# GEF-6 PROJECT IDENTIFICATION FORM (PIF)

**PROJECT TYPE: Medium-sized Project**
**TYPE OF TRUST FUND:GEF Trust Fund**

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## PART I: PROJECT INFORMATION

| | | | |
|---|---|---|---|
| Project Title: | The Climate Finance Aggregation Initiative for Developing Countries | | |
| Country(ies): | Global | GEF Project ID:[1] | 9309 |
| GEF Agency(ies): | UNDP | GEF Agency Project ID: | 5749 |
| Other Executing Partner(s): | Climate Bonds Initiative | Submission Date: | October 27, 2015 |
| GEF Focal Area(s): | Climate Change | Project Duration (Months) | 36 |
| Integrated Approach Pilot | IAP-Cities ☐ IAP-Commodities ☐ IAP-Food Security ☐ | Corporate Program: SGP ☐ | |
| Name of parent program: | [if applicable] | Agency Fee ($) | 185,250 |

## A. INDICATIVE FOCAL AREA STRATEGY FRAMEWORK AND OTHER PROGRAM STRATEGIES[2]

| **Objectives/Programs** (Focal Areas, Integrated Approach Pilot, Corporate Programs) | **Trust Fund** | **(in $)** | |
|---|---|---|---|
| | | **GEF Project Financing** | **Co-financing** |
| CCM-1 Program 2 | GEFTF | 1,950,000 | 51,050,000 |
| Total Project Cost | | 1,950,000 | 51,050,000 |

## B. INDICATIVE PROJECT DESCRIPTION SUMMARY

**Project Objective:** To launch a global working group and to develop toolkits, deal structures and market architectures to scale-up financial aggregation of small-scale, low-carbon energy investments in developing countries.

| **Project Components** | **Financing Type[3]** | **Project Outcomes** | **Project Outputs** | **Trust Fund** | **(in $)** | |
|---|---|---|---|---|---|---|
| | | | | | **GEF Project Financing** | **Co-financing** |
| 1. Global awareness raising and knowledge management | TA | 1.1 Increased awareness and exchange of information on financial aggregation for small-scale, low-carbon energy activities in developing countries | (i) Active online presence with social media, email blog postings and webinars<br>(ii) Media outreach (opinion pieces, interviews) with relevant media outlets<br>(ii) Regular reports and studies on financial aggregation published and broadly disseminated<br>(iii) High-profile events held at key meetings | GEF TF | 250,000 | 150,000 |
| 2. Global industry working group | TA | 2.1 Continued engagement and coordination amongst industry actors in the area of financial aggregation for small-scale, low-carbon energy activities in developing countries. | (i) Global working group with key, high-profile industry actors established.<br>(ii) Strategic work programme for working group developed<br>(iii) Regular meetings, including regional, national and technical sub-group meetings, held | GEF TF | 173,000 | 500,000 |

[1] Project ID number will be assigned by GEFSEC and to be entered by Agency in subsequent document submissions.
[2] When completing Table A, refer to the excerpts on *GEF 6 Results Frameworks for GETF, LDCF and SCCF*.
[3] Financing type can be either investment or technical assistance.

| | | | | | | |
|---|---|---|---|---|---|---|
| 3. Standardised toolkits | TA | 3.1 Best practice approaches to standardisation are incorporated into and drive financial aggregation for small-scale low carbon energy in developing countries. | (i) Standardised template contracts developed<br>(ii) Toolkit developed on standardised installation, O&M and payment collection<br>(iii) Toolkit developed on data metrics to assess performance<br>(iv) Toolkit developed on due diligence metrics for investors and rating agencies<br>(v) Toolkit developed on transaction models, vehicles and structuring | GEF TF | 400,000 | 200,000 |
| 4.In-country demonstration and scale-up in selected developing countries | TA | 4.1 Financial closure of first-of-a-kind financial aggregation transactions of small-scale, low-carbon energy activities in four developing countries | In four countries, technical assistance and financial resources provided to support the structuring and financial closure of a demonstration transaction.<br><br>For this component, the CFA Initiative will seek to collaborate with other development partners, often development banks, to collectively bring a transaction to fruition. | GEF TF | 600,000 | 50,000,000 |
| | TA | 4.2 Establish recommendations for conducive policy frameworks, capacities and market architecture to scale-up aggregative models for clean energy in four developing countries | (i) In four countries, taking a comprehensive de-risking approach, needs assessments performed to identify barriers and recommend actions to establish a conducive policy/market architecture for scale-up of financial aggregation | GEF TF | 300,000 | 100,000 |
| 5. Evaluation | TA | 5.1 Assessment of components outcomes | 5.1 Completed mid-term review and final evaluation for the project. | GEF TF | 50,000 | 0 |
| | | | **Subtotal** | | **1,773,000** | **50,950,000** |
| | | | Project Management Cost (PMC)[4] | GEF TF | 177,000 | 100,000 |
| | | | **Total Project Cost** | | **1,950,000** | **51,050,000** |

For multi-trust fund projects, provide the total amount of PMC in Table B, and indicate the split of PMC among the different trust funds here: ( )

**C. INDICATIVE SOURCES OF CO-FINANCING FOR THE PROJECT BY NAME AND BY TYPE, IF AVAILABLE**

| Sources of Co-financing | Name of Co-financier | Type of Co-financing | Amount ($) |
|---|---|---|---|

[4] For GEF Project Financing up to $2 million, PMC could be up to10% of the subtotal; above $2 million, PMC could be up to 5% of the subtotal. PMC should be charged proportionately to focal areas based on focal area project financing amount in Table D below.

| | | | |
|---|---|---|---|
| Execution Partner | Climate Bonds Initiative | In Kind | 200,000 |
| Working Group Members | Public sector actors, financial market & legal advisory, investors, and power industry | In Kind | 700,000 |
| IFI | Inter American Development Bank | Loans | 50,000,000 |
| Implementing Agency | UNDP | In Kind | 150,000 |
| **Total Co-financing** | | | **51,050,000** |

## D. INDICATIVE TRUST FUND RESOURCES REQUESTED BY AGENCY(IES), COUNTRY(IES) AND THE PROGRAMMING OF FUNDS [a)]

| GEF Agency | Trust Fund | Country/ Regional/ Global | Focal Area | Programming of Funds | (in $) | | |
|---|---|---|---|---|---|---|---|
| | | | | | GEF Project Financing (a) | Agency Fee (b)[b)] | Total (c)=a+b |
| UNDP | GEFTF | Global | Climate Change | | 1,950,000 | 185,250 | 2,135,250 |
| **Total GEF Resources** | | | | | **1,950,000** | **185,250** | **2,135,250** |

a) Refer to the Fee Policy for GEF Partner Agencies.

## E. PROJECT PREPARATION GRANT (PPG)[5]

Is Project Preparation Grant requested? Yes ☒ No ☐ If no, skip item E.

### PPG AMOUNT REQUESTED BY AGENCY(IES), TRUST FUND, COUNTRY(IES) AND THE PROGRAMMING OF FUNDS

| **Project Preparation Grant amount requested:** $50,000 | | | | | PPG Agency Fee: $4,750 | | |
|---|---|---|---|---|---|---|---|
| GEF Agency | Trust Fund | Country/ Regional/Global | Focal Area | Programming of Funds | (in $) | | |
| | | | | | PPG (a) | Agency Fee[6] (b) | Total c = a + b |
| UNDP | GEFTF | Global | Climate Change | | 50,000 | 4,750 | 54,750 |
| **Total PPG Amount** | | | | | **50,000** | **4,750** | **54,750** |

## F. PROJECT'S TARGET CONTRIBUTIONS TO GLOBAL ENVIRONMENTAL BENEFITS[7]

Provide the expected project targets as appropriate.

| Corporate Results | Replenishment Targets | Project Targets |
|---|---|---|
| 4. Support to transformational shifts towards a low-emission and resilient development path | 750 million tons of $CO_{2e}$ mitigated (include both direct and indirect) | *Indirect 36.2 -362.5 million tons of CO2e over the 10 years following project completion.*<br><br>*(reflecting a 1% to 10% causality for the CFA Initiative to claim these benefits)* |

[5] PPG requested amount is determined by the size of the GEF Project Financing (PF) as follows: Up to $50k for PF up to$2m (for MSP); up to $100k for PF up to $3m; $150k for PF up to $6m; $200k for PF up to $10m; and $300k for PF above $10m. On an exceptional basis, PPG amount may differ upon detailed discussion and justification with the GEFSEC.

[6] PPG fee percentage follows the percentage of the Agency fee over the GEF Project Financing amount requested.

[7] Provide those indicator values in this table to the extent applicable to your proposed project. Progress in programming against these targets for the projects per the *Corporate Results Framework* in the *GEF-6 Programming Directions*, will be aggregated and reported during mid-term and at the conclusion of the replenishment period. There is no need to complete this table for climate adaptation projects financed solely through LDCF and/or SCCF.

## PART II: PROJECT JUSTIFICATION

| Please note that this PIF is accompanied by a concept note on the CFA Initiative. In order to reduce repetition, this PIF has been completed in a succinct manner, making regular references to the concept note where more detail can be found. |
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1. *Project Description.* Briefly describe: 1) the global environmental and/or adaptation problems, root causes and barriers that need to be addressed; 2) the baseline scenario or any associated baseline projects, 3) the proposed alternative scenario, GEF focal area[8] strategies, with a brief description of expected outcomes and components of the project, 4) incremental/additional cost reasoning and expected contributions from the baseline, the GEFTF, LDCF, SCCF, and co-financing; 5) global environmental benefits (GEFTF) and/or adaptation benefits (LDCF/SCCF); and 6) innovation, sustainability and potential for scaling up.

### 1.1. Global environmental problems, root causes and barriers that need to be addressed

1. Developing countries are facing an unprecedented and urgent financing challenge, as they seek to advance their economic and human development, while at the same time contributing to global efforts to mitigate climate change. In the area of energy, SE4All estimates that by 2030, USD 660 billion per year in investment in developing countries will be needed to meet the SE4All objectives (energy access; renewable energy; energy efficiency). This compares to a 2012 baseline of USD 141.9 billion per year in investment, creating an investment gap of USD 518.1 billion per year as compared to 2030 figures[9].

2. A number of recent, interconnected trends have created the conditions in which financial aggregation for small-scale, low-carbon energy assets (renewable energy and energy efficiency) will be critical to meeting this financing challenge. An overview of these key trends – energy systems in transition; disruptive innovation in business models/technology; high financing costs; and the investment needs being greatest in developing countries – is set out in Section 1 of the concept note.

3. The need, and potential benefits, of aggregation have been researched by a number of different actors.[10]. Research from development actors includes: NREL (2012), identifying the need for asset-backed securities for solar PV in the US; the New Climate Economy report (2014), whose key recommendation in the area of climate finance (chapter 6) is the need to lower financing costs, including through aggregation; and the report from the SE4All Advisory Board Finance Committee (2015), which identifies aggregation as one of four priority areas to achieve the SE4All targets. Academic research ranges from Markowitz (1952), introducing the original theory of financial portfolio diversification, to Alafita and Pearce (2014), whose recent modelling indicates that securitisation for US residential solar assets can reduce the cost of equity from 12.0% to 6.12%. UNDP's (2013) report on derisking also provides detailed analyses on the impact of lower financing costs in four case study countries.

4. The need for financial aggregation is also clear with regard to the international community's objectives in energy. For example, SE4All seeks to achieve universal energy access by 2030. Only 35% of the population of Sub-Saharan Africa is currently electrificatied, with the energy access deficit overwhelmingly in rural areas (SE4All/World Bank, 2015). If SE4All's 2030 targets are to be met, it is reasonable to deduce that small-scale, low-carbon energy will be key to achieving these targets, particularly given the recent competitiveness and rapid uptake of new service offerings such as pay-as-you go solar home kits. If this reasoning holds true, these small-scale activities will need

[8] For biodiversity projects, in addition to explaining the project's consistency with the biodiversity focal area strategy, objectives and programs, please also describe which Aichi Target(s) the project will directly contribute to achieving.

[9] World Bank (2015): SE4All Global Tracking Framework Report

[10] Research in this area includes: NREL (2012): The Potential of Securitization in Solar PV Finance; New Climate Economy (2014): Better Growth, Better Climate: The New Climate Economy Report; SE4All Advisory Board's Finance Committee Report (2015): Scaling Up Finance for Sustainable Energy Investments; Markowitz (1952): Portfolio Selection, The Journal of Finance; Alafita and Pearce (2014): Securitization of Residential Solar Photovoltaic Assets: Costs, Risks and Uncertainty; UNDP (2013): Derisking Renewable Energy Investment

financing; conventional (utility scale) financing approaches will not be suitable; and instead financial aggregation, which is well suited to small-scale, will need to be a key part of the SE4All financing solution.

5. While holding great potential, financial aggregation in developing countries is at a nascent stage. Such markets require innovation and time to reach maturity, viability and scale. A typical financial aggregation transaction involves numerous steps, multiple stakeholders, and currently faces a range of barriers: from a lack of credit information on end-users, to fragmented approaches to contracts and O&M, to a lack of investor appetite and awareness. An overview of transaction structures and typical barriers is set out in Box 2 and Table 3 of the concept note.

### 1.2 Baseline scenario or any other associated baseline projects

6. In the absence of financial aggregation, business-as-usual approaches will likely result in a fragmented and more costly approach to investment in distributed low-carbon energy activities in developing countries. Low-carbon energy investments will typically be made by each household and business, using a direct-ownership model with funding either via self-financing (from savings), or via debt (from commercial banks, MFIs). Uptake of low-carbon energy measures will face existing financial barriers in the form of lack of access to capital, high upfront capital requirements, high financing costs and short loan tenors. Rather than scaling deployment of such energy resources, deployment will under-perform and fail to reach the levels necessary to meet developing country needs.

7. A small number of financial aggregation transactions for small-scale, low-carbon energy have closed or are currently under development. Examples include deals from SolarCity, M-KOPA Solar, EESL and Restore America. A number of development banks such as IDB, EIB, World Bank are also supporting transactions, on a case-by-case basis. Annex B of the concept note provides more information on illustrative deals. While these initial transactions are a positive step, there is little coordination amongst stakeholders, minimal sharing of lessons learnt, and a need to replicate these initial deals to increase the scale and volume of transactions in developing countries.

8. A number of initiatives are seeking to promote, to varying degrees, the development of financial aggregation markets. The most prominent platform is the US-focused Solar Access to Public Capital (SAPC) working group, which has been instrumental in supporting initial US transactions. This project follows a similar model to SAPC, but with a focus on developing countries, as well as a broader scope (renewable energy and energy efficiency). A number of other groups have identified financial aggregation as a key opportunity, including: the forthcoming G20 Climate Finance Study Group (Turkey) report; SE4All's Finance Committee; and the Bloomberg New Energy Finance Fi/Re platform. Information on these initiatives, and how the project will collaborate with them, is set out in Annex C of the concept note.

### 1.3. Proposed alternative scenario with a brief description of expected outcomes and components of the projects

9. The proposed GEF project will seek to promote financial aggregation solutions for developing countries. This will bring about lower cost financing and longer debt maturities due to the ability of financial aggregation to access new, lower-cost sources of capital and to benefit from the risk diversification that comes from pooling. Aggregation models that follow a third-party ownership model bring the further benefit of eliminating upfront costs for individual end-users, enabling wide take-up among people with lower incomes and limited or no capital resources, and reducing overall transaction and due diligence costs via collective financing. The intended end result will be significant improvements in the availability of low-cost and abundant financing for small-scale, low-carbon energy investments.

10. The project will establish the Climate Finance Aggregation (CFA) Initiative. The initiative aims to help **build in-country pipelines of standardised, low-carbon energy assets** and **to develop low-cost sources of financing, tapping new and diverse investor bases**. The CFA Initiative will be a concerted, coordinated effort – a global coalition of key actors – seeking to raise awareness, exchange information and build momentum around financial aggregation. In practice, it will be structured around 3 core activities:

- A **global working group**, to promote engagement and coordination amongst key finance and industry

stakeholders. The working group will include regional, national and technical sub-committees.
- **Standardised tool-kits** (template contracts, performance metrics, transaction structures), capable of regional and national modification. This will promote the standardisation essential to aggregation.
- **In-country demonstrations and scale-up**, show-casing and providing technical support for pilot transactions, and creating the policy and market architecture to build pipelines and achieve scale.

A description of each component's outcome, as wall as an elaboration of the component's proposed approach and outputs, are set out in Table 6 of the concept note.

11. UNDP will design and oversee the GEF project, positioning the project as part of UNDP's flagship Derisking Clean Energy Investment programme (www.undp.org/DREI). The Climate Bonds Initiative (CBI) will implement the CFA Initiative's global activities (components 1,2,3), with the CFA Initiative serving as a complementary programme to its core climate bonds activities. UNDP will implement the CFA Initiative's in-country activities (components 4 & 5).

12. Subject to milestones being met, the GEF may provide a second phase of funding, further scaling-up certain of the CFA Initiative's activities. Over time, the intent is that the CFA Initiative will establish itself and will continue as a self-sustaining private sector-led endeavour.

### 1.4 Co-financing

13. Component 4 of the project's activities – in country demonstrations and scale-up – will showcase fist-of-a-kind financial aggregation transactions. These transactions will be advanced in collaboration with partners, including development banks. To this end, the project plans to partner with IDB on the securitisation of residential and commercial roof-top solar PV in various Latin American countries as one of its first showcase transactions. IDB will provide USD 50 million in co-financing (loans) for this transaction, as noted in Table C. This is an initial co-financing commitment from one development bank. Further co-financing associated with other showcase transactions will be generated during the course of project implementation, as these transactions are identified.

### 1.5 Global Environmental Benefits

14. A preliminary top-down analysis has been performed to determine the indirect economic and environmental benefits from the CFA Initiative. *Economic benefits* from financial aggregation can be assessed in terms of the savings that will arise from lower financing costs for low-carbon energy assets. Lower financing costs will translate to lower tariffs for end-users. *Environmental benefits* from financial aggregation can be assessed in terms of the reduced greenhouse gas emissions that will flow from the low-carbon energy measures, as compared to a baseline of conventional, fossil-fuel based generation.

15. The analysis is based on SE4All projections that by 2030 USD 660.0 billion per year in investment in low-carbon energy in developing countries will be needed to meet the SE4All objectives (energy access; renewable energy; energy efficiency)[11]. This compares to a 2012 baseline of USD 141.9 billion per year in investment, creating an investment gap of USD 518.1 billion as compared to the 2030 figures.

16. An initial set of assumptions[12] have been used to estimate the CFA Initiative's indirect economic and environmental benefits. To model these benefits, it is has been conservatively estimated that financial aggregation will represent 10% of the SE4All annual incremental investment needs – for example, if the SE4All investment gap is USD 518.1 billion per year, financial aggregation will provide USD 51.8 billion of this gap. The CFA Initiative's causality for these benefits is then estimated via a range – with a lower bound of 1% and a higher bound of 10%. On

[11] World Bank: SE4All Global Tracking Framework Report (2015)

[12] Economic benefits assumes investment in renewable energy, where financial aggregation reduces the cost of debt from 8% to 6%. Environmental benefits assumes investment in renewable energy in comparison to a baseline of fossil-based generation, with an existing baseline grid factor of 0.5 tCO2e /MWh. Other assumptions: capital structure 30% equity/70%; cost of equity 15%; tax rate 25%; cost of installed capacity USD 2/W; capacity factor: 25%; asset lifetime 20 years. Economic savings are presented in real terms (2015 USD), discounted back to today using a 10% public discount rate.

this basis, over the 10 year time horizon after the project is completed, the CFA Initiative would result in the following indirect benefits:

- Total financial aggregation for low-carbon energy assets over 10 years of USD 3.3 billion (1% causality) to USD 33.1 billion (10% causality)
- Total economic savings due to lower financing costs over 10 years of USD 239 million (1% causality) to USD 2.39 billion (10% causality)
- Total annual emission reductions over 10 years of 36.2 million tCO2e (1% causality) to 362.5 million tCO2e (10% causality).

It is recognised that these estimates of economic and environmental benefits are large - this is a function of the large underlying investment needs on which the analysis is based. It is also recognised that the CFA Initiative will be an expressly collaborative platform, and will just be one of several factors that will bring about these benefits.

17. The above estimates are preliminary in nature and will be further refined at the CEO endorsement stage and during project implementation.

**1.6 Innovativeness, sustainability and potential for scaling up**

18. The project is innovative in its focus on promoting the new approach of financial aggregation. This represents a shift from conventional financing approaches of project finance (utility scale) and end-user financing (small-scale) that currently predominate. The project is sustainable in that, once established, the intent is that the CFA Initiative will continue as a self-sustaining private sector-led endeavour (through membership fees). Further, the project's activities – its working group, toolkits and promotion of first-of-a-kind transactions - are all intended to have long-lasting impact. The project is scaleable with the potential for financial aggregation to to be applicable, in its various form, to *all* developing country contexts and to account for increasing share of future global low-carbon investment. The project's toolkits and transaction structures will be expressly designed for broad replication.

**1.7 Alignment with GEF climate change strategy.**

19. The Project is fully consistent with the GEF-6 CCM-1 Program 2 "Develop and demonstrate innovative policy packages and market initiatives to foster a new range of mitigation actions". This is recognised in paragraph 51 of the Climate Change Mitigation Focal Area Strategy, which includes the following text: "51. Supporting measures to de-risk low-emission investments. Many stakeholders lack the knowledge and tools necessary to make low-emission investment decisions. This limitation impedes the ability of today's financial markets to steer investments in a sustainable direction. In collaboration with private sector partners and financial market stakeholders, the GEF may launch an initiative to support the design of shared and transparent methodologies and their applications at the global, regional and national level to help assess the carbon risks of investments. Beyond this support to carbon-risk assessment methodologies, the GEF may also support initiatives aiming at greening the functioning of global or regional financial flows and markets (energy, transport, etc.) affecting GHG emissions. These measures will be introduced to be consistent with the GEF-6 private sector engagement approach."

*2. Stakeholders*. Will project design include the participation of relevant stakeholders from civil society and indigenous people? (yes ☒ /no☐ ) If yes, identify key stakeholders and briefly describe how they will be engaged in project design/preparation.

20. The Climate Bonds Initiative, a non-profit organization and implementing partner, will be closely involved through out the project design, advising on the barriers to financial aggregation and building institutional investor interest. The CFA Initiative's working group will be the project's key ongoing instrument to interact with stakeholders, including NGOs, the technology community, business and industry (all identified as Civil Society in accordance with Council Document GEF/C.39/10/Rev.01). Information on these working group stakeholders is found in Annex A of the concept note. Industry actors who are currently engaged in financial aggregation transactions, set out in Annex B of the concept note, will be approached during project design to inform and refine the project's components and activities.

*3. Gender Considerations.* Are gender considerations taken into account? (yes ☒ /no☐ ). If yes, briefly describe how gender considerations will be mainstreamed into project preparation, taken into account the differences, needs, roles and priorities of men and women.

21. Gender considerations are an important factor concerning small-scale, low-carbon energy in developing countries. UNDP's de-risking initiative, as one of its current work-streams, is analysing how gender bias can impact broader investment risks for small-scale energy activities – for example this includes issues related to *payment/credit risk* (where women end-users may have lower creditworthiness, for example due to a lack of property rights, or consumer banking products for women) and *financing risk* (where female entrepreneurs may face challenges in establishing businesses due to having lower collateral, or due to gender bias where women are perceived by investors as less able entrepreneurs). These findings will be shared with the preojct design team and incorporated into project preparation and ongoing project implementation.

*4 Risks.* Indicate risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and, if possible, propose measures that address these risks to be further developed during the project design (table format acceptable).

| **Risk** | **Level of Risk** | **Mitigation measures** |
|---|---|---|
| *Political*<br><br>Political support from governments for the CFA Initiative will be an important factor in its success, both for its global advocacy work, as well as in terms of the domestic political will which is needed to create an underlying investment environment for small-scale, low-carbon energy activities. This creates an overall risk for the project if governments are unable to provide this political support. | Medium | A growing number of international bodies representing governments – including the G20, the Clean Energy Ministerial, SE4All- have identified financial aggregation as a priority area. The project is entirely aligned with these priorities. Similarly an increasing number of national governments are priortising domestic low-carbon energy promotion favorable to small-scale activities. While the level of risk is considered low, specific outreach approaches to build futher political buy-in with governments will be developed during project design. |
| *Economic/Market Risks*<br><br>The project may be indirectly affected by economic and market factors. The underlying uptake of small-scale, low-carbon energy activities may be impacted by lower conventional energy prices. The appetite of institutional investors for financial aggregation may be diminished by a securities market downturn or correction. | Medium | Barring once-in-a-generation global economic shocks, it is not anticipated that economic and market shifts will hold back the uptake of distributed low-carbon activities, or the demand from investors, in a significant way. The addressable market is very large, and many small-scale activities are already competitively undercutting conventional offerings. In the scenario of a market downturn, pricing on financial aggregation assets will adapt to the new market. Financing costs with financial aggregation will still be preferable to conventional alternatives. |
| *Financial Market Risk*<br><br>Securitisation in sub-prime mortgages was a key contributing factor to the financial crisis of 2008. Aggregation of mortgages and low-carbon energy share similarities, and it is possible that the underlying issues which existed with sub-prime mortgage securities may be replicated with low-carbon energy securities. | Low | While aggregation of low-carbon energy and mortgages do share clear similarities, there are also a number of reasons why it is unlikely that low-carbon energy could trigger a similar financial crisis. Low-carbon energy is not likely to reach the market size and origination volume to become a systemic risk to the financial system. New regulations, such as Basel-III, have placed constraints on bank leverage and proprietary trading, |

| | | |
|---|---|---|
| | | further reducing risk in these areas.<br><br>More specifically, the project's components will expressly address – through activities such as standardization in contracts, best practice O&M, best practice due diligence for credit rating agencies –the very issues of transparency of information and robust risk assessment which were lacking with sub-prime mortgages. The Working Group itself will dedicate a work stream to quality assurance and appropriate risk mitigation (for example through over-collateralization), to further explore these issues and with the overall aim of strengthening the integrity of this new asset class. |
| *Climate Change Risks*<br><br>Climate change may bring about increased frequency of extreme weather events and natural disasters. This may pose a physical risk to the infrastructure and hardware necessary for small-scale, low-carbon energy assets. | Medium | This risk is several steps removed from the core activities of the project and will be primarily addressed by the private sector developers offering small-scale, low-carbon energy assets. Developers typically manage this risk as part of their regular business planning, and may mitigate it through, for example, the use of remote cellular monitoring of hardware, or the use of insurance.<br><br>Small-scale, renewable energy solutions also provide electricity systems with resilience to climate change risks, and thereby provide a natural hedge in this area. |

*5. Coordination.* Outline the coordination with other relevant GEF-financed and other initiatives.

22. The CFA Initiative will address a clear gap amongst current programmes; there is currently no such initiative pursuing the CFA Initiative's activities and objectives in developing countries. At the same time, the CFA Initiative will actively seek to collaborate with related initiatives, including but not limited to, NREL's SAPC, SE4All and BNEF FiRe. The project will be submitted to the BNEF Fi/Re 2016 competition. More information on coordination with other initiatives is set out in Annex C of the concept note.

*6. Consistency with National Priorities*. Is the project consistent with the National strategies and plans or reports and assessements under relevant conventions? (yes ☒ /no☐ ). If yes, which ones and how: NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, etc.

23. The project's activities under component 4 "In-country demonstration and scale-up" will be aligned and consistent with relevant national strategies and plans. Political support from domestic governments is a critical factor in lowering the investment risk around private sector activities, necessary for the eventual scale-up that the project is seeking.

*7. Knowledge Management.* Outline the knowledge management approach for the project, including, if any, plans for the project to learn from other relevant projects and initiatives, to assess and document in a user-friendly form, and share these experiences and expertise with relevant stakeholders.

24. Advocacy, awareness raising and knowledge management will be key to the project's success. The project's component 1 "Global awareness raising and knowledge management" will seek to ensure a high-profile and engaging public presence for the CFA Initiative, gathering and disseminating the findings and lessons learnt from the CFA Initiative's three core activities (global industry working group; best practice toolkits; in-country demonstration and scale-up). Outputs will include:

(i) Active online presence with social media, email blog postings and webinars
(ii) Active media outreach (opinion pieces, interviews) with relevant media outlets
(ii) Regular reports and studies on financial aggregation, addressing key market issues
(iii) High-profile events at key meetings (e.g., UNFCCC COP; World Future Energy Summit; World Bank spring meetings; OECD Green Investment Financing Forum)

## PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

### A. RECORD OF ENDORSEMENT[13] OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):

(Please attach the Operational Focal Point endorsement letter(s) with this template. For SGP, use this SGP OFP endorsement letter).

Not applicable.

### B. GEF AGENCY(IES) CERTIFICATION

**This request has been prepared in accordance with GEF policies[14] and procedures and meets the GEF criteria for project identification and preparation under GEF-6.**

| Agency Coordinator, Agency name | Signature | Date *(MM/dd/yyyy)* | Project Contact Person | Telephone | Email |
|---|---|---|---|---|---|
| Adriana Dinu, Executive Coordinator, UNDP-GEF |  | 10/27/2015 | Oliver Waissbein EITT | +1 212 906 3637 | oliver.waissbein@undp.org |
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| | | | | | |

### C. ADDITIONAL GEF PROJECT AGENCY CERTIFICATION (APPLICABLE ONLY TO NEWLY ACCREDITED GEF PROJECT AGENCIES)

For newly accredited GEF Project Agencies, please download and fill up the required **GEF Project Agency Certification of Ceiling Information Template** to be attached as an annex to the PI

[13] For regional and/or global projects in which participating countries are identified, OFP endorsement letters from these countries are required even though there may not be a STAR allocation associated with the project.
[14] GEF policies encompass all managed trust funds, namely: GEFTF, LDCF, and SCCF