



Photo credit: AGL Energy



SEED CAPITAL ASSISTANCE FACILITY



Working through private equity funds and development companies to mobilise early-stage investment for innovative low-carbon projects in developing countries



Frankfurt School
FS-UNEP Collaborating Centre
for Climate & Sustainable Energy Finance

SEED CAPITAL ASSISTANCE FACILITY

Our vision

SCAF's vision is to increase the availability of investment for early-stage development of low-carbon projects in developing countries, contributing to low-carbon sustainable development, economic growth, poverty reduction and climate change mitigation.

Why seed capital is important

Numerous barriers inhibit private sector financing of low-carbon projects in developing countries. During the early stage of development, projects carry a significant risk that is reduced only once all permits have been secured and the legal, operational and financial viability has been demonstrated. Although the investment requirements are modest at this stage, third-party financing usually is not available, leaving the financial burden to the project developers who themselves are often poorly capitalised and unable to fully develop projects on their own.

What SCAF offers

SCAF addresses this financing gap by providing financial support on a cost-sharing and co-financing basis to low-carbon projects via private equity (PE) funds, venture capital (VC) funds and project development companies (DevCos). After a successful initial Phase I, SCAF launched Phase II in 2014.

SCAF's three support lines under Phase II

The Facility consists of three different support lines, each of which addresses specific barriers:

Support Line 0

FUND DEVELOPMENT

SL 0 helps new fund managers in the low-carbon space during the fundraising stage.

SL 0 is a conditional grant of between USD 200,000 and USD 500,000 that is paid back once the fund reaches a first close.

Activities typically financed under SL 0 include:

- Fundraising costs (e.g., travel expenses)
- Legal set-up fees

Support Line 1

PIPELINE DEVELOPMENT

SL 1 supports PE/VC funds and DevCos in building a project pipeline while at the same time delivering capacity-building at the local developer level.

SL 1 provides support in conjunction with SL 2 for a total amount of between USD 2 million and USD 2.5 million per partner. SL 1 is a non-reimbursable grant and accounts for 30% of the total contract volume. SL 2 accounts for 70% of the total contract volume and is a conditional grant that is reimbursable for projects that reach financial close.

Activities typically financed under SL 1 include:

- Training, coaching and workshops for local project developers
- Project identification (e.g., event participation, travel expenses)
- Pre-investment feasibility studies

Support Line 2

PROJECT DEVELOPMENT

SL 2 co-finances, with PE/VC funds and DevCos, the development costs of getting seeded projects to full financial close.

Activities typically financed under SL 2 include:

- Independent technical and project assessments
- Feasibility studies
- Financial risk analysis and project valuation
- Regulatory compliance and framework reviews
- Environmental, social and governance (ESG) risk analysis

PHASE I AND PHASE II

A successful Phase I

Phase I of SCAF started in 2009 and was successful in increasing seed capital for low-carbon projects in developing countries. Over a five-year period, the Facility worked with 8 partner investment funds to provide seed financing to 27 renewable energy projects in 19 developing countries in Africa and Asia.

Phase II builds on experiences from Phase I

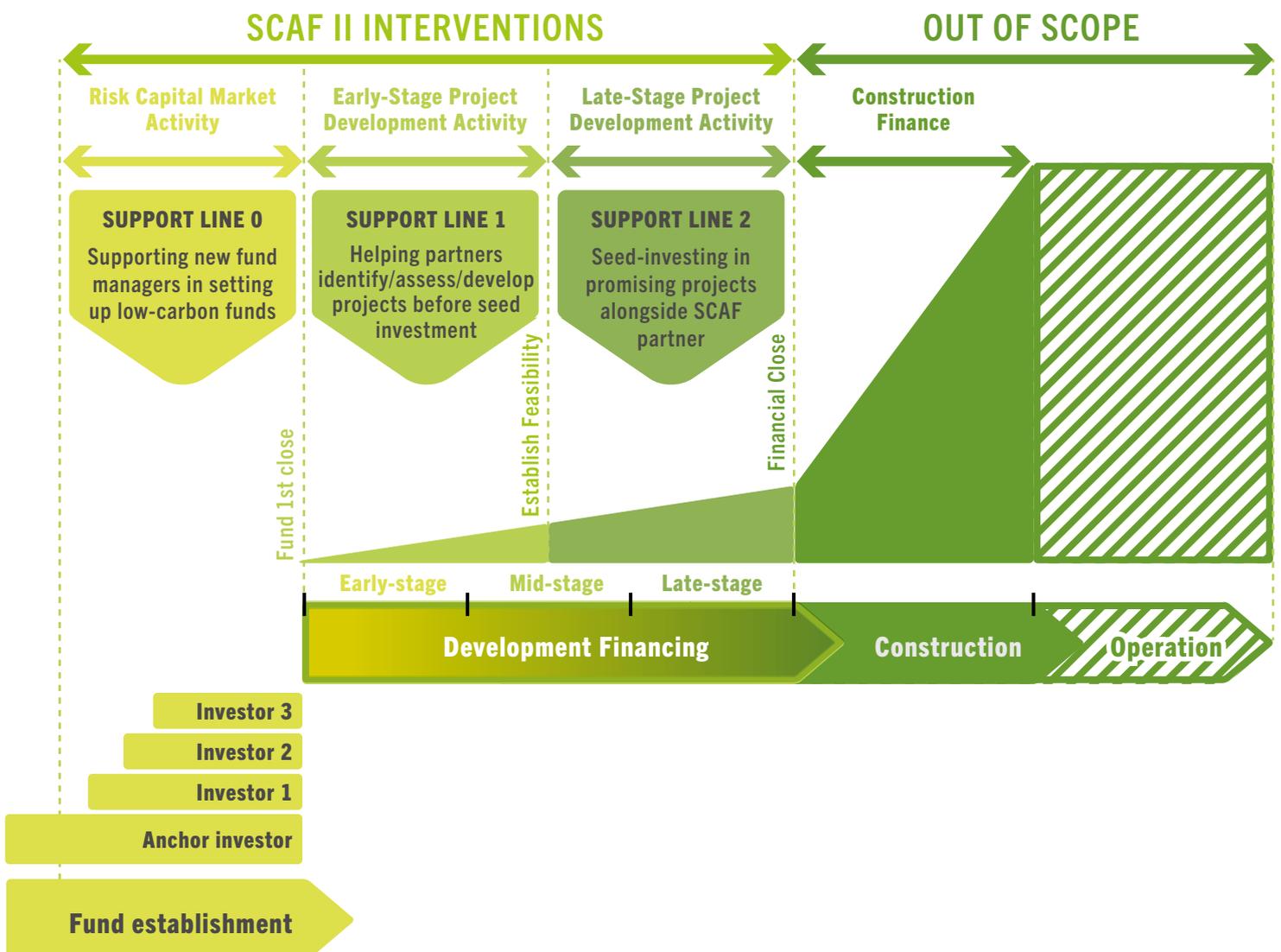
Phase II of SCAF started in 2014 and will run for eight years with support provided by the UK Department for International Development and the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety. The Facility seeks eligible partners active in low and lower-middle income countries of Africa and Asia. Further geographies may be eligible over time.

Phase II has been designed and structured based on an independent evaluation of Phase I of SCAF. Incorporating findings from the evaluation, three main changes were made to the Facility:

Support Line 0: A new support line, termed SL 0, has been established to help new fund managers fundraise for and establish new low-carbon private equity or venture capital funds.

Project development companies: In addition to private equity and venture capital funds, SCAF also can now partner with certain types of project development companies.

Support Line 2: The amount of SL 2 support per project has been increased to have greater impact, although it is now refundable for projects that achieve full financial close. This “evergreen” approach allows successfully deployed SCAF resources to re-flow and to be used for other projects.



SCAF ACTIVITY IN AFRICA: SUPPORTED PROJECTS

During Phase I, SCAF supported 16 projects and indirectly co-financed more than 25 projects in sub-Saharan Africa. Examples include the following:

KOUGA WIND FARM South Africa

Inspired Evolution
Investment
Management,
Evolution One Fund

Kouga Wind Farm in South Africa was seed-financed by Inspired Evolution Investment Management for USD 1.2 million, of which SCAF co-financed USD 340,000 to cover grid-connection and engineering studies, environmental assessment, financial modeling and other preparatory activities.

Developed under the first auction round of the South African Renewable Energy Feed-in Tariff (REFIT) programme, the 77 MW project went on to raise ZAR 1.9 billion in construction financing, of which approximately ZAR 100 million was from Inspired Evolution's Evolution One Fund. Commissioned in 2015, Kouga Wind Farm is one of Africa's first large-scale wind farms.

AKIIRA GEOTHERMAL POWER PLANT Kenya

Frontier Investment
Management, DI
Frontier Market Energy
& Carbon Fund

Akiira is a 70 MW geothermal project in Kenya with a total investment cost of around USD 300 million. It is the country's first privately financed geothermal project where investors have exposure to drilling risk. Preliminary construction work on water piping, access roads and drill pads started in early 2014. As a next step, two appraisal wells will be drilled to the full production depth of 3000m. If the wells confirm the commercial potential, an additional thirteen wells will be drilled. Of the total fifteen wells, twelve will be used for production and three for reinjection.

SCAF has been involved in the project by supporting negotiations with KENGEN on operations and maintenance, reviews of the output estimation, the financial model and key contracts with suppliers. SCAF also co-financed a partner risk assessment and provided support for the financial and legal structuring of the project. Frontier has provided USD 965,000 in seed financing, including USD 225,000 of SCAF support.



LUBILIA HYDROPOWER PROJECT Uganda

Frontier Investment
Management, DI
Frontier Market Energy
& Carbon Fund

The Lubilia project is a 5.4 MW run-of-the-river hydropower plant located on the Lubilia River in western Uganda. Power generated by the plant will be sold under a 20-year power purchase agreement, and the transmission line to the nearest grid substation at Nkenda will be financed by the Rural Energy Authority.

The DI Frontier Market Energy & Carbon Fund has been working with the local developer on upgrading various aspects of the plant's technical design. SCAF provided financial support for the evaluation of technical solutions, flow measurements and financial feasibility, as well as ESG (environmental, social and governance), legal and tax structuring. Frontier has provided USD 940,000 in seed financing, including USD 188,000 of SCAF support.

SCAF ACTIVITY IN ASIA: SUPPORTED PROJECTS

During Phase I, SCAF supported 11 projects and indirectly co-financed more than 40 projects in Asia. Examples include the following:

THE BLUE CIRCLE

**Indonesia,
the Philippines
and Thailand**

**Armstrong Asset
Management, Armstrong
South East Asia Clean
Energy Fund**

In order to secure a pipeline of bankable renewable energy projects, Armstrong is investing in a number of project development companies (DevCos) across South-East Asia. One such investment is in The Blue Circle, a vertically integrated DevCo of wind and solar projects in Indonesia, the Philippines and Thailand. The company brings international project development experience as well as financial expertise and capabilities together with local market understanding.

In 2014, Armstrong entered into a partnership with The Blue Circle that included an investment of USD 1 million to seed-fund a number of project developments, as well as a framework for investing USD 40 million in projects that are fully permitted and make it to full financial close. SCAF support of USD 200,000 has been provided for sourcing and coaching projects.



Photo credit: www.siemens.com/press



Photo credit: Frontier Investment Management

GREEN INDIA BUILDING SYSTEMS AND SERVICES (GIBSS)

India
**CIIE Initiatives,
INFUSE Capital**

Green India Building Systems and Services Private Limited (GIBSS) helps businesses reduce energy costs by providing energy efficiency products and solutions including geothermal cooling, LED lighting and hot water co-generation. The GIBSS portfolio of solutions helps reduce operating costs in buildings by 60% to 80%.

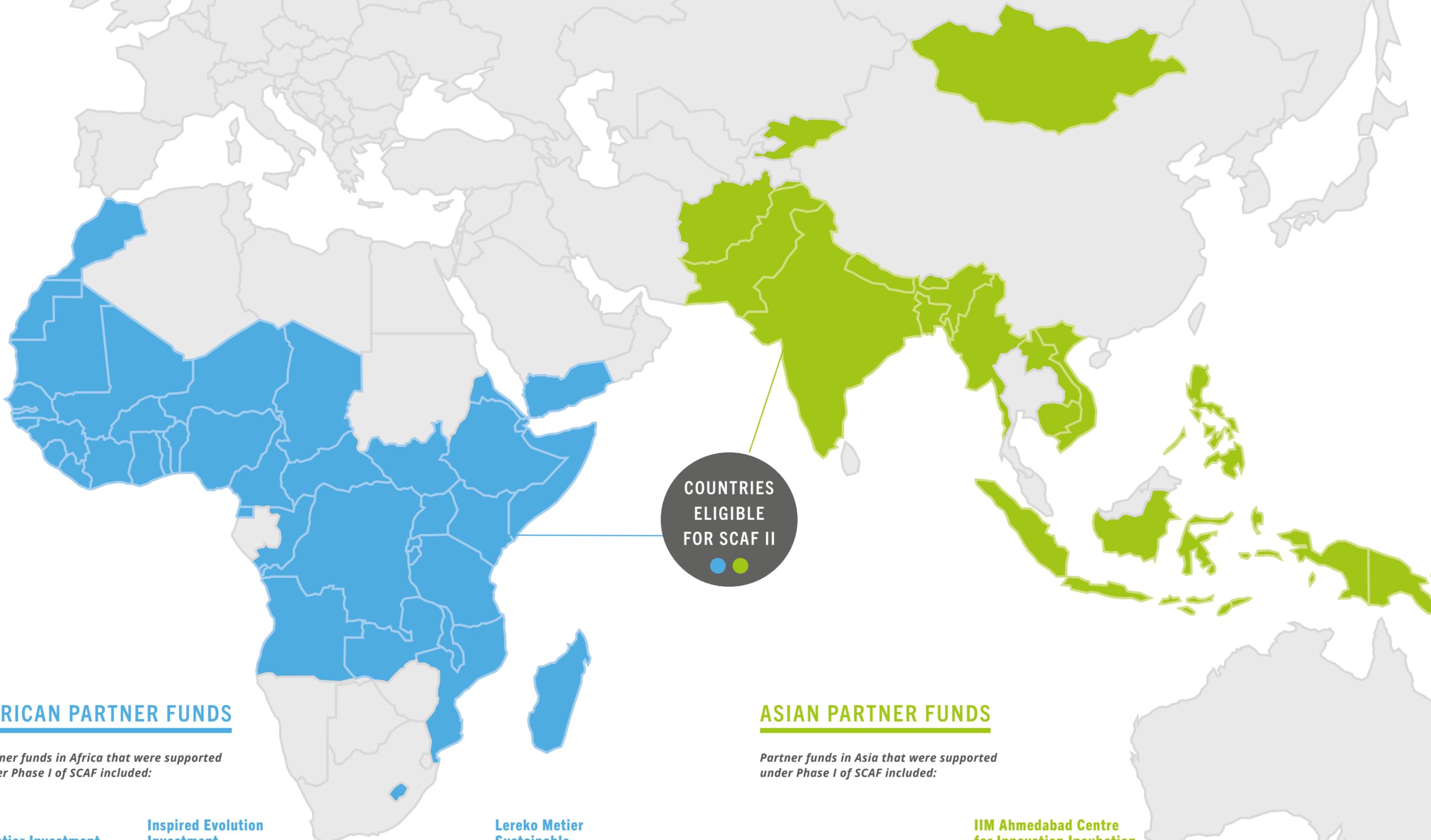
INFUSE Capital, a venture capital fund that targets the clean energy sector in India, invested in the company. Through INFUSE Capital, SCAF provided financial support of USD 112,000 to GIBSS for product certifications, project assessments and environmental liability risk analysis. Besides GIBSS, INFUSE Capital has invested in five other companies that offer products and services in India's cleantech sector.

LAKE MAINIT HYDROPOWER PROJECT

The Philippines
**Berkeley Energy,
Renewable
Energy Asia Fund**

The Lake Mainit Hydropower Project is a 25 MW hydroelectric power project under construction on the southern island of Mindanao in the Philippines. The project's hydro resource is supplied by a natural lake and provides the added benefit of offering some flood mitigation.

The Renewable Energy Asia Fund has partnered with a local developer to invest USD 13 million in the project and, together with a local bank, to finance construction of the necessary intake structure, tunnel and power house, from which the project will sell the generated power to a local electricity cooperative. SCAF support was used to co-finance early-stage development activities, including land permitting, independent design validation, grid impact analysis, and environmental and social impact assessment.



COUNTRIES
ELIGIBLE
FOR SCAF II

AFRICAN PARTNER FUNDS

Partner funds in Africa that were supported under Phase I of SCAF included:

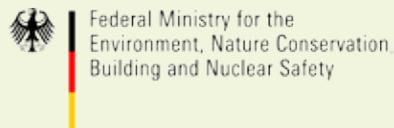
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| <p>Frontier Investment Management</p> <hr/> <p>DI Frontier Market Energy & Carbon Fund</p> <ul style="list-style-type: none"> • Type: Renewable Energy Power Infrastructure • Fund size: EUR 60 million • SCAF partner since: 2011 • Regional focus: Southern / Eastern Africa | <p>Inspired Evolution Investment Management</p> <hr/> <p>Evolution One Fund</p> <ul style="list-style-type: none"> • Type: Clean Energy Companies & Projects • Fund size: ZAR 700 million • SCAF partner since: 2010 • Regional focus: Southern Africa | <p>Berkeley Energy</p> <hr/> <p>Africa Renewable Energy Fund</p> <ul style="list-style-type: none"> • Type: Renewable Energy Power Infrastructure • Fund size: USD 200 million • SCAF partner since: 2014 • Regional focus: Sub-Saharan Africa | <p>Lereko Metier Sustainable Capital Managers</p> <hr/> <p>Lereko Metier Sustainable Capital Fund</p> <ul style="list-style-type: none"> • Type: Clean Energy Companies & Projects • Fund size: ZAR 690 million • SCAF partner since: 2011 • Regional focus: Southern Africa |
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ASIAN PARTNER FUNDS

Partner funds in Asia that were supported under Phase I of SCAF included:

- | | | |
|---|--|--|
| <p>Armstrong Asset Management</p> <hr/> <p>Armstrong South East Asia Clean Energy Fund</p> <ul style="list-style-type: none"> • Type: Clean Energy Companies & Projects • Fund size: USD 164 million • SCAF partner since: 2012 • Regional focus: South-East Asia | <p>IIM Ahmedabad Centre for Innovation Incubation and Entrepreneurship (CIIE Initiatives)</p> <hr/> <p>INFUSE Capital</p> <ul style="list-style-type: none"> • Type: Clean Energy Venture Capital • Fund size: USD 21 million • SCAF partner since: 2015 • Regional focus: India | <p>Berkeley Energy</p> <hr/> <p>Renewable Energy Asia Fund</p> <ul style="list-style-type: none"> • Type: Renewable Energy Power Infrastructure • Fund size: EUR 86 million • SCAF partner since: 2011 • Regional focus: The Philippines / India |
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Phase II funded by:



Phase I was funded by the
Global Environment Facility
and the UN Foundation.

For more information about SCAF, including the selection
criteria and application process, please visit our website:

www.scaf-energy.org



Or, contact us at

info@scaf-energy.org

ENGAGEMENT

Any party may express an interest in obtaining support at any point throughout the operational phase of SCAF. Interested entities are invited to submit a proposal once the Agent has conducted a preliminary check of the eligibility for SCAF II support. Additional guidance for project proposals can be found on the SCAF website. There are no specific deadlines or cut-off dates other than when the available budgets are fully committed. Once an approval in principle has been issued, the potential SCAF partner proceeds to the due-diligence stage.

