

Case Study: Ostro Energy

Ostro Energy's Story

In 2012, emerging market investor Actis identified a gap in the Indian market for clean energy generation capable of meeting the country's power demand, which was rapidly growing between 5% and 7% per annum. According to the World Bank, 200 million Indians continued to lack access to electricity by 2014, while many Indian states suffered from an electricity shortfall alongside appalling air quality in the main urban centers. Strong reliance on coal-fired power plants, the traditional use of biomass in rural areas, and a lack of access to clean energy were limiting the country's ability to achieve the United Nations Sustainable Development Goals.

To address this demand, Actis decided to create a renewable energy platform in India from scratch, believing its energy expertise, combined with a local presence and experience establishing similar businesses in other emerging markets, would enable it to be successful. In 2014, the firm backed two experienced energy industry managers to become the Chief Executive Officer and Chief Operating Officer of the newly created Ostro Energy Private Limited, 100% owned by Actis, which would focus on the construction of wind power and solar energy projects.



In less than four years, Actis built Ostro into a business with broad geographical reach. By 2017, Ostro had completed its business plan ahead of schedule, having signed long-term power purchase agreements for wind and solar projects reaching 1.1 gigawatts (GW) in capacity—the equivalent to powering 1 million Indian homes—in Andhra Pradesh, Karnataka, Rajasthan, Madhya Pradesh, and Gujarat. These are states where 54% of power is generated from coal, thus avoiding over 1.4 million tons of CO₂. Actis sold the platform to Renew Power, an Indian clean energy independent power producer, in 2018.

The Role Played by Private Capital

Within the first four months of initiating the project, Actis, in partnership with senior management, helped to recruit and install a fully functioning team of 70 people. One particularly crucial hire was a Head of ESG, who would be responsible for the implementation of international best practices at Ostro. Actis identified the need to fill this role early in Ostro's development as it encountered a range of challenges endemic to India, including a lack of established standards on workers' accommodation and poor labor practices by contractors.

From the outset, Actis recognized that incorporating environmental, social, and

governance (ESG) issues into ownership policies and practices would ultimately build a more resilient, sustainable and valuable business. The firm helped Ostro establish an ESG Committee, which would report to the board of directors, to oversee the management and mitigation of ESG issues and related risks. A safety specialist and team of community liaison officers were also recruited to support an in-house ESG function. This emphasis on rigorous ESG standards at Ostro enabled the company to secure additional lines of debt finance from development finance institutions such as IFC to fund project development.

The Company



Essentials

Company: Ostro Energy

Website: renewpower.in

Country: India

Sector: Power

Business: Renewable energy

GP: Actis, an investor in growth markets across Africa, Asia and Latin America (act.is)

Dates of investment: August 2014

Investment: Actis established Ostro Energy as a wholly-owned entity

Impact Highlights

Actis identified a gap in the Indian market for clean energy generation capable of meeting the country's rapidly growing power demand, and decided to create a renewable energy platform in India from scratch that would focus on the construction of wind power and solar energy projects. By 2017, Ostro Energy had signed long-term power purchase agreements reaching 1.1 gigawatts (GW) in capacity—the equivalent to powering 1 million Indian homes—in states where 54% of power was generated from coal, avoiding over 1.4 million tons of CO₂.

Ostro has created over 1,500 jobs for Indian workers, while promoting greater worker welfare under a newly created internationally accredited Labour Accommodation Standards Policy, which is embedded into all contracts with construction companies. There have been zero worker or community strikes related to Ostro's operations.

With Actis' support, Ostro has implemented numerous programs to improve the lives of local communities. These initiatives include the establishment of 65 health camps that have treated over 5,000 people, as well as 11 livestock veterinary healthcare facilities that have served over 28,000 animals. The company also installed solar-power water filtration units to provide safe, clean and reliable drinking water in Rajasthan after it discovered that locals were suffering from fluorosis. Over 1.5 million liters of clean drinking water have been dispensed to nine villages near Ostro's projects—and clean water continues to be dispensed today.

The Company View

“The reason we felt comfortable buying the assets from Actis was because, as a company, we also follow the highest standards of corporate governance, ethics, and sustainability.”

Sumant Sinha
Chairman and
Managing Director,
ReNew Power

Another key priority for Actis was to spearhead the development and implementation of a human resources policy that went beyond Indian regulatory requirements and was aligned with international best practices as defined by IFC and the International Labour Organization (ILO). This included a requirement to promote equal opportunities and prohibit discrimination on the basis of gender. Actis’ Responsible Investment team and Ostro’s Head of ESG also created an internationally accredited Labour Accommodation Standards Policy, which was enforced across all projects and embedded into contracts with construction

companies, ensuring all contractors and sub-contractors adhered to these principles. The same trickledown approach was applied to a newly developed Security and Human Rights Protocol.

Actis worked with the company to develop an integrated safety, health, environment, and quality management system accredited to ISO 9001, ISO 14001, and OHSAS 18001. In terms of health and safety, Ostro provided over 4,800 hours of safety training while the company’s rigorous safety assessment process identified and corrected 301 potential hazards. There have been zero worker or community strikes related to Ostro’s operations.

Beyond the Bottom Line

During construction phases, Ostro created over 1,500 jobs for Indian workers, while transforming labor accommodations and ultimately promoting greater worker welfare. In addition, Ostro has implemented a variety of programs designed to improve the lives of local communities. For example, Ostro has:

- Established 65 health camps that have treated over 5,000 people—who have historically had limited or no access to healthcare services—on a wide range of health issues including pregnancies, skin diseases, nutrition, and muscle pain;
- Set up 11 livestock veterinary healthcare facilities in local villages, which have treated 28,000 animals;
- Supported approximately 1,100 students in local government schools through the distribution of school bags, desks and benches, uniforms, sports kits and e-learning systems;
- Contributed a total of 45,000 saplings toward environmental initiatives, including a river protection drive in Madhya Pradesh; and,
- Supported, at one local community’s request, the installation of solar street lights, thus improving street lighting conditions in the village.



Furthermore, while developing projects in Rajasthan, the company became aware that dangerously high levels of fluoride were naturally occurring in local groundwater resources and consequently many local people living near Ostro’s projects were suffering from fluorosis, which causes dental and skeletal problems, contributes to joint immobility, and affects children’s growth. To address this challenge, the company installed solar-power water filtration units, which use reverse-osmosis filters to provide safe, clean, and reliable drinking water. Over 1.5 million liters of clean drinking water have been dispensed to nine villages—and clean water continues to be dispensed today. This initiative further helped the company secure a social license to operate in the region while ensuring safe drinking water for its workforce.

IMPACT HIGHLIGHTS

As of:	Initial Investment	April 2018
# of jobs created	0	1,500
Investments in local communities	0	2% of profits
MWh capacity per annum	0	1,000
CO2 avoided (million tons)	0	1.4
Environmental management system in place	No	Yes
Health and safety policies in place	No	Yes