司



 **中国南方电网**  
CHINA SOUTHERN POWER GRID

**大纲 Outline**

一、公私合营模式在中国的发展背景与现状  
PPP Background and Status in China

二、南方电网综合能源公司业务情况简介  
Introduction of CSG Energy

三、关于公私合营模式的探索和实践  
PPP Exploration and Practice


南方电网综合能源有限公司

## 一、PPP背景与现状

### PPP Background and Status

20世纪80年代中期，公私合营（PPP）融资模式首次被引入中国的电厂、高速公路等基础设施领域，最早的如广东深圳沙角B电厂BOT项目。该项目总投资42亿港元，是国内首个使用BOT融资兴建的基础设施项目，也是第一个成功移交的BOT项目。

PPP was first introduced in power plant and highway in mid 80s of 20th century. The Shajiao B Power Plant BOT project in Shenzhen is the first BOT funded infrastructure project in China with an investment of 4.2 billion HKD.




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**PPP** in mid 80s of 20<sup>th</sup>

## 一、PPP背景与现状

### PPP Background and Status



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巴西	印度	中国
30%以上	30%以上	仅为1%
BRAZIL 30% above	INDIA 30% above	CHINA Only 1%

中国市场空间和潜力巨大  
Big market potential in China


**发展中国家：PPP在基础设施建设中融资比例**  
**PPP ratio in infrastructure in developing economies**


## 一、PPP背景与现状

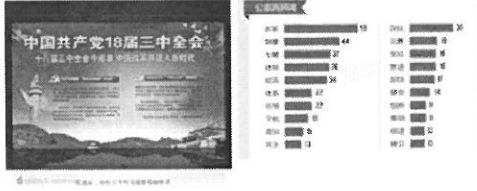
### PPP Background and Status

中国十八届三中全会明确提出：要通过改革让社会资本进入公共服务基础设施建设和运营。可以预见，PPP模式在中国将迎来发展的春天。

The Third Session of the Eighteenth Central Committee of the Party: Allow social capital to enter public infrastructure construction and operation.







## 二、公司简介(CSG-Energy Introduction)



**节能照明**  
Lighting Energy Efficiency



**工业节能**  
Industrial Energy Efficiency



**能源综合利用**  
Energy comprehensive utilization



**建筑节能**  
Building Energy Efficiency




**新能源开发**  
Renewable Energy



南方电网综合能源有限公司是中国南方电网公司主动承担节能减排的社会责任，专门成立的节能服务专业公司。

China Southern Power Grid Synthesizes Energy Company is a specialized ESCO company founded by China Southern Power Grid (CSG) to undertake social responsibility.

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自2010年成立以来，已经在广东、广西、海南、贵州、云南、上海等地设立了近20家分支机构。

Since foundation in 2010, we have built near 20 branches in Guangdong, Guangxi, Hainan, Guizhou, Yunnan and Shanghai.

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**园区和建筑光伏开发 (Solar PV in industrial Park and Building)**

投资、建设、运营 园区和建筑光伏开发项目

Investment, construction and operation of Rooftop solar projects

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案例：美的32兆瓦光伏发电示范项目  
Example: 32MW solar project in Midea Group

投产时间：2014年4月25日  
Start operation: 25th April, 2014

**规模 Scale**  
目前亚洲单个厂区最大分布式光伏示范项目，装机容量32兆瓦  
Asia's biggest (single factory) solar demonstration project

**效益 Effect**  
年平均发电约3054万千瓦时，每年可节约标煤1.04万吨，减排二氧化碳2.6万吨  
Annual output of 30,540MWh, saved 10.4 thousand standard coal, reduce 26 thousand ton CO2 emission.



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海上风电开发 Offshore wind

投资、建设、运营 海上风电开发项目  
Investment, construction and operation of offshore wind farm



## 二、公司简介(CSG-Energy Introduction)



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案例：珠海桂山海上风电场与万山海岛新能源微电网示范项目。  
Example: Zhuhai Guishan offshore wind farm demonstration project

概况：项目总装机容量198MW，总投资超过40亿人民币。  
Install 198MW wind turbines in the close sea area of Zhuhai City with an investment over 4 billion RMB. It is the economy's first integrated project of offshore wind and island smart grid, and the first offshore wind farm in Guangdong Province as well as in China Southern Power Grid.

**南网第一个**  
海上风电项目

**我国首个**  
海上风电与海岛新能源智能微  
电网应用整合研究项目

**我国首个**  
台风海域海上见机及并网  
试验示范项目

**广东第一批**  
海上风电项目



## 二、公司简介(CSG-Energy Introduction)



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CHINA SOUTHERN POWER GRID

**节能服务(Energy Efficiency)**

面向广大企业和客户，提供高端节能服务  
Provide high-end energy saving service to power users

- 1.提供节能咨询及诊断，工业企业机电设备节能改造等服务；自主研发了“看能建筑能效在线监测分析系统”，实施建筑楼宇节能改造；  
Energy saving audit, consulting and retrofit in industry and building
- 2.研究LED直流供电和智能控制技术，实施室内灯和路灯LED节能改造；  
LED DC power supply and smart control technology;  
Indoor and outdoor lights retrofit
- 3.在水泥、钢铁等高耗能行业利用生产余热余压发电，提升能源利用效率  
Waste heat and gas power generation in cement and steel industry



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 Energy saving e-commerce platform: Focus on projects, products, designs, cases, solutions and services related energy saving.  
 节能产品的垂直电商交易平台（B2B电商）——南度度节能服务网，打造集节能技术推广、节能产品发布、节能方案和案例共享三位一体的综合性平台。

南度度一站式综合节能服务网  
www.nandudu.com

三、PPP探索和实践(PPP Exploration & Practice)  **中国南方电网**  
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**总体思路**  
General Approach

**1、合作领域**  
Partnership Area

南网能源公司主营业务的市场化程度高、涉及领域广，特别是在新能源与可再生能源开发等电力基础设施建设领域，具备引入公私合营投资模式的条件。


CSG Energy's business area highly competitive, renewable energy in particular, ready for PPP.

**2、合作原则**  
Partnership Principal

以项目为载体，遵循“共同开发、共担风险、共享收益”原则。

Project based cooperation, follow the principal of "joint development, common risk and shared revenue"



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**总体思路**  
General Approach

3、合作对象  
Partner Selection

通过引入具有技术、金融优势、行业资源、管理经验及社会责任的合作方，利用社会资本活力，降低采购、融资、管理等整合成本，提高整体效益。

Introduce partners with advantages in technology, capital, resource, management experience and good awareness of social responsibility, to lower cost in procurement, financing and management

4、合作模式  
Business mode

合作可以采用资产收购（转让）、股权合作（成立合资公司）等模式，具体股权结构由双方根据项目情况协商确定，可由公司控股，也可由社会资本投资方控股。

Multiple cooperation mode: acquisition of assets, joint venture, ect.

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**保障措施**  
Guarantee

**明确规则**  
Follow rules

公私合营项目的商务模式、回收机制及收益等，国家有相关规定的，执行国家规定的标准；由投资各方与业主协商确定的，在项目合同协议中明确。

**Follow rules**

Decide business mode and recovery mechanism by state provisions or friendly negotiation.

**保障措施之一**  
Guarantee 1



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**保障措施**  
Guaranteee


**发挥优势**  
Grid Company Advantages

依托电网平台优势，公司按职责为项目提供安全可靠的供电服务，在项目申报、用户报装、系统接入等业务环节提供优质服务，鼓励和吸引社会资本参与。

Reliable power supply, timely and high quality services in power system connection.

**保障措施二**  
Guaranteee 2



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**保障措施**  
Guaranteee

**政府支持**  
Government support

投资各方共同努力，争取政府出台落实相关财税扶持或优惠政策，明确相关收费标准。建立相应的投资回报机制，确保社会资本合理回报，以吸引社会资本的广泛参与。

Push government to issue fiscal policy, subsidy, ect., to ensure a reasonable return on social capital

**保障措施三**  
Guaranteee 3





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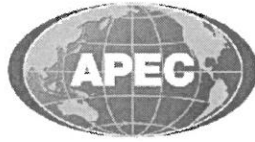
# 谢谢！ Thanks

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登录官网

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**2014/SOM3/IEG/DIA/016**


**Session: 2**

## **PPP in Power Sector — Opportunity and Challenge**

Submitted by: China



**Promoting Infrastructure Investment  
Through Public Private Partnership  
Beijing, China  
13 August 2014**



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国网能源研究院  
STATE GRID ENERGY RESEARCH INSTITUTE

# PPP in power sector - Opportunity and Challenge

Wei Bin  
State Grid Energy Research Institute, China  
2014.8.13



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## Overview

- 1 Review of ppp in power sector in China
- 2 Opportunity of PPP in Power sector
- 3 Challenge of PPP in Power sector



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## 1. Review of PPP in power sector

### I . PPP development in Power sector in China

- There are more 1000 PPP projects since 1990's in China , distributed in transportation, communication , energy and water supply sector.
- **The first BOT project in China was introduced in Power Sector**
  - (1) **First BOT project : Shajiao B Power generation, Guangdong province**
    - 2\*350MW Coal power generators was put into operation in 1988,
    - Cooperation between Hopewell Holding company and Shenzhen local power utility
    - 10 years concession, Promise minimum energy purchase and fixed price
    - **Pros:** help the government resolved the budget deficit , alleviated power shortage ,
    - **Cons:** process was not formalized , government undertook too much risks, uneven profit allocation between partners.

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## 1. Review of PPP in power sector

### (2) First BOT pilot project approved by Chinese government :

Laibin B power generation, Guan Xi ,

**In August , 1995, Chinese government issued document** about “ the approval process and management for Foreign investment Concession Pilot Project”, Laibin B power generation is the first pilot approved with BOT model, investment \$ 616 million, 2\* 360MW coal power generators.

- Concession period 18 years. Asset will be transferred in 2015.
- Private contractor was selected through bidding process.
- Rational Pricing mechanism
  - up-grid price is a key criteria of the tender , weighted 60%.
  - Pricing formula , price adjusted with coal price and currency exchange rate
- Take or pay contract , the minimum generation is 3.5Twh.
- Sharing risk and profit between partners.

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## 1. Review of PPP in power sector

### II. Lessons learned

BOT project played a positive role in infrastructure development in China in 1990's . In the late 1990's , the power demand growth was slowing down, the power utility was reformed into enterprises, and the market oriented reformed introduced in 2002, there was no new BOT project in the following years. from ShajiaoB ,and LaibinB , we see a successful BOT should :

- Share profit and risk between government and private investor
- Institutional support from the government
  - clear and open process
  - clear definition of responsibility of both parties
  - stable policy

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## 2. Opportunity of PPP in power sector

### I. The government encourage PPP in infrastructure

- “ Old 36 items” in 2005
- “New 36 items” in 2010 , and Implement rules in all sectors, including energy sector.
- **Mixed economy reform** : Promote the non state owned capital in the central enterprises to invest and enter the franchise, and develop franchise rules. stated in April , 2014.
- **80 projects open to private investment** , energy related including
  - Hydro power plant
  - Renewable generations
  - Oil and gas infrastructure

For the infrastructure project, selected private investment through bidding .

- **Ministry of Finance encourage PPP project**, and selected several pilot cities.





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## 2. Opportunity of PPP in power sector

### II. The advantage of PPP in infrastructure

- **Increased efficiency** in project delivery, and operation and management
  - better governance, clear responsibility
  - market operation mechanism
  - Flexible HR management ,etc
- **Availability of additional resources** to meet the growing needs of investment in the sector
- **Access to advanced technology** through select qualified private company.
- In new area, PPP project help to plan ,decide appropriate project structure and choice of technology considering cost over the whole life cycle of the project.
- **Reduce the government intervention as an owner**, help government pay more attention to supervise ,and social management ,



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## 2. Opportunity of PPP in power sector

### III. Opportunity in power sector

- **Market oriented reform is under going**
  - Generation was separated from the grid
  - Free entry in competitive business , government abolish right of approval
  - Direct trading between generator and large consumer.
- **Mixed Economy institutional reform** , will allow private capital invest the franchise business which is state-owned or local government owned. Such as local distribution and supply business.
- **New business is promoting**
  - The distributed energy and network
  - The filling and charging facility for Electric vehicles

the new policy of new energy cars encourage the public organization purchase E-car , it may increase 40,000 new E-cars every year.



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### 3. Challenge of PPP in power sector

#### I Properly select business and models to implement PPP

##### PPP Value assessment is important

- Lack money is not the main concern now in power sector for PPP
- PPP project may induce higher investment and fees
  - Financial cost is higher for private company compare with government or large State owned company.
  - Administrative costs for the management of PPP contracture regims
  - Other transaction fees (negotiation when the rules not specified )
- When efficiency gains from improved project delivery, operation and management, and access to advanced technology can offset the above-mentioned additional costs
- New business needs more PPP

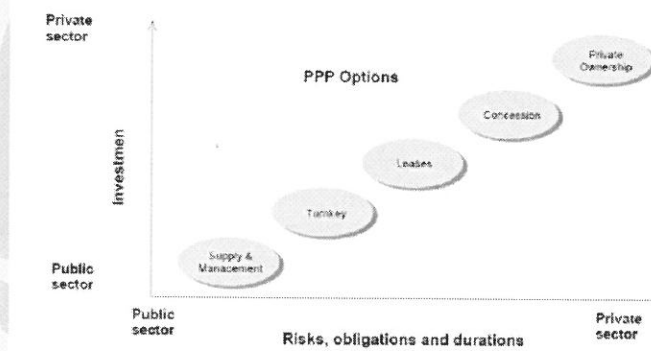
German put forward " national plan for E- vehicles" and select 4 cities as pilot , the federal government , city government and involved company share the investment , and PPP model , the company with technology innovation strength participate ,such as B&M




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Figure 1. Basic features of PPP models



Concession (BOT/ Franchise) , Private Owned Asset may attractive


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### 3. Challenge of PPP in power sector

**II Government should make substantial support**


(1) **develop laws and regulations on PPP process**

- purchase and bidding process
- project approval
- Tendering and contract format document ,etc.

(2) **Government provide healthy policy environment**

Different type of business has different requirement , government should give different support :

- Competitive business ,such as conventional power generation ---- promote fair competition market .
- Monopoly business, such as transmission and distribution ---- Franchise contract and proper pricing mechanism
- New business, such as recharging facility ---- financial support from government can made the project viable to attract private company .


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### 3. Challenge of PPP in power sector

**III Efficiency Regulation for franchise PPP in power supply**

- Power supply is Quasi public goods
  - free trade in energy
  - transmission and distribution services as public goods
- **Pricing Regulation**
  - unbundling price
  - Proper pricing mechanism consider continued investment and retrofit, the technology innovation such as smart grid, the demand growth etc, it is more complicated than generation .
- **Supply Standard supervision**
  - Reliability , and availability of power supply
  - the access to the grid, connection process
  - outage repair
  - service quality ( billing / connecting / settlement ,etc)



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### 3. Challenge of PPP in power sector

- **Universal service**
  - Specify the responsibility of universal service providing (for rural area, for poor family etc)
  - Compensation of the universal service ( now is through cross -subsidy pricing , it should be through direct subsidy in the future )
- **Social Obligation**
  - Provide disaster relief . Enhancing power supply in major activity
  - Compensation and supervise the expenditure
- **More work we should do**
  - All above should be specified in contract or regulation rules.
  - Regulation capacity building
  - Regulation regime and laws development




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### Conclusion

- **PPP played a positive role in the years with power shortage in China**
- **PPP in power sector now is entering a new phase, needs efficiency improvement and technology innovation ,rather than money.**
- **With the power sector reform put forward , PPP has more opportunity in power sector, especially in the new business**
- **The regulation capacity should be enhanced for PPP implement**



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**Thank you for your attention**  
**Welcome comments**





**Asia-Pacific  
Economic Cooperation**

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**2014/SOM3/IEG/DIA/017**

Session: 3

## **Papua New Guinea Experience with PPP Infrastructure**

Submitted by: Papua New Guinea



**Promoting Infrastructure Investment  
Through Public Private Partnership  
Beijing, China  
13 August 2014**



# **PAPUA NEW GUINEA EXPERIENCE WITH PPP INFRASTRUCTURE**

Siang Kee Lim  
Director  
Business Council of Papua New Guinea



## **OUTLINE**

1. Current state of infrastructure development
2. PPD framework on infrastructure
3. PPP framework on infrastructure
4. Conclusion
5. Way forward for APEC cooperation





## 1. Current state of infrastructure development

- Government Policy of Economy:
  - 2/3 of the budget's capital of the economy expenditure on infrastructure ( Kina 9 billion / USD 3 billion)
  - Roads, sea and air ports
  - Upgrade on utility assets of State owned enterprises
  - Broadband network of the economy
  - Health and education facilities



## 2. PPD framework on infrastructure

- Policy formulation is established by 3 key PPD frameworks :
  - . Strategic Policy Making
    - \* Working Group Improving Investment and Business Climate
  - . Selection and operational aspect of infrastructure development
    - \*Infrastructure Committee of the CIMC .
  - . Infrastructure Development Authority
    - \* Update on projects



### 3. PPP Framework on Infrastructure

- Urgent High Impact Projects
  - Regulatory flexibility in creating “sunset legislation “.
- Medium – Long Term
  - Via Tender Board and guided by PPP draft rule.



### 4. Conclusion

- PPD must be robust to ensure that infrastructure expenditure will yield growth. The BigMan syndrome has a tendency to influence these projects and denies business opportunities to future generations.
- PPP requires transparency for fair competition.



## 5. Way Forward for APEC Cooperation

- Establish APEC “value and supply chain hubs” that should be accessible to all members and have technical assistance to make them effective gateways
- Appropriate international instrument to promote and protect capital and to encourage cooperation to partake in infrastructure projects.





**Asia-Pacific  
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**2014/SOM3/IEG/DIA/018**

Session: 3

## **Way Forward: Recommendations for APEC Future Cooperation**

Submitted by: Macquarie Group



**Promoting Infrastructure Investment  
Through Public Private Partnership  
Beijing, China  
13 August 2014**

## ***Way Forward: Recommendations for APEC Future Cooperation***

*Geoff Raby*

### **Enhancing PPD**

- Focus on shared goals
  - Development
  - Trade & Investment
  - Regional Co-operation
- Ease of dialogue: engaging communities
- In the APEC regional context:
  - Large differences in levels of development: capital constraints
  - Target private sector/industry leader decision makers

## Methods of promoting PPP

- Emphasise benefits of PPD
  - For private sector:
    - Feedback/follow-up on how PPD has had an effect
    - Quell environmental risks of market entry- especially in emerging markets or in developing economies where policy, trends etc. are continuously changing
  - For public sector:
    - Foster investment in public projects
    - Foster support for government/policy and implementation
    - Creating effective- first-time regulatory framework
    - Higher levels of participation, transparency and legitimacy

政府工作的原則

銀行創設規則

以條件風險

便利、透明、

平等的接觸

監批制。

廣東省銀行

在1995年

## Targeted goals

- Working across established/emerging economies means developing innovative methods on
  - Business climate
    - Share experience and create discussion spaces
    - Increase cross-regional access to credit
    - Regional dispute settlement
  - Cross-border investment
    - Create new models of offtake
    - Incentivise private sector for exploratory activity and investment
  - Infrastructure goals
    - Identify key projects and develop innovative investment instruments

