

RE/EE Investment Advisory Facility (IAF)

“helping financiers make informed business decisions on renewable energy and energy efficiency investments in developing and transition economies”

This facility makes expert advisory services available to financiers for evaluating specific Renewable Energy (RE) and Energy Efficiency (EE) investments. The support provided comes in the form of funds for the contracting of expert consultants to advise on first time transactions in a particular sector. A broad range of activities are eligible for support, ranging from project assessments to risk management and legal reviews. Activities supported generally focus on evaluating incremental risk issues related to these new technologies.

Some Activities Eligible for Support

- independent project assessment
- regulatory compliance and framework review
- market sizing for a manufacturing concern
- operational & maintenance cost review
- environmental liability risk analysis
- financial risk analysis
- legal review of intellectual property and patent rights
- independent valuation of a project or company
- CO₂ emissions reduction assessment or transactions

... other activities also eligible

Application Process

Financiers should call or email UNEP to discuss a prospective application before submitting any documentation. The formal request consists of a letter of request to UNEP that includes:

- ✍ brief description of the RE or EE investment under consideration
- ✍ list of issues to be resolved or clarified in order for an investment decision to be taken
- ✍ proposed Terms of Reference and budget (can be developed in consultation with UNEP)
- ✍ short-list of consultants who can provide the required services (optional)
- ✍ documentation indicating senior management approval for investment evaluation (i.e., investment has been pre-screened)
- ✍ background information on the requesting organization, indicating related investment activity

Upon receipt of the above information, UNEP will respond to requests, typically within 10 working days.

Conditions

The IAF is available for Renewable Energy or Energy Efficiency investments (debt or equity) being evaluated for implementation in a developing or transition economy. The administration of the agreed-upon services (i.e., contracting of consultants and their supervision) is the responsibility of the financier. The IAF can provide up to USD\$50,000 and cover a maximum of 49% of project evaluation costs. For more information, see UNEP bulletin *RE/EE Investment Advisory Facility Guidelines*.

A Decision Support Facility financed by

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PROJECT EXAMPLES

Sustainable Woodfuel Plantation, Tanzania - Technical feasibility study

Investment	The Dutch and German development banks FMO and DEG were considering financing a sustainable woodfuel plantation as part of a larger investment in a recently privatised salt mine in Uvinza, Tanzania. The plantation component was US\$ 1.2 million of an \$8 million total investment.
Issues	The salt mine used wood from the local forests for thermal salt drying, leading to local deforestation. An alternative source of fuelwood was required before investment could take place. FMO and DEG were therefore interested in evaluating whether a sustainable plantation could form part of the overall investment in the salt mine.
Action	FMO tendered for a consultant on the basis of an agreed-upon Terms of Reference. The consultant completed a plantation feasibility assessment which was then included as part of the overall investment evaluation. Based on this, FMO/DEG decided to include the plantation as part of the overall investment proposal. Although FMO then backed away, DEG approved the investment and found a commercial banking partner as co-financier.
IAF Role	UNEP provided US\$27 000 for the contracting of forestry consultants Jaakko Poyry. The IAF intervention was completed in three months.

Wind Farm, Jamaica - Valuation of emission reductions

Investment	The financiers Renewable Energy Systems Ltd, the UK's largest wind developer, and the Jamaican Petroleum Corporation are looking to back a 20 MW wind farm in Jamaica. The total investment is US\$ 25.5 million.
Issues	Support was required to determine whether emission reduction credits could be valued, certified and sold for the wind farm, whose financials aren't sufficient to be viable otherwise. Overall project development had mostly been completed, but was stalled as the price that the power purchaser was prepared to pay was insufficient to make the project viable.
Action	The financiers contracted EcoSecurities for the carbon value evaluations. The evaluation consisted of conducting a formal evaluation of the policy context; quantification of greenhouse gas emission reductions; securing the project's emission reduction credits; and assisting in completing a transaction. In early 2001 a \$3.4 million carbon sale was negotiated with the World Bank's Prototype Carbon Fund. Even with the carbon value monetised, the project remains stalled due to a breakdown in power purchase negotiations after privatisation of the electric utility.
IAF Role	UNEP provided US\$38 000 for the carbon assessment . The letter of intent for the carbon sale was signed with PCF five months after IAF support was initiated.

Energy Services Fund, Latin America - Investment fund feasibility study

Investment	The Multilateral Investment Fund (MIF), part of the Interamerican Development Bank, was interested in creating a new energy services equity fund for the Latin American and Caribbean region. The purpose of this Fund is to invest in energy efficiency projects, energy service companies (ESCOs) and renewable energy plants. MIF was considering taking a \$10 million participation in the creation of the US\$ 50 million fund.
Issues	Before making a commitment, the MIF needed more information on the scope of the energy efficiency market in the target countries and an assessment of the financial viability of the ESCO model within the geographical area.
Action	The assessment comprised of identifying an investment pipeline of existing and potential Energy Service Companies (ESCOs); examining the availability of debt financing for small to medium sized energy efficiency projects in the region; and analysing the potential rate of return on energy efficiency projects in the Latin American energy efficiency market.
IAF Role	UNEP provided US\$25 000 of co-finance towards the evaluation study. The work was carried out in early 2001 and the results helped the MIF take a positive decision to invest \$10 million in the fund's creation. Its' first closing of \$25.5 million was achieved in fourth quarter 2001. The fund will be managed by FondElec Group.