



INTERNATIONAL GUARANTEE TRUST FOR RENEWABLE ENERGY

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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

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 investment 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 the structuring and implementation of the iTrust.

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 off-taker liquidity risks as well as certain country-level risks affecting project bankability and market attractiveness. The coverage package will include (1) a revolving

energy payment guarantee to cover ongoing obligations by the off-taker under relevant off-take agreements and (2) an early termination payment guarantee to backstop the obligation of the relevant off-taker or governmental agency to make such a payment if the off-take 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.



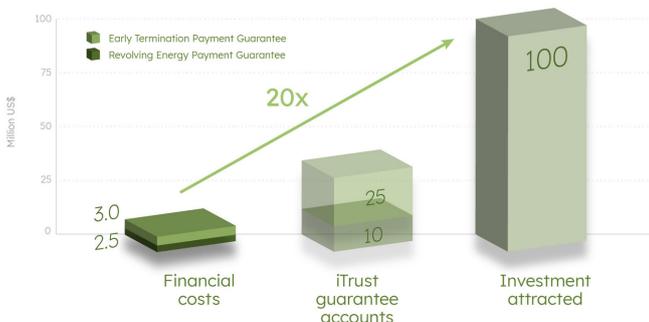
John Pickett, Head of Linklaters' global renewables practice

By design, the guarantees will cover independent power producers (IPPs) for the full tenor of the off-take 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. 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 or 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. A Board of Trustees, comprising funder representatives and well-respected independent members, will govern the iTrust according to pre-established guidelines.

The iTrust will elaborate standard terms and conditions for the guarantees, offtake agreements, and auction programs, which will be customizable to the specific needs and risks of each host country. 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 will be accounted in national accounts as a contingent liability, enabling their implementation with minimal fiscal and financial impact.

The iTrust is being designed by 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 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@energygreenmap.org or download the full concept note [here](#).



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