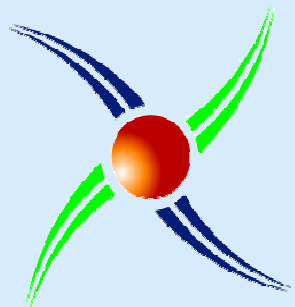


UNIDO & UNFCCC
Training of Trainers Workshop
How to Prepare Project Proposals

Introduction to
CTI's PFAN
(Private Financing Advisory Network)



PPL
INTERNATIONAL

CTI CLIMATE
TECHNOLOGY
INITIATIVE

Peter Storey

Vienna, 01 October 2008

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Background & Introduction

- Presentation of PPL & CTI
- How PFAN came about

PFAN

- What it is & How it works
- Project Development Progress
- Current Network Members
- Learning Points from the Pilot Phase
- Plans for Expansion Roll-Out
- PFAN's Added Value

Selection Criteria

Summary

Exercise

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**

INTRODUCTION TO CTI

Climate Technology Initiative



Implementing Agreement under the IEA in support of UNFCCC Objectives. Currently 10 Member Countries:

- Austria, Canada, Finland, Germany, Japan (Vice Chair), Norway, South Korea, Sweden, UK (Vice Chair) & US (Chair)

To promote more rapid development and diffusion of climate friendly and environmentally sound technologies through multilateral and international cooperation between the public and private sectors and between OECD Countries and Non-OECD Countries

CTI works with

- Governments
- IEA & UNFCCC Secretariats
- Export Group on Technology Transfer (EGTT / UNFCCC)
- International Organisations (WB / UNDP / UNEP / UNIDO)
- Business & Financial Sectors

HOW DID 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 PFAN?



Informal Network of Private Sector Companies / Individuals

- Common interest in providing finance & financing services to climate friendly projects to support technology transfer
- Investors / Private Equity Funds / Banks
- Financing Consultants & Technical Advisors

PFAN is organised in 4 Regional Networks

- LAC / Asia / Africa / CIS & Eastern Europe
- Each Regional Network managed by a Regional Coordinator
- Overall Coordination & Liaison with CTI / UNFCCC / Funding Partners by Global Coordinator

Organised under the Umbrella of CTI / managed by CTI Secretariat

- Funds management / oversight & control

Aims:

- To 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 (limited)

Matchmaking Service: Contact Broking & Introductions

Money / Financing – directly from PFAN Members & their Networks

HOW DOES IT WORK?



Initial Review / Programme Induction

- Rigorous but non-bureaucratic
- PFAN Member assigned to project as dedicated coach / mentor

3 Further Reviews to guide project to Bankability & Financial Close

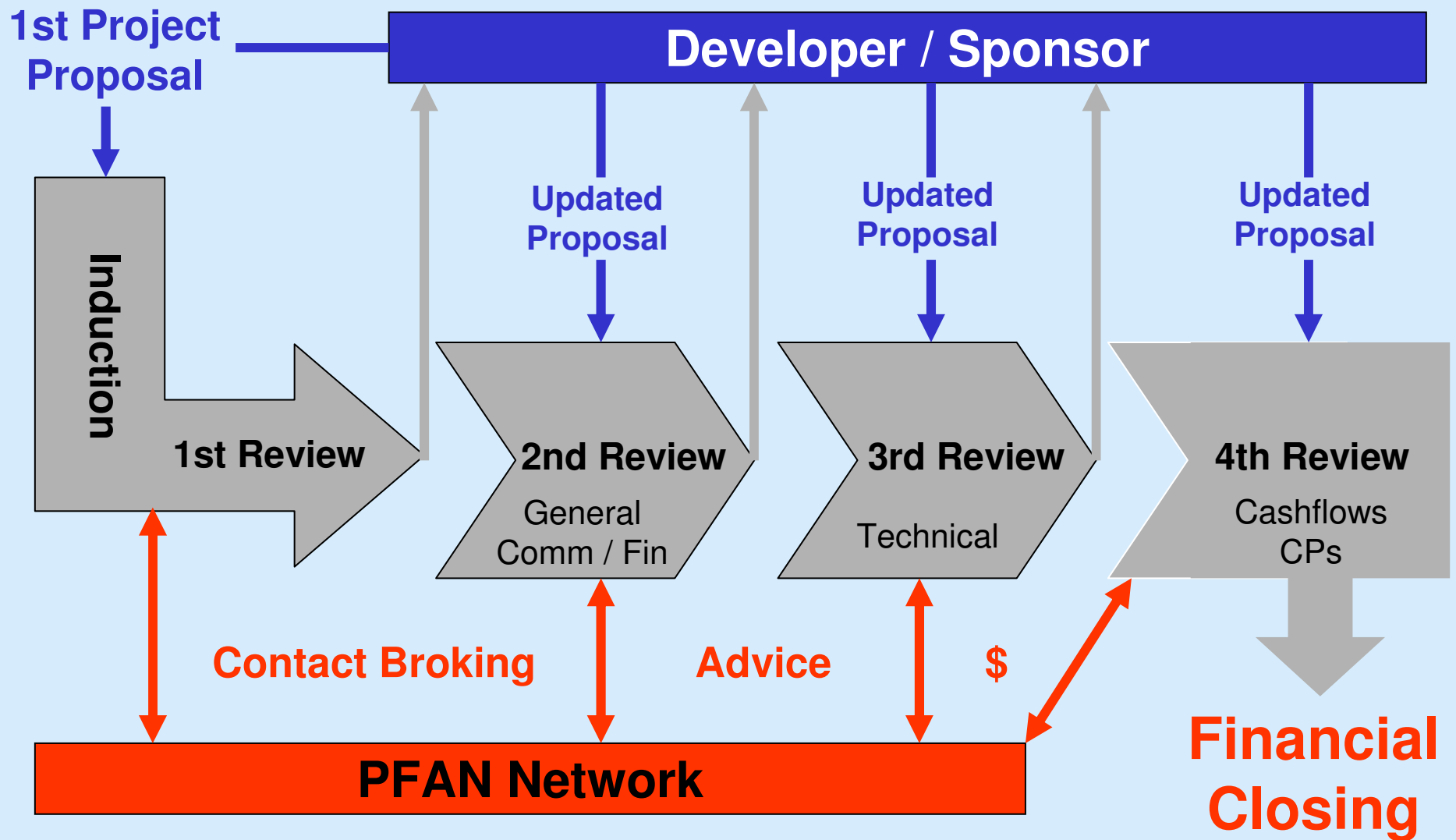
- Written report to developer at the end of Each Phase
- Recommendation / decision to continue or terminate support

PFAN support can be terminated if financing thought unachievable

Virtual Consultancy – (From the Desk Top)

- Some hands-on ability during 4th Phase

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 Activities



Pilot Phase successfully completed 31.12.2007

Building the Network & Testing the Concept

Ongoing support of UNFCCC, EGTT & CTI Capacity Building activities

Endorsement in Bali COP 13 Decisions (4 / CP.13)

New Funding from USAID confirmed 30.09.08

- USD 331K for Global Network from GCC programme
- USD 200K for India & China from APP programme

PROJECT DEVELOPMENT PROGRESS



8 Projects currently in the Programme

- some 68 projects reviewed
- 10 projects formally inducted
- 2 new projects recently inducted; 1st Project in CIS
- 10 – 15 of the rejections would have been suitable for PFAN support
- 13 Projects currently undergoing initial review including first projects in Asia (011P – 023P)

1st Project reached financial close in July 07

- **Small Hydroelectric Power Station in Mexico (8,5 MW / USD 17 mio)**

2nd Project closed in July / August 08

- **Bio-Diesel Refinery in Brazil (66.000 tpa / USD 18 mio)**

2 Projects for which PFAN support has been discontinued

- **Photovoltaic power Station, South Africa (10 – 20 MW)**
- **Clean Coal power station, Botswana (400 MW / USD 600 mio)**

CURRENT 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 Wirtschaftspruefung (Berlin: CIS & Eastern Europe)
- E+Co (US / NL: Latin America / Africa / Asia)

New Members

- REEX Capital Asia (Singapore: South East 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

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 PLANS

(Implementation thru Q4 08 - 09)



Expand PFAN Network & Processing Capacity

- Increase Project Capacity to 100 – 125 projects
- Ability to leverage ca USD 515 – 714 million of Financing
- Bring in new members – Investors & Advisors
- Increase resource allocation per project
- Focus on smaller Projects in the (USD 1 mio – 30 mio range)
- Some Micro Projects

Build Out & Expand Regional Networks

- Latin America / Africa / Eastern Europe & CIS / Asia (China & India)
- Formalise organisation & administrative procedures

Expand & formalise project identification & selection processes

- Call for projects (regional / global)
- Participate in & support TNA process

Examine & test mechanisms to make programme self-sustaining

- Success Fees

Value of PFAN to the Investor



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 the Developer



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- Resource Optimisation

Direct Access to Investors & Financing Sources

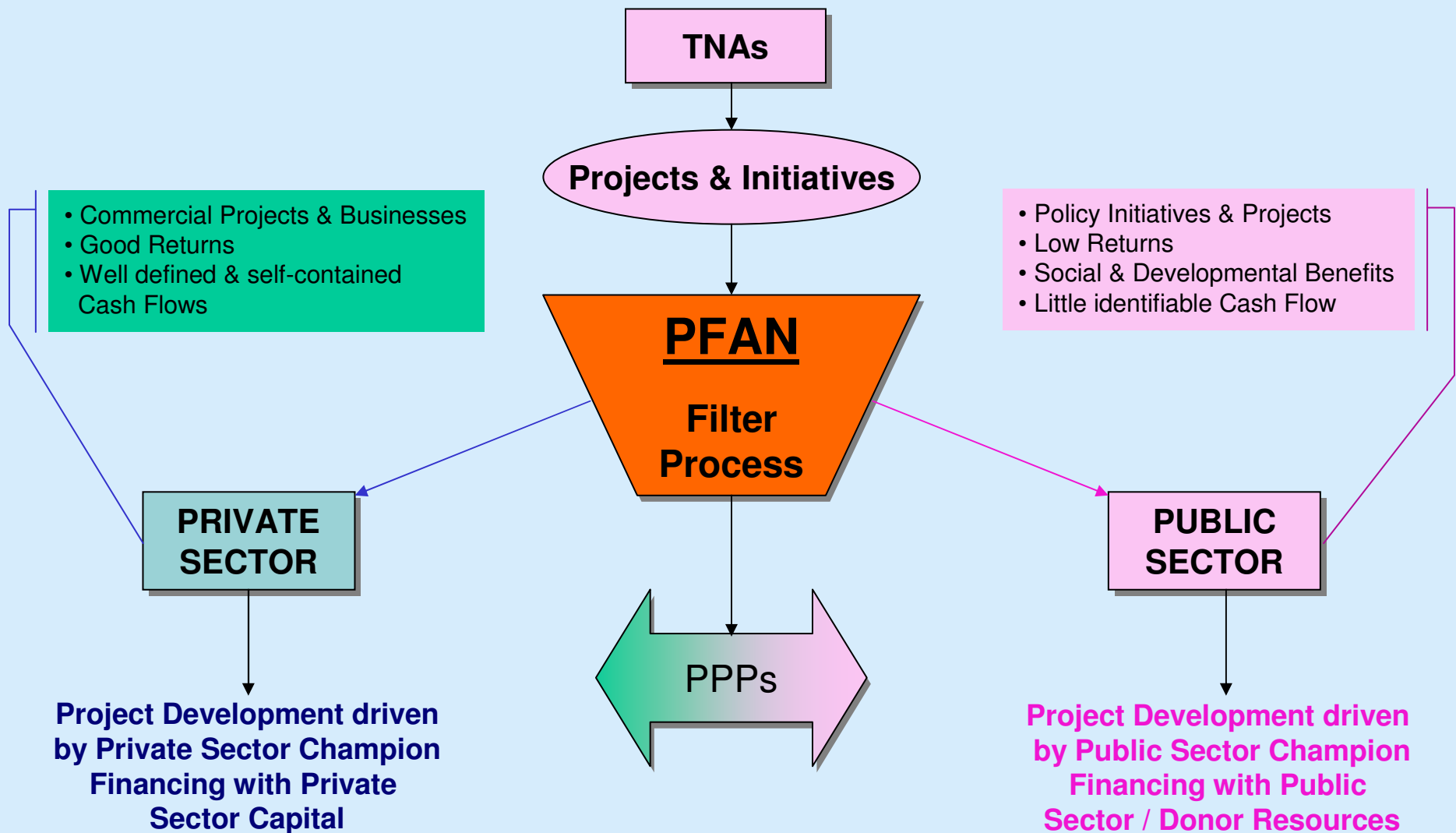
Knowledge Base & Experience

- PFAN Members know what works (technically & commercially)

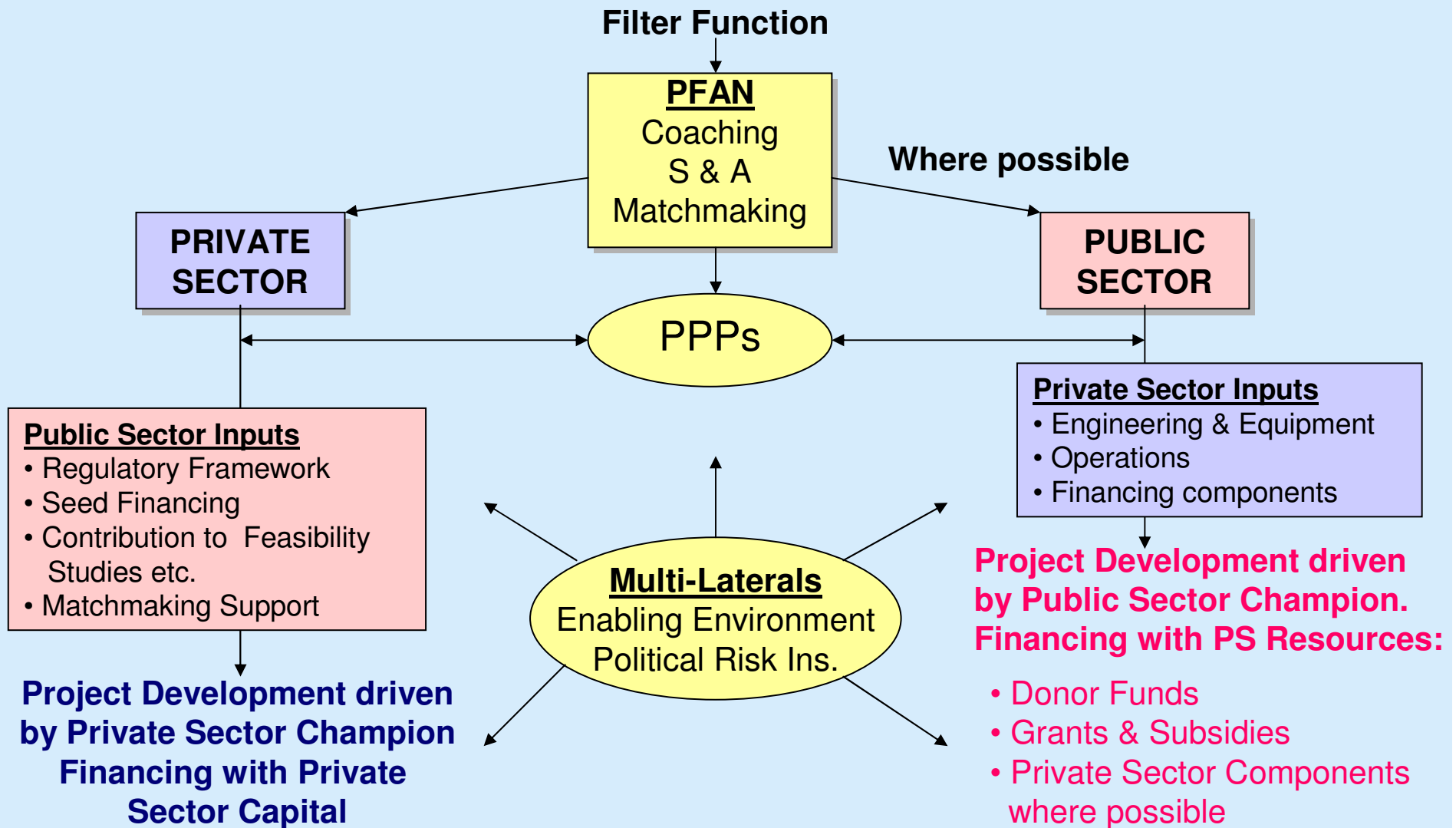
Reduces Risk through early identification of key strengths & weaknesses

Accelerates Development Process

PFAN'S Filter Role - UNFCCC TNA Process



PFAN's ADDED VALUE: Bridging the Development Gap & Interface between Public & Private Sectors



What does the Ideal PFAN Project look like?



- Commercially & technically experienced Project Sponsors (**Who?**)
 - **Financially committed: Equity stake**
- Proven Technology: can still be new / state of art (**What?**)
- Reasonable Plan for Implementaion (**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 – 30 Mio 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 successful & 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 ready for implementation**
- **New Projects; New Members; New Regions**

Please send your project proposals / enquiries to

- **Peter Storey** peter.storey@ppl-int.com (Global Co-ordinator)
- **Taiki Kuroda** kuroda@icett.or.jp (Head of CTI Secretariat)

PFAN looks forward to continuing work with UNFCCC & UNIDO in support of their development goals & priorities for implementation of Technology Transfer & Mitigation / Adaptation of Climate Change