

International **Guarantee Trust Fund** for Renewable Energy (iTrust)

Political and financial risks, exacerbated by impacts of the COVID 19-pandemic, are key deterrents to infrastructure investments in developing markets. Meeting climate and development goals requires a seven-fold increase in long-term investments in clean energy projects that cannot be borne entirely by the public sector.

The iTrust is an innovative financial solution to mitigate political and financial risks in developing countries. It will be established as an international trust-like entity to channel the growing availability of funding by providing a package of program-based guarantees to all renewable energy projects awarded through public auctions. Host countries will not be required to pay fees or other costs associated with either the structuring and implementation of the iTrust or the provision of guarantees.

The iTrust will have its own assets, organized under foreign legislation and ruled under private law, making it independent from any host country's political decisions.

The iTrust will offer a program-based guarantee package to cover offtaker liquidity risks as well as certain country-level risks affecting project bankability and market attractiveness.

*"The iTrust will ensure a balanced risk allocation up-front and avoid lengthy and costly discussions on bankability down the road. It truly has the potential to be a **game changer for the energy industry.**"*

Fabricio Longhin, Partner at Clifford Chance's Energy and Infrastructure Group and Head of the firm's Latin American Practice.

The package will include (1) a revolving energy payment guarantee to cover ongoing obligations by the offtaker under relevant offtake agreements and (2) an early termination payment guarantee to backstop the obligation of the relevant offtaker or governmental agency to make such a payment if the offtake agreement is terminated as the result of the occurrence of certain triggering events.

"The iTrust is exactly the kind of technology we need now to drive renewable deployment at scale. We won't get there proceeding on an asset-by-asset basis.

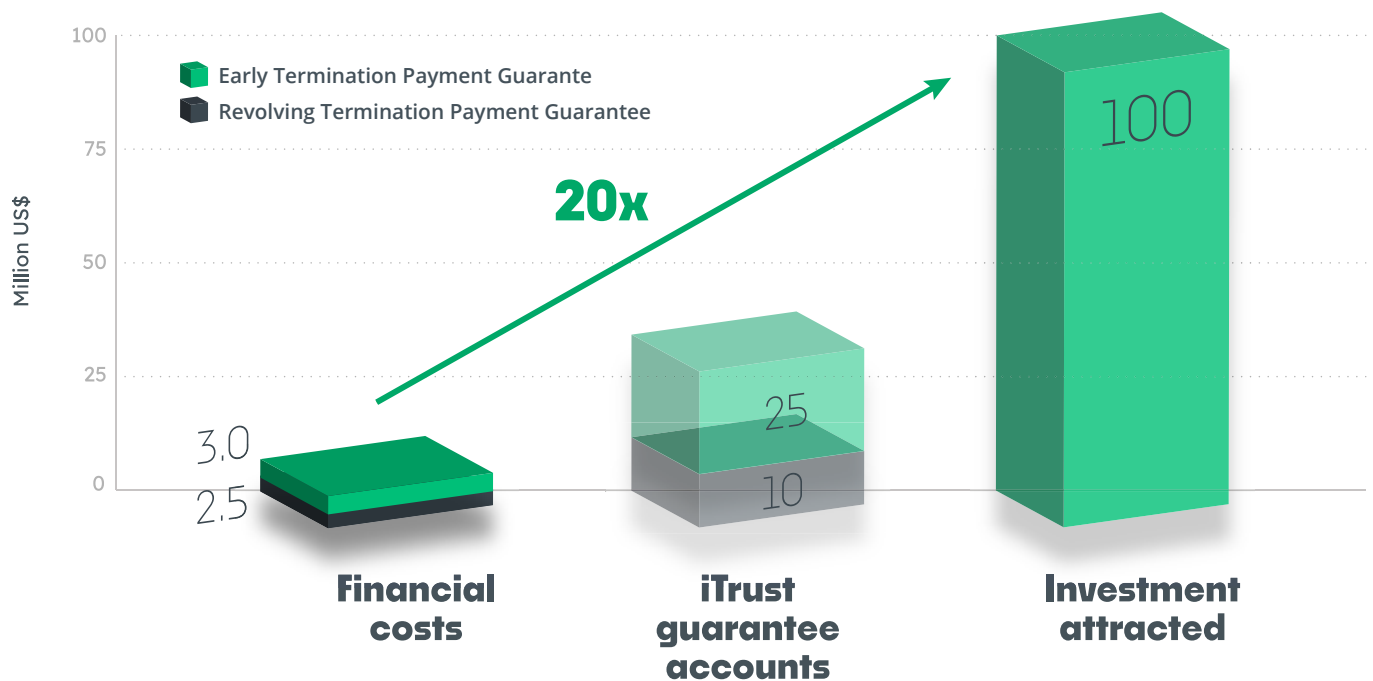
*This replicable, programmatic, and locally sensitive technology **offers host governments the right balance to unlock faster deployment** without re-inventing the wheel. At the same time, it provides donors, governments, institutions, and the private sector an efficient way to lend their credit for high impact."*

John Pickett, former Head of Linklaters' global renewables practice.

By design, the guarantees will cover independent power producers (IPPs) for the full tenor of the offtake agreement. The revolving energy payment guarantee will be granted to all awarded projects at no cost and will cover a maximum amount equivalent to 3 to 12 months of energy payments to all awarded IPPs. The early termination payment guarantee will be offered as optional, for an amount and tenor chosen by the IPPs, which will be requested to pay a fee for the coverage. These instruments, framed within efficient auction schemes, will allow IPPs to improve bankability, unlock financing, reduce cost of capital and extend tenors, generating a greater value than their cost.

The iTrust is a catalytic financial product needed to drive deployment of renewables at scale. Its innovative design, as a replicable and programmatic provider of customizable guarantees, is a first-of-a-kind tool that offers funders and investors across the world the opportunity to effectively allocate resources for de-risked, long-term clean energy infrastructure. The iTrust will unlock markets.

We expect the financial costs associated with the amounts deposited and committed for the iTrust guarantee accounts



to leverage by a factor of 20x into investments attracted in renewable energy across the developing world.

The iTrust guarantee accounts will be funded by donors, governments, multilateral and bilateral agencies, institutional investors, and financial institutions. Cash and/or commitment contributions for a revolving energy payment guarantee covering 12 months of revenues is estimated at US\$ 10.0 million for every 100 MW auctioned.

The iTrust will be managed by a reputed international financial institution as trustee or administrator. A Board of Trustees comprising funder representatives and well-respected independent members will govern the iTrust according to pre-established guidelines.

The iTrust elaborates standard terms and conditions for the guarantees, offtake agreements, and auction programs, which are customizable to each host country's specific needs and risks. To implement the iTrust guarantees, host countries shall comply with the iTrust's eligibility criteria and guidelines for the design of transparent and competitive renewable energy procurement programs to meet globally accepted rules.

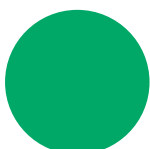
These guarantees will not count as debt for the host country but rather be reported as one-off guarantees and accounted in national accounts as a contingent liability, enabling their implementation with minimal fiscal and financial impact.

The iTrust is being designed by RELP (formerly GREENMAP) in collaboration with Clifford Chance as legal advisors. Engagement with key stakeholders and further design and proof-of-concept activities are planned to span up to mid 2022 when the first implementation case is expected to be launched.

“The RELP (formerly GREENMAP) team has applied its experience, creativity and great track record of accomplishment in the challenging market of Argentina to craft a further improved structure to enable cost-effective and widespread deployment of renewable energy elsewhere in the world.

The iTrust guarantee structure will provide ample benefits to all project participants and energy consumers while substantially mitigating greenhouse gas emissions”

Dave Rogers, Adjunct Professor, Stanford University, School of Earth Energy & Environment, and former Latham & Watkins Partner and Global Chair of its market-leading Project Development and Finance Group.



For more information you can write to us at itrust-info@relp.ngo or download the full concept note [here](#).

Greenmap is now
RELP
Renewables for all.

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