



Global Energy Efficiency and Renewable Energy Fund: Addressing Climate Change with Equity Investments

Bringing together public and private investors

Perceived high risk, lack of upfront capital and high transaction costs are keeping away private sector investments in emerging economies. GEEREF is a pioneer climate finance initiative harnessing ODA (official development aid) to catalyse private capital for the benefit of clean energy projects in developing countries.

The Global Energy Efficiency and Renewable Energy Fund (GEEREF) is an innovative Fund-of-Funds equally funded by public and private capital. It provides equity financing to small and medium size renewable energy and energy efficiency projects in developing countries. GEEREF anchors private equity funds, which in turn invest in private sector projects, thereby creating a sizable multiplier effect on its investments. In practice, for every ODA EURO invested to-date, over EUR 50 were invested in debt and equity in final projects on the ground.

GEEREF was launched in 2008 with EUR 112 million of public sector seed funding from the European Union, Germany and Norway. In May 2015 GEEREF had a final close at EUR 220 million, with an additional EUR 110 million from private investors.

The largest contributions from private investors came from pension funds, asset managers, family offices and high-net-worth individuals from around the world. Attracting these investors to GEEREF is a considerable success as it highlights the interest of private investors in the sector and the huge potential of public and private partnerships in this space.

With EUR 220 million of funds under management, an estimated EUR 10 billion will be mobilised through the projects developed by the funds in which GEEREF has invested or to which it will commit.

GEEREF is advised by the European Investment Bank Group, combining the global expertise in climate action investments of the European Investment Bank with the Fund-of-Funds management know-how of the European Investment Fund.

The key to GEEREF's fundraising success

Institutional investors are generally hesitant to venture into new sectors or frontier markets. Even if both are deemed attractive, prudential and regulatory frameworks often curtail investors' risk taking ability. Renewable energy in developing countries is still a nascent activity with a very limited track record that strong economics cannot totally compensate in a traditional risk-analysis approach. Two elements were therefore key in breaking the deadlock: firstly, GEEREF's early fund vintages gave a concrete view on the sector, and secondly, the subordinated position taken by public ODA investors offered a robust risk mitigant and return enhancement to private investors.

The public investors agreed to provide private investors with a preferred return, which also constitutes a solid cushion to the latter. Thanks to this new structure, the risks for private investors were mitigated. This was instrumental in starting to crack the nut of privately funded renewable energy and energy efficiency projects in developing countries.

A catalyst for positive impact

GEEREF's funds have so far invested in 92 projects, under development, commissioned or under construction. Every project adheres to GEEREF's triple bottom line: "**People, Planet, Profit**". Each project seeks to increase access to electricity, to combat climate change, and to deliver a sustainable risk-adjusted financial return to investors. The fund managers selected by GEEREF always promote local community engagement during construction and operation. Community development plans ensure that each project contributes to the social and economic growth of local communities.

Equal benefits for a triple bottom line

People: GEEREF seeks to provide access to sustainable energy and increase energy efficiency in developing countries and economies in transition;

Planet: GEEREF seeks to tackle climate change and contribute to a sustainable environment; and

Profit: GEEREF seeks to achieve robust financial returns.

For example, a EUR 10 million investment in the Evolution One fund, which in turn invested in the Kouga Wind approximately 80 km west of Port Elizabeth in South Africa, contributes to greater energy security and alleviate poverty by creating new jobs. 219 people, predominantly from the local community, were employed during the 26-month construction phase. 30 permanent jobs were created post commissioning in March 2015.

GEEREF during the last year added the Africa Renewable Energy Fund to its portfolio, bringing the funds it has

invested in to a total of thirteen. AREF invests in small hydro, wind, geothermal, solar, and biomass projects across Sub-Saharan Africa. The fund develops greenfield renewable energy infrastructures, using proven technologies supported by local renewable energy legislation and commercial market drivers.

GEEREF's pipeline foresees further investments across Africa. Opportunities in Asia and in Latin America are also on the list to bring the portfolio of ~15 investments. The EIB Group is currently already structuring a successor to GEEREF, called GEEREF NeXt. A cornerstone commitment of USD 250m from the Green Climate Fund has been obtained for GEEREF NeXt.

The targets are ambitious: 1 gigawatt of clean-energy capacity in recipient countries provide sustainable energy services to 3 million people and save up to 2 million tonnes of carbon dioxide emissions.

GEEREF in a nutshell

- GEEREF is a Fund-of-Funds advised by the European Investment Bank Group;
- GEEREF anchors specialized private equity funds focused on renewable energy and energy efficiency projects in emerging markets;
- GEEREF's funds concentrate on infrastructure projects that generate clean power through proven technologies with low risk;
- GEEREF's funds target attractive financial investments that also deliver a strong positive environmental and developmental impact;
- GEEREF has invested in nine funds across Africa, Asia, Latin America and the Caribbean (as of mid-September 2015);
- GEEREF's African-focused funds include Evolution One, DI Frontier and, most recently, the Africa Renewable Energy Fund;
- GEEREF is considering a number of additional opportunities in Africa, where it sees a very strong growth potential.



Imprint

Published by: Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB)
Division KI II7 · 11055 Berlin
E-Mail: KIII7@bmub.bund.de · Internet: www.bmub.bund.de/en/
Design: MediaCompany – Agentur für Kommunikation GmbH
Date: August 2017

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