

Unlocking Long-Term Local Currency Climate Finance for Off-Grid Energy Access in Nigeria

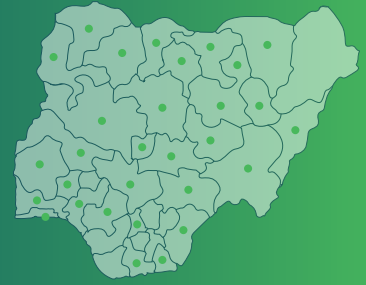


CLIMATE

Finance Blending Facility

The Climate Finance Blending Facility (the "Facility") is a catalytic first loss multi-donor facility seeded with £10 million concessional funding by the UK Foreign, Commonwealth & Development Office ("FCDO") to co-finance off-grid energy investments alongside InfraCredit's local currency guarantees in Nigeria.

Collectively, a pipeline of off-grid renewable energy projects have been identified that will be financed under the programme in 32 states across the six geo-political zones in Nigeria



Blended Finance provides an innovative and sustainable approach to enable renewable energy developers improve bankability and mobilise local currency financing required to scale whilst delivering employment, growth and accelerating the journey to net zero.

Theory of Change

Clean Energy Access



Unlock climate financing for private sector enterprises providing off-grid renewable energy solutions for unserved and underserved markets.

Development Assistance



Innovative blended finance approach for donors and concessional financiers, to make smart use of impact-seeking capital to mobilise private sector financing.

Domestic Institutional Investors



Catalyse green investments in local currency from domestic private institutional investors from the local debt capital markets.

Green Economy



Promote green growth and climate resilient development by enhancing access to renewable energy for productive uses whilst transitioning to a low-carbon economy.

Funding Tools



Blended Finance

Strategic use of concessional finance to reduce the capital cost and mobilize private capital to increase off-grid clean energy access



Local Currency Funding

Unlock access to affordable long term local currency financing for eligible off-grid energy projects



Risk Sharing

Provide funded first loss risk mitigation instrument structured to catalyse private finance that would not otherwise flow.

PROJECT PIPELINE

128 m USD **54b NGN EQUIV** **6 PRIVATE DEVELOPERS**

EXPECTED IMPACT

172,535 No. of projected Connections to Energy Access	22.7 Projected Capacity (MW) to be installed	580 Number of Communities
6,977 Jobs to be created	394,403.78 Tonnes of GHG Emissions to be reduced	N27.0bn (USD 64.0 mn) Private capital to be mobilised

Eligibility Criteria

- InfraCredit's eligibility criteria for infrastructure projects (see www.infracredit.ng/eligibility-criteria)
- Projects must be off-grid clean energy solutions such as solar mini-grids, solar homes systems, solar lanterns, fridges, pumps, driers and clean cooking products, small medium enterprise coolhubs and low carbon public transport or such other eligible projects as may be approved by the Funders
- Projects should increase energy access and/or productive use of energy
- Must comply with IFC Economic Sustainability and Governance Standards

The projects will report on energy access, number of connections, MW installed and private finance mobilised, jobs created, GHG Emissions reduced or avoided and will have a positive and significant direct contribution to the United Nations Sustainable Development Goals (SDGs) 7, 8, 9, 11, 13 and 17



Anchor Funder



Co-Financing Partner



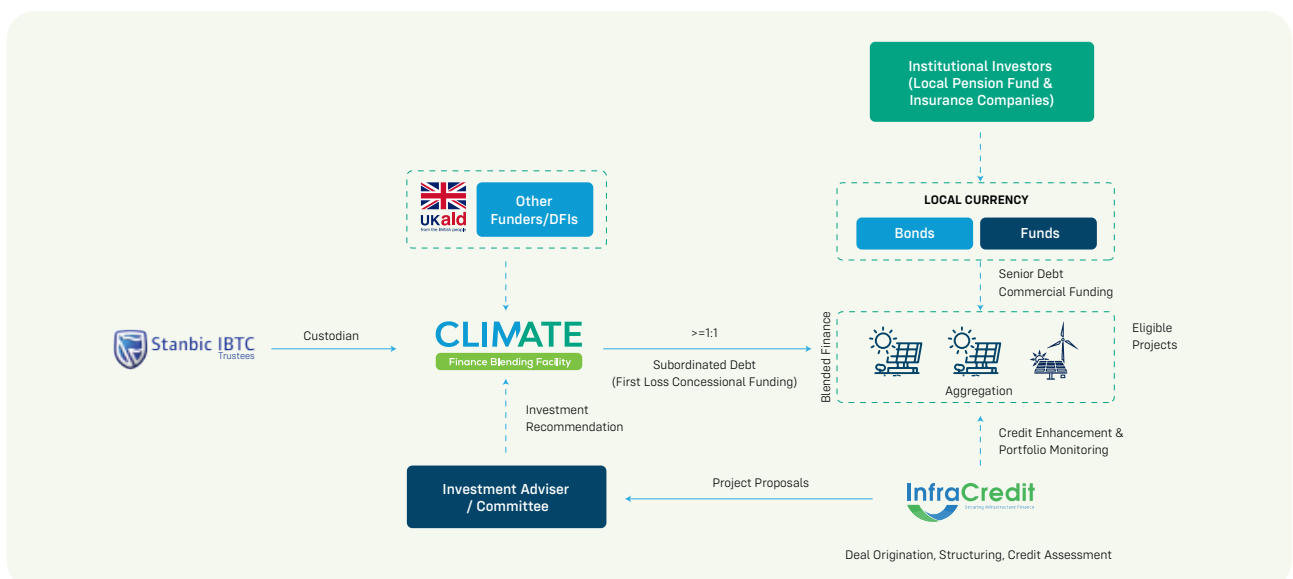
For more information, please visit:
www.infracredit.ng/climate-facility



Synopsis of the Facility

CLIMATE Finance Blending Facility	The Facility was established help de-risk, reduce the capital cost and catalyse domestic institutional investment to scale up private sector financing of affordable local currency capital for eligible off-grid clean energy infrastructure for unserved and underserved markets in Nigeria by co-financing returnable blended lower-interest rate subordinated debt capital alongside local currency guarantees from InfraCredit		
Anchor Funder		Co-Financing Partner	
Commencement Date	May 2022		
Funds contributed till date	£10 million (USD 11.3 million)	Additional Co-Funding	US\$ 52.7 million
Private Capital to be Mobilised	50% of total project funding requirement		
Financing Structure	The funding will be provided in a subordinated first loss 50:50 mix between the Facility and domestic institutional investors		
Credit Approved Pipeline	US\$31.26 Mln (NGN14.1 Bln)	Project Pipeline	US\$ 128 million
Aggregate Expected Impact (Credit Approved)	<ul style="list-style-type: none"> 56,781 Projected Connections with Energy Access 8.1 MW Projected Capacity to be Installed 191 Communities 	<ul style="list-style-type: none"> 2,296 Jobs to be Created 148,590 kgCO2e per annum GHG Emissions Reduced NGN6.8 Bln (USD 15.63 Mln) Private Capital to be Mobilised 	
Potential Co-Funders	Philanthropies, Impact Investors and Development Agencies		
Domestic Institutional Investors	Insurance companies, local pension funds, and other asset managers including low carbon energy focused funds.		
First Transaction Close	NGN1.6 billion Green Debt Issue (September 2022)		

Facility Financing Structure



Source: InfraCredit

Transaction Case Study



Darway Coast, Nigeria

Green Finance for Sustainable Rural Electrification



Financial Close
Sep. 2022



Under
Construction



N800m Private
Capital Mobilised



526KW
Capacity



7,711 Number of
Connections



2296 Jobs to be
Created



4856 Tonnes of
GHG Emmissions to
be reduced

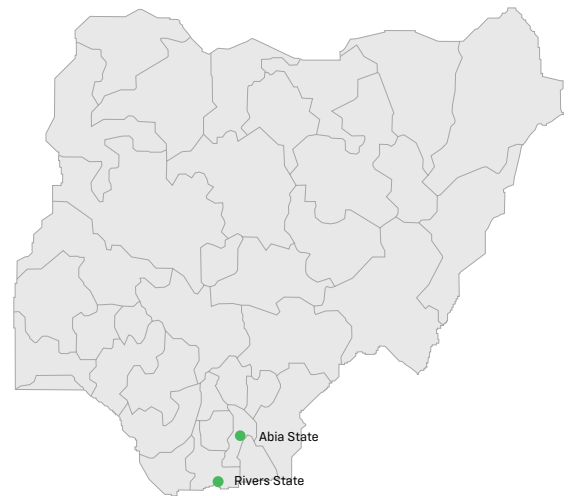


Green
Certified

Project Description

The project will construct 526.1 Kw total capacity of isolated solar mini-grids in six communities without grid access within Rivers State and Abia State in Southern Nigeria, that will connect 7,711 households and small businesses. Construction is planned to commence in 2022 and operations for 2023.

S/N	Location	PV Size (kW)	Battery Size (kWh)	Mini Grid Type	Number of Connections
1	Lokpaukwu 1, Abia State	99.5	323	Isolated	1,597
2	Lokpaukwu 2, Abia State	99.5	323	Isolated	1,561
3	Akpoku Community, Rivers State	57	218	Isolated	800
4	Orwu Community, Rivers State	71	218	Isolated	1,404
5	Umuoye Community, Rivers State	99.5	218	Isolated	1,165
6	Eleuma Community, Rivers State	99.5	323	Isolated	1,184
		526.1	1,623		7,711

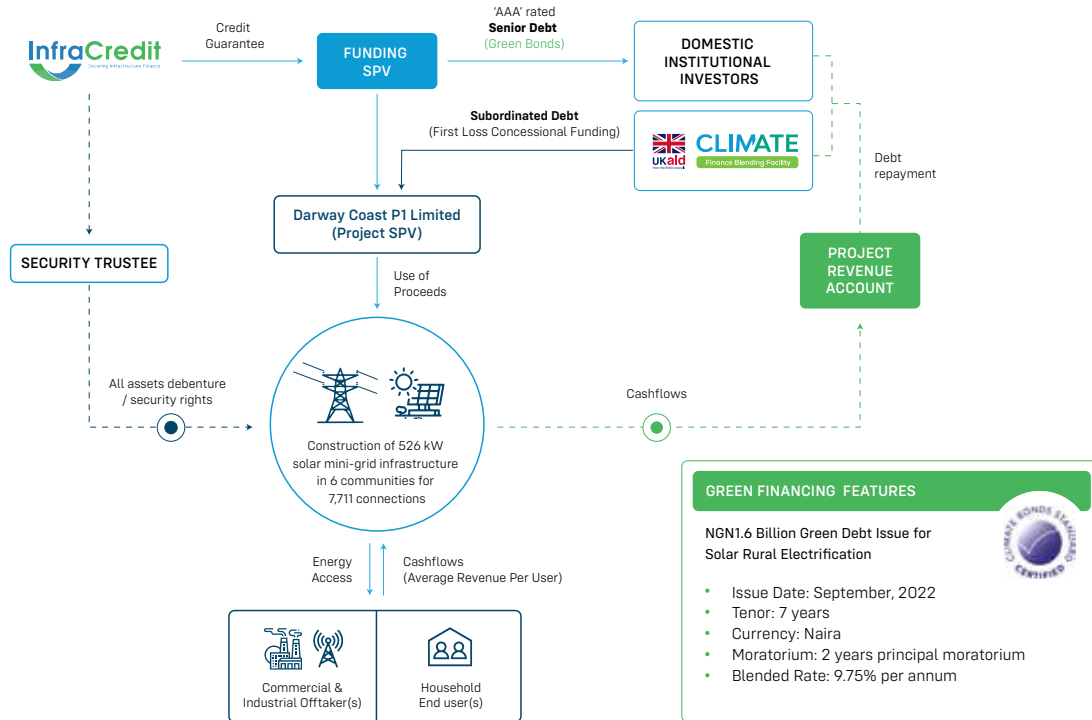


Project Financing Structure

The project was financed through a blended instrument, with the UK funded Climate Finance Blending Facility enabling a 7 year fixed rate local currency debt financing for the project by investing in the subordinated debt tranche, making it the first ever certified blended local currency green debt issue for a solar minigrid project in Nigeria.

The Facility's subordinated first loss capital helped de-risk and reduce the capital cost of the project by unlocking InfraCredit's AAA rated guaranteed senior green bonds that crowded in first-time matching investments from 6 domestic institutional investors in a solar mini-grid project for unserved markets.

Illustrative Transaction Structure



Domestic Institutional Investors



Expected Impact

The project on completion will electrify up to 7,711 unserved households and small businesses, create up to 497 temporary and permanent job whilst enhancing access to renewable energy for productive uses.

The nominated projects & assets conform to the Climate Bonds Standard Solar Sector Criteria and the financing has been labelled and certified green by the Climate Bonds Initiative.

The 6 hybrid-solar mini-grids will have environmental benefits of climate change mitigation, energy savings and greenhouse gas reduction and simultaneously have a positive direct contribution to the United Nations Sustainable Development Goals (SDGs) 7, 8, 9, 11, 13 and 17 as identified in the Green Bond Framework.



Rating Agency



Green Verifier



fsdafrika funded the green certification costs for the project through its technical assistance facility for climate aligned infrastructure bonds established with InfraCredit.