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A JOINT LAW VENTURE

MYANMAR'S SOLAR MARKET:

What you must know

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AGENDA

1. How are projects currently getting financed?
2. What kinds of contracts are available to build utility scale solar farms?
3. What are the returns expected in Myanmar?
4. How to engage with local and mainstream banks and multilaterals?
5. Who is providing early stage development, and if no one, who could?
6. How do you lower the cost of capital of your project?
7. What are the credit enhancement structures available and what are timelines attached to them?
8. What is the role of DFIs and in what capacity are they most active/helpful?
9. How to achieve the ticket sizes needed by institutional investors and PE?
10. A look at the future: what are the financing innovation and when will the capital markets confidently enter Myanmar market?

Overview on Myanmar's solar market

- 34% of people have access to electricity, while in urban areas the number is only 16%
- Potential: 51,973 terawatt-hours per year
- Until June 2017, there are around USD 6 million investment in the form of MOA, MOU and JVA/BOT in solar market
- The Government aims at energy conservation through access to affordable and renewable energy, in particular in off-grid local areas.
- Solar energy production in Myanmar was minimal in 2012, but is expected to increase to 5% of the total power production by 2030.

(1) How are solar projects currently getting financed ?

- Private funding (mostly shareholder loans) or project finance
- Access to finance in the majority of cases is obtained offshore from syndicates of different private lenders, including multilaterals
- Myanmar banks presently lack the liquidity to provide adequate funding options for sponsors. Myanmar is in the process of expanding access to finance for sponsors through banking reform.
- If the financing involves syndicated contributions from multilateral development financial institutions (“Multilaterals”), sponsors need to be aware up front that Multilaterals may show little inclination to negotiate any deviation from their standard project documentation.

(2) What kinds of Contracts are available to build utility scale solar farms?

1. Memorandum of Understanding (“**MOU**”);
2. Memorandum of Agreement (“**MOA**”);
3. Power Purchase Agreement (“**PPA**”);
4. Build-Operate-Transfer Agreement (“**BOT**”);
5. EPC Contracts;
6. Land Lease Agreement (“**LLA**”);
7. Security/facility Documents (onshore and offshore security documents);
8. Fuel Supply Agreement (“**FSA**”).

(3) What are the return expected in Myanmar?

- The financial returns in Myanmar ultimately depend on the tariff rate negotiated with the MOEE and the cost and viability of the project.
- Project commercial viability and returns are on a case-by-case basis.
- Myanmar has abundant energy resources, hydropower and natural gas. Due to underdeveloped legislation and lack of financial and technical capacity, the energy sector of the country is still underdeveloped. However, with the government's commitment to energy reform, foreign investors will have more access to this sector with simplified formalities.

(3) What are the return expected in Myanmar? (cont.)

The recent regulatory and policies changes in foreign investment are indicative of the fact that the government is making a greater effort to create a more transparent atmosphere to attract foreign capital and technology such as:

- Retail sales tariffs fixed by the government;
- Cover operating costs but no surplus for maintenance and upgrades;
- MEPE tariffs are two-tiered fixed rates based on consumption level, which are insufficient to recover basic operating costs;
- Additionally, private investors are concerned about uncertainties in tariff negotiation and what is considered acceptable rates of return on project investments;
- Cost recovery assurances for the full cost of development and projected maintenance;
- Industrial cost competitiveness compared to neighboring countries;
- Regulations to protect consumers from monopolistic abuses;
- Subsidized “lifeline” tariffs for economically disadvantaged.

(4) How to engage with local and mainstream banks and multilaterals?

- We recommend approaching multilaterals and offshore lenders early in the process. Obtaining finance is one of the biggest hurdles to overcome in any energy project.
- Local Myanmar banks are not in a position to provide adequate finance for energy projects. Therefore finance needs to be obtained privately or from a combination of offshore lenders or multilaterals for project finance. Some of the largest power plant deals in Myanmar to date have been financed by a syndicate of different lenders and multilaterals.
- The Myanmar Government is acutely aware of the status of its banking system and is in the process of making considerable improvements.

(5) Who is providing early stage development, and if no one- who could?

- We are seeing early stage development being provided by Chinese, Indian, and Singaporean sponsors.
- India benefits from its own geographical location, an advantage, as it can easily cater to Myanmar's energy requirements in the energy and power sectors.
- Driven by the “One Belt, One Road” initiative, Myanmar has witnessed a massive inflow of Chinese investment into the country. China like India shares the advantage of bordering Myanmar.
- There is a combination of Chinese State-Owned Enterprises (“SOEs”) and private Chinese investors developing Myanmar's energy sector. The majority of inbound Chinese investment into Myanmar's energy sector is largely led by Chinese SOEs.

(6) How do you lower the cost of capital of your project?

This is obviously done on a case-by-case basis and depends on the size of the energy project and capital expenditure required to develop the project to completion.

Sponsors may choose to reduce tax by developing their projects in more rural areas that attract higher tax incentives to MIC Permit holders. Providing the sponsor has been granted an MIC Permit it may be eligible to certain income tax holidays and preferential tax treatment. Income tax holidays are available for a period of three (3), five (5), or seven (7) years depending on MIC discretion and what Development Zone (“**Zone**”) the project is located in. Zone 1 potentially attracts a seven year income tax holiday.

Zone 1:
Least developed region



Zone 2:
Moderately developed region



Zone 3:
Developed region



(7) What are the credit enhancement structures available and what are the timelines attached to them?

- One necessary credit enhancement requisite to any energy project in Myanmar is obtaining a Myanmar Investment Commission Permit (“**MIC Permit**”) (investment permit).
- MIC Permit allows a foreign investor to benefit from certain investment incentives available under the Myanmar Investment Law 2016
- The MIC Permit is granted on a case-by-case basis depending on the size of the power project. At a minimum, a sponsor should expect to wait at least six (6) months to obtain an MIC Permit.
- A foreign sponsor intending to do small scale power investment (having investment capital less than USD5 million) who desires a long-term lease right for a period exceeding one year, may apply for an Endorsement from the MIC.
- Time to obtain an MIC Endorsement: same as MIC Permit (min. 6 months)

(8) What is the role of DFIs and in what capacity are they most active/helpful?

- Direct foreigner investors (“**DFI**”) from Singapore, China & India are very active in investing in Myanmar’s power sector.
- DFI in power sector is the second largest after oil & gas in Myanmar



(9) How to achieve the ticket sizes needed by institutional investors and PE?

- Institutional and PE investment in Myanmar's energy sector is yet to take off.
- Any sponsor intending to rely on either forms to finance an energy project should ensure that they have bankable project documents and hold the necessary concession rights. We envisage this positive change with the implementation of the new Myanmar Companies Law 2017 (“MCL”) when implemented on 1 August 2018.
- Under the MCL foreign investors will be able to acquire up to 33% of the shares in existing Myanmar companies and buy shares in Myanmar public companies listed on the Yangon Stock Exchange.

(10) A look at the future: What are the financing innovation? When will the capital markets confidently enter Myanmar market?

- We see power deals to be financed by private finance or project finance for several years to come. The main hurdles involve the perfection of securities, which are tied to Myanmar's archaic property laws and outdated land registration systems.
- Proper realization of capital market investment is several years away. Capital markets investment will be made easier by the passing of the MCL, however, sponsors will be entering into uncharted waters until fresh deals are completed under the new regime.

Questions & Answers



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WHEREVER YOU ARE - BE ALL THERE

Jim Elliot

Thank you very much!

DR. OLIVER MASSMANN

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References (1)

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International Consulting & Trading Services Ltd.,

To Whom It May Concern

Hanoi, 15th October 2015

Recommendation of Excellent Services of Mr. Oliver Massmann

I am Managing Director of International Consulting and Trading Services Ltd, a company registered in British Virgin Islands with operations based from our Hanoi Representative office. Over 15 years we have assisted many international overseas suppliers, from a wide range of industries, to identify markets and thereafter representing their interests to secure ongoing business here in Vietnam. The majority of our clients are based in Asia, Eastern and Western Europe.

While we endeavour to enforce our contractual rights, this is – unfortunately – not always possible. In this regard, we would like to highlight our satisfaction with the highly professional services rendered by Mr. Oliver Massmann of Duane Morris LLC, Hanoi, who successfully represented us and settled a defaulted payment, due to us for services provided to an international German company.

We would further note that Mr. Massmann's successful handling of the case exceeded our expectations since he achieved a settlement without the need for costly arbitration in the courts of Vienna.

Mr. Massmann's capability in legal analysis and his commercial aptitude combined with his exceptional negotiation skills, led to a timely and efficient resolution of the dispute at hand. Of course being German himself was also a significant contributing factor, since he was able to tease out information from the opposing German lawyer, giving him a winning hand.

Mr. Massmann has demonstrated to us his capability as a real problem solver. We regard him and his team at Duane Morris LLC as an excellent choice for dispute resolution services and would not hesitate to entrust them with further work.

Michael Anthony Langrish-Smith
Managing Director



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I am Andrew Meyer, CEO of Nine Dragons Group LLC. We have been actively involved in Vietnam Real Estate since 1999. We have gone through many lawyers and law firms, and were disappointed by all of them. Lack of knowledge of the laws, the differences between buying and selling in specific cities, very slow response time and poor client service.

Finally, we met Mr. Oliver Massmann. The first project we did with him was the same as working with our attorneys in NYC. He has a very strong knowledge of the laws, procedures and intricacies of Vietnam. Speaks the language fluently (a rarity) and is a consummate professional who responds to my requests very quickly.

We continue to work with Mr. Oliver Massmann and are thrilled to have an attorney who brings so much to the table working on our team.

I highly recommend Mr. Oliver Massmann and his firm, Duane Morris Vietnam LLC. Should you have any questions, please feel free to contract me at any time.

Andrew Meyer

CEO

References (3)

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Bildretusche24 GmbH – von Braun Str. 38a - 48683 Ahaus



Ahaus, 24.09.2015

Recommendation of Excellence for Oliver Massmann

To Whom it may concern

My name is Markus Vorkamp and I am the CEO of Bildretusche24 GmbH, a German Media company. We are specialized in image retouching, clipping, masking, color correction, composing and vectorization. A considerable part of our business activities is taking part in Vietnam.

Since we are not familiar with the legal framework of Vietnam we asked Mr. Massmann to advise us regarding all our business and investment activities in Vietnam. In this regard, we would like to highlight our satisfaction with the highly professional services rendered by Mr. Oliver Massmann of Duane Morris LLC, Hanoi. He was preparing a strategic advice memorandum providing an overview of the legal framework on licensing and establishment of a single member limited liability company as well as the pros & cons issues in relation to the establishment, investment and licensing of the single member limited liabilities company and the requirements and conditions for a Vietnamese Subsidiary to perform its' above activities in Vietnam. Furthermore, Mr. Massmann drafted the application dossier for the establishment of our Vietnamese Subsidiary and was assisting us in the submission process of the application dossier at the licensing authority and working with the licensing authority to explain and clarify the content of the application dossier.

In addition, we would also like to mention that our Vietnamese staff confirmed that they have not yet met a foreign lawyer with comparable proficient Vietnamese language skills and the ability to use them so well in negotiations. Mr. Massmann has all the necessary background capabilities to be a real problem solver. We regard him and Duane Morris LLC as an excellent choice for corporate and licencing services and would not hesitate to entrust them with further work.

Best regards,

Markus Vorkamp
CEO

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HONG KONG

Hong Kong, 01 Jan 2015

To Whom It May Concern

My name is Thomas Domanski and I am Managing Director of Bauer Hong Kong Ltd shareholder of Bauer Vietnam Ltd). Bauer Hong Kong Ltd is a member of the German based Bauer Group of Companies and a subsidiary of the Bauer Spezialtiefbau GmbH which belongs to the MDax listed ultimate holding company Bauer AG. The Bauer Group is specialized in foundation engineering, machinery, and Resources related services. A considerable part of Bauer Group's corporate activities takes place in Asian countries, among them Vietnam.

While we try our utmost to avoid entering into legal proceedings to enforce contractual rights, this is – unfortunately – not always possible. In this regard, we would like to highlight our satisfaction with the highly professional services rendered by Mr. Oliver Massmann of Duane Morris LLC, Hanoi, who successfully represented Bauer in Singapore (SIAC) based arbitration proceeding concerning a dispute about payment for construction works provided by Bauer in Vietnam.

We would like to note that Mr. Massmann's handling of the case significantly contributed to the successful conclusion of the case out of court/Arbitration. Mr. Massmann's services combined thorough legal analysis with a strong commercial approach, lead to a timely and efficient resolution of the dispute at hand. In addition, we would also like to mention that our Vietnamese staff confirmed that they have not yet met a foreign lawyer with comparably proficient Vietnamese language skills and the ability to use them professionally in negotiations. Mr. Massmann has proven himself to be capable to use local knowledge paired with legal competence to resolve disputes in an efficient manner. We regard him and Duane Morris LLC as an excellent choice for dispute resolution services and would not hesitate to entrust him with further work.

Best regards

Thomas Domanski
Managing Director

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