An Introduction to CTI PFAN and its Services for CTCN & National Designated Entities

CTCN - Asia Regional Networking Meeting for National Designated Entities
Yerevan

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1. Session Objectives (2 mins)

2. Introduction to CTI PFAN and its Services (10 mins)

3. CTI PFAN Services for CTCN / NDEs (10 mins)

4. Criteria for Project Identification & Selection (10 mins)

5. Q & A (15 mins)

6. Interactive Exercise (30 mins)

7. Summary & Benefits of Working with CTI PFAN (5 mins)
1. Session Objectives

- Introduce CTI PFAN & Its Services for CTCN / NDEs

- Help NDE’s recognize, identify and evaluate technology deployment projects which have the potential to raise private sector investment and which may be suitable for response requests

- Help NDEs recognize the potential and importance of Private Sector for Financing & Project Implementation

- Help NDEs access CTI PFAN Services and support in their countries

- Help NDEs fulfil their mandate / role
2. Introduction to CTI PFAN

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Track Record

- 303 Projects in the Development Pipeline
  - USD 7.3 billion of Investment
  - 12.9 million tonnes pa CO2 e GHG reduction potential
  - 3.9 GW of clean capacity

- 67 Projects Closed / USD 700 million raised
  - 542.9 MW of Installed Clean Capacity
  - 2.5 million tonnes CO2 e reduction pa
  - 140.7 GWhrs pa Energy Savings (EE projects)

- 17 Financing Fora
  - 810 projects identified / 245 selected / 145 showcased
  - 38 Projects Closed / USD 336.2 million raised

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Pipeline Analysis at 30.06.2015

By Region

- SE Asia: 28%
- CISCA: 2%
- East Africa: 17%
- Southern Africa: 12%
- China: 7%
- Asia Pacific: 0%
- S Asia: 15%
- LA / Brasil: 3%
- West Africa: 8%

By Technology

- Solar: 21%
- Geothermal: 2%
- EE: 7%
- Other: 5%
- Biofuels: 8%
- Biomass: 18%
- Biogas: 10%
- W2E: 5%
- Hydro: 15%
- Clean Transport: 3%
- Wind: 5%

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CTI PFAN – Rationale

How a multi-pronged approach can scale up clean energy deployment

The Missing Middle: Lack of Access to Financing

Seeking financing
Seeking projects / businesses

"PUSH"

Clean Energy Businesses & Projects

"PUSH"

Government (policies)

"PUSH"

Investment Sources (Financiers, Banks)

Training Financial Institutions

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CTI PFAN Services

- Tipping Point Technical Assistance
  - Deal Facilitation
  - Technical Studies
  - Due Diligence & Legal Costs
  - Co-Funding required

- Investment Readiness Assessment (IRA)
  - Identifies Strengths & Weaknesses for focus of Coaching
  - Feedback from Investors & Experts

- Financing Facilitation
  - Investor Fora / Investor Roadshows
  - 1-1 Introductions
  - Investor Network

- Targeted Coaching / Mentorship
  - Professional Advice
  - Proven Methodology
  - Network Members
  - Local / Global
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Project Criteria

- USD 1 – 50 million Total Investment
- Micro Projects (< USD 1 million)
- Wind / Solar / W2E
  - Biogas / Hydro / EE / Biomass / Biofuels / Geothermal / Rural Electrification / Clean Transport / Mitigation / Adaptation
- Technology Neutral

PFAN Projects

- Commercially Viable
- Technically Viable
- Growth Potential
- Competent Management Team
- Development Benefits (MDGs)
- Reduce GHG Emissions

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Adaptation Related Projects

Target Sectors

- Access to Energy
- Agriculture & Agri-business
- Water & Sanitation
- Tourism
- Forestry & Eco-System Services
- Urban Development
- Adaptation Products & Services
- Micro-Finance & Micro-Insurance

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Global Snap Shot of CTI PFAN

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Funding Partners

CTI Climate Technology Initiative

Executive Committee
CTI Manager

Global Coordinator

Administration

ICETT
Secretariat
Head of Secretariat

Non Cash Resources
& Policy Alignment

Resource Partners

Regional Coordinators

CTI PFAN
Asia

CTI PFAN
CISCA

CTI PFAN
Southern Africa

CTI PFAN
East Africa

CTI PFAN
West Africa

CTI PFAN
LAC

CTI PFAN
Central America

Dedicated Country Networks / Country Coordinators
Private Sector Network Members – Consultants & Investors

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CTI PFAN’S NETWORK MEMBERS
3. CTI PFAN’s Services for CTCN / NDEs

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Initial Observations

- CTI PFAN was set up in anticipation of the Technology Mechanism (CTCN)
  - Designed to provide services to CTCN

- Ambition of CTCN that a portion of the TA provided to response requests is for technology deployment projects which lead to implementation financed (partly) by the private sector
  - Leads to real mitigation and adaptation impacts

- Many valid technology deployment projects are out there
  - CTI PFAN can help NDE’s identify and evaluate them

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Broader CTI PFAN Role

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CTI PFAN Filter Process

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

PRIVATE SECTOR

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

NDEs (TNAs / NAMAs / NAPs / TAPs / PS)

CTC

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

PUBLIC SECTOR

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

CTI PFAN

PPPs

PRIVATE SECTOR

PUBLIC SECTOR
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CTI PFAN Assistance to NDEs

- Outreach
- Preparation of Application to Project Incubator
- Project Identification & Evaluation
- Framing of Request to CTC for consideration of support
- Provision of TA mandated under CTC for Project Development & Financing Facilitation
- [Project Development Workshop / Investor Forum]
- Interface with Local Private Sector / Building Local Capacity
4. Criteria for Project Selection

Identifying Projects which may be suitable for Response Requests for receipt of CTI PFAN Support & Advice

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Value Proposition

- What is the value add of your project?
  - Why? - Project Rationale (Why?) - what market are you responding to?
  - For whom? Who are the Beneficiaries - shareholders / clients / others?
  - For how much? - Size of Market & Returns
  - Identify 3 things which are unique to your project

- Why should the Investor invest in Your Project?
  - Captive Market?
  - First Entrant (early mover advantage)?
  - Growth Potential?
  - Long term, stable cash flows / revenue streams?

- What sort of Investor are you targeting?
  - What are return expectations?
  - Other conditions & requirements?
  - Ability to Scale
  - Exit

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Market Opportunity

Key Questions to answers

- What is the size of your target market?
- What percentage of that market do you hope to penetrate?
- Why do customers need you?
- Customer ability and willingness to pay
- Will your market potentially grow? Why?
- How can you increase your market share over time?
Management Team

- Experience and track record of the team
- Capability of delivering the project
- Solutions for potential management gaps
Operations & Implementation Plan

- Analysis of key implementation milestones and approach
- Analysis of the activities necessary to transform the inputs / activities into the final project / product / service
- Inbound & Outbound Logistics
  - Feedstock Supply
  - Delivery of Product to Market
- Technical & Practical Challenges
  - Power Evacuation & Transmission / Load Balancing
  - Grid Stability
  - Affordability & Ability to pay
  - Banking & Money Handling
Investment Opportunity

- Detailed Investment / Financing Proposal
  - Amount of Investment / Financing Requested
  - Form of Investment (equity / debt / mezzanine / convertible equity etc)
  - % Shareholding / Participation being offered

- Financial Model
  - Income statement, BS and Cash flow

- How has project been funded to date?
  - Demonstrate commitment & contribution of the existing shareholders / project developers (valuation of sweat equity)

- Attractive and visible exist

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Risk Mitigation & Identification

- Commercial / Market Risks
- Financial Risks
- Interest Rates / Exchange Rates
- Regulatory Risk
- Logistics / Security of Feedstock Supply
- Counterparty Risks
- Off-takers / Suppliers /
- Performance Risks
- Technology Risks

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Other Areas

- Project Maturity
  - How soon can project be implemented?

- Environmental, Social and Development Benefits
  - SDGs

- Professionalism & Presentation of Proposal
  - Balance
CTI PFAN Mentoring Experience

- No Ask
- Too Much Technology
- Poorly defined Revenue Model. Insufficiently robust Business Model
- Lack of Financials / Financial Model. Financial Model doesn’t correspond to assumptions Products/Services and Margin
- Business Plan is largely a work of fiction based on unfounded optimism, dreams and visions

- BP is not expressed in investors language
  - Developers have limited financial understanding / experience / acumen

- Data overload
  - Poorly presented and structured information

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5. Interactive Exercise

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Project Evaluation Exercise

- Case Study – based on real live current project

- Short Verbal Introduction of Project & Executive Summary Hand Out

- 4 Groups
  - Each Group discusses and analyses the project’s strengths and weaknesses in relation to 2 key evaluation criteria – 10 minutes
  - Based on the analysis each Group makes recommendations for areas of work under a potential CTCN response request

- 1 Rapporteur per Group presents the findings of each Group
  - 2 minutes per Rapporteur / Group
  - Short discussion & feedback in each case (2 minutes)
Group Questions

- What are Strengths & Weaknesses (Risks)?

- As a result of your analysis what areas could be suitable for CTCN response request?

  Group 1
  Value Proposition
  Revenue & Business Model

  Group 2
  Techno-Economic Feasibility
  Operational Logistics

  Group 3
  Market
  Competition

  Group 4
  Development, Environmental & Social Impact
  Ability to Scale / Maturity

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Case Study

- Business Model
  - 40 MW Wind project in Central Asia region
  - Wind speed- 6.9 m/s at 92.5 meters
  - 48 ha land secured on lease for 30 years
  - Siemens turbines
  - PLF: 31%

- Market
  - Domestic and Export
  - PPA at US$ 0.099/Kwh

- Investment Required
  - Seeking $37.5 MN debt and $5 MN equity
  - Total project cost USD 50 Mn
  - Indicative return: IRR of 10-12%
6. Summary & Conclusions

Benefits & Added Value of Working with CTI PFAN on Response Requests

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Benefits & Added Value

- CTI PFAN knows Technology Deployment Projects

- Mobilisation of Private Sector
  - Direct linkages & working relationships at regional & country levels

- Resource Optimization

- Building of Local Capacity & Markets
  - Project Developers / SME Sector
  - Local Consultants
  - Local Institutions
  - NDE

- Real Mitigation & Adaptation Impacts

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Thank You