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

An Introduction to

Private Financing Advisory Network

Peter Storey

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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

Where We Are Now

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

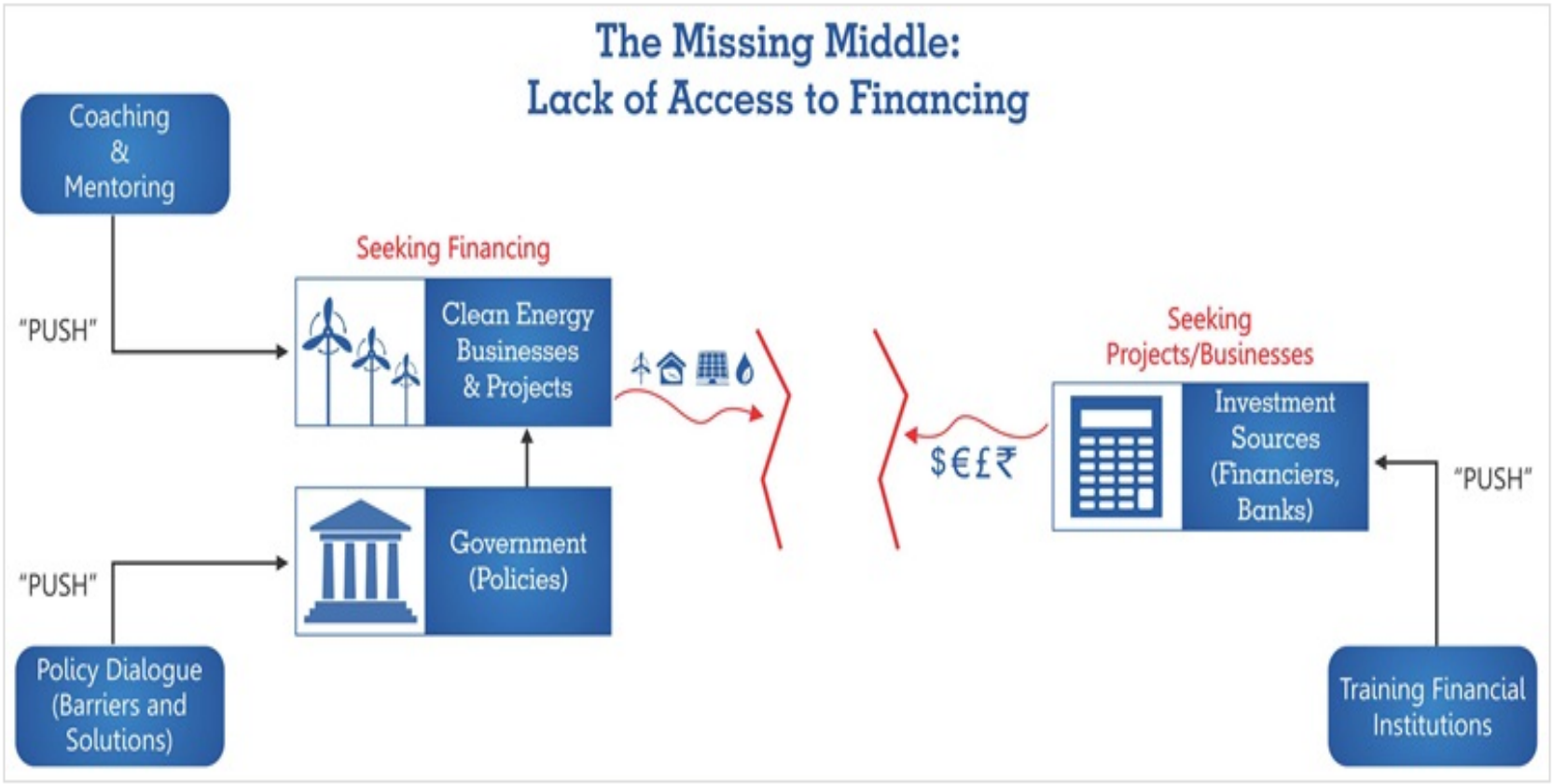
Large Financing Supplies

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

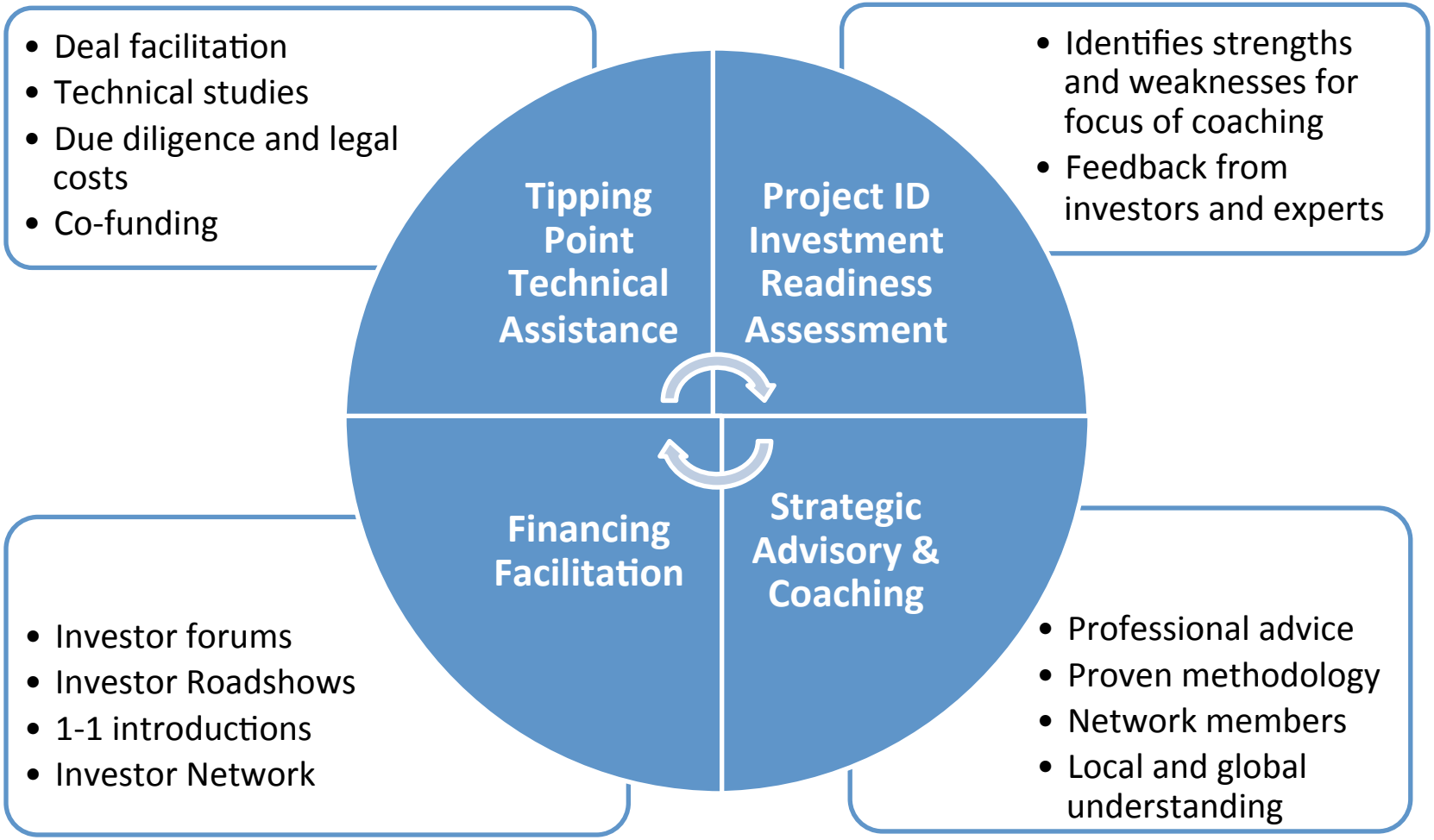
Mitigate investor risk

Facilitate project-to-finance match-making

Build Project Pipeline & Portfolios for large-scale investment

Best practice application for scale and replication

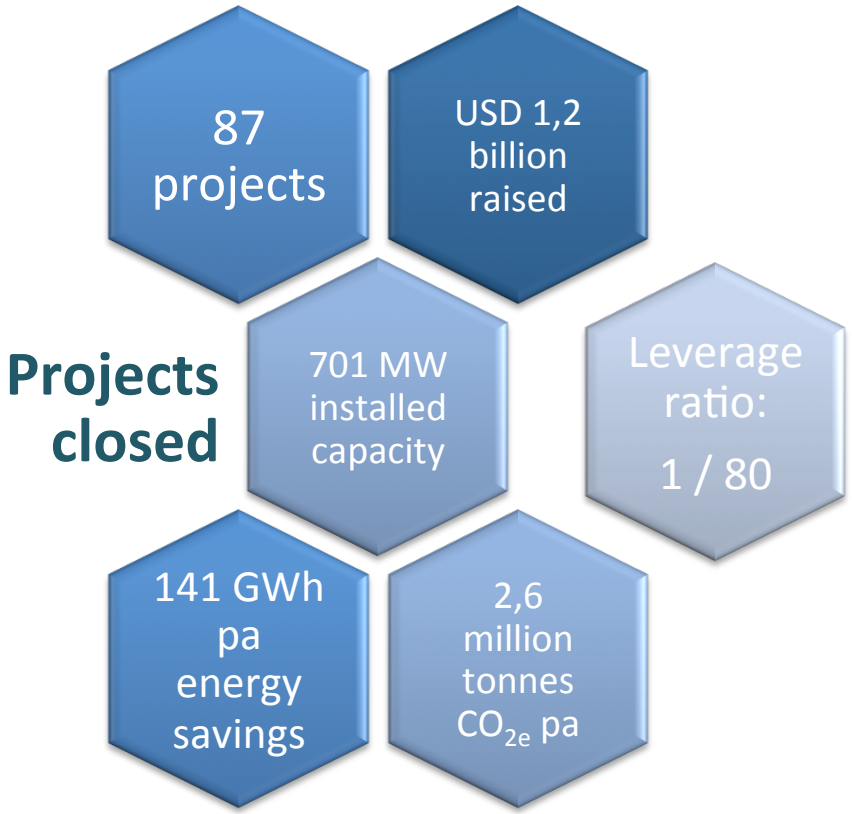
PFAN Services

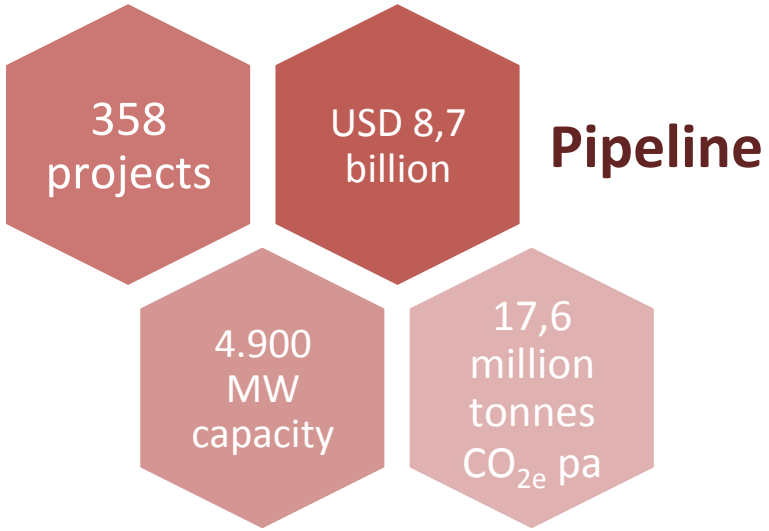


Project Criteria

- 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





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 (eg 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!

PFAN Global Coordinator:
Peter Storey
peter.storey@ppl-int.com

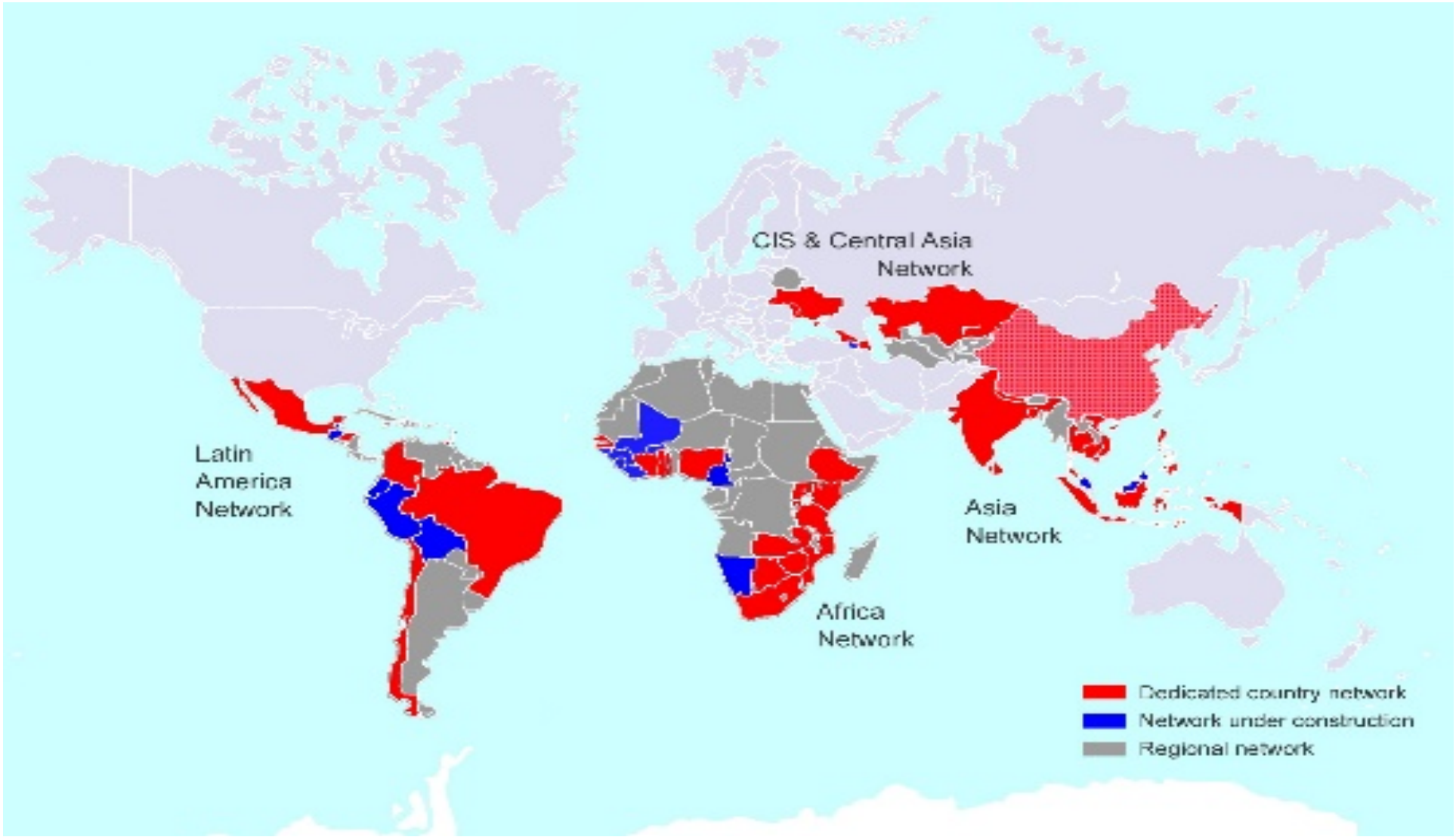
UNIDO:
Patrick Nussbaumer
p.nussbaumer@unido.org

REEEP:
Martin Hiller
martin.hiller@reeep.org

www.cti-pfan.net

Thank You!

Global Snap Shot of PFAN



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

Project ID	221/REEEP_022
Regions	Southern Africa
Country	South Africa
Technology Types	Biogas
Business Type	Greenfield
Debt Asking Amount	$9,450,000
Equity Asking Amount	$4,050,000
GHG Mitigation Potential (tonnes CO2e pa)	17,000

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

Project ID	280/NIG_204
Regions	West Africa
Country	Nigeria
Technology Types	Biofuels
Business Type	Scale-Up
Debt Asking Amount	$15,700,000
Equity Asking Amount	$850,000
GHG Mitigation Potential (tonnes CO2e pa)	5,400