Connecting Business with Finance in the Clean Energy & Climate Change Sectors

An Introduction to Private Financing Advisory Network

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1. Brief Introduction to Private Financing Advisory Network (PFAN)

2. Learnings & Observations on Project Development & Financing based on Projects seen
Overview

*Clean Energy Investment Accelerator*: PFAN advises low-carbon, climate resilient businesses in developing countries, and matches projects to appropriate private financing.

PFAN mobilizes *private financing* to *reduce GHG emissions* and *build climate resilience* – contributing to Paris Agreement and Sustainable Development Goals:

- Paris Agreement Impact: Mobilize USD 100 billion per year by 2020 of private and public financing
- SDG Impact: SDGs 7 (*Energy*), 9 (*Industry*), 13 (*Climate Action*), and 17 (*Partnership*).

PFAN operates on a low-risk, low overhead networking model based on fixed-fee project development and transaction advisory services.
PFAN is one of few actors in the climate finance space addressing key barriers for Small and Medium-sized Enterprises (SMEs) in developing countries and emerging economies:

**DEMAND**
- Oversupply of poorly structured projects
- Lack of financial & commercial skills

**SUPPLY**
- Large Financing Supplies
- Underdeveloped investment cultures and risk assessment
- Low familiarity with technologies & business models

Limited supply of Investor Ready Projects / Limited Investment Readiness
PFAN – Rationale
A multi-pronged approach
PFAN Core Functions

- Unlock frontier markets for climate technologies
- Build financial service ecosystems
- Help businesses develop investor-ready proposals
- Mitigate investor risk
- Facilitate project-to-finance match-making
- Build Project Pipeline & Portfolios for large-scale investment
- Best practice application for scale and replication
PFAN Services

- Deal facilitation
- Technical studies
- Due diligence and legal costs
- Co-funding

- Identifies strengths and weaknesses for focus of coaching
- Feedback from investors and experts

- Investor forums
- Investor Roadshows
- 1-1 introductions
- Investor Network

- Professional advice
- Proven methodology
- Network members
- Local and global understanding
**Project Criteria**

- **Commercially Viable**
- **Technically Viable**
- **Growth Potential**
- **Experienced Management Team**
- **Climate Impact**
- **Development Impact (SDGs)**

- **USD 1–50 million total investment in low carbon, climate resilient projects**
- **Micro projects (< USD 1 million)**
- **Wind/ Solar / W2E Biogas / Hydro / Energy Efficiency / Biomass / Biofuels / Geothermal / Rural Electrification / Clean Transport / Mitigation / Adaptation**
- **Technology Neutral**
PFAN Track Record

Projects closed:
- 87 projects
- USD 1.2 billion raised
- 701 MW installed capacity
- Leverage ratio: 1 / 80
- 141 GWh pa energy savings
- 2.6 million tonnes CO\textsubscript{2}e pa

Pipeline:
- 358 projects
- USD 8.7 billion
- 4.900 MW capacity
- 17.6 million tonnes CO\textsubscript{2}e pa
Expanding The Scope: Climate Change (Adaptation)

- Pilot Adaptation Work stream launched in 2012 (USAID)
- Scale-Up Programme from 2014 across Sub-Saharan Africa (IDRC)
  - South Africa, Mozambique, Kenya, Uganda, Ghana and Senegal
- 50 projects currently in Development Pipeline
  - USD 4,5 million raised

Target Sectors

- Energy / Access to Energy
- Agriculture & Agribusiness
- Water & Sanitation
- Tourism
- Forestry & Ecosystems Services
- Urban Development
- Adaptation Products & Services
- Micro-Finance & Micro-Insurance
Learnings from Projects Seen (1)

- Clear & Early Ask
  - Target the investor type

- Appropriate Capital Structure
  - Investment Vehicle
  - Realistic Valuation & calculation basis

- Returns & Exit
  - How will the investor make his money?
  - Avoid unlikely exit strategies (e.g., listings or IPOs)

- Business Model
  - Project Rationale
  - Pricing, Positioning, Value Proposition, Investment Readiness
  - Plausible & verified assumptions
Learnings from Projects Seen (2)

- Presentation, manipulation of Financial Information
  - Ownership & Understanding
  - Appropriate Ratios & Metrics

- Risks & Risk Mitigation
  - Which are the risks which put you out of business?
  - Some risks not capable of mitigation
  - Climate & Agricultural risks
  - Some risks may also represent opportunities
  - Correlate to Key Success Factors

- Stress Tests & Scenario Analysis
  - Model key risks – show thresholds of failure and success
Learnings from Projects Seen (3)

• Recognise the Investors’ Point of View
  • Business Plans & Investment Pitches are not marketing presentations
  • Don’t tell them what they already know
  • Investors finance business models and people not technologies

• Balance & Style
  • Beginning & End with recommendation (why invest)
  • Avoid hyperbole
  • Avoid repetition and keep it short
  • Provide verification and evidence for your assumptions

• Mismatch of Developers’ & Investors’ Expectations
  • Only approach investors when you are ready
PFAN Value Added

• Competition for Capital is Intense
  • Investors always have an alternative

• PFAN helps prepare coherent and investment ready documentation to investors’ expectations

• Origination of quality, investment-grade pipeline for multilateral and private sector investors

• High degrees of financial leverage for Donors
  ➢ USD 80–100 leveraged for every dollar of public funding
  ➢ Unique low overhead networking business model based on fixed fee investment advisory services
Contact Us!

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Thank You!
Bio2Watt
Bronkhorstspruit Biogas Power Plant
South Africa

BPP uses cow manure from an industrial scale cattle lot to produce biogas and generate electricity for supply to a dedicated industrial off-taker, generating 4MW of electrical power and 4MW of thermal power.
SME Funds / Green Energy & Biofuels
Ethanol Bio-Refinery Plant Scale-Up
Nigeria

SME uses waste saw dust and water hyacinth to produce bio-ethanol and bio-ethanol gel using its proprietary 2nd Generation biofuels technology in mini-refineries. The bio-gel is distributed with cook stoves to households in rural Nigeria through an innovative distribution model.

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