

Introduction to CTI's Private Financing Advisory Network (PFAN)

Introduction & Background to PFAN

PFAN is an initiative of the Climate Technology Initiative (CTI) in cooperation with the UNFCCC Expert Group on Technology Transfer (EGTT) to broaden the access to financing for climate friendly and technology transfer projects. Its ultimate goal is to get more renewable energy and climate friendly projects financed and thereby to accelerate technology transfer under the UNFCCC.

To achieve this, PFAN provides coaching and technical assistance to project developers and other project proponents in developing countries and countries with economies in transition to assist them in the preparation of project financing proposals meeting the standards of the international financing community. PFAN seeks to identify projects that may be suitable for private sector international finance at an early stage and then acts as a "free" project financing consultancy service to guide these projects to bankability and financial closure. PFAN activities commenced in early 2006 and are currently being conducted as a pilot program projected to run into mid- to late 2007.

The PFAN Network and its Services

The PFAN network consists of an informal assemblage of private sector companies, gathered under the umbrella of the CTI, all with an interest in providing financing and financing services to climate-friendly projects. Current participants include specialist investment funds and institutional investors such as FE Clean Energy, Fiorello H. LaGuardia Foundation, and New Energy Capital, as well as financing advisory consultants such as PPL International. On a project by project basis the participating companies make available practicing private finance professionals experienced with project development and financing in developing countries and emerging markets to act as coaches / mentors to selected projects. These finance experts are not only concerned with the economic returns from the projects, but the environmental and social benefits as well.

Via the finance experts and their respective companies a variety of services can be provided free of charge to project sponsors and developers to assist them in enhancing their access to international private sector finance. Depending upon the nature and requirements of each project, these services include:

- Advice and Guidance on:
 - Overall project and commercial structure
 - Financing structure
 - Sourcing and procurement of financing
 - Technical and engineering aspects
- Contact brokering and introductions to financing sources
- Provision of money / financing directly from members of the network

The costs of providing the PFAN services are absorbed by the CTI. There is no cost to the project developer. In return however, it is expected that members of

PFAN have the “right of first offer” to provide financing where appropriate, providing always that such financing is on market competitive terms.

How does it work in Practice?

In order to qualify for PFAN support, a project must first undergo a rigorous, but non-bureaucratic, selection / analysis process. This analysis is based upon the initial project description proposal and whatever additional relevant information is readily available. This first stage review takes about three to four weeks. Once accepted into the programme, a project is assigned a PFAN advisor or “coach” from the network who steers the project through 3 further review stages which are designed to guide the project sponsors through the financing process to financial closure. The exact structure and content of each review stage is tailored to the individual project, but broadly speaking, the 2nd stage concentrates on the project economics and underlying viability. The 3rd stage focuses more on technical and engineering aspects, while the 4th and final stage is aimed at problem solving, fine tuning of the cash flows and commercial aspects and fulfilling the necessary conditions required by the potential lender / investor for converting financing offers into committed financing.

Each review stage is summarized in a formal written memorandum to the project sponsor which provides an analysis of the strengths and weaknesses of the project proposal, makes suggestions for future courses of action, identifies who needs to be involved, and specifies what needs to be done to take the project to the next stage and ultimately secure financing. The PFAN process requires the full commitment of project sponsors to supply information and to act on the advice provided. If this is not forthcoming the CTI reserves the right to terminate PFAN support.

What Projects are eligible and how do they apply for PFAN support?

There are currently no official constraints on project type and size during the pilot phase. However in order to maximize resources and expedite the learning by doing process, fairly well defined, cleaner energy projects in the 5 to 50 million USD range are given preferential treatment.

In order to be considered for PFAN support project sponsors should simply make a free form application to the PFAN Coordinator or the CTI Secretariat, which should include a full project description, details of involved parties, investment plans & budgets and project economics in as much detail as possible. This information will be passed on to one of the companies in the Network for initial analysis and a response should be available within 3 – 4 weeks.

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