

## Bridging the Finance Gap for Clean Energy Projects

By  
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Since 2006, the CTI Private Financing Advisory Network (CTI PFAN) has played a pivotal role in connecting clean energy businesses in developing and transition economies with the private-sector financing they need. The PFAN, a partnership within the Climate Technology Initiative (CTI)<sup>2</sup>, recently announced a US\$ 30 million financial closing for a biomass plant in the Philippines. Elmer Holt, Chair of the CTI Executive Committee, discusses this project and the work of the CTI and the PFAN.



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Executive Committee Chair  
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ASEA One Power Corporation's ground-breaking ceremony in December 2009 highlighted another rewarding example of how creative international collaboration can make sustainable energy projects happen. The project will result in the largest biomass plant in the Philippines. "Through CTI Private Financing Advisory Network, our company has found investment leads from all across the globe and developed links to important business partners", said Paul Rodriguez, ASEA One's President and CEO. "We have learned from CTI PFAN that it is vitally important", he continued, "to emphasise the major elements in the business plan that entice the interests of investors, and we have practically rewritten our business plan. The concrete advice and assistance provided by the CTI PFAN helped us reach out to investors in a most effective fashion."

The US\$ 30 million envelope facilitated by CTI PFAN underpins a programme with attractive benefits. Significantly, ASEA One's biomass project has an annual GHG mitigation potential of 820,000 tonnes of CO<sub>2</sub> equivalent. The company is initiating a profit-sharing scheme to boost financial gain for local farmers, kindle a spirit of partnership and protect the company from fluctuating feedstock costs. Logistical expertise provided by sister company Asian Marine Transport Corporation will

<sup>1</sup> The IEA [OPEN Energy Technology Bulletin](#) is a free, web-based periodical newsletter published by the International Energy Agency (IEA). Views expressed in *OPEN Bulletin* articles do not necessarily reflect the views or policies of the IEA Secretariat or of all its individual member countries.

<sup>2</sup> The [Climate Technology Initiative](#) (CTI) is an IEA energy technology [collaborative programme](#).

facilitate deliveries of imported biomass feedstock using roll-on/roll-off vessels to distribute excess feedstock among the seven major islands of the Visayas Region. The four-phase project promises a total capacity of 246MW, a much needed contribution to meeting power demand in a region where 550MW of extra capacity is likely to be needed by 2014. The CTI [PFAN website](#) tells more about this project.

This is the latest CTI PFAN success story in a series that has raised US\$ 75 million of investment over three years. Focusing on finance for innovative, clean, renewable-energy and energy-efficiency projects in developing countries and transition economies, the CTI PFAN works to bridge the gap between investors and clean-energy entrepreneurs.



ASEA One Power Corporation (AOPC) President and CEO Mr. Paul Rodriguez (center) introduces Aklan Governor Carlito Marquez (right).

*Photo courtesy of Climate Technology Initiative*

### **CTI PFAN's mission**

A multilateral public-private partnership, the CTI PFAN brings together private-sector companies experienced in financing climate-friendly projects and technologies to screen business plans and select the most economically viable and environmentally beneficial. Operating under the umbrella of the Climate Technology Initiative, CTI PFAN provides guidance to entrepreneurs and businesses on feasibility, project structuring, investment and financing. It helps to draw up business plans and handles introductions to investors.

Through the CTI PFAN, we are proud to be playing a key role in facilitating technology transfer, a pillar in building responses to today's global environmental, economic and energy challenges. Currently, we are working on more than 60 projects representing over US\$ 1.7 billion of investment requirements.

As we strive to accelerate development and adoption of climate-friendly technologies and practices, we are also contributing to greater economic and social stability, domestic capacity building, job creation, poverty alleviation and the reinforcing of institutions. We enjoy the privilege of working closely with governments and international organisations, but also with vast numbers of private-sector entities in the world of business and finance. Combining the outstanding talents to be found in both the public and private sectors generates a formidable mix of skills and expertise, at the same time leveraging our resources. We optimise our joint efforts, reinforcing local capacities and expanding access to clean technologies.

### **In-depth experience quickly gained**

What triggered creation of the CTI PFAN? The need to expand access to private capital markets and supplement increasingly scarce public resources prompted the

Climate Technology Initiative, in co-operation with the UNFCCC's Expert Group on Technology Transfer (EGTT), to launch the CTI PFAN in 2006. The CTI PFAN network was designed to be an "open source" network to fit seamlessly into existing global and regional initiatives and bring on board all stakeholders with an interest in clean energy financing. Participants include specialist investment funds, institutional investors, philanthropic and development investors, strategic and industrial investors and banks, as well as financing advisory consultants. What they all have in common is an interest in triple bottom line investments that take account of social and environmental values along with financial return.

The period up till September 2008 was the CTI PFAN's pilot programme phase, during which 65 projects underwent initial review. Ten were formally accepted as eligible for CTI PFAN support and thus entered the development pipeline. During the pilot phase, three projects were guided to financial closure: a small run-of-river hydro-electric

#### **The Climate Technology Initiative (CTI)**

The CTI was established at the first Conference of Parties to the UNFCCC in 1995 by 23 IEA/OECD Member Countries and the European Commission. In 2003, the CTI gained a new status as an IEA Implementing Agreement whose current members include Australia, Austria, Canada, Finland, Germany, Japan, Norway, Republic of Korea, Sweden, United Kingdom, and the United States. The CTI's activities are designed to be consistent with the UNFCCC objectives, in particular the framework for technology transfer incorporated in the Marrakech Accords and adopted at the Seventh Conference of the Parties to the UNFCCC.

power station in Mexico; a bio-diesel refinery in Brazil; and a biomass pelletisation project in South Africa. A total of US\$ 40 million was raised.

At the end of 2008, CTI PFAN embarked on a major scale-up programme to run until the end of 2012. This programme plots the pathway for rapid expansion of the development pipeline and the setting up of regional and in-country networks and project development operations. On the

basis of our encouraging track record and current leverage rate, CTI PFAN aims to raise between US\$ 500 and US\$ 700 million of investment and financing over the next three years for clean energy projects in economies in transition and developing countries.

2009 was a year of considerable expansion and scaling-up of CTI PFAN activities. This translated into numerous events, which brought together project developers and investors in Singapore, Manila, Jakarta and Beijing. Following the success of these gatherings in Asia, similar regional events are planned for Africa and Latin America during 2010. A key event will be the CTI PFAN Asia Forum for Clean Energy Financing in Bangkok (Thailand) on 4th March 2010. It will showcase high-quality clean energy projects from around the Asia region to some of Asia's leading investors<sup>3</sup>.

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<sup>3</sup> The CTI PFAN Asia Forum for Clean Energy Financing, in Bangkok (Thailand) on 4th March has selected 10 short-listed candidates to present their project proposals at the Forum to potential investors and financiers. Developers of the selected projects will receive one-on-one coaching and mentoring from CTI PFAN at a one-day workshop on 3rd March 2010 prior to the Forum. Visit the [website](#).

Events such as this are an integral part of the CTI's programme of work, which includes regional training workshops, seminars and other hands-on activities making tangible contributions to international technology transfer. Building on the PFAN concept, the CTI has been asked by the UNFCCC Secretariat to collaborate on outreach and training workshops to enhance capacity among developers and other project proponents in developing countries and countries with economies in transition. This is part of preparation of their project for financing proposals to broaden access to financing, particularly from the private financing community.

Today, CTI PFAN has global coverage through four regional networks, which also include dedicated in-country networks in selected countries. CTI PFAN activities currently cover the following:

- Latin America & Caribbean;
- Asia - including dedicated in-country networks in China, India, Indonesia & Philippines;
- Africa - including dedicated in-country networks in Mozambique & Uganda;
- CIS & Eastern Europe.

### **Multiple CTI PFAN services**

In practice how does CTI PFAN operate? Having identified promising clean energy businesses and projects at an early stage, CTI PFAN's teams focus on enhancing the possibility of financial closure. Typically this means guiding development of a business plan, preparation of an investment pitch, sourcing of investment and drawing up of a growth strategy,

#### **What CTI PFAN offers**

These services are offered free of charge to clean energy businesses selected as eligible.

- *Advice and Guidance* on overall project structure, financial structuring, sourcing of equity and debt financing, technical project aspects, business growth strategy, preparation and presentation of business plans.
- *Technical Assistance*. Limited funding may be available to selected projects for feasibility and technical studies.
- *Matching Projects with Investors*. Selected projects are introduced to investors via showcasing at Clean Energy Financing Forums organized by CTI PFAN and by direct introduction to network investors and other potential investment sources.

Projects are selected according to seven key criteria. They must be competently managed, technically viable, economically viable, sustainable, environmentally beneficial, socially responsible, and they must contribute to reducing greenhouse gas emissions.

To qualify for CTI PFAN support, a project must first undergo a rigorous review based on an initial application that includes a detailed project description, underlying project economics and other readily available relevant information. Once accepted into the programme, a project is assigned a CTI PFAN advisor or "coach" from the network who steers the project through further review stages designed to guide project sponsors along the financing process to financial closure. The review process is tailored to

individual projects, but the second stage concentrates on project economics and underlying viability, while the third stage focuses more on technical and engineering aspects. The two final stages aim at problem solving, fine-tuning of cash flows and fulfilling the necessary conditions required by the potential investor for converting offers into committed deals.

### **Clean Energy Financing Forums**

To showcase selected projects to specially convened investors, CTI PFAN periodically organises Clean Energy Financing Forums in various regions and locations. These include regional forums in Asia and Africa, and national forums in Brazil, China, Indonesia and the Philippines. Projects for the Forums are selected via calls for proposals. Information on upcoming Forums and calls for proposals can be found at [www.cti-pfan.net](http://www.cti-pfan.net).

Outside the Clean Energy Financing Forums, free-form project proposals may be submitted to CTI PFAN at any time. Further information on submitting proposals is available at [www.cti-pfan.net](http://www.cti-pfan.net). Proposals may be submitted as executive summaries and/or full business plans, depending on project development status. Guidelines for preparing executive summaries and business plans can be found at [CTI PFAN Project Proposals](#). Naturally, we are always interested in hearing also from investors and advisors interested in becoming members of the network.

### **Who Can Participate in CTI PFAN?**

CTI PFAN generally targets projects requiring total investment in the range between US\$ 1 million and US\$ 50 million, though projects with other profiles may be considered. CTI PFAN is technology-neutral so it works in a range of sectors. These include - but are not limited to - biomass, wind, waste-to-energy, geothermal, hydropower, tidal, solar, clean transport and distributed generation. Energy efficiency programs for the industrial or commercial sectors are also eligible.

The CTI PFAN team welcomes contact from interested parties. Readers wishing to learn more about CTI PFAN should contact:

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The CTI has accomplished much over recent years, but much still remains to be done. All the CTI and PFAN teams join me in expressing the wish that a steadily growing number of new participants will join our efforts over the coming years to facilitate access to climate-friendly energy technologies and practices and their broad diffusion all around the globe.