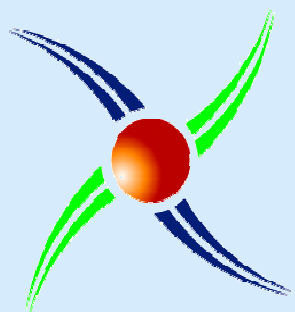


THE CLIMATE TECHNOLOGY INITIATIVE'S PRIVATE FINANCING ADVISORY NETWORK (CTI PFAN)

Progress Report & Review of Activities 2008 for CTI Side Event at COP 14



PPL
INTERNATIONAL

CTI CLIMATE
TECHNOLOGY
INITIATIVE

**Peter Storey
Poznan 5th December 2008**

CTI PFAN'S FUNDING PARTNERS



USAID
FROM THE AMERICAN PEOPLE

CTI CLIMATE
TECHNOLOGY
INITIATIVE

ICET



CTI PFAN NETWORK MEMBERS



PPL
INTERNATIONAL

LaGuardia



Management
Consultant
Regulatory
Economics &
Finance



FE CLEAN ENERGY GROUP INC.



HCConsulting

S³IDF | Small-Scale Sustainable
Infrastructure Development Fund

CONTENTS



Background & Introduction

- Presentation of PPL (Global Coordinator of PFAN)
- Overview of PFAN – What it is & How it Works

Review of the Pilot Phase

- Achievements
- Project Development in the Pilot Phase
- Learning Points from the Pilot Phase

Expansion & Current Activities

Added Value of PFAN

Summary

INTRODUCTION TO PPL



Financing Arranger / Advisor

- **Structured Finance / Project Finance**
- **Structured Trade Finance**
- **Fund Management (dedicated closed-end investment funds)**

Exclusively for Developing Countries & Transition Economies

Special Focus on Clean / Renewable Energy Projects

- **other areas of know how (Infrastructure)**

Privately Owned / Independent

- **Holding Co & Headquarters in Cyprus**
- **Companies / Offices in Vienna, Kiev, Johannesburg**

Involvement with CTI / UNFCCC since 2004

- **Founder Member & Global Coordinator of PFAN**

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

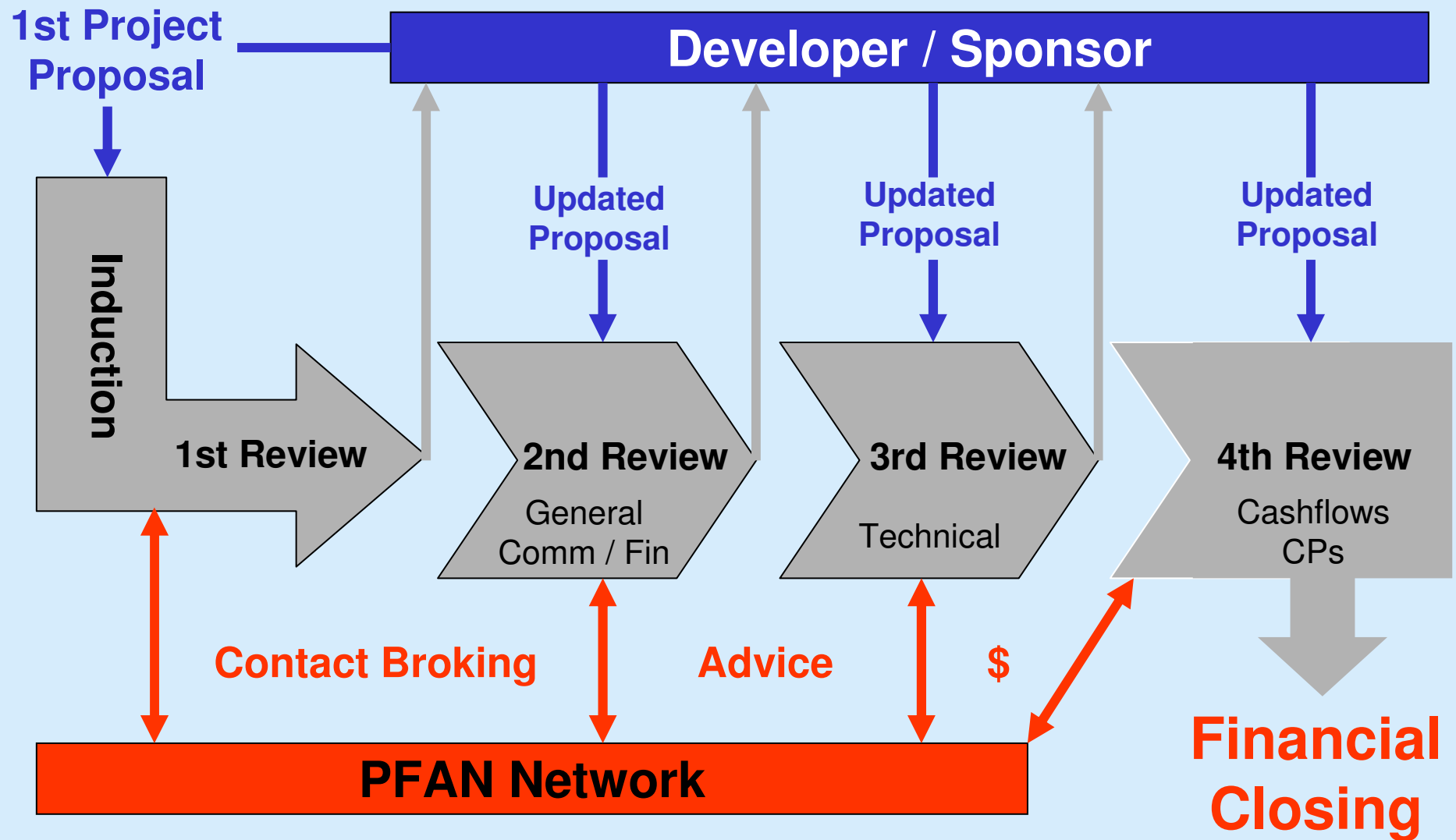
Technical Assistance

- Contributions to the cost of technical studies etc

Matchmaking Service: Contact Broking & Introductions

Money / Financing – directly from PFAN Members & their Networks

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 mid 2008 (from 2006)
- Built the Initial Network & Tested 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 & APP 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 American Network is Up & Running
- Rolling-Out in Asia – Country Sub-Networks in China & India
- Africa (Q1 & Q2 2009)
- Eastern Europe & CIS (from Q2 2009)

Appointment of Global Coordinator & Regional Coordinator for each Regional Network

- Latin America – LaGuardia
- Asia – ReEx Capital Asia (China identified / India in process)
- CIS – MSW
- Global Coordinator & Africa: - PPL

NETWORK



Founder Members

- 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

- 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)

Introduction of Success Fees

- With aim of making programme self sustaining

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 roll-out of the African Regional Network

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

- CTI Member Countries
- USAID
- 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

Call for Projects – initial project identification

- Intensive 1on1 coaching by PFAN to develop high quality proposals

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

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- Resource Optimisation

Direct Access to Investors & Financing Sources

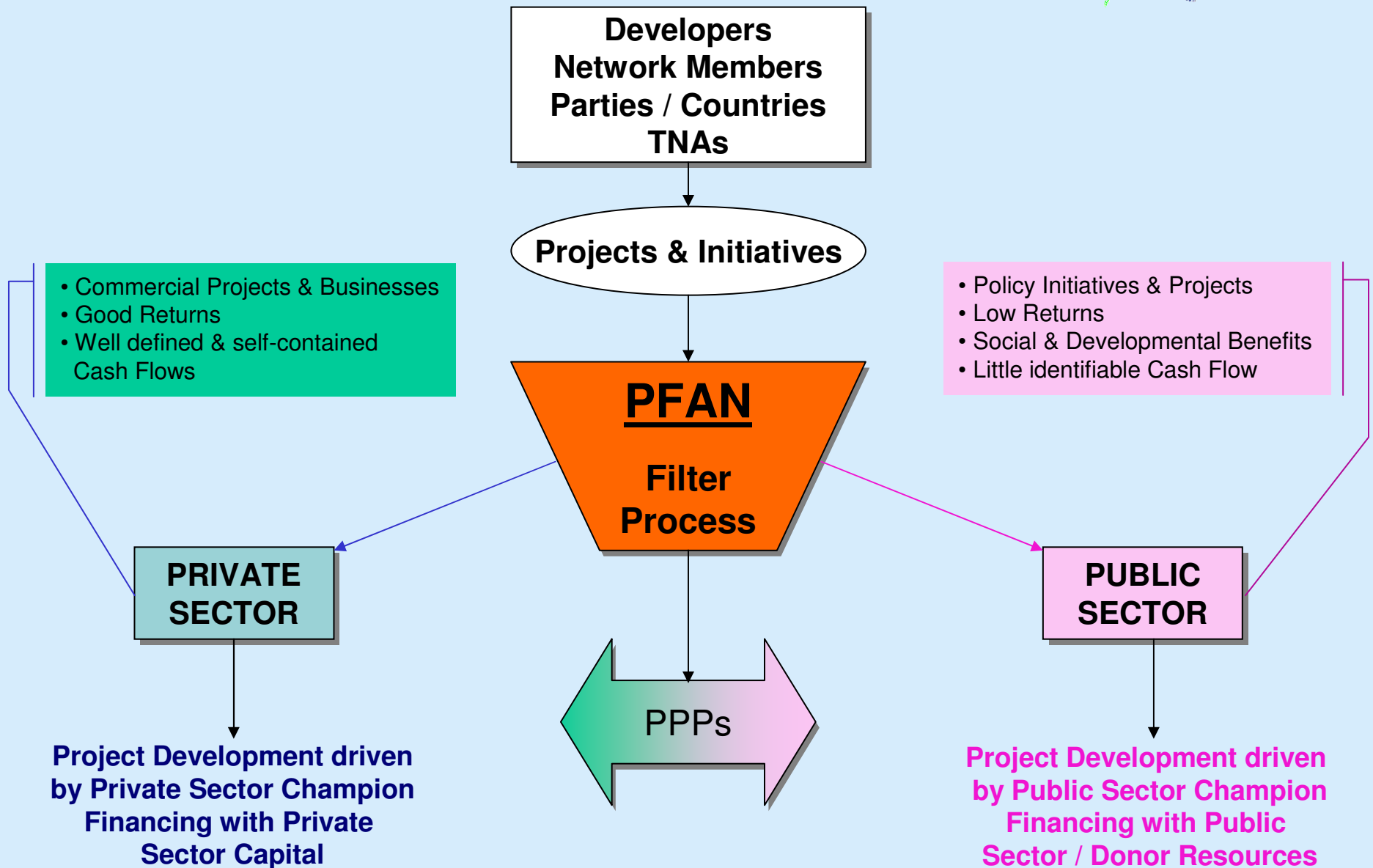
Knowledge Base & Experience

- PFAN Members know what works (technically & commercially)

Reduces Risk through early identification of key strengths & weaknesses

Accelerates Development Process

PFAN'S FILTER ROLE



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 available information)

Some Element of Private Sector Involvement

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

- Smaller & larger projects possible
- Typically Mitigation Type Projects (Adaptation & EE!)

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

- Commitment of Developer is key

CLOSING SUMMARY



PFAN is proving to be a succesful & 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, new members
- Financing Target: ca USD 500 – 700 million over 3 years

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 working with UNFCCC Parties, EGTT and others to achieve the above goals.

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