

Syndicate for Renewable Energy Infrastructure Financing

For a Green Energy Transition



SEED

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for sustainable development



Background

In support of Uganda's green economic future, power production needs to shift to low-carbon renewable energy technologies. Alongside this shift, investment in renewable energy (RE) infrastructure is central to the growth and maintenance of clean energy markets. However, energy infrastructure financing costs in Uganda remain very high. Infrastructure investments in the energy sector are considered as risky by many financiers since such investments are illiquid, require long-term profits, and are vulnerable to changes in policy environments. Infrastructure investment within the renewables sectors is perceived as even riskier. Similarly, dependency on political actors and governmental institutions is even higher for RE investments because of a common reliance on subsidies or feed-in tariffs. These factors limit the growth of markets for RE in Uganda. Simplifying access to finance and reducing the costs (of debt as well as equity financing) can help to kick-start energy infrastructure investments for a green energy transition in Uganda.

Solution Overview

The **syndicate for renewable energy infrastructure financing** solution contracts a community of interested debt and equity lenders to finance household RE projects. It enables and leverages syndication effects to increase the number of new financial partnerships, raise debt in the RE sector and multiply returns on investments. Investors are legally bound in the syndicate, which finances RE infrastructure projects based on comprehensive project analysis, due diligence and evaluation. High ROI potential projects receive financing through insurance, blended financing or otherwise, depending on the financing service offerings of member financiers. The syndicate supports RE infrastructure projects to plan project implementation and schedules payments accordingly. This innovative syndicate will:

1. **Secure the buy-in and share risks among private sector actors** (especially infrastructure insurance companies) in blended syndication to build a pool of interested lenders who finance ongoing projects for off-grid infrastructure development;

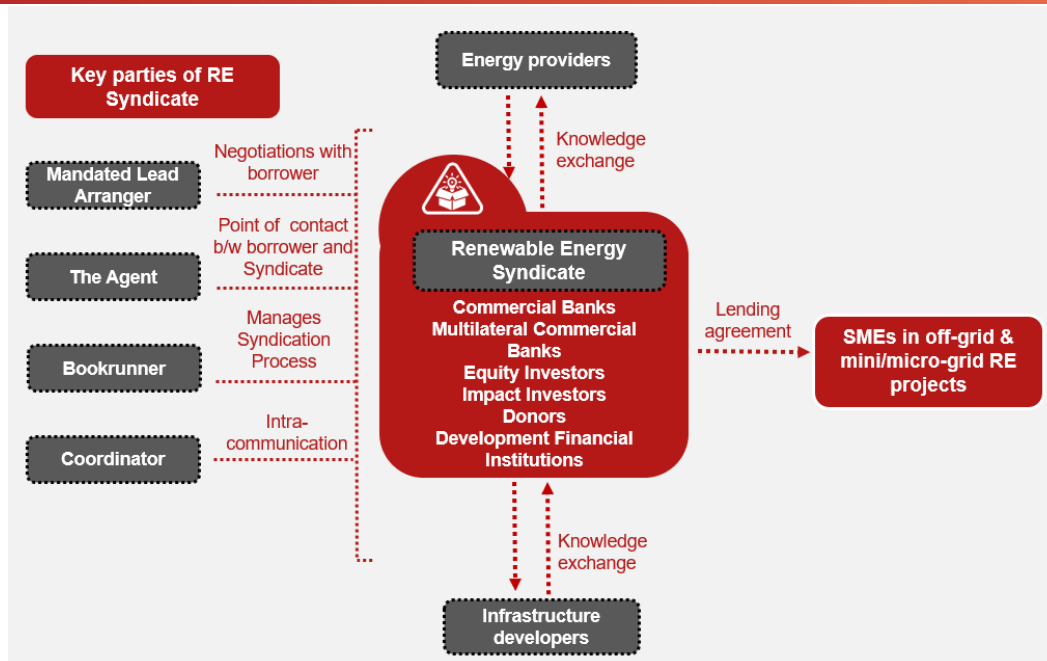
Focus:	Climate Change Mitigation
Ecosystem Impact:	Access to Finance
Lab Cycle:	Climate Finance, Uganda 2018
Challenge hosted by:	UNFCCC Regional Collaboration Centre – Kampala

2. **Multiply returns on investments in off-grid RE for household use** by pairing syndicate members with off-grid energy experts to fortify knowledge-sharing and long-term partnerships which reduce investors' risk aversion.

Key Features

The syndicate for RE infrastructure financing improves the delivery and servicing capacities of RE projects that target areas of growing energy demand through the syndicate's following characteristics:

- Multiple lenders share investment risks associated with lending for RE infrastructure projects
- Investors are legally bound in syndicate which manages comprehensive RE project analysis, due diligence and evaluation
- Syndicate lenders and off-grid energy experts exchange knowledge and form long-term partnerships for selection and dissemination of appropriate tech to high energy demand areas
- Syndicate supports project planning and aligns payment cycles to implementation milestones
- Syndication model is easily replicated in new contexts and applied to further climate-smart energy solutions, securing and managing multi-stakeholder buy-in and risk
- Model is ideally suited to meeting energy demands of high-demand areas



Innovative Characteristics

- **De-risks financing via syndication** with multiple lenders, in coordination with energy technology providers and infrastructure developers
- **Pools multi-stakeholder investments** and shares knowledge to select and disseminate appropriate technology to high-demand areas
- **Offers numerous opportunities for scale-up** based on model for securing and managing multi-stakeholder buy-in

Target Market

The syndicate for renewable energy infrastructure financing targets pay-as-you-go clean energy businesses (e.g. offering solar home systems (SHS)). Small- and medium-sized enterprises that focus on the delivery of energy solutions to off-grid consumers are in need of infrastructural developments to expand and improve their sales and product delivery. In addition to SHS businesses, this solution will create financing opportunities for mini-grid hydro, biomass, wind and thermal energy businesses through its broad focus on climate-smart infrastructure. During the syndicate's pilot phase, renewable energy projects will be selected based on tailored criteria. This pilot phase involves extensive reporting and evaluation on the success and impact of project financing, as measured by increased energy access and efficiency improvements.

Solution Developer



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Impact Potential

Accessible financing for renewable energy infrastructure facilitates Uganda's green energy transition and optimises the environmental and economic impacts of existing and future off-grid renewable energy projects across Uganda. Sizeable concessional, cheap and impactful funding for renewable energy projects can be mobilised through syndication to deliver real results in terms of new jobs, economic savings, competitiveness and market opportunities, improving the wellbeing of communities in Uganda. This solution will:

- **Share resources and expertise:** Mobilise key stakeholder support (from energy experts to financiers) for RE and share expertise with climate-smart technologies and appropriate financing mechanisms
- **Reduce risk aversion in RE sector:** Share risk among investors to alter perception of solar off-grid as "High Risk, Low Return sector" and deliver mechanisms for risk management
- **Scale-up RE adoption for climate change mitigation:** Meet off-grid demand and scale-up energy access for remote communities while supporting RE SMEs to access new markets and increase market penetration

SEED Practitioner Labs Climate Finance engage financial institutions, funders, intermediaries and other SME ecosystem stakeholders to co-create innovative climate finance products and mechanisms that extend access to long-term financing opportunities for "missing middle" small and growing climate-smart enterprises that struggle to advance beyond the start-up stage and multiply their contributions to climate-smart and socially inclusive economies.