

Power in Latin America

Conduit Capital formed to manage existing Latin power funds

Standing in contrast to many U.S. investors who have left Latin America in the past few years, new equity investor Conduit Capital Partners, LLC has emerged from DB Capital Latin America and is looking for investment opportunities. The new funds will be called Latin Power I and II, and as *Power in Latin America* special correspondent Melanie Best reports. The emergence of new investors is certainly good news for the region.

Amidst the departures of many overseas firms from Latin America's electricity markets, a new player, Conduit Capital Partners, LLC, has emerged to buck the trend by managing two existing private equity funds and seeking new opportunities to invest in Latin power projects. On December 2, 2003, Conduit was formed as a successor to the Deutsche Bank unit DB Capital Latin Power, which managed the Scudder Latin American Power Funds (SLAP) I and II. The fully invested funds have US\$257 million in resources invested in 12 operating power projects in Latin America totaling 4,340 MW of capacity. The funds' net equity ownership in the projects is 471 MW.

Conduit's owners J. Scott Swensen and George Osorio acquired the unit with the full support of Deutsche Bank, which had decided it no longer wanted to be in the business of sponsoring new private equity funds. In April 2002, Deutsche acquired the SLAP funds as part of its purchase of Zurich Financial Services' U.S.-based asset management subsidiary, Zurich Scudder Investments. The two Latin funds were created in the 1990s by asset management firm Scudder, Stevens & Clark, which Zurich acquired in 1998.

Swensen, who is chairman of the new firm, said that Deutsche Bank's strategic decision regarding new private equity sponsorship in the long

run worked against the interests of the funds' investors. As long as the SLAP funds remained with the bank, they would have been unable to raise fresh capital, which would have inevitably led some members of the funds' eight-member management team to depart the operation.

Under Conduit's management, the two existing funds have been renamed Latin Power I and II, as Deutsche retained the Scudder brand for its retail arm. Latin Power I was established in 1993 with US\$25 million contributions from each of four sponsoring investors: the International Finance Corp. (IFC), Corporacion Andina de Fomento (CAF), NRG Energy, and CMS Energy. The second fund closed in 1998 with US\$157 million provided by the four original sponsors, along with 14 additional investors. The creation of Conduit Capital had unanimous support from the funds' sponsors, Swensen said.

The two funds own stakes in generation projects in Argentina, Brazil, Chile, Colombia, Guatemala, Honduras, Jamaica, and Peru. Among their holdings are interests in Edegel, Peru's largest private generator; the 370-MW San Isidro gas-fired plant near Santiago, Chile; the 155-MW TermoTasajero coal-fired generator in Colombia; and the 48-MW TermoCabo in Recife, Brazil. The TermoCabo facility was developed by

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Quote of the week:

"Our investments have done really well, and we've distributed a whole lot of cash this year."

- J. Scott Swensen, chairman of Conduit Capital Partners, LLC, speaking about investments in Latin America's energy sector.

Latin Power II under Brazil's emergency generation program and entered operation early this year.

"Despite investing during some of the most volatile economic periods in the history of the Latin American region, Latin Power I and II are among the most successful infrastructure funds ever launched," Conduit said in a statement. Conduit will continue to seek opportunities for greenfield development as well as acquisitions, and will generally act as a principal sponsor or developer in each of its investments.

"Our investments have done really well, and we've distributed a whole lot of cash this year," Swensen said. He attributed his funds' staying power in a region to their conservative investment strategy and long-term perspective.