

For Winch Energy Response to UK Parliament, International Trade Committee Enquiry into UK Export Finance

Introduction to Winch

1. Winch Energy is a global, off-grid energy developer and technology designer and integrator, focusing on renewable energy and energy efficiency projects in Africa, Asia, and Latin America. Winch Energy's mini-grids and power generators are best described as a decentralized and autonomous form of smart power supply. We utilize the latest innovations in solar PV power generation technology, power storage capabilities and management, and smart meters in order to deliver sustainable energy directly to demand centers. Through our proprietary technology, the Remote Power Unit (RPU) and our proprietary remote monitoring and system controllers, we provide access to a source of carbon neutral and affordable energy for off-grid households, businesses, and critical social infrastructure.
2. The RPU is a containerized solution for off-grid generation that is particularly effective at targeting remote, rural populations and businesses. This solution is directed towards those customers not connected to the national grid, or that suffer from intermittent and unreliable energy supply as a result of inadequate centralized grid infrastructure. The RPU and associated mini-grid are designed to operate autonomously and can be easily integrated with on-grid infrastructure. Each system is specifically designed and tailored to the demand profile of the target population to ensure consumer orientated production that guarantees a reliable 24/7 power supply. Winch Energy can provide a myriad of services including energy, telecommunications, internet, online banking, and retail opportunities directly to customers. This includes a range of consumers from residential (e.g. household appliances), to commercial (e.g. shops/services), and industrial (e.g. agriculture/mining) productive uses/loads. The standard systems start at 36 KW peak up to multiples of 4 MW peak. Bespoke systems are also configured by our engineering team.
3. The RPU provides an economically viable and environmentally beneficial alternative for communities that have been historically reliant on diesel generators as their primary source for off-grid energy. Replacing these diesel generators is essential to improving the affordability of energy within these communities, by minimizing their exposure to/dependence on the fluctuating price of oil (a highly volatile commodity) and lowering the cost of the power delivered. This transition away from diesel as the predominant method for off-grid energy generation has critical environmental benefits, primarily through improved air quality as a result of the reduced level of atmospheric CO₂ pollution.

Motivation for submitting is Economic

4. A very substantial part of our business is to sell to Developing Country Governments who have urgent need to complete the electrification of their countries. Set up as a UK company, Winch is now the leading Global provider of off grid systems for Africa. Our competitors are mainly French with the main ones being Engie and Sagemcom, both benefitting from substantial French/EU ECA and French/EU donor support.
5. Motivation is to offer our clients the best form of financing to help them procure from the UK

A Finance Gap in the UK needs to be supported UKEF

6. UK banks do not have the capability to support our exports across the globe. We are an international business and we see UKEF as being vital to our future success as we export in both the developing and developed markets. Competition is intense and here we would highlight in particular the Danish efforts (supporting wind power) and the French efforts (supporting French companies in solar) with many being able to provide concessional financing for those markets where this is a necessity.

UKEF support where UK banks are unable to provide support on competitive terms

7. Renewable energy programmes are financed with repayment periods of 18 years (as per the OECD rules). UKEF can accommodate these repayment periods even for developing markets when the banks cannot offer such tenor.
8. The involvement of the UK Government also allows for the financing to be at competitive terms and, importantly, generates an element of Government to Government relationships as many of our buyers are overseas sovereigns.
9. UKEF team provide excellent support especially when their 18-year repayments are matched with Direct Lending. Buyers will take into account both the cost of the equipment and the all-in cost of financing before deciding who to buy from. As such, we see UKEF as being an integral part of our competitive position.
10. Going forward with all the uncertainty in the markets we see UKEF as being more strategically important to the long-term development of our business.
11. UKEF's operational processes and procedures are, as an exporter, acceptable to us and meets our needs. In terms of engagement we would like to make two points: -
 - a. UKEF is open and receptive and has a strong culture of engagement with different stakeholders. Our business involves making commercial offers with cost effective financing. UKEFs ability to provide indicative offer of support within tight timeframes is second to none. Also, their willingness and understanding in adapting offers to specific country and government buyer requirements is unique.
 - b. Engagement with DiT is developing well. For Africa we can see an increasing interaction between UKEF and local DIT representatives in Africa. They are increasingly present in the business development space and the direct dialogue with potential buyers. We are late in the diplomatic game in Africa with the Chinese, French and US diplomatic influence being very strong, but we are catching up

4 areas that the International Trade Committee should review

12. DFID/donor support. This is required to be able to compete with other ECAs to be able to offer fully concessional financing. In Africa we see this as a growing need. We are severely hampered by not having a UK Concessional Financing offering.
13. Great access to the OECD CIRR rate. This vital support is often allocated by UKEF on a "first come first served basis". Clearly the limits allocated to UKEF are not sufficient to cover existing demand. Bank funding costs are too expensive in comparison to the OECD rate and we see the need of Direct Lending growing.
14. Joined up UK government to better support UK exporters. This could entail: -
 - a. Easy access to development grants and capital for UK exporters. Other countries do this very successfully, notably France, China and the USA.
 - b. Better coordination on won deals to include as many UK companies as possible in the product mix.
 - c. Some access (none today) for British companies to UK based and funded Impact funding (notably PIDG and CDC). There is discrimination against British companies today which is widely accepted as being the case.
15. In certain markets the ability for UKEF to increase their support to 100% of the contract value (up from the current limit of 85% of the contract value). Covid-19 is providing a challenge to many buyers

severely limiting their ability to arrange the 15% down payment. On a selected basis support from UKEF at 100% would give Buyers relief at a time of constraint.