

SOLAR RISK MITIGATION INITIATIVE

Presentation



February 5, 2019

Solar Risk Mitigation Initiative - High-level background

A pragmatic approach aligned with the objectives of the International Solar Alliance (ISA)

ISA launched at COP 21 with the objective of scaling-up solar, reducing its costs and seizing an unprecedented opportunity to bring prosperity, energy security and sustainable development to the people of its country-members

Through:

- (i) coordinated actions of country-members with strong political impulse and
- (ii) better harmonization and aggregation of the demand for inter alia solar finance, technologies, innovation or capacity building, across countries



Objective on a long term basis to harmonize, standardize and aggregate solar projects
(relying on the execution and operationalization of an international treaty and a digital platform)



Development of the concept of the Solar Risk Mitigation Initiative (SRMI) by the World Bank Group (WBG) and the French Development Agency (AFD) to deal with pre-requisites needed to develop a sustainable and integrated solar ecosystem and to access a robust risk mitigation coverage leveraging private sector investments

Solar Risk Mitigation Initiative – Context & Objective

An integrated cross-cutting risk-mitigation approach for a sustainable solar ecosystem

Dealing with 3 main challenges hindering the successful development of solar programs :
(as highlighted by the results of the market sounding reaching out to 45 developers, investors and financiers in more than 20 developing countries)

- **Lack of enabling environment** (e.g. non suitable legal framework and grid integration challenges)
- **Weak procurement process** (e.g. lack of competitive tendering processes)
- **Difficult access to risk mitigation coverage** (e.g. off-taker risk mitigation in a context of a limited financial viability of national utilities)



**Allowing the development of a bankable pipeline of solar projects,
mobilizing private financing and attracting private investors with affordable tariffs**



**Opportunity to go beyond and develop integrated solar roadmaps relying on solar
as a catalyst for socio-economic development and
as part of the solutions to mitigate the climate change consequences**

SRMI - An integrated approach to develop a sustainable solar ecosystem*

Component 1

Supporting the implementation of an enabling environment leading to a sustainable ecosystem

SRMI Sub-component 1.1

Designing a diagnostic tool

SRMI Sub-component 1.2

Defining a portfolio of solutions

Component 2

Supporting the design of bankable projects with an appropriate risk allocation and procured through a competitive process

SRMI Sub-component 2.1

Implementing an e-tendering platform to procure solar projects and disseminate best practices

SRMI Sub-component 2.2

Financing the support of a transaction advisor

Component 3

Improving access to risk mitigation coverage for residual risks when needed and possible

SRMI Sub-component 3.1

Mobilizing climate finance for guarantees

SRMI Sub-component 3.2

Supporting regional entities providing guarantees to small projects

SRMI Sub-component 3.3

Supporting guarantees for off-grid/mini-grid projects

(*) Subject to the mobilization of the financing needed

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Component 1 – Laying the ground for a sustainable ecosystem (1/2)

Supporting the design and implementation of an enabling environment

Pre-requisites

For the optimized development of a solar program

Gap analysis

For the benchmark of countries against pre-defined pre-requisites

Operational solutions

For the bridging of the gaps in a timely and efficient manner

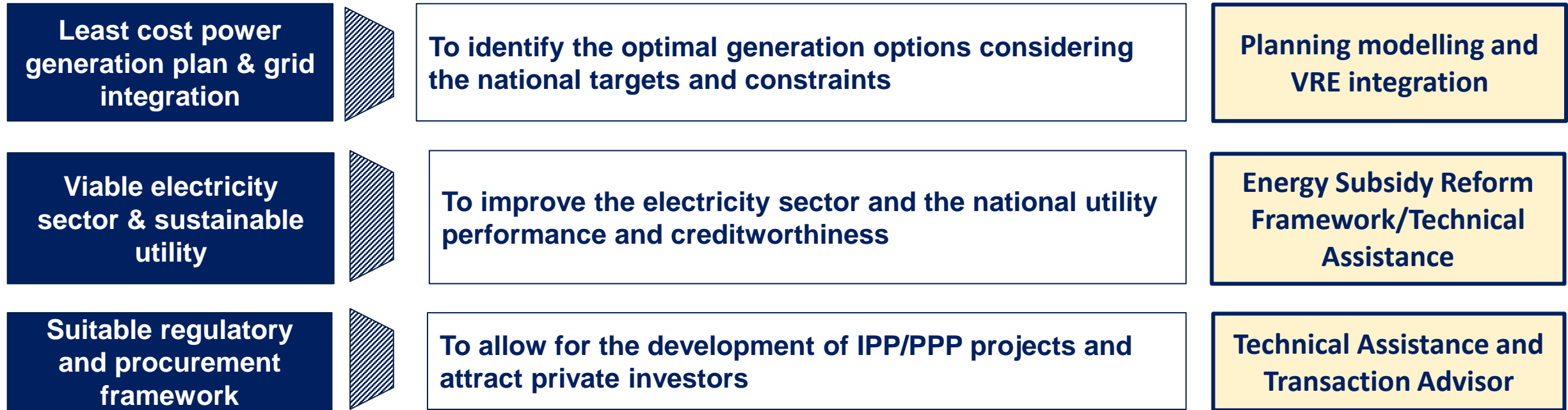
With a cross-cutting approach

highlighting the linkages between key sectors which could rely on solar (e.g. off-grid and clean cooking) & assessing the opportunities from different perspectives (e.g. jobs creation or local development)

Opportunity for the countries to build an integrated solar roadmap with a pathway on a short-term, mid-term and long-term basis

Component 1 – Laying the ground for a sustainable ecosystem (2/2)

Illustration of key areas to be supported



With a practical approach making a ‘public good’ available and/or through standardized support with pre-negotiated terms and conditions

Example: support related to mapping and site identification of solar resources (from identifying potentially attractive RE zones to site assessment of short-listed sites together with pre-feasibility studies)

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Component 2 – Procuring efficiently bankable projects

A clear competitive procurement process with a transparent e-auction platform

E-tendering platform

- Flexible 'Public good'
- International standards (e.g. security, traceability)
- Visibility on the solar pipeline across countries for investors
- Dissemination of best practices



Transaction support & Capacity building

- Increased capacity for public stakeholders
- Technical assistance
- Bankable risk allocation improving access to competitive long-term financing

**Transaction and cost efficiencies lowering the tariff of the electricity
& empowering the public stakeholders**

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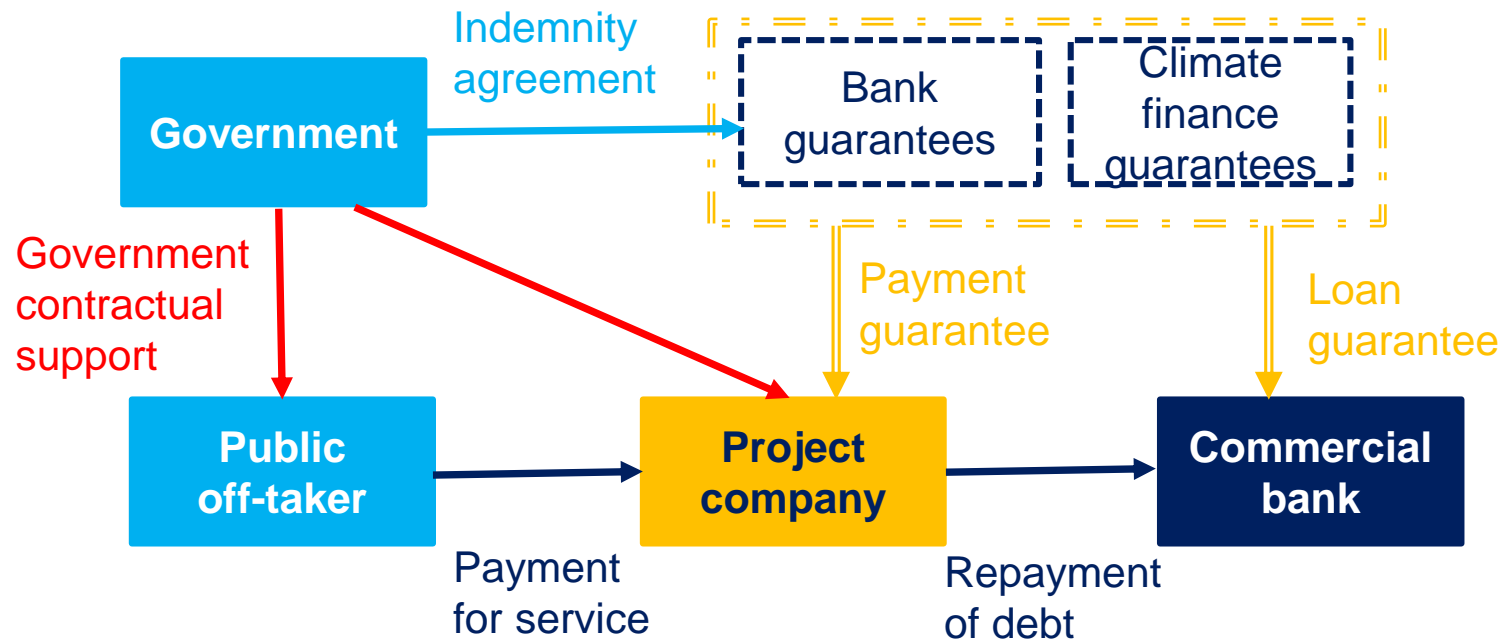
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Sub-component 3.1 – Leveraging resources with Climate Finance guarantees

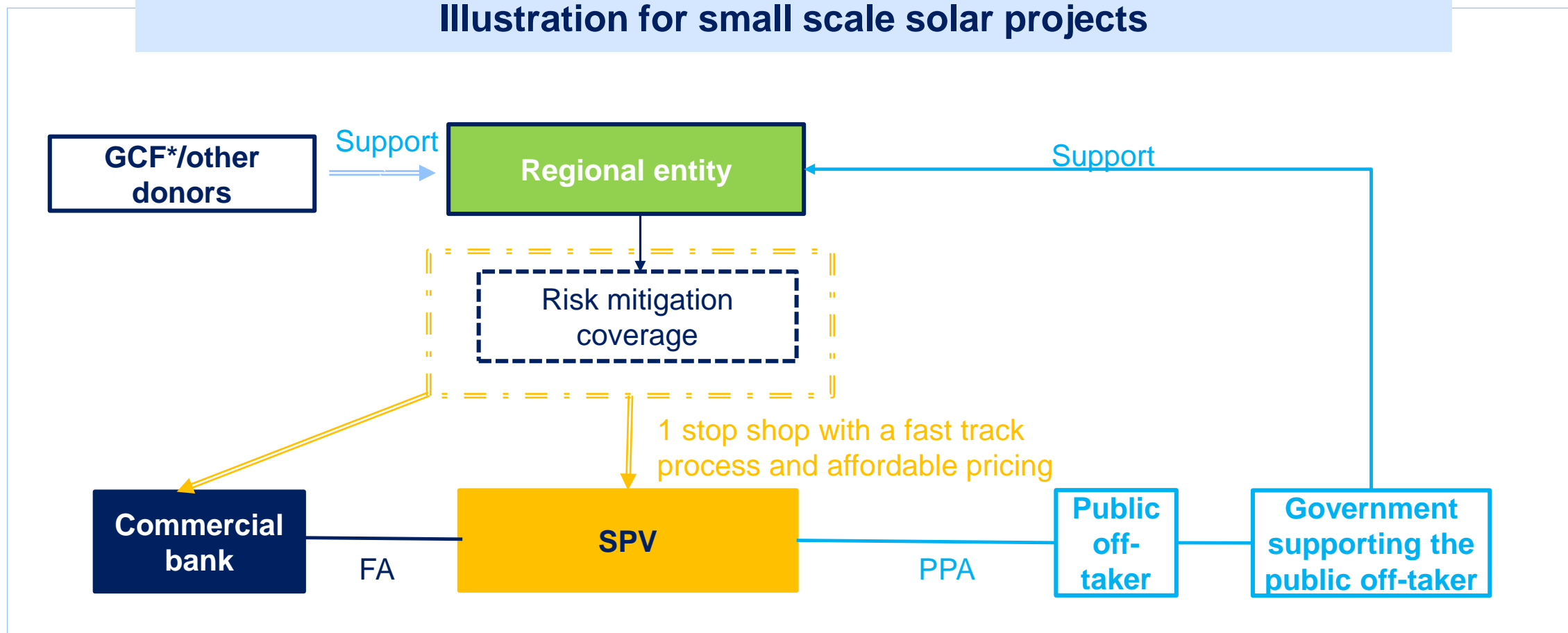
Illustration for 500 MW solar and storage



- Leveraging resources available to support eligible countries through the use of climate finance guarantees like GCF
- Including a 'standard' guarantee in the tender documents upfront reducing the risk premium and hence the cost of financing for bidders

Sub-component 3.2 - Supporting regional entities for smaller PV projects

Illustration for small scale solar projects



Supporting a regional entity providing adequate risk mitigation coverage for solar projects of a smaller size improving their risk profile and hence the mobilization of private financing

(*) GCF funding could be mobilized with the support of WBG/AFD

Sub-component 3.3 - Support to off-grid projects (1/2)

An integrated and robust off-grid program in West Africa and Sahel region

ROGEP aims at providing clean energy access for 19 countries with good solar resources at affordable conditions and with a good quality

thanks to:

- the harmonization of the regulatory framework
- The standardization of the technical specifications
- The aggregation of the market at a regional level



Development of an integrated risk mitigation approach to develop a sustainable ecosystem

**Technical assistance (TA)
for the enabling
environment**



**TA & Seed-in capital for
local entrepreneurs to
launch solar businesses**



**Lending to local banks
backstopped by a risk
mitigation facility**

Specific risk mitigation scheme piloted through ROGEP

First series of projects

Supporting energy access through off-grid projects

- **develop a regional market** (with support to enabling environment and entrepreneurship support activities implemented by ECREEE)
- **access to finance for stand-alone solar businesses** to scale up the current pace of electrification (with credit line for CFIs to lend funds to solar companies supplying off-grid products)
- **partnership with IFC's Small Loan Guarantee Program** to extend its risk mitigation facility to eligible CFIs

&

Subsequent series of projects

Strengthening the market enabling environment

- provision of an entrepreneurship development facility
- provision of seed funding to local start up entrepreneurs
- incentives to attract impact investors through provision of matching grants
- **a risk mitigation facility to reduce risk exposure of commercial banks that enter the solar market and to reduce the payment risk from public institutions to the private electricity service providers**

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