



IFC-GEF Greener Shipping Investment Platform

Part I: Project Information

GEF ID

10501

Project Type

FSP

Type of Trust Fund

GET

CBIT/NGI

CBIT

NGI

Project Title

IFC-GEF Greener Shipping Investment Platform

Countries

Global

Agency(ies)

World Bank, IFC

Other Executing Partner(s)

Executing Partner Type

Other Executing Partner(s)

Cargill Ocean Transportation; Maerk Tankers; Mitsui

Executing Partner Type

Private Sector

GEF Focal Area

Climate Change

Taxonomy

Focal Areas, International Waters, Pollution, Areas Beyond National Jurisdiction, Ship, Climate Change, Climate Change Mitigation, Sustainable Urban Systems and Transport, Financing, Technology Transfer, Energy Efficiency, Renewable Energy, Climate Change Adaptation, Innovation, Climate finance, Private sector, Influencing models, Demonstrate innovative approach, Deploy innovative financial instruments, Convene multi-stakeholder alliances, Stakeholders, Private Sector, Project Reflow, Non-Grant Pilot, Large corporations, Financial intermediaries and market facilitators, Capital providers, Gender Equality, Gender Mainstreaming, Beneficiaries, Gender-sensitive indicators, Capacity, Knowledge and Research, Enabling Activities, Learning, Theory of change, Knowledge Exchange, Conference, Knowledge Generation, Capacity Development, Large Marine Ecosystems

Rio Markers**Climate Change Mitigation**

Climate Change Mitigation 2

Climate Change Adaptation

Climate Change Adaptation 0

Duration

120 In Months

Agency Fee(\$)

1,215,000

Submission Date

2/27/2020

A. Indicative Focal/Non-Focal Area Elements

Programming Directions	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
CCM-1-3	GET	10,000,000	110,000,000
CCM-1-4	GET	3,500,000	32,300,000
	Total Project Cost (\$)	13,500,000	142,300,000

B. Indicative Project description summary

Project Objective

IFC proposes to create an IFC-GEF Greener Shipping Investment Joint Venture for the Decarbonization of Maritime Transportation (“the Platform”), a first-of-its-kind, technology-agnostic, private-sector driven, financing vehicle to accelerate the creation of a global fleet of green, low-carbon ships.

Project Outcomes

- (1) Accelerate private sector investment into greener shipping improvements that improve efficiency, reduce operating costs, increase fuel savings and provide significant carbon savings for operating ships.
- (2) Ensure transparent, timely knowledge-sharing on fuel-saving, low carbon technologies across the shipping industry

Project Component	Financing Type	Trust Fund	GEF Amount(\$)	Co-Fin Amount(\$)
Component 1: Unlock Private Sector Finance for Greener Shipping Investments	Investment	GET	13,500,000	142,000,000
Component 2. Industry Becomes Aware of Greener Shipping Investment Opportunities	Technical Assistance	GET		300,000
		Sub Total (\$)	13,500,000	142,300,000

Project Management Cost (PMC)

Project Management Cost (PMC)

Sub Total(\$)

0

0

Total Project Cost(\$)

13,500,000

142,300,000

C. Indicative sources of Co-financing for the Project by name and by type

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount(\$)
GEF Agency	IFC	Equity	Investment mobilized	13,500,000
Private Sector	Cargill Ocean Transportation	Equity	Investment mobilized	10,000,000
Private Sector	Maersk Tankers	Equity	Investment mobilized	10,000,000
Private Sector	Mitsui	Equity	Investment mobilized	10,000,000
Private Sector	Institutional Investors, impact funds, DFIs	Equity	Investment mobilized	98,500,000
GEF Agency	IFC	In-kind	Recurrent expenditures	300,000
			Total Project Cost(\$)	142,300,000

Describe how any "Investment Mobilized" was identified

Mobilizing investment crowd is core to IFC's mandate. IFC's role as a catalyze for raising private capital has made it one of the largest mobilizers of private sector finance in emerging markets. Investment mobilized refers to any additional funding deployed across the Green Shipping Platform's 10-year life, including equity from anchor investors. Capitalization of the Platform is expected to initially be approximately \$155.5 million. Additional financing may be mobilized as debt or through instruments such as green bonds, sourced from third parties including private sector financiers, institutional investors or DFIs.

D. Indicative Trust Fund Resources Requested by Agency(ies), Country(ies), Focal Area and the Programming of Funds

Agency	Trust Fund	Country	Focal Area	Programming of Funds	Amount(\$)	Fee(\$)	Total(\$)
World Bank	GET	Global	Climate Change	NGI	13,500,000	1,215,000	14,715,000
Total GEF Resources(\$)					13,500,000	1,215,000	14,715,000

Part II. Project Justification

1b. Project Map and Coordinates

Please provide geo-referenced information and map where the project interventions will take place.

The project will be global. Please see attached PIF for further details.

2. Stakeholders

Select the stakeholders that have participated in consultations during the project identification phase:

Indigenous Peoples and Local Communities

Civil Society Organizations

Private Sector Entities Yes

If none of the above, please explain why:

The global shipping industry is complex, diverse, geographically dispersed and has numerous national, international and civil stakeholders across the public and private sector. These include, but are not limited to:

- **Private sector companies** across all stages from port operators, supply vessels, ship owners, charterers, fuel suppliers, logistics services providers, commodity traders, cargo owners and ship brokers
- **Technology developers**, engineering companies, shipbuilders, etc.
- **Government ministries**, including both national and local government ministries of maritime transport and trade
- **Port Authorities** and other public agencies
- **International regulators**, such as the **International Maritime Organization**, a United Nations agency that acts as the industry's regulator, and has expressed its support for the Platform
- **Civil Society Organizations (CSOs) and Non-Government Organizations (NGOs)**
- **International non-government organizations**, such as the Global Maritime Forum, which represents the maritime industry

IFC and the World Bank Group have extensive networks and active consultations with the majority of the industry's stakeholders. IFC has consulted extensively with these networks in preparation for this proposal, including with a range of private sector players and the IMO to discuss the project designs that can provide effective, impactful and efficient structuring solutions to address the market barriers preventing the scale up of commercial financing for low carbon, low pollution shipping projects.

As the Platform is designed and operationalized, conversations are expected to continue with key stakeholders, including:

- o **International Maritime Organization (IMO):** IMO adopted its first regulations to address the emission of air pollutants from ships more than a decade ago. In 2011, mandatory measures were implemented to improve the energy efficiency of international shipping (under MARPOL), representing the first-ever mandatory global energy efficiency standard for an international industry sector. In April 2018, IMO set out a vision to reduce GHG emissions from international shipping and phase them out, as soon as possible during this century. Based on the strong alignment between the and IMO's GHG strategy, IMO has expressed support for the operationalization of an IFC/GEF Green Shipping Platform. IMO is also supportive of a collaborative effort among IFC, IMO, GEF and other private sector financiers to hold an event focused on Green Shipping.
- o **Friends of the Ocean Action:** Friends of Ocean Action is an informal group of over 55 ocean leaders who are fast-tracking solutions to the most pressing challenges facing the ocean. Its members – the Friends – come from business, civil society, international organizations, science and technology. The mission of Friends of Ocean Action is to use knowledge, means and influence to help the international community take the urgent steps needed to “conserve and sustainably use our ocean, seas and marine resources for sustainable development” as outlined in SDG 14: Life Below Water. The Friends of the Ocean Action works alongside the High Level Panel for a Sustainable Ocean Economy, which has action tracks that include ending illegal, unreported and unregulated fishing and decarbonizing the maritime and shipping sectors. The members of the Friends of the Ocean Action group include members of the private sector, such as the CEO of Salesforce and members of multilaterals such as the executive director of the UN Environment Programme.
- o **High Level Panel for Sustainable Ocean Economy:** The High Level Panel brings together world leaders who recognize that economic production and ocean protection must be mutually supporting. It is an initiative of serving heads of government committed to catalyzing bold, pragmatic solutions for ocean health in support of the SDGs. The High Level Panel includes heads of government from some of the world's largest countries and is supported by the World Resources Institute.

The Platform is also expected to directly collaborate with several ongoing initiatives where the World Bank is playing a leading role, including the **Getting to Zero Coalition**, which was initiated by the World Economic Forum, the Global Maritime Forum, and Friends of Ocean Action. This industry-led platform brings together stakeholders from across the maritime industry to make zero-emissions vessels commercially viable - and in close association, to make zero-emissions fuels a reality by 2030. The World Bank is a supporting organization in this Coalition.

In addition, provide indicative information on how stakeholders, including civil society and indigenous peoples, will be engaged in the project preparation, and their respective roles and means of engagement.

IFC recognizes the critical role of environmental advocates, including NGOs and representatives from civil societies and will seek to ensure that information on the performance of the Platform, its environmental benefits and its technology selection is shared transparently. The Platform will seek to leverage technical work and learning already gathered by a variety of governmental, regulatory and non-governmental bodies and will continue these consultations as the Platform is operationalized.

In the initial phase of the Platform, the focus will be to operationalize and demonstrate the commercial sustainability of various low-carbon technology investments. Timely execution will be of essence, therefore during the initial phase the focus has been on consultations with private sector stakeholders who may wish to invest, as well as the International Maritime Institute, to ensure alignment of the Platform with the IMO's initial GHG Strategy and current programming.

Overtime, as the Platform establishes its efficacy, it will lead consultations through knowledge management events with relevant NGOs and civil societies, which will be able to offer further guidance on potentially available technology offerings. Learnings from these knowledge events will be adopted by the Platform accordingly and disseminated to the larger industry group.

3. Gender Equality and Women's Empowerment

Briefly include below any gender dimensions relevant to the project, and any plans to address gender in project design (e.g. gender analysis).

In December 2015, the World Bank Group launched a Gender Strategy (FY16-23), for the first time jointly committing the institutions of the WBG (including IFC) to support public and private sector clients in closing gaps between men and women. Following the WBG Gender Strategy, IFC developed a 3-year Gender Strategy Implementation Plan (GSIP) for FY17-19, which outlines how IFC will prioritize its work on closing gaps between men and women. IFC's priorities are to improve women's access to more and better jobs, and to enhance women's access to assets, including finance, technology, and markets. IFC works with companies on recruiting and retaining diverse talent, including getting certified on gender outcomes and narrowing the gap in management and on corporate boards. IFC continues to expand its work in closing gender gaps through investments, with recent commitments to quadruple annual financing dedicated to women-led businesses and achieve a 50 percent share of women directors where IFC has a board seat.

Consistent with IFC's Gender Strategy, a Greener Shipping Investment Platform, will undertake, as appropriate, a

gender-responsive approach to investments. Concessional investments have development impacts and co-benefits that must allow women, along with their families and communities, opportunities for employment, access to services, income generation, and entrepreneurship. Investments may also present challenges that need to be addressed to ensure both women and men benefit, which IFC will consider and take into account during project development. IFC will also seek to coordinate with other gender-based platforms serving the shipping sector and stay aligned, where appropriate, with initiatives that advance the cause of gender equality in the maritime industry. This could include, for example IMO's Women in Maritime program, that works to support the participation of women in both shore-based and sea-going posts.

Does the project expect to include any gender-responsive measures to address gender gaps or promote gender equality and women empowerment? Yes

closing gender gaps in access to and control over natural resources;

improving women's participation and decision-making; and/or

generating socio-economic benefits or services for women.

Will the project's results framework or logical framework include gender-sensitive indicators?

TBD

4. Private sector engagement

Will there be private sector engagement in the project?

Yes

Please briefly explain the rationale behind your answer.

Private sector stakeholders of the global shipping industry are now poised for change, as the regulatory bodies and enforcement mechanisms are strengthened, and the information and environmental impact data is more readily available. The availability of financing to implement these transformations is now critical. However, to date, no program or platform has been able to unlock the vast resources of the private sector required to catalyze the shipping industry to invest in the opportunities necessary for a low carbon future. The massive investment required to meet the lower carbon, lower emission targets are immense. The resources of the public sector are insufficient to close the financing gap to upgrade or retrofit the 95,000 commercial operating vessels of today. The mobilization of private sector financing will be instrumental to meeting decarbonization targets. This investment is anticipated to be highly visible among private sector players, as it incorporates the following:

(i) Transforming Policy and Regulatory Environments to Encourage Sustainable Business

An IFC-GEF Greener Shipping Investment Platform is the natural acceleration of the decades of public policy work supported by multiple organizations, including GEF, to bring consistency, transparency and environmental regulatory standards to one of the world's most challenging industries. The adoption of low-sulfur standards and gradual shift towards carbon regulation can be attributed directly to these public sector efforts. A public-private partnership must now be ready to support the mobilization of private sector financing to scale this transformation.

(ii) Deploying innovative financial instruments

A concessional platform for greener shipping will take advantage of innovative, quasi equity instrument with subordination features, available only through the GEF NGI window, to derisk investments into low-carbon technologies and operational. This structure will allow GEF to participate fully in the upside of the Platform, while expanding investor risk tolerance and offering some downside protection. The structure has been designed to mobilize significant private sector, third-party capital as well as to draw in additional private sector investors, who but for IFC's involvement, would not have participated.

(iii) Convening multi-stakeholder alliances

Multilateral and non-governmental institutions, including GEF, have supported the regulatory environment to the point where curtailing carbon emissions and other marine pollution has become a necessity. But without some form of concessional financing, many of these investments will not go forward at scale. A private sector focused platform, specifically targeting the market barriers that are currently preventing financing from flowing to these cost-effective and environmentally beneficial projects is the critical next step. IFC proposes to create a first-of-its kind platform that can convene a diverse set of private sector players who have not yet explored greener shipping opportunities and would not participate but for IFC/GEF's involvement. IFC sees additional opportunity to link the Platform to other ongoing low-carbon initiatives with key stakeholders, such as the IMO, with which IFC is already engaged.

(iv) Strengthening institutional capacity

The Platform is also expected to benefit the institutional capacity of the shipping industry to evaluate, finance and install low carbon technologies aboard operating vessels. Further, the demonstration effect of Platform investment projects is expected to scale up the institutional capacity of financial intermediaries to increase their lending for fuel-efficient improvements. On a project level, IFC brings rigorous due diligence and E&S Standards to all its investments and demands a threshold of performance from its clients that is aligned with global best practice. For each investment, a team of IFC E&S specialists works directly with the client company to strengthen reporting, ensure safeguards and

protect local communities, in line with the World Bank Group's Performance Standards. Within the realm of private sector engagement, IFC believes that each investment financed strengthens the institutional capacity of our clients.

(v) Demonstrating innovative approaches

A private-sector engagement through an IFC-GEF Greener Shipping Investment Platform will encourage sustainable business investment by providing innovative instruments and solutions customized to provide minimum concessionality and move markets towards sustainability. Investments will also target the scale up of the new, cleaner technologies which must be tested, installed, manufactured, and verified at scale.

(vi) Crowding in private sector financing

Crowding in private sector financing is at the core of IFC's business. With over six decades of experience, IFC has become a leading mobilizer of third-party resources for projects in developing markets. In FY18, IFC mobilized US\$11.7 billion from third party resources beyond IFC's own-account investments, for projects in developing countries. Almost 60 percent of that third-party financing went to the most challenging, high-risk or poorest countries. IFC's willingness to engage in difficult environments and its leadership in crowding-in private finance enables it to extend its development impact well beyond its direct resources. In addition, as the Chair of the DFI Working Group on Blended Concessional Finance for Private Sector Projects, IFC applies the DFI Enhanced Blended Concessional Finance Principles for every concessional transaction. These Principles, including crowding-in the private sector and adhering to minimum concessionality, are part of IFC's continued commitment to catalyze market development and mobilize private sector resources to maximize finance for development.

At the project level, a Greener Shipping Platform is expected to crowd in a minimum of \$142 million of private sector financing. A successful Platform is expected to scale up rapidly, incorporating additional private sector investors and increasing financing ratios for GEF's investment.

Part III: Approval/Endorsement By GEF Operational Focal Point(S) And Gef Agency(ies)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S): (Please attach the Operational Focal Point endorsement letter with this template).

Name	Position	Ministry	Date
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ANNEX A:

Instructions. Please submit an indicative termsheet in this section. The NGI Program Call for Proposals provided a template in Annex A that can be used by the Agency. Agencies can use their own termsheets but must add sections on Currency Risk, Co-financing Ratio and Financial Additionality as defined in the template provided in Annex A. Termsheets submitted should include sufficient details to allow a financial expert to understand and judge the financial viability of the proposed investments. Indicative terms and conditions should be used when specific details are not yet available. Please ensure that by copying the termsheet in the section of the PIF/PFD, the format allows reviewers to read the content.

Annex A: Revised Indicative Financial Termsheet (April 2020)

GEF – INDICATIVE TERMSHEET Project/Program Title	IFC-GEF Greener Shipping Investment Platform Joint Venture for the Decarbonization of Maritime Transportation)[1]¹ (“The Platform”)
Project/Program Number	TBD
Project/Program Objective	Create a first-of-its-kind global investment vehicle solely focused on decarbonizing the shipping industry. Given the long-standing split incentive issue[2] ² between shipowners and charterers, such a targeted investment Platform would catalyze private sector financing and create the world’s first operating fleet of fuel-efficient, low-carbon, green ships.

Country [ies]	<p>Global.</p> <p>A Greener Shipping Investment Platform would aim to reduce carbon emissions, improve air quality and reduce emissions of air particulates regardless where those benefits accrued. Many of the investments may benefit developing countries.</p>
Agency presenting the Project	<p>International Finance Corporation (IFC)</p>
Anchor Investors	<p>Expected to comprise (subject to confirmation of interest, negotiations and approvals):</p> <ul style="list-style-type: none"> · Cargill Ocean Transportation · Maersk Tankers · Mitsui · GEF (<i>through IFC, as GEF Executing Agency, also referred to as the Anchor Donor</i>) · IFC <p>As a quasi-equity investor, IFC will ensure best-practice corporate governance are adopted by the Company and the Board through the Platform's incorporation documents. Management approval for any new IFC investment requires that investees meet IFC's Corporate Governance and Performance Standards. IFC participation is subject to these governance standards and is standard practice for IFC.</p> <p>As long as IFC continues to be an investor, these standards are adhered to irrespective of any additional rounds of financing by the company.</p>

Project Financing

Total co-financing will be US\$142 million.[3]³

Note that all blended concessional finance investments made by IFC require a new IFC investment. IFC's blended concessional co-investment model ensures incentives are aligned and that donor financing can take advantage of IFC's extensive due diligence, project monitoring and supervision cycle without incurring additional costs.

IFC anticipates co-investing \$13.5 million quasi-equity on its own-account into the Platform. The total investment from IFC and IFC-as-implementing-agent-for-GEF, would therefore be anticipated to total \$27 million.

Platform Co-Financing

Sources of Co-Financing	Co-financier	Type	Investment Mobilized (US\$)
GEF Agency	IFC	Quasi-equity	\$13.5m
Private Sector	Cargill	Quasi-equity	\$10m
Private Sector	Mitsui and Co	Quasi-equity	\$10m
Private Sector	Maersk Tankers	Quasi-equity	\$10m
Private Sector[4] ⁴	Other Investors	Quasi-equity	\$98.5m

GEF Proposed Financing	US\$13.5 million in a subordinated, quasi equity instrument from GEF as an anchor investor.
Total Size Investment Platform	The Platform will target total capitalization of US\$155.5 million within the first investment period of seven years. Additional investors may join the Platform at any time upon agreement with the anchor investors.
Co-financing and Co-Financing Ratio	<p>The Platform's investors will comprise of global shipping companies (possibly including Maersk Tankers, Cargill and Mitsui), DFIs (including IFC), other private companies, potentially including other charterers, institutional investors and/or mobilization platforms.</p> <p>Co-financing ratios are as follows:</p> <p>Every GEF US\$1 mobilizes US\$10.50 of other financing for a co-financing ratio of 1:10.50x (donor: other investors) or 1:11.5x (donor: total investment).</p> <p>This co-financing ratio may increase as additional investors join the Platform.</p>
Currency of the Financing	USD
Currency risk	The Platform will be denominated in US dollars; there will be no currency risk.

Structure and Governance

Financing from IFC will require that the Platform would implement best practice corporate governance standards and include appropriate conflict resolution mechanisms. IFC, on its own account and as co-investor and as implementing partner for GEF, will ensure that these are incorporated into the charter documents of the Platform.

Appropriate corporate governance bodies would be set up, e.g., investment committee (to review the merits of each investment), the board of directors and the general investor meeting. IFC will strive to align the incentives of all the Anchor Investors, including avoiding conflict of interests in the waterfall payment to the different anchor investors and the staff allocated to the Platform.

Investment Platform Strategy

Within the first two years, the Green Shipping Investment Platform will seek to make to at least 10 new investments to upgrade or retrofit eligible ships.

During the active investment period of seven years, the Platform will seek to finance at least 120 green shipping investments (subject to market demand and investor interest), assuming average investment sizes between \$0.5 – \$2 million.

The Platform will invest in fuel-saving technologies that have an established track record in shipping and other sectors.

Investments will seek to increase the fuel efficiency of the ship using modern fuel saving technologies.

Eligible technologies must meet minimum fuel savings criteria, be commercially available and be technically validated by the Platform to be considered for investments.

To ensure appropriate diversification, the Platform will cap each investment at no more than 10% of the platform capitalization. All investments must generate minimum fuel savings that ensures a payback period equal to or less than 7 years.

Each payback period would be determined by the investment that underpins it. The Platform will strive to repay investments as quickly as possible to satisfy financial interests of all the investors.

Note that any investment supported by the Platform must be economically justified, commercially oriented and ensure the target return to the anchor investors. Eligible technologies must demonstrate high fuel efficiency. As it is likely the Platform will be oriented towards opportunities that maximize fuel savings in the specific shipping environment, a fuel efficiency floor has not been considered necessary.

<p>Life of the Platform and associated investment projects</p>	<p>The Investment Platform will have a 10-year life. The active investment window to support green shipping retrofits and upgrade projects will be seven (7) years, with the remaining period dedicated to supervision and monitoring.</p> <p>The seven-year investment window provides the maximum flexibility to make pilot investments with a broad range of green shipping technologies and allow Platform-supported investments to stay technology-agnostic, including encouraging the use of newer technologies, particularly those of auxiliary low-carbon propulsion, which are likely to require payback periods exceeding more traditional energy efficiency investments.</p> <p>The length of GEF's investment will be coterminous with other investors to the Platform. IFC will be a co-investor with GEF;</p> <p>If the Platform were extended, IFC and GEF will continue their respective investments. If IFC exits the Platform, GEF will exit as well. Any recommendations to extend the Platform, along with the commercial justification for such an extension, will be made by the Platform's investors. In no situation will IFC or GEF's term exceed 20 years.</p>
<p>Capital Structure</p>	<p>The Platform will initially be financed with capital contributions in the form of shareholder loans from the Platform's anchor investors. Funding from GEF would be used in the form of quasi-equity to help the Platform achieve first close.</p> <p>Within the structure, GEF's capital would be subordinated to other anchor investors, as per the waterfall agreed between the anchor investors. At this time, it is not envisaged that GEF will be subordinated to subsequent investors.</p>
<p>Exposure Limits</p>	<p>No more than 10% of the Platform's capital in any one investment.</p>

Platform's Expenses

The Platform will bear two types of expenses.

(i) One-time set-up costs to place the Platform into operations, sourced from the first capital call to the anchor investors.

(ii) Ongoing expenses which would cover the annual operational costs of the Platform. Once operational, a mechanism will be put in place to use a portion of the Platform's revenue from each individual investment to reimburse ongoing administrative and operating costs of the JV. Regular capital reflows to all the investors in the Platform, including GEF and IFC, will be effected after the costs of operations are covered.

All investors in the Platform, including GEF and IFC, will share equally prorata in the costs of operations during set up and operations. No fees will be paid by IFC/GEF on individual investments made by the Platform. Operational expense covered during (i) and (ii) will not create a conflict of interest for anchor investors or other participants in the waterfall.

Capital Calls

Disbursements to the Platform will be made *pari passu* among all participants. Capital calls will be made for the following purposes:

- (i) First capital call to cover the costs of setting up and operationalizing the Platform, and
- (ii) Subsequent capital calls as per needs of the individual investments approved by the Investment Committee.

Additional Investors

After an initial track record of green shipping investments is achieved, the Platform would be well-positioned to scale with additional investors by leveraging the operating experience and financial outcomes of the Platform.

Eligibility for additional investors seeking to contribute capital to the Platform will be developed and approved by the Anchor Investors. Any charterer would be eligible to recommend ships for green retrofits, subject to reputational and credit risk checks performed by the Platform.

The Platform may also be further expanded through debt financing, asset securitization or through green instruments, such as Platform-issued bonds.

Platform Use by Charterers/Shipowners

Charterers and shipowners will have access to the cost-sharing mechanism provided by the Platform regardless of whether they participate in the Platform as investors.

The incentive to use the Platform is to access the unique package of upfront financing of green shipping retrofits, technical advisory and implementation services. The Platform will design a transparent and equitable structure of sharing fuel savings among:

- (i) Ship owners to incentivize them to participate in the vessel retrofits with fuel saving technologies;
- (ii) Platform investors (anchor and any new investors) to provide them with an appropriate rate of return on investment;
- (iii) Charterers to incentivize them to participate in the transaction.

The Platform will develop a standard set of criteria to assess the reputation and credit-worthiness of the participating charterers, which is instrumental to the Platform's operations. The Platform will approve any new charterer's engagement with the Platform based on such criteria.

Shareholders would ensure that the Platform continues to operate as an independent entity, making arms-length investment decisions that maintain technology-agnosticism, irrespective of the identity of the charterer and the shipowner.

Cash Waterfall (Use of Proceeds) from Individual Investment

Proceeds from each individual investment will be distributed to the anchor investors in the following priority:

- Allocation for the Platform's operating expenses
- 100% of principal return to the anchor investors, excluding GEF, in proportion to their capital contributions until they have received reflows equal to their aggregate contributed capital.
- 100% principal return to the anchor donor (GEF) until reflows equal aggregate capital contributed to the Platform by GEF.
- Payment of the financial return on investment to the anchor investors until they receive the target return on their quasi-equity investments or IRR.
- Payment of the financial return on investment to the anchor donor (GEF) until it receives the target return on its quasi-equity investment^[5].
- GEF Catch-Up: Any additional reflows (upside) on the investment thereafter will be shared prorata amongst anchor investors with no subordination for GEF.

As the commercial returns from Platform investments will depend on individual underlying investments, each of which will have a different return profile, an amortization schedule is not possible, which is normal for a quasi-equity investment.

The exact frequency of payment will be determined by the performance of the underlying investments. If any adjustments are anticipated to the expected annual payments, GEF would be notified.

Returns

The Platform will target a net IRR of up to 15%^[6] on each individual investment for all investors, including GEF.

The Platform will consider a range of technologies; each will have individually calculated fuel savings and payback periods for specific shipping environments. Returns on investment will be determined for a particular ship/set of ships or for a particular investment. Each investment made by the platform will be self-liquidating based on the fuel savings.

Given the risks associated with making first- mover investments to decarbonize the shipping industry, the Platform may incur losses and be unable to realize expected financial returns or recover invested capital. It is possible that one or more investments may not succeed technically and financially. The portfolio approach is expected to create sufficient diversification.

The aggregated return for the Platform will depend on the portfolio of individual fuel savings from investments. IFC anticipates that if returns are high, indicating commercial sustainability without the need for concessionality, GEF's investment is expected to start being repaid in at most year 5 and be returned after the initial 10-year period. If the initial returns are below the hurdle, then the life of the Platform may be extended or adjusted in order to demonstrate commercial success and ensure return on investments.

Use of Concessionality

GEF financing will be structured as quasi-equity, targeting same rate of return as other anchor investors, but will be subordinated in the cash waterfall, providing portfolio protection if one or more investments made by the Platform fail to generate fuel savings and financial returns as expected at the time of investment. The GEF could also consider subordination to 3rd party charterers to incentivize their participation in the Platform.^[7]⁷

IFC proposes to use GEF funds as subordinated, quasi-equity as it provides the Platform with some, but not complete, coverage against underperformance from green shipping technologies. By providing partial risk coverage, the structure supports the thesis that low-carbon shipping technologies are on the cusp of commercial viability. The subordinated waterfall structure also widens the eligible green shipping technology choices from which the Platform can select without creating misalignment of interests with other quasi-equity providers.

This structure is also a signal to the market that the first projects supporting low carbon investments for shipping do not require a blunt concessional instrument such as a first loss guarantee. In keeping with the DFI Enhanced Blended Finance Principles, IFC believes the structure proposed provides the Green Shipping Platform with the minimum amount of concessionality required to ensure that the Platform proceeds.

Additionality of GEF

A Green Shipping Platform would be the shipping sector's first technology-agnostic, global financing vehicle specifically targeting fuel-efficient, low-carbon investments for existing, operating ships. Consistent with DFI Enhanced Principles, including that of minimum concessionality and transparency, IFC will structure funding from GEF to derisk the Platform structure and provide comfort to investors to implement low-carbon technologies on operating vessels. No such global financing Platform focused on decarbonizing the shipping industry currently exists; IFC regards GEF's co-investment in the Platform as highly additional, as further outlined below.

The Platform proposes an innovative and first-of-its-kind cost-sharing/cost-savings model with the potential to solve the split incentive issues between charterers and ship-owners that have prevented private sector finance from flowing into such investments. The Platform is structured to address the risk of new technology adoption and demonstrate the returns from low-carbon projects for shipping. This demonstration will allow shipowners to become more comfortable financing these improvements, either from their own cash flow or from commercially-minded investors. The Platform's design allows additional shipowners and charters the opportunity to benefit from the Platform without the requirement to become an investor in the Platform, increasing its scalability and potentially creating a public good in the green shipping space.

GEF participation offers vital portfolio de-risking that will allow the scale-up of investments in fuel efficient technologies in the shipping sector that would not otherwise be possible.

GEF funds would be structured as quasi-equity to provide patient capital, as explained in the cash waterfall. By allowing other investors to receive their principal repayment first, GEF provides comfort to other investors to participate in new and untested green shipping investments. To ensure GEF is compensated for this risk, commercial returns will be shared equally among the other anchor partners (excluding the GEF) only after GEF has received its principal in full. Additional payments to GEF after principal return represent the potential Platform returns.

GEF concessionality would not be used to protect Investors from direct losses from a counter guarantee. Instead GEF will provide portfolio protection by being subordinated in the cash waterfall, as shown in Figure A. Without such protection, anchor investors would not be willing to invest risk capital despite the possible returns.

Liquidation / Exit ^[8]	Each individual investment is expected to be self-liquidating. Investors may exit the Platform upon full payback of their investments from individual retrofit projects.
Reporting	The Platform operating company will provide financial statements and performance information on the investments on an annual basis. Annual financial reports will be audited based on international financial reporting standards (IFRS). IFC will report to GEF on the performance of the Platform through its customary annual monitoring and reporting (AMR) channels.
Terms and conditions for the financing instruments	All use of blended concessional co-investments must meet the DFI Enhanced DFI Blended Concessional Finance principles.
Knowledge Sharing	IFC is open to ongoing discussions with GEF Secretariat on the most effective venue/fora to disseminate the information on the performance of the Platform for the benefit of the shipping sector. The Platform would also seek to collaborate with IMO and align with relevant programming already underway. Conversations with IMO have already begun and IMO has provided a letter of support for the Platform. The participation of key industry players representing both the public and private sector, will be vital for dissemination of learnings from the Platform for the replication of its business model and bringing in new investment for greening shipping.

[1] The terms and conditions of any private sector transaction are subject to change during final IFC investment review, structuring and confirmation of interest from and negotiations with the other potential investors. Other investors may join the Platform during the life of the Project. There may be more than one similar platform with various investors.

[2] Much of commercial shipping runs on a charter system. Ship-owners charter (“lease”) a vessel, either for a specific route or a specific amount of time, to cargo owners or logistics services providers. Under traditional charter arrangements, the costs of any fuel used during that contract are borne by the charterer, leaving little incentive for a shipowner to make energy efficiency or other technical improvements or retrofits that would accrue long-term fuel savings the owner could not capture. Additionally, given the intense price competition in the market, pricing for charters remains relatively inelastic with any retrofits unlikely to bring any additional short-term pricing benefit. Thus neither the shipowner nor the charterer has a financial incentive to make a ship more fuel efficient.

[3] The grant portion of the Platform supporting capacity-building and knowledge-sharing is not included.

[4] Subject to successful performance of the Platform, market interest and agreement with other anchor investors

[5] GEF may decide to accept a return lower than the anchor investors once the platform opens up for 3rd party charterers subject to a minimum acceptable return to be discussed ahead of GEF CEO endorsement of the project. GEF goal's in accepting a lower return would seek to incentivize 3rd party charterers in the platform through a share of the EE distributed in the waterfall.

[6] Subject to further investment review, management approvals, confirmation of interest from and negotiations with the investors

[7] The potential mechanism for this will be discussed before GEF CEO endorsement of the project.

[8] Terms and conditions of liquidation and exit to be negotiated.

ANNEX B:

Instructions. Please submit a reflows table as provided in Annex B of the NGI Program Call for Proposals. Any financial returns/gains/interests earned on non-grant instruments, will be transferred to the GEF Trust Fund as noted in the Guidelines on the Project and Program Cycle Policy. Partner Agencies will be required to comply with the reflows procedures established in their respective Financial Procedures Agreement with the GEF Trustee.

Annex B: Reflows table

Item Data	
GEF Project Number	TBD
Estimated Agency Board approval date	December 2020
Investment type description	Quasi Equity Investment in the Green Shipping Platform
Expected date for start of investment	1Q2021
Amount of GEF Investment	US\$13.5 million
Amount of Co-Financing	US\$142 million
Estimated Return	Assuming Investment Platform capitalization of US\$155 million and under a base case scenario, the projected IRR (USD) is estimated up to 15%. During the active investment period, the Platform will seek to finance at least 120 green shipping investments, assuming average investment sizes between \$0.5 – \$2 million. To ensure appropriate diversification, the Platform will cap each investment at no more than 10% of the fund size. The Investment Platform may incur losses and be unable to realize the expected financial returns or even recover the invested capital.
Maturity	The Investment Platform will have a 10-year life. If the Platform's Board of Director's renews the operations of the Platform, the active investment period will be extended, in which case GEF will be notified. At no point will GEF's support for the Platform exceed 20 years.
Estimated reflow schedule	The payback period of investment is estimated to be 5 years. Reflows are expected from Year 5 to Year 10 of the life of the Investment Platform.

Repayment method description	<p>Net proceeds from validated fuel savings will be paid into the JV by the charterer. Proceeds will be distributed to the anchor investors in the following priority:</p> <ul style="list-style-type: none"> · Allocation for the Platform’s operating expenses · 100% of principal return to the anchor investors, excluding GEF, in proportion to their capital contributions until they have received reflows equal to their aggregate contributed capital. · 100% principal return to the anchor donor (GEF) until reflows equal aggregate capital contributed to the Platform by GEF. · Payment of the financial return on investment to the anchor investors until they receive the target return on their quasi-equity investments or IRR. · Payment of the financial return on investment to the anchor donor (GEF) until it receives the target return on its quasi-equity investment. · GEF Catch-Up: Any additional reflows (upside) on the investment thereafter will be shared prorata amongst anchor investors with no subordination for GEF. [1]
Frequency of reflow payments	Reflows will start from Year 5 onwards and will not follow any fixed schedule.
First repayment date	Not earlier than 5 years from the date of first investment.
First repayment amount	Not possible to predict
Final repayment date	At the end of the Divestment Period- 10 years is estimated life of the Investment Platform
Final repayment amount	Not possible to predict
Total principal amount to be paid- reflowed to the GEF Trust Fund	Expected to be up to US\$13.5 million
Total interest/earnings amount to be paid-reflowed to the GEF Trust Fund	Assuming an up to a 15% return is realized then an estimated US\$1.5-2 million in earnings after recovery of principal. The Investment Platform may incur losses and be unable to realize the expected financial returns or even recover the invested capital.

[1] GEF may decide to accept a return lower than the anchor investors once the platform opens up for 3rd party charterers subject to a minimum acceptable return to be discussed ahead of GEF CEO endorsement of the project. GEF goal's in accepting a lower return would seek to incentivize 3rd party charterers in the platform through a share of the EE distributed in the waterfall.

ANNEX C:

The GEF Agency submitting the PIF or PFD is required to respond to the questions in Annex C of the NGI Program Call for proposals in order to demonstrate its capacity and eligibility to administer NGI resources as established in the Guidelines on the Project and Program Cycle Policy, GEF/C.52/Inf.06/Rev.01, June 9, 2017 (Annex 5).

Annex C: Partner Agency Eligibility to administer Concessional Finance

The GEF Agency submitting the PIF or PFD will demonstrate its capacity and eligibility to administer NGI resources as described below:

Track Record and Performance in Blended Concessional Finance

IFC has been successfully deploying blended finance investments for almost a decade and is currently the largest and oldest practitioner of blended finance transactions among Development Finance Institutions (DFI's). IFC conducts blended finance operations in several thematic areas and industries globally, including to SMEs, sustainable agriculture supply chains, women-owned businesses, IDA, conflict-affected and vulnerable countries, climate change, manufacturing, and infrastructure to name a few.

Between Fiscal Year (FY) 2010 to FY2018, IFC deployed US\$919 million of concessional donor funds to support 169 high-impact projects in over 50 countries, leveraging US\$3.5 billion in IFC financing and more than US\$5 billion from other private sources. Each US\$1 dollar of concessional resources from our partners mobilized over US\$8 dollars of IFC and other private and public capital toward high-impact projects across the developing world.

In FY2019, US\$236 million donor funds leveraged over US\$589 million in IFC financing for 33 projects.

The pace of blended finance project considerations continues to accelerate. As of end of June 2019, over 56 projects (\$618 million in concessional donor funds) were reviewed and endorsed by IFC's Blended Finance Committee for further processing and consideration.

Thought Leadership on Blended Concessional Finance

As the Chair of the Development Finance Institution (DFI) Working Group on Blended Concessional Finance for Private Sector Projects, a consortium of 23 multilateral development banks and financial institutions, IFC led the development and adoption of the [DFI Enhanced Blended Concessional Finance Principles for Private Sector Projects](#) as described below.

Governance on Blended Concessional Finance

IFC is committed to using a disciplined and targeted approach when it comes to blending concessional donor funds with its own commercial funds. This commitment reflects a long track record and thought leadership in the application of blended finance through evidence-based learning, that encourages real-time evolution and improvements to our approach.

In 2017, IFC created a Blended Finance Department to house a team of investment and operational professionals focusing on the management and deployment of blended concessional funds. All blended finance projects are reviewed and approved by an independent Blended Finance Committee (BFC), a senior Corporate Committee, and/or the Blended Finance Director, ensuring that IFC applies best practices, balances efficiency, accountability, and transparency, and adjusts investment decisions and the use of concessional finance based on the learning that comes from project structuring and implementation. The BFC helps to ensure that IFC can continually inform its own operations, maximize its innovation tools and resources and provide the highest standard of governance for concessional transactions. IFC's governance structures are aligned to the Blended Finance principles (summarized below) and have been embedded into IFC documentation, training, and procedures.

Adherence to these principles and a robust governance framework, endorsed by our stakeholders, guide IFC's approach to blended finance and are required for every transaction using contributor funds. The DFI Enhanced Blended Concessional Finance Principles are briefly outlined below:

- o *Rationale for Using Blended Concessional Finance.* Development Finance Institutions (DFI) support of the private sector should only contribute financing beyond what is available, or that is otherwise absent from the market, and should not crowd out the private sector.

- o *Crowding-in and Minimum Concessionality.* DFI support to the private sector should, to the extent possible, contribute to catalyzing market development and the mobilization of private sector resources.

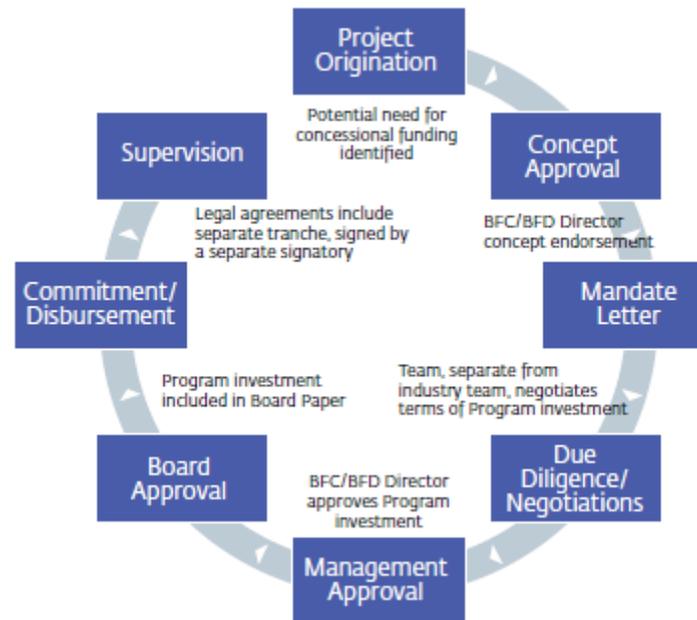
- o *Commercial Sustainability.* DFI support of the private sector and the impact achieved by each operation should aim to be sustainable. DFI support must therefore be expected to contribute towards the commercial viability of their clients.
 - o *Reinforcing Markets.* DFI assistance to the private sector should be structured to effectively and efficiently address market failures and minimize the risk of disrupting or unduly distorting markets or crowding out private finance, including new entrants.

 - o *Promoting High Standards.* DFI private sector operations should seek to promote adherence to high standards of conduct in their clients, including in the areas of Corporate Governance, Environmental Impact, Social Inclusion, Transparency, Integrity, and Disclosure.

Based on these principles, it is imperative that IFC's investments contribute beyond what financing is available, and otherwise absent from the market; otherwise the transaction will not be approved by the BFC. IFC's Blended Finance Department bears responsibility for representing its donor interests as contributors within IFC's decision making processes, ensuring appropriate structuring and use of concessional finance, and managing the blended finance co-investment portfolio after projects are committed and under implementation. To this end, IFC's separate team of blended finance investment officers identify, negotiate, and structure donor funds alongside IFC's commercial financing as co-investments. After the project is committed, this team supervises the donor-funded co-investment and reports to the development partner on the project over the course of project lifetime.

Donor funded blended finance co-investments rely on and leverages IFC's operating investment cycle. The harmonized investment origination, approval process and portfolio management approach are outlined in the graphic below.

IFC Investment Cycle



a) Ability to accept financial returns and transfer from the GEF Agency to the GEF Trust Fund;

In all projects and structures (other than for non-returnable capital structures such as viability gap funding or performance-based), there is an expectation of financial returns from principal repayments, interest payments, distributions or fees. IFC has more than a decade of experience with this process for its existing donor-funded blended finance facilities. IFC's strong financial management systems and segregation of donor funds The ability of IFC to accept and transfer financial returns to the GEF Trust Fund presents no issue.

b) Ability to monitor compliance with non-grant instrument repayment terms;

A core part of IFC's investment operations is to monitor compliance with investment terms across the full lifecycle of the project. Typically, for IFC donor-funded facilities, this lifecycle encompasses a five- to seven- year active investment period, followed by another 15- to 18-year supervision period, for a total of 20 to 23 years.

For all investments, IFC maintains a procedure for project initiation, oversight, and control, complete with risk assessments and monitoring throughout the life of the project. For IFC investments that utilize blended concessional finance, an additional layer of supervision and reporting exist alongside IFC's own account investments. IFC follows strong portfolio management practices for all of its projects. IFC's portfolio supervision teams actively monitor compliance with investment agreements, performs site visits to evaluate project status and to identify solutions that address potential problems.

IFC systematically tracks environmental and social performance and measures financial and development performance and results. IFC's projects and funds are closely monitored, and for projects in financial distress, IFC's Special Operations Department determines the appropriate remedial actions. The Special Operations Department seeks to negotiate agreements with creditors and shareholders to share the burden of any restructuring, so problems can be worked out while the project continues to operate.

c) Capacity to track financial returns (semester billing and receiving) not only within its normal lending operations, but also for transactions across trust funds;

IFC will implement a GEF NGI Project an accredited Executing Agency for the World Bank Group, which is an Implementing Agency for GEF. GEF-supported investments will follow IFC's financial management and procurement policies, including financial accounting, disbursement methods and auditing. IFC will maintain separate records and ledger accounts in respect of the GEF Funds for blended concessional finance and disbursements made therein. IFC will continue to report to GEF through the World Bank, per the legal requirements agreed for earlier GEF-funded activities.

IFC's mechanism / process for program-level reporting to GEF

As noted above, IFC will continue financial reporting to GEF through the World Bank, following the guidance and requirements agreed for earlier GEF-funded activities..

d) Commitment to transfer reflows twice a year to the GEF Trust Fund;

Typically, reflows from IFC's blended concessional funding is either accumulated and periodically refunded to the contributor, or recycled to the Trust Fund and re-deployed in subsequent investment phases. The availability of reflows varies widely depending on the project structure and the contributor's preference. IFC will transfer any financial returns, gains or interests earned on non-grant instruments, to the GEF Trust Fund as noted in Guidelines on the Project and Program Cycle Policy.[1]

And, in case of NGI for private sector beneficiaries:

e) Track-record of repaid principal and financial returns from private sector beneficiaries to the GEF Agency.

IFC has not yet used GEF's Non-Grant Instrument window. However, our relationship with the GEF spans over two decades, with over US\$100 million in project approvals to enable private sector engagement in emerging markets.[2] Over this period IFC has also returned almost US\$42 million to the GEF, through the World Bank. GEF-supported projects are still active in our existing portfolio.

And, in case of concessional finance for public sector recipients:

f) Track-record of lending or financing arrangements with public sector recipients;

IFC's mandate is to support private sector development in emerging markets. Therefore, this criterion is not applicable to IFC's existing investment operations.

g) Established relationship with the beneficiary countries' Ministry of Finance or equivalent.

Please see section f) above.

[1] As per requirements for Non-grant Instruments in Annex 5 of the Guidelines on the Project and Program Cycle Policy (GEF/C.52/Inf.06/Rev.01)

[2] The total approved amounts do not include advisory funding under various platforms or investment funding approved prior to 2000.