

THE CLIMATE TECHNOLOGY INITIATIVE'S PRIVATE FINANCING ADVISORY NETWORK (CTI PFAN)

General Introduction & Review of Activities 2008



Patrick D'Adario

Workshop on Technology Transfer in the UNFCCC

February 5, 2009

CTI PFAN'S FUNDING PARTNERS



USAID
FROM THE AMERICAN PEOPLE

CTI CLIMATE
TECHNOLOGY
INITIATIVE

ICET



CTI PFAN NETWORK MEMBERS



PPL
INTERNATIONAL



Management
Consultant
Regulatory
Economics &
Finance



FE CLEAN ENERGY GROUP INC.



S³IDF

Small-Scale Sustainable
Infrastructure Development Fund

HCConsulting

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Background & Introduction

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Expansion & Current Activities

Added Value of PFAN

Summary

FIGRELLLO H, LAGUARDIA, DIRECTOR-GENERAL UNITED NATIONS RELIEF AND REHABILITATION AGENCY (UNRRA), 1946





INTRODUCTION TO LGF

THE FIORELLO H. LAGUARDIA FOUNDATION,
A NON-PROFIT, FOUNDED 2001

The LaGuardia Foundation focuses on three major areas:

- Support of Renewable Energy and Energy Efficiency Investment Funds, and of community-based sustainable development projects in developing countries
- Investment in southern Italy in areas of sustainable agriculture, biotechnology, and renewable energy
- Academic exchange between Italy and the US with an emphasis on biotechnology, agriculture, and medicine



Selected LaGuardia Foundation Projects

LGF provided financial support and organized capital for the China Environment Fund 2004, a US\$ 30 million off-shore Renewable Energy and Energy Efficiency venture capital fund.

LGF supported the development of PCH-FIP, a R\$200 million (ca. US \$90 million) equity fund for small hydropower projects in Mato Grosso, Brazil

LGF Promotes International Energy Efficiency Financing Protocols in Chile, Colombia, and New York

Cornucopia integrated small scale agriculture/renewable energy/carbon project in Brazil



Brief History of CTI

In 1995, the Climate Technology Initiative established at the First Conference of the Parties to the UN Framework Convention on Climate Change by a group of OECD countries and the European Commission as a voluntary activity to contribute to developed countries' commitments under Article 4.5 of the Convention by **fostering international cooperation to promote the more rapid development and diffusion of climate-friendly and environmentally sound technologies and practices.**

Reformed as an Implementing Agreement under the International Energy Agency in July 2003.



What does Art. 4.5 say?

Spells out obligations of “developed country Parties”

“...promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies and know-how to other Parties, particularly developing country Parties, to enable them to implement the provisions of the Convention.



CTI Supports the UNFCCC through a Multilateral Approach

By allowing OECD Member countries and OECD non-Member countries to work together to foster international cooperation for the accelerated development and diffusion of climate-friendly and environmentally sound technologies and practices



Who are the CTI Countries?*

- *Austria*
- *Canada*
- *Finland*
- *Germany*
- *Japan – Vice Chair*
- *Norway*
- *Republic of Korea*
- *Sweden*
- *United Kingdom – Vice Chair*
- *United States – Chair*

**Australia, Ireland, and Mexico have also been invited to join CTI*

Supported by a highly motivated Programme Secretariat under the direction of an experienced Programme Manager

HOW DID CTI PFAN COME ABOUT?



Recurring Findings of CTI Work & Experience

- **Absence of sufficient public monies to make a meaningful impact on technology needs of developing countries**
- **Importance of Partnerships**
- **Need for targeted capacity building to create enabling environment**
- **Essential role of Private Sector**

Workshops on Innovative Financing of Technology Transfer in Montreal (2004) and Bonn (2005)

- **Finance is available: there is not a shortage of money**
- **The question is then: HOW TO ACCESS IT?**
- **Shortage of good project / financing proposals that meet the standards & criteria of private sector financing communities**

A tool was needed to help project developers create bankable financing proposals and bridge the development gap to the money

⇒ **PFAN**



WHAT IS CTI PFAN?

A Multilateral Initiative organised under the umbrella of CTI

- Funding from CTI & CTI Countries, USAID, APP & ICETT
- Leverage Contributions from the Private Sector Members

Informal Network of Financing Professionals

- Private Sector Companies / Individuals
- Investors / Private Equity Funds / Banks
- Financing Consultants & Technical Advisors
- Common interest in providing finance & financing services to climate friendly projects to support technology transfer

Aims:

- To mobilise private sector finance for climate friendly projects in developing countries
- support UNFCCC objectives on Technology Transfer
- Capacity Building: financing skills & know how transfer
- Get more CE / RE / EE projects to financial close

WHAT SERVICES DOES PFAN OFFER?



Offers a **free** consulting & coaching service to project sponsors & developers to help them raise private sector finance

- **Project Development**
- **Support & Advice on Project, Financing & Technical Structuring**
- **Support & Advice on Sourcing Finance**
- **Support & Advice on preparation of financing proposals & investment memoranda**

Technical Assistance

- **Contributions to the cost of technical studies etc**

Matchmaking Service: Contact Broking & Introductions

Money / Financing – directly from PFAN Members & their Networks

HOW DOES IT WORK?



Initial Review / Programme Induction

- **Rigorous but non-bureaucratic**
- **PFAN Member assigned to project as dedicated coach / mentor**

3 Further Reviews to guide project to Bankability & Financial Close

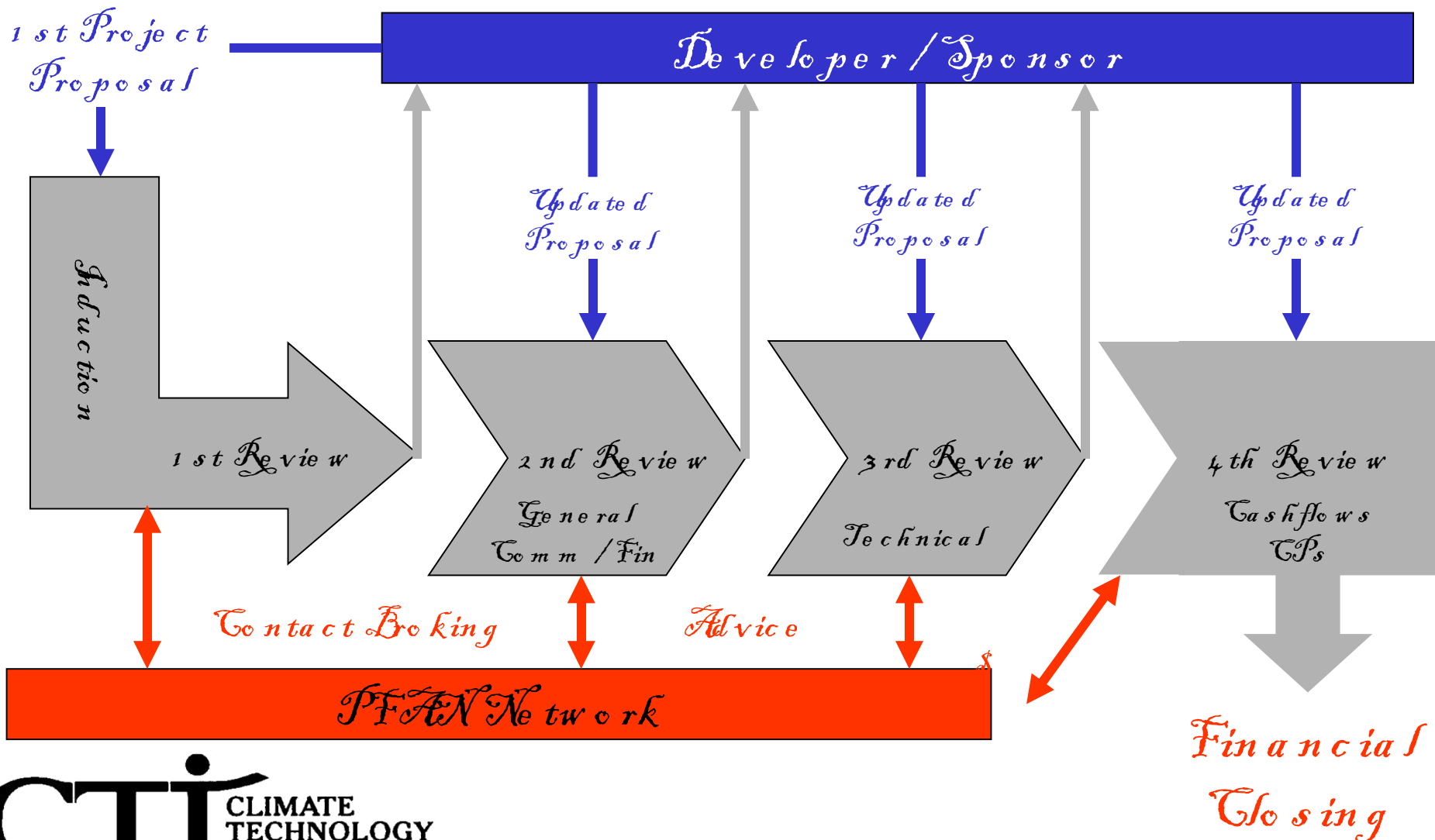
- **Written report to developer at the end of Each Phase**
- **Recommendation / decision to continue or terminate support**

PFAN support can be terminated if financing thought unachievable

Virtual Consultancy – (From the Desk Top)

- **Some hands-on ability during 4th Phase**

PFAN REVIEW PROCESS



HOW DOES IT WORK? (Cost & Resource Allocation)



PFAN Services are provided **free** to the project developer / sponsor

- Subject to acceptance into pipeline & agreement of the conditions

Cost of providing the PFAN Services is absorbed by CTI

- Fee paid to the PFAN Members / Consultants according to an agreed fee schedule and at a considerable discount.

Provision of services subsidised by the PFAN Members

- Trade-off: access to the project pipeline for business development
- Right of First Offer to provide services / financing (Non-binding and fully competitive terms)



PFAN STATUS

Review of the Pilot Phase

Pilot Phase successfully completed (2006 – Mid 2008)

Building the Network & Testing the Concept

Ongoing support of UNFCCC, EGTT & CTI Capacity Building Activities

- Most recently involvement in UNFCCC / UNIDO Training of Trainers in Vienna

Endorsement in Bali COP 13 Decisions (4 / CP.13)

New Funding from USAID confirmed 30.09.08

- USD 301K for Global Network from GCC programme
- USD 200K for India & China from APP programme
- USD 30K for cooperation with USAID DCA programme

PROJECT DEVELOPMENT IN THE PILOT PHASE



Ca 65 Projects underwent Initial Review / Pre-Review

10 Projects formally inducted into development pipeline

- A further 10 – 15 projects would have been suitable for pipeline induction had more resources been available

2 Projects brought to financial close (July 07 / Oct 08)

- Small Hydroelectric Power Station in Mexico (8,5 MW / USD 17 mio)
- Bio-Diesel Refinery in Brazil (66.000 tpa / USD 18 mio)
- Total of USD 35 million financing leveraged

2 Projects for which PFAN support has been discontinued

6 Projects still in the development pipeline in various stages of development carried over into full scale operation

LEARNING POINTS FROM THE PILOT PHASE



There is a lack of early stage development assistance & financing in both public & private sectors

- PFAN fills crucial development gap
- There are a lot more good projects out there that could access private sector financing (if they had early stage support)

PFAN can be a useful gateway to private sector finance especially for smaller / medium sized mitigation type projects

- Trying to generate applications from Adaptation & Energy Efficiency Projects

Project Development / Progression is slower than anticipated

- 2nd & 3rd Development Phases especially time consuming
- Need for more local / on-the-ground Network coverage

Considerable scope / potential to expand the Programme

- Greater Impact / Efficiency & Economies of Scale

EXPANSION ACTIVITIES (Implementation thru Q4 08 - 09)



Expansion of PFAN Network & Processing Capacity

- Bring in new members – Investors & Advisors
- Increase Project Handling Capacity to 100 – 125 projects

Establishment of Regional Networks

- Latin America (plans being implemented as per last ExCo report)
- Asia – country sub-networks in China & India
- Africa
- Eastern Europe & CIS

Appointment of Global Coordinator & Regional Coordinator for each Regional Network

- Latin America – LaGuardia
- Asia – ReEx Capital Asia
- CIS – MSW
- Global Coordinator & Africa: - PPL

NUTS & BOLTS OF EXPANDED NETWORK



ICETT is Recipient of PFAN Funding

- **Manages PFAN Funds according to instructions from CTI**
- **Administration / Bookkeeping & Reporting**

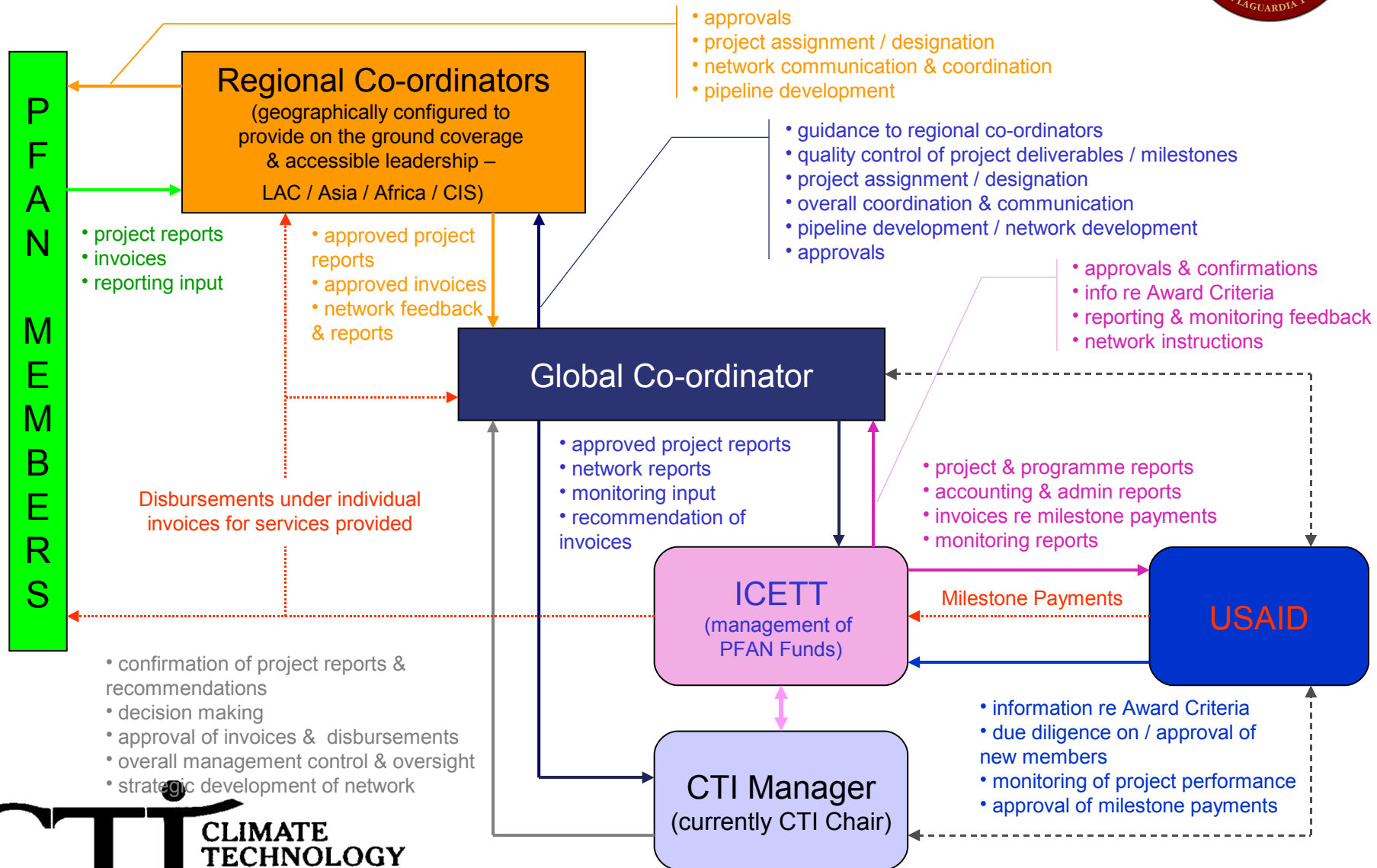
MoU between CTI, ICETT, USAID and PFAN Members

- **Formalisation of Network administration & operational procedures**
- **Communication procedures**
- **Relationships of the Parties**
- **Reporting**
- **Fee schedule**
- **Invoicing & payment of fees**
- **Travel policies etc**

Overall management control & oversight resides with CTI

- **Disbursement of funds**
- **Induction of projects / project progress**
- **Strategic direction**
- **Coordination with other Funding Partners – CTI Members & USAID**

PFAN COMMUNICATION FLOWS



CURRENT NETWORK



Founder Members (already party to MoU)

- FE Clean Energy (US: Latin America / Asia / CIS & Eastern Europe)
- LaGuardia Foundation (US: Latin America)
- PPL International (Johannesburg & Kiev: Africa & CIS)
- Wolfgang Mostert Associates (Copenhagen: Asia / Central America)
- MSW Wirtschaftsprüfung (Berlin: CIS & Eastern Europe)

New Members (will access MoU in Oct / Nov)

- REEX Capital Asia (Singapore: South East Asia)
- E+Co (US / NL: Latin America / Africa / Asia)
- Banco Santander (Madrid: Latin America)
- Herve Collin, Independent Consultant (Chile)
- Luis Prado, Independent Consultant (Brazil)
- Small Scale Sustainable Infrastructure Development Fund (India)
- New Energy Capital (US: Latin America)

Discussions with other potential partners in progress

- Asia (India & China)
- Africa / CIS & Eastern Europe

ON-GOING PLANS (Implementation thru 2009 - 10)



Formalise project identification & selection processes

- Call for projects (regional / global)

Examine & test mechanisms to make programme self-sustaining

- Success Fees

Invitation from REEEP to submit funding application under their 7th Programme Cycle

- Establish dedicated networks and perform outreach in Mozambique & Uganda to accelerate and complement build out of African network

Coordinate outreach & project development activities with goals & priorities of PFAN Partners

- CTI Member Countries
- USAID / APP
- UNFCCC Parties / EGTT

ASIA FORUM FOR CLEAN ENERGY FINANCING



Project development workshop & investor matchmaking initiative

- For developers of clean energy projects in ASEAN Countries
- 3-4 March 2009 in Singapore

Organised & sponsored by CTI & ICETT with Sustainable Energy Association of Singapore (SEAS) & ECO Asia CDCP

Call for Projects – initial project identification

- 60 project submissions
- 11 selected for intensive 1on1 coaching

Selected projects will be nominated for a development workshop in Singapore culminating in live presentations in front of investors

- Competitive format.
- Awards for best proposals in the form of further PFAN support

Event is being used to promote PFAN activities in Asia, build the Asian Network and acquire new pipeline projects from the region

VALUE OF PFAN TO INVESTORS



Early stage development funds / tools like PFAN are scarce and vitally important

Filter Role

- Sorts the good from the bad, enabling investors to concentrate on projects with investment potential
- Resource Optimisation

Access to Deal Pipeline

Symbiotic Network Effect

- Promotion of alliances & relationships between developers / investors / advisors in the Network
- Exchange of Projects & Project Development Ideas - sounding board

Risk Reduction through targeting key risk points in Development Process

VALUE OF PFAN TO DEVELOPERS



Early stage development funds / tools like PFAN are scarce and vitally important

Filter Role

- Sorts the good from the bad, enabling developers to concentrate on projects with investment potential
- Resource Optimisation

Direct Access to Investors & Financing Sources

Knowledge Base & Experience

- PFAN Members know what works (technically & commercially)

Reduces Risk through early identification of key strengths & weaknesses

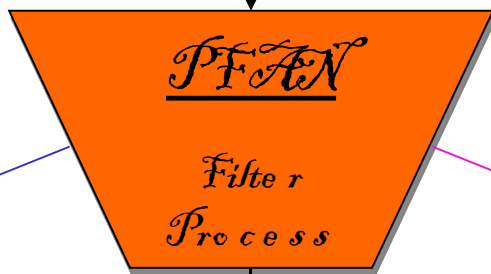
Accelerates Development Process

PFAN'S FILTER ROLE



Developers
Network Members
Parties / Countries
TNAs

Projects & Initiatives

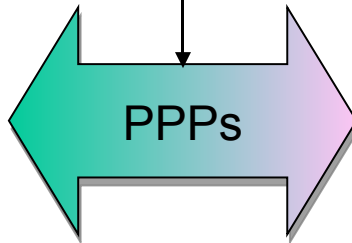


- Commercial Projects & Businesses
- Good Returns
- Well defined & self-contained Cash Flows

- Policy Initiatives & Projects
- Low Returns
- Social & Developmental Benefits
- Little identifiable Cash Flow

PRIVATE SECTOR

PUBLIC SECTOR



Project Development driven by Private Sector Champion
Financing with Private Sector Capital

Project Development driven by Public Sector Champion
Financing with Public Sector / Donor Resources

WHAT DOES IDEAL PFAN PROJECT LOOK LIKE?



Commercially & technically experienced Project Champion (**Who?**)

- Financially committed: Equity stake

Proven Technology: can still be new / state of art (**What?**)

Reasonable Plan for Implementation (**How?**)

- Risk Sharing & Diversification (consortia / suppliers / contractors)
- Integrated project approaches & linkage

Consistent regulatory, legal & commercial framework (**Where?**)

- Ability to quantify, manage, mitigate and price risk

Repayment Ability (**What if?**)

- Strong Cash Flows & Cover Ratios under worst case conditions

Adequate Return (unique to each project) (**Why?**)

- Also in consideration of all hard & soft factors and accruing socio-economic benefits: Tripple Bottom Line approach
- Reduction in GHG Emissions

HOW DO I GET SELECTED



Informal Unsolicited Free Form Initial Proposal

- Answers to the What? Where? Who? How? Why? & What if?
- In as much detail as possible at the time of the proposal

Must be able to demonstrate *Back of Matchbox* Technical & Commercial Feasibility (based on current available information)

- Positive Initial Feasibility (technical & commercial)
- Adequate Return on Investment
- Financing capable of repayment

Some Element of Private Sector Involvement

PFAN targets developers / sponsors that do not have the resources to pay for professional project development & financing advice

PROJECT CRITERIA



Target Project Size: USD 1 – 50 million total investment volume

- Smaller & larger projects possible
- Ca 15% of portfolio for Micro-Projects

Typical Project Type: CE / RE mitigation projects for generation of power or production of biofuels

- Wind, Solar, Geothermal, Biomass, Biofuels, Small Hydro
- PFAN is technology neutral; but it needs to be proven

Also open for Energy Efficiency & Adaptation Projects & Proposals from Upstream Businesses

- Manufacture & Development of CE / RE technologies

Projects can go beyond pure CE / RE and combine other aspects and components (water / agriculture):

Commitment of Developer to implement PFAN advice

CLOSING SUMMARY



PFAN is proving to be a successful & worthwhile / valuable tool

- **First project closures**
- **Recognised as effective in achieving Technology Transfer**
- **Considerable Financial Leverage: small input ⇒ big result**

PFAN is open for business (in a Region near YOU):

- **Funds available to secure expanded activities 2009 – 2011**
- **Scaling-Up plans being implemented – new projects, new regions**
- **Looking to attract new Members & Partners**

Please send your project proposals / enquiries to

- **Peter Storey, Global Co-ordinator (peter.storey@ppl-int.com)**
- **Taiki Kuroda, Head of CTI Secretariat (kuroda@icett.or.jp)**

PFAN looks forward to implementing the above plans with the support of USAID, APP, CTI, UNFCCC Parties and others

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