

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

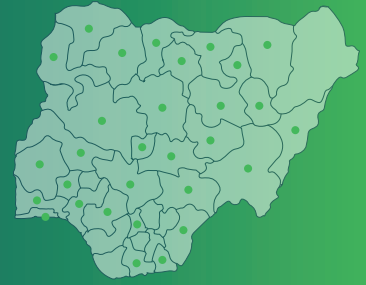


## CLIMATE

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 35 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

**126 m** USD **94b** NGN EQUIV **6** PRIVATE DEVELOPERS

## EXPECTED IMPACT

<b>244,420</b> No. of projected Connections to Energy Access	<b>34</b> Projected Capacity (MW) to be installed	<b>1,338</b> Number of Communities
<b>7,846</b> Jobs to be created	<b>611,688</b> Tonnes of GHG Emissions to be reduced	<b>N47.0bn</b> (USD 63.0 mn) Private capital to be mobilised

## Eligibility Criteria

- InfraCredit's eligibility criteria for infrastructure projects (see [www.infracredit.ng/eligibility-criteria](http://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



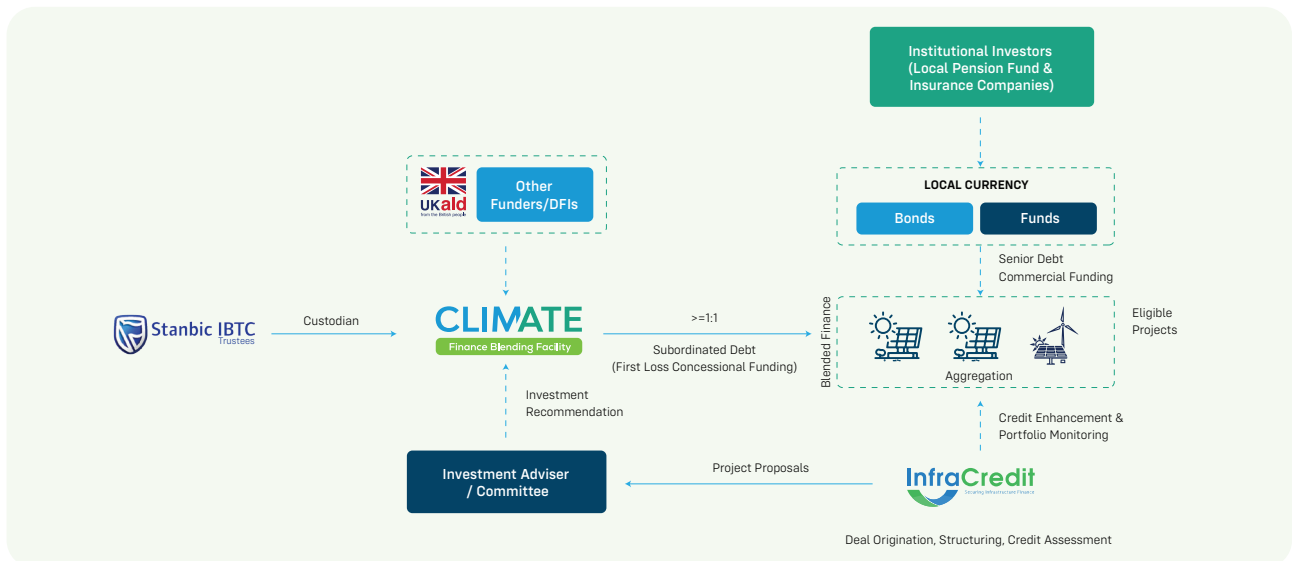
For more information, please visit:  
[www.infracredit.ng/climate-facility](http://www.infracredit.ng/climate-facility)



## Synopsis of the Facility

<b>CLIMATE</b> 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\$ 126 million
Aggregate Expected Impact (Credit Approved)	<ul style="list-style-type: none"> <li>56,781 Projected Connections with Energy Access</li> <li>8.1 MW Projected Capacity to be Installed</li> <li>191 Communities</li> </ul>		<ul style="list-style-type: none"> <li>2,296 Jobs to be Created</li> <li>1148,590 kgCO2e per annum GHG Emissions Reduced</li> <li>NGN6.8 Bln (USD 15.63 Mln) Private Capital to be Mobilised</li> </ul>
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) and NGN1.91 billion Green Debt Issue (June 2023)		

## Facility Financing Structure



Source: InfraCredit

# Transaction Case Study



**Hotspot Network, Nigeria**  
Green Finance for Sustainable Rural Telephony



**Financial Close**  
Jun. 2023

**Under Construction**

**N955m Private Capital Mobilised**

**120 Sites**

**720 Jobs to be Created**

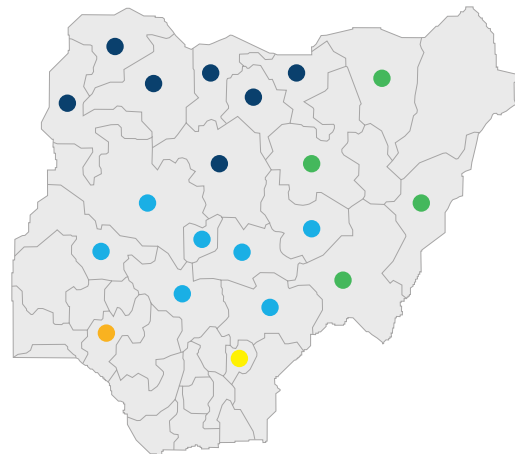
**8.34 Tonnes of GHG Emissions to be reduced**

**Green Certified**

## Project Description

The project will construct, install and commission solar powered base stations (sites) in 120 communities across 22 States in Nigeria. Hotspot is a telecommunication infrastructure and solar-powered rural telephony network provider, using renewable energy and climate-smart technology in operating telecom sites in off-grid rural parts of Nigeria. Under the Project, Hotspot established the special purpose vehicle, Micropolitan Mobile Connectivity Limited to raise local currency finance from the debt capital markets, to build, own, and operate solar-powered mobile network base stations in select rural communities in collaboration with MNOs in Nigeria.

S/N	Location	Number of Sites
1	North-West Sokoto, Kano, Kaduna, Katsina, Kebbi, Jigawa, Zamfara	71
2	North-Central Nasarawa, Plateau, Kogi, Niger, Benue, Abuja, Kwara	36
3	North-East Bauchi, Yobe, Taraba, Adamawa	10
4	South-West Ondo	2
5	South-East Ebonyi	1
		<b>120</b>

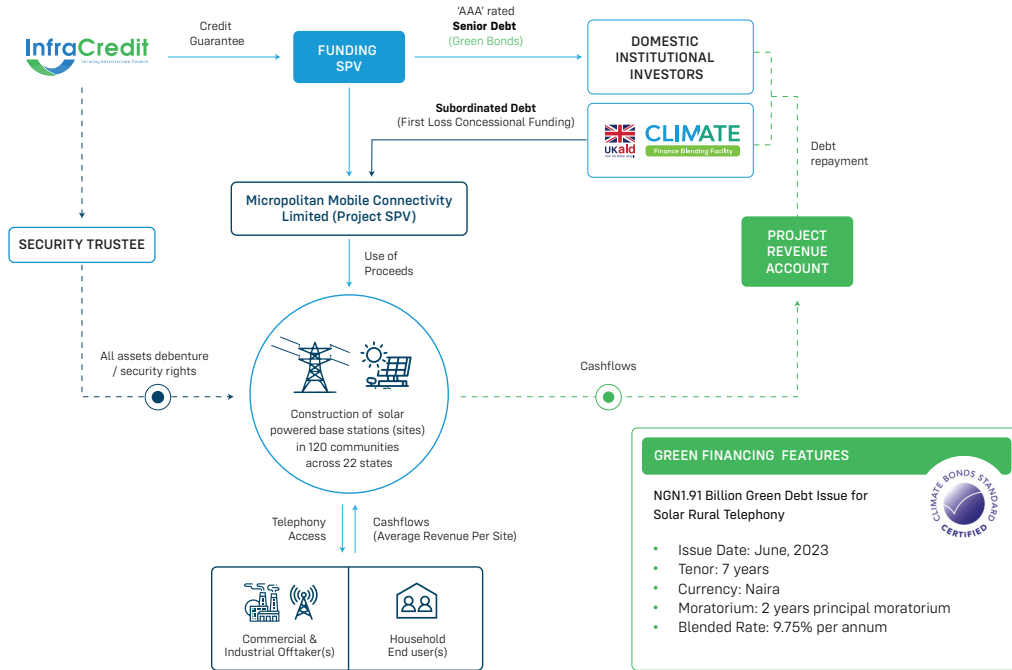


## Project Financing Structure

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 powered base stations 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 9 domestic institutional investors in a solar powered base stations for unserved markets.

## Illustrative Transaction Structure



## Domestic Institutional Investors



## Expected Impact

The project will create up to 720 temporary and permanent jobs and avoid 8.34tCO<sub>2</sub>e of GHG emissions. Over the next 10 years, the project is expected to enable between 9 and 16 million new mobile subscribers and 6 million new data users.

The Hotspot Project complies with the Solar Sector Criteria of the Climate Bonds Standard, and its financing has been officially labelled and certified 'Green' by the Climate Bonds Initiative.

The Rural Telephony Project will have environmental benefits that align with the objectives of the Paris Agreement and Nigeria's Nationally Determined Contributions (2021) to decarbonize the energy sector through a transition pathway, mitigating GHG emissions, and enhancing climate resilience which would simultaneously have a positive direct contribution to the United Nations Sustainable Development Goals (SDGs) 3, 4, 5, 6, 7, 8, 11, 12, 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.