

Renewable Energy & Energy Efficiency Partnership

ASE Webinar Series #6 :
Market and business opportunities for rural electrification in Southeast Asia



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About REEEP

- The REEEP value proposition is global in its reach and integrates the clean energy development value chain in early markets
- Mandate: Accelerate market readiness for renewable energy and energy efficiency in developing and emerging markets

Founded 2002 at Johannesburg Sustainability Summit;

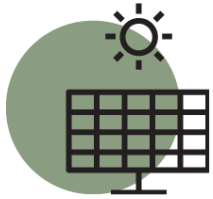
A bridge between public and private sectors. Managed funds for more than 200 RE/EE projects worldwide;

Working across 122 countries and across Africa to deliver on a Pan-African Energy Access Programme

Runs Private Financing Advisory Network (PFAN), with over 1.2 billion USD investment leverage

- Focusing on the Paris Agreement and SDGs to contribute to 2020 USD 100 billion financial mobilization target to several SDGs:
SDGs 7 (Energy), 9 (Industry), 13 (Climate Action), and 17 (Partnership).
- A complimentary focus on the aspects of the Food – Water – Energy Nexus and climate change
- A strong focus on SMEs, jobs, and social inclusion.

REEEP ACTIVITY AREAS



Expanding off-grid
electrification



Public-private
financing
models

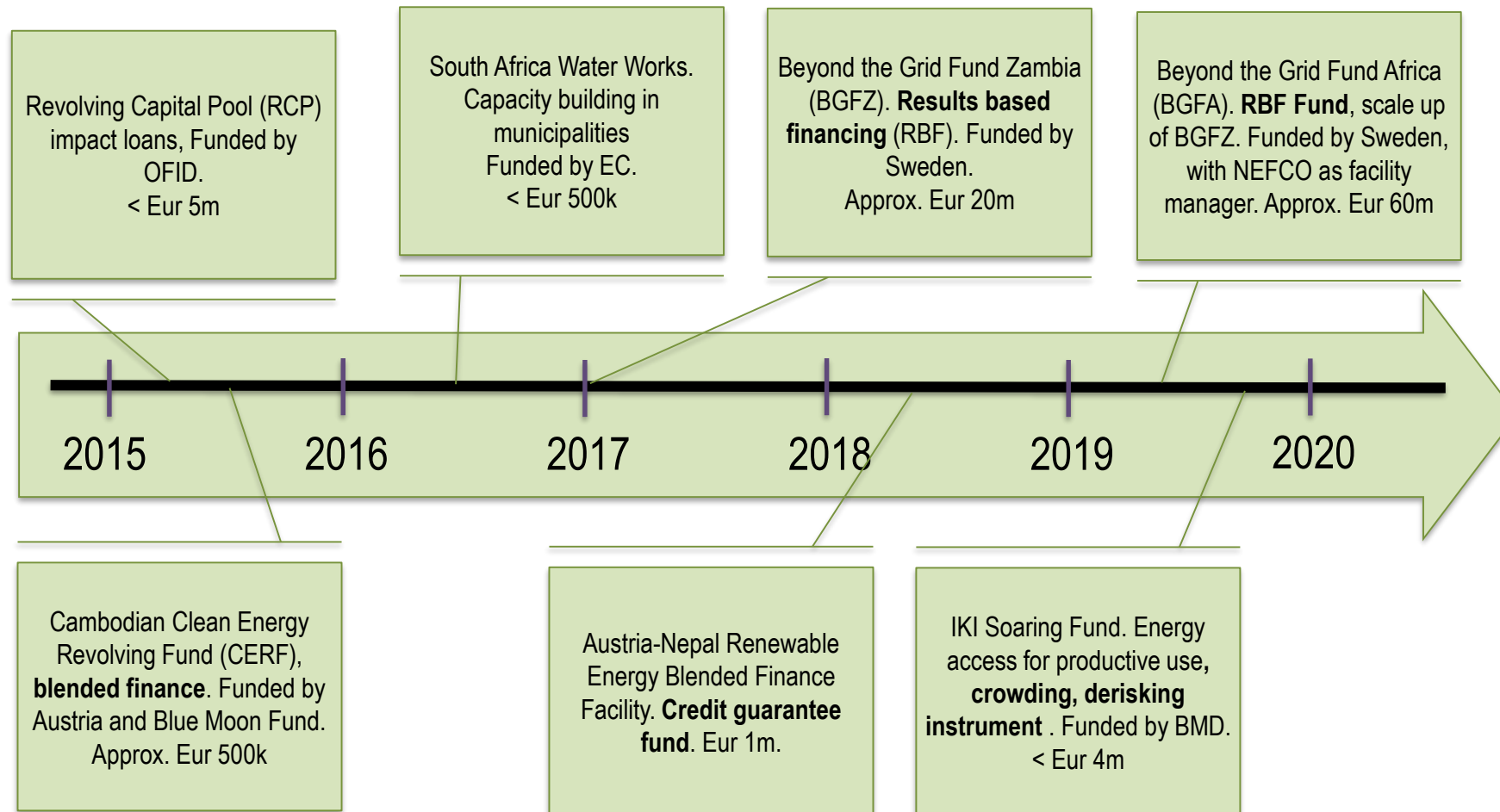


Productive use



Market intelligence
and analytics

A growing portfolio of financial instruments



The renewable energy project problem statement that REEEP was designed to solve

Renewable and clean energy technologies have become increasingly commercially viable and are fast becoming the least expensive and most feasible option to provide millions of people with clean and affordable energy.

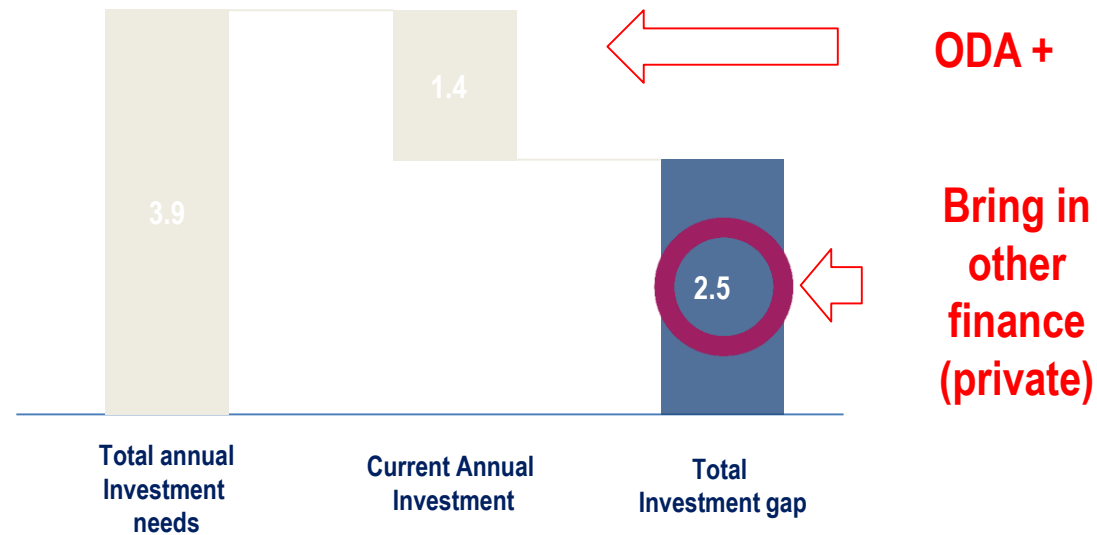
Linking project developers and business development with the right funding and the right investment partners – and accelerating investment and access to energy – is however a persistent challenge, exacerbated by the divide between developing and developed countries and persistent market barriers and sub-standard investment conditions. Mis-match between supply and demand side of capital. On the project development side, technical commercial and financial experience is often not deep enough for the funding and investment side. On the supply side – funds do not always flow to where capital is most needed for impact

This challenge can be managed either through:

- the developer learning “the ropes” so to speak, which does not happen without significant cost and effort.
- the funders and investors reaching into the pipelines to clarify their methodologies for DD, their mandates and appetites and then walking the developers through the funding and investment process. This is not a role easily taken on by the funders; or
- By managing both the bottom up and the top down approaches together towards a successful financial close and a project commissioning.
- By mobilizing and de-risking capital and building capacities in the local financial industry to sustain the impact

Financing gap for the SDGs

Estimated global investment gap in key SDG sectors, 2015-30, UNCTAD
Trillions of USD, annual average



Clean energy SMEs face many barriers

Financial Barriers

- Access to finance – high interest rates, prohibitive collateral, local currency finance, short tenures etc.
- Higher upfront costs, small size

Stakeholder relations

- Fragmented connections across the value chains and R&D suppliers
- Fragmented customer base, lack of credit history
- Lack of familiarity, awareness and technical expertise

Legal Barriers

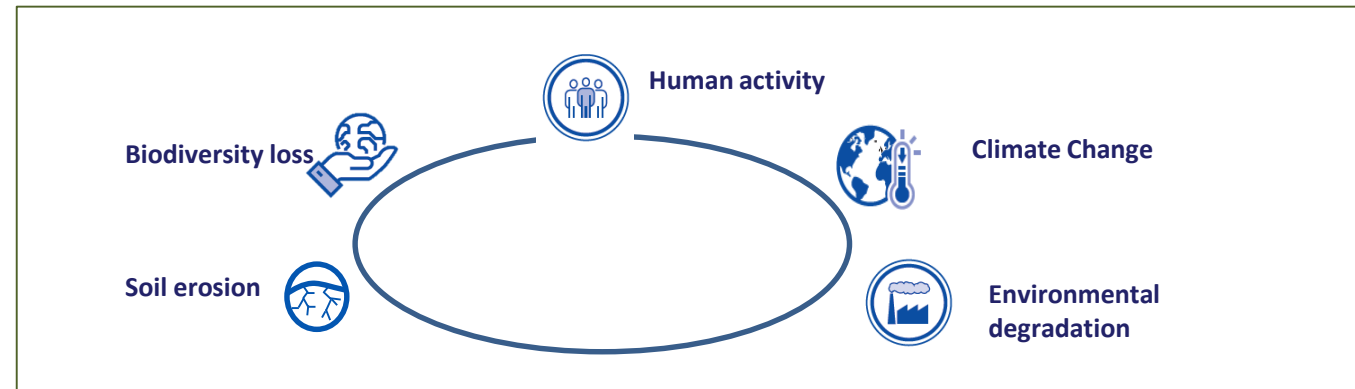
- Regulatory uncertainties and insufficient standards
- Contract risks
- Linear business models
- Etc

Covid-19 Effects

COVID-19 revealed the insufficient integration of sustainability considerations in our economic system

The crisis underscores the links between human activity and multiple ecological crises we face

From emergency support to green, resilient recovery



- Lockdowns – a glimpse into a future world
- Emergency phase – liquidity support – SMEs, corporates, utilities
- Aftermath effects – recession, increased poverty, lower affordability
- Recovery phase – renewables or fossil?
- Opportunity for green, resilient recovery

Solutions – TA for pipeline development




PFAN is an enabling program mechanism designed to respond to the challenge in the pipeline


About PFAN:

- PFAN is a program jointly hosted by UNIDO and REEEP in Vienna.
- 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 SDGs:
SDGs 7 (Energy), 9 (Industry), 13 (Climate Action), and 17 (Partnership)

Achievements since inception:
 **\$ 1.7 bn**
Total investment leveraged

 **>1000 MW**
Clean energy generation capacity added

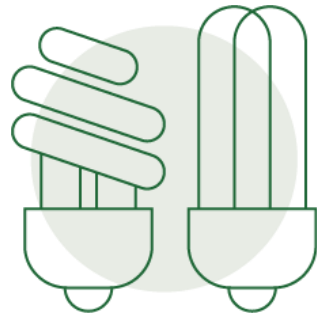
 **126**
Total closed projects

 **20%**
Success rate – financial closures (in %) of projects that have received PFAN support

 **4 m t**
Annual CO2 emission mitigation

 **465**
Total projects in the development pipeline

Results-Based Finance to kick-start markets



INCENTIVES AND PROCUREMENT

New affordable, sustainable, high-quality modern energy services



PLATFORM FOR MARKET CHANGE

Off-Grid Energy Taskforce: PP engagement for exploring market barriers and issues



MARKET INFORMATION AND ANALYTICS

EDISON and MEL provide real-time evidence and market data

BGFA | RESULTS-BASED FINANCE

What is the Result in the BGFA results-based financing approach?

Energy Service Subscription (ESS) – more than just a “connection”

The contractual arrangement ... provided by the Service Provider to a customer for the provision of energy services

Technology: Product technical specifications

Service Levels: Lights, appliances, battery, etc.

Terms of Service: Deposit, PAYG loan, repayment, tariffs, etc.

Duration of Service: Minimum 3-year warranty / 2-year on PAYG/tariff

Sustainability of Service: Solid business model, performance, etc.

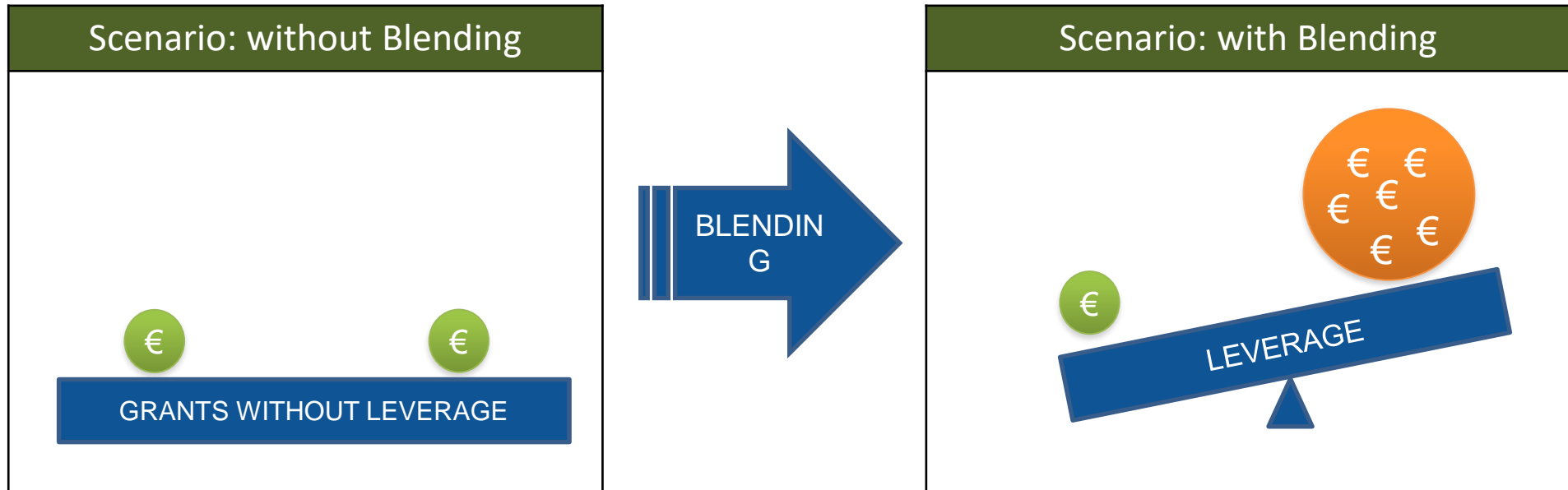
Results are pre-financed based on agreed business plan and roll-out schedule

Energy data for Impact| EDISON

- Data on customers – phone number, gender, location
- Data on energy transactions – activation, regularity, delays, defaults, type of contract, etc.
- Data on energy – capacity of systems sold, number of lights/radio and other appliances
- Data on maintenance – where repairs are needed and how often, upgrades of systems and when
- Microgrids-specific data sets

Blending

- To use limited public funds efficiently
- To scale up investments aligned with policy priorities
- To shape investment in the public interest



Blending

FORMS OF FINANCIAL SUPPORT...	...WHICH CAN ELIMINATE A KEY PROBLEM
Direct Investment Grant	Reduce cost to end users or beneficiary country by partly financing the total investment cost
Technical Assistance Grant	To boost management, speed, project design, feasibility, preparation and quality
Risk Capital	To address perceived high risk by providing funding which absorbs some of this risk and thereby lowers investors' risk perception
Guarantee	To address perceived high risk by partly guaranteeing certain types of investments

Development guarantees

Contingent payout for premium

- Contingent payment = only if uncertain outcome occurs
- Calling the guarantee should be an exception, not the rule
- Beneficiaries pay regular fees = “guarantee premium”

Guarantee Limitations

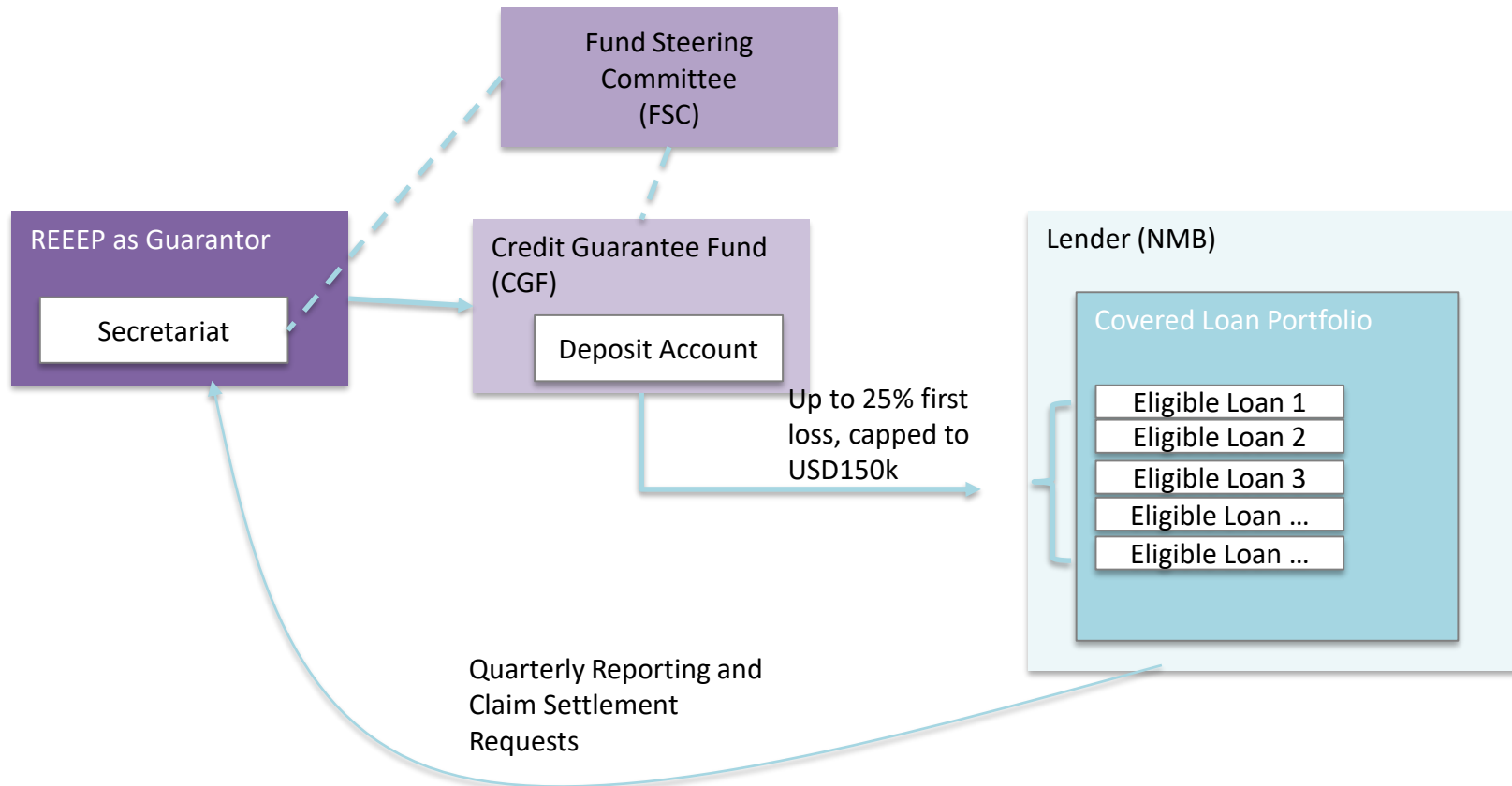
- Reduces losses, doesn't make success more likely
- Cumulative maximum (cap amount & portfolio percentage)
- Expiration date, up to which claims will be honoured
- Usually: “Partial credit” and/or “partial risk”

Guaranteed Events

- Many types of covered events can be defined

Financial instruments for impact

Capped first loss guarantee, the REEEP Nepal Example



Financial Instruments FOR impact

The vision



Lasting change

Pave the way to attract additional market participants and financiers

Grow innovative models and solutions

Address market barriers and create track record in early markets



Innovative application of financial tools for risk mitigation and crowding additional finance

Bundling of assets, equity and quasi-equity instruments, credit enhancement, green securitisation, innovative bonds, local currency solutions

Supported by upstream project development and capacity-building in the local ecosystem



Thank you!

Questions?

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