

**Summary of CTI side event at
Twelfth session of the Conference of the Parties (COP 12)
United Nations Framework Convention on Climate Change**

**“Broadening the base of financing for technology transfer – a progress report
on the Private Financing Advisory Network (PFAN)”**

9 November 2006 Nairobi, Kenya

The Climate Technology Initiative (CTI) held a side event at the twelfth session of the Conference of the Parties (COP 12), United Nations Framework Convention on Climate Change (UNFCCC) in Nairobi, Kenya on 9 November 2006 lead by the Chair of the CTI, Mr. Elmer Holt and the Vice Chair of the CTI, Mr. Terry Carrington. This event entitled “Broadening the base of financing for technology transfer – a progress report on the Private Financing Advisory Network (PFAN)” was well attended by over 100 participants from a broad range of stakeholders including national delegates, private sector, and NGO representatives.

The event provided an update on the work on innovative options to finance technology transfer being pursued through the work of the Expert Group on Technology Transfer and the CTI’s PFAN pilot programme of providing technical assistance to developing and transition countries to develop their project financing proposals with the goal of improving the prospects for securing access to project financing by engaging the private financing community.

Mr. Holt opened the side event with introduction and overview of the CTI and its ongoing support for the work of the EGTT to facilitate technology transfer under the Convention. He noted that the CTI and private international finance community perceived the need for private financing to overcome absence of public funds not as a barrier, but as an opportunity. He further noted that through technical assistance and coaching, project developers in developing countries and transition economies could prepare financing proposals of the necessary quality to enhance the prospects of securing private financing, and the Private Financing Advisory Network (PFAN) was established in early 2006 to provide such assistance. He introduced Mr. Javier Garcia Monge of CORFO, the Chilean economic development agency, and noted that CORFO had developed an innovative approach to increase the number of environmentally sound projects in support of policy objectives, and established a program to showcase Chilean projects to the international finance community.

Mr. Javier Garcia Monge of CORFO commented that Chile had taken a step forward by facilitating investment opportunities through public/private partnerships that provide a variety of incentives and services, including an enabling environment that established a legal framework conducive to implementation of renewable energy projects. He further noted that CORFO had taken practical steps to accelerate clean energy by providing guidance on structuring projects and limited funding to conduct pre-feasibility studies on potential clean energy projects.

Ms. Wanna Tanunchaiwatana, UNFCCC Secretariat, gave an overview of the current status of UNFCCC's work on technology transfer. She noted that regional training workshops on technology needs assessments (TNA) were organized by CTI, and one area of work emerged in 2004 was innovative options for financing the development and transfer of technology. She further noted on what role the CTI could play in supporting future activities in the area of innovative financing.

Mr. Bernard Mazijn, Chair of the EGTT, noted that two workshops on innovative financing in Montreal (2004) and Bonn (2005) were held with objectives to assist project developers in developing countries in preparing project proposals that would meet the standards of international finance providers, and referred to one expression used during the workshops "better projects, increased funding and shorter funding cycles enabled through enhanced toolkits". As one possible toolkit, he introduced "A guide book on preparing technology transfer projects - Preparing and presenting proposals". He emphasized that "champions" or project developers who commits to projects was one of the target groups, and their willingness to take ownership in the projects were essential in successful implementation. He noted that the CTI could play an important role in setting up a project finance facility to help project developers to present their proposals to finance practitioners.

Mr. Peter Storey, representing the private finance provider, HERA International Group, presented that PFAN's aim was to facilitate knowledge and know how transfer, provide an interface between public sector policy goals and private sector commercial reality, and increase the number of bankable renewable energy projects and help get them to financial close. Noting that PFAN was in trial phase at the moment, he outlined services PFAN would offer as giving advice and guidance on overall project and commercial structure and design, financing structure, sourcing and procurement of financing, and sourcing technical and engineering advice. He further noted that PFAN could offer contact brokering to introduce the right people to get financing, and also provide financing directly from other firms participating in the Network. He highlighted key project selection factors as being consistent regulatory framework, commercially and technically experienced project sponsors, proven technology, risk sharing, repayment ability and adequate return. He outlined seven projects currently under PFAN, including a bio-diesel project in Brazil and a small-hydro project in Chile. He noted that there existed potential for integration and coordination with other UNFCCC programmes and initiatives.

The presentations were followed by a lively period of questions and discussion lead by Mr. Carrington. Topics of particular interest included the application process for PFAN services and acceptable project types and sizes. Mr. Storey clarified that cost of providing PFAN services was absorbed by CTI under the trial phase funding scheme and partially subsidized by the firms and individuals participating in PFAN. He further noted that PFAN participants were specialized investors with a triple bottom line perspective primarily focused on climate friendly projects in developing countries and countries with economies in transition. Such triple bottom line investors not only take into consideration the economic elements of the project, but the environmental and social aspects as well.

Mr. Holt closed the side event by emphasizing that this approach with PFAN was in response to the insufficient public resources to address technology transfer by leveraging private sector involvement.