



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

CONCEPT NOTE

June 2023

In collaboration with

**C L I F F O R D
C H A N C E**

Photo: Garayalde wind farm, RenovAr Programme, Argentina

DISCLAIMER

This document has been prepared for discussion purposes only and does not constitute a definitive document nor a promise of transaction. The participation in the iTrust and transactions contemplated hereunder shall only be confirmed and effective upon the execution of the definitive agreements and supplemental documents.

Acknowledgment

The iTrust team would like to thank **Clifford Chance** and especially **Fabricio Longhin** (Partner at Clifford Chance's Energy and Infrastructure Group and Head of Latin American Practice) and **Patricio Abal** (Special Legal Consultant) for their support in envisioning and designing the concept and issues relevant to the iTrust guarantees along with providing invaluable knowledge about project finance for the renewable industry.

We also want to thank and recognise the essential input provided by **John Pickett** (former Head of Linklaters' Global Renewables Practice), particularly regarding certain design features and funding structure of the iTrust's guarantee accounts.

About RELP

RELP is the new brand of GREENMAP (Global Renewable Energy Mass Adoption Program ASBL). We are an impact-driven and independent non-profit organisation created to unlock investment and accelerate the deployment of renewable generation in developing economies.

Our strategy is to engage directly with governments to support them in designing and implementing stable regulatory frameworks, procurement programmes and new financial schemes able to unlock renewables markets, attract investment at scale and boost the reduction of GHG emissions.

We focus on implementation. We are already working with partners and governments in Africa, Asia and Latin America. We are developing an innovative digital platform to streamline the workflows and rapidly scale our activities to multiple countries in parallel. Our AREA Platform (Analytics for Renewable Energy Auctions) is being developed to include state-of-the-art methods and tools for cost estimations, auction design and simulation, programme customisation, stakeholders communication, auction management, assessment and monitoring. Please refer to this [link](#) for further information.

The International Guarantee Trust Fund for Renewable Energy or iTrust is designed to complement RELP's work in eligible countries. It will be an effective tool to de-risk and mobilise investment at scale with a focused, innovative and programmatic approach. The design and implementation of the iTrust will be independent of RELP's core services. This means that the adoption of the iTrust's guarantees is not subject to RELP's prior support to an eligible country for the design and implementation of a RE procurement programme (REPP), so long as the programme meets certain eligibility criteria. In that respect, we envision RELP will provide technical assistance and support in the process of verifying compliance with such set criteria by the host country and its REPP.

The iTrust was officially launched on November 11th 2021 at the Climate Action Solution Center (CASC), a prominent side event alongside the UNFCCC 26th Conference of the Parties (COP26) celebrated in Glasgow, United Kingdom. Please refer to this [link](#) for further information.

RELP is funded by philanthropy. To maintain full independence and avoid any conflict of interest, we do not receive funds from private companies in the utility or power generation business, or other private sector institutions with any conflict of interest.



You can find more information about RELP in the Annex at the end of this document and at our website **relp.ngo**

About Clifford Chance

Clifford Chance is one of the world's pre-eminent law firms, with a significant depth and range of resources across five continents. As a single, fully integrated, global partnership, the firm is widely recognized for its approachable, collegial, and team-based way of working. Its clients include corporates from all the commercial and industrial sectors, the financial investor community, governments, regulators, trade bodies and not-for-profit organisations.



More information on Clifford Chance can be found at **cliffordchance.com**

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Glossary of Terms and Acronyms

CAPEX	Capital expenditures
FATF	Financial Action Task Force
GW	Gigawatt, equivalent to 1,000 megawatts (MW)
IDB	Inter American Development Bank
IPP	Independent power producer
iTrust	International Guarantee Trust Fund for Renewable Energy
LCOE	Levelised cost of electricity
LGD	Loss given default
MDB	Multilateral development bank
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
OA	Offtake agreement: an agreement whereby the designated offtaker purchases the energy produced by the IPP, also often called power purchase agreement or power sale agreement
O&M	Operations & maintenance
PD	Probability of default
REL P	REL P - (formerly GREENMAP: Global Renewable Energy Mass Adoption Programme; non-profit association)
REPP	Renewable energy procurement program
UNFCCC	United Nations Framework Convention on Climate Change
WACC	Weighted average cost of capital

1. Context and baseline: the problem

The adoption of renewable energy (RE) at scale has the biggest potential to reduce emissions in the power generation sector while promoting economic and social development. Although renewable electricity has become a competitive and technically mature power source, its deployment across most developing countries, except big markets such as China, India or Brazil, has been slow. The main reason is their limited access to international financing due to more challenging political, economic, financial, regulatory, and legal environments that create higher real and perceived risks and diminish long-term private investment attractiveness.

International private investments in developing countries also face currency risks, as the capital funding for RE projects is usually denominated in hard currency whilst projects' revenues are collected in local currency, even when bankable offtake agreements (OAs) could be denominated in hard currency. Revenue collection in local currency makes RE project financing more challenging than in other industries -such as exports of oil or liquefied natural gas or mining- which are traded and exported directly in hard currency.

The cost of renewable electricity is a function of both the amount of capital needed to install the generation project (CAPEX) and the weighted average cost of capital (WACC), which is highly related to the real and perceived risks of the investment in the host country. Both elements are fundamental to determining the long-term levelised cost of RE (LCOE), given comparable projects' capacity factors and available grid access. While the CAPEX is essentially similar for RE projects across different countries, for any given technology, developing countries' higher WACC increases their LCOE.

These higher LCOE values are the primary limitation faced by developing countries in expanding their RE capacity, given their lower financial leverage capacity, shorter available debt tenors, and higher returns on investment expected by lenders and equity providers¹. The key driver for developing countries' higher WACC is the great uncertainty in the long run, especially regarding the OAs for the energy generated by the projects.

The private sector has a critical role to play by crowding in and helping governments to drive down the LCOE and meet Sustainable Development Goals. This is not only due to the magnitude of the investment needed², but also because developing countries have limited fiscal budgets—a situation that has been exacerbated by the impacts of the COVID-19 pandemic. Yet to attract private investment at the necessary scale, countries will have to deal with one key element to reduce WACC and enhance project feasibility: managing and properly mitigating investment risks.

The lack and/or deficient use of political and financial enhancement tools to adequately mitigate risks is one of the critical barriers to unlocking private finance at scale for clean infrastructure in developing countries, as it adversely affects both its bankability and asset-class nature, significantly increasing WACC for projects (IADB, 2018³).

Therefore, designing and implementing efficient political and financial enhancement tools to adequately mitigate risks is a key solution to unlocking private finance at scale for clean infrastructure in developing countries.

The graph below conceptually depicts how improvement in credit rating reduces RE prices, as a result of lower implied risks and increased competition among equity and debt investors as the market becomes more attractive.

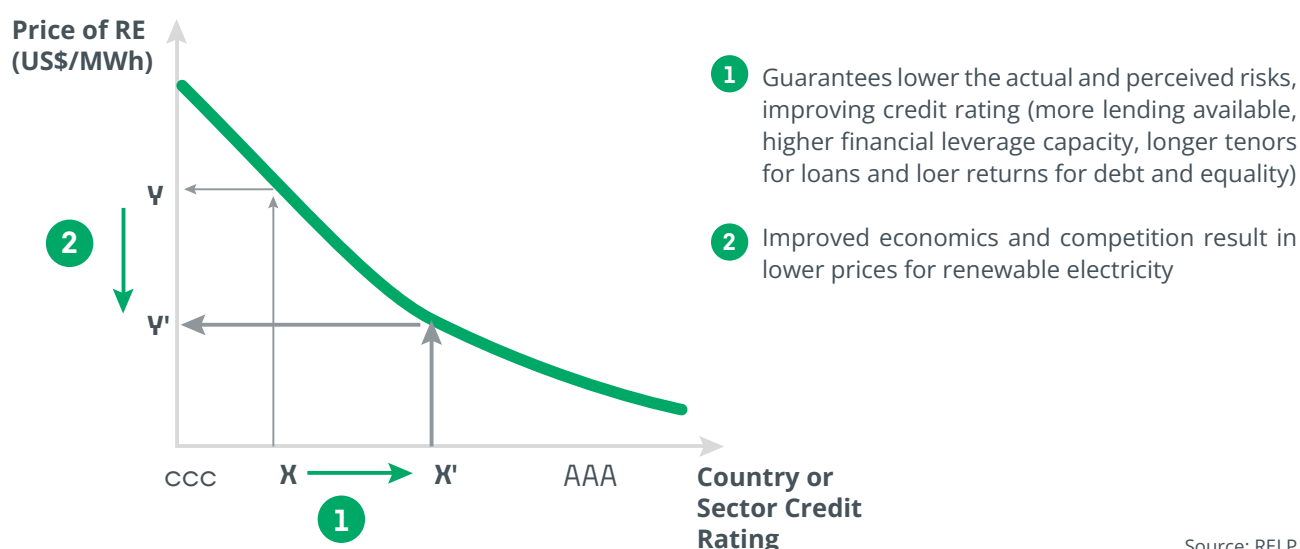
Altogether, as power generation is the main contributor to climate change, efficiently mitigating and managing risk related to power generation through bespoke financial enhancement tools is one of the most efficient ways to scale renewables and accelerate the energy transition at affordable prices.

1. In addition, grid capacity availability is needed to transport the generated energy to consumption centres, which are usually far from the generation areas. Nevertheless, tenders for RE can include the construction of new transmission lines.

2. By 2030, annual capital spending on clean energy in emerging and developing economies must expand by more than seven times, to above US\$1 trillion to reach global net-zero emissions by 2050. Of this amount, 70% is expected to come from the private sector (IEA, WB and WEF, "Financing Clean Energy Transitions in Emerging and Developing Economies", June 2021).

3. Inter-American Development Bank, "Introductory Guide to Infrastructure Guarantee Products from Multilateral Development Banks," Office of Strategic Planning and Development Effectiveness, Technical Note Nbr. IDB-TN-01611, Pablo Pereira Dos Santos, page 2, December 2018.

FIGURE 1 - Conceptual Effect of Credit Enhancement on the Cost of RE Generation



2. The Proposed Solution

Building the clean energy infrastructure needed to put the Global South on track to reach climate and development goals requires massive long-term investments that cannot be entirely borne by the public sector⁴.

The most effective way to reach this goal is by designing and implementing improved competitive procurement processes and well-structured guarantee schemes specifically designed to mitigate risks in this sector. Oftentimes, available guarantees have been insufficient to improve bankability and had a limited impact on promoting and mobilising private investment in RE at scale.

Most available guarantees are not specifically designed for the RE sector, so while they could work well for other kinds of projects, they are not appropriate to effectively mitigate risks affecting investment in RE. For this reason, many of

them are perceived as complex and bureaucratic, having limited risk coverage, not tailored to specific needs, lacking on-demand payment features, and usually requiring long negotiations.

Depending on their design, guarantees are often recorded as public debt on the countries' balance sheets⁵, negatively affecting their credit rating. A proper assessment of design features is necessary to avoid these negative aspects and minimise countries' fiscal exposure. Moreover, most guarantees offered by multilateral development banks (MDBs) are ruled by accounting standards requiring them to be booked on par with loans regardless of the probability of being called. This feature reduces their attractiveness to governments⁶, as they absorb available funds from the country's "envelope" and take up resources that could be used as loans for other types of projects⁷.

4. Developing countries face budget and fiscal restrictions on scaling up direct infrastructure financing because of current higher structural expenditures, a problem exacerbated by the COVID-19 pandemic.

5. International Monetary Fund (2014), "External debt statistics: guide for compilers and users," Inter-Agency Task Force on Finance Statistics. <http://tffs.org/edsguide.htm>. When guarantees are designed as a one-off guarantee, they are only booked as debt when the triggering event occurs.

6. Inter-American Development Bank, "Introductory Guide to Infrastructure Guarantee Products from Multilateral Development Banks," Office of Strategic Planning and Development Effectiveness, Technical Note Nbr. IDB-TN-01611, Pablo Pereira Dos Santos, page 2.

7. MDBs limit resources available for lending yearly to each borrowing member in proportion to each country's relative size in the MDBs' portfolio, among other criteria. These limits are known as "country lending envelopes."

REL P will implement an International Guarantee Trust Fund for Renewable Energy (the “iTrust”) with the specific purpose of providing customised programme-based guarantees that will be automatically granted to all RE projects awarded in public tenders carried out by eligible developing countries. These guarantees will cover the most typical “offtaker liquidity” risk as well as certain country-level risks affecting project bankability and market attractiveness.

The iTrust will elaborate standard terms and conditions for guarantees, Offtake Agreements, and auction programmes, which will be easily customisable to the specific needs and risks of each host country. To be eligible, countries must comply with the iTrust’s eligibility criteria and guidelines for the design of transparent and competitive RE procurement programs (REPPs).

One of the key design features of these guarantees is that they should not count as debt for the host country, but rather as *contingent liabilities*, allowing for their implementation with minimal fiscal and financial impact.

These guarantees, granted by the iTrust and coupled with efficient auction schemes, will allow developing countries to reduce the cost of RE by minimising related risks and financial costs.

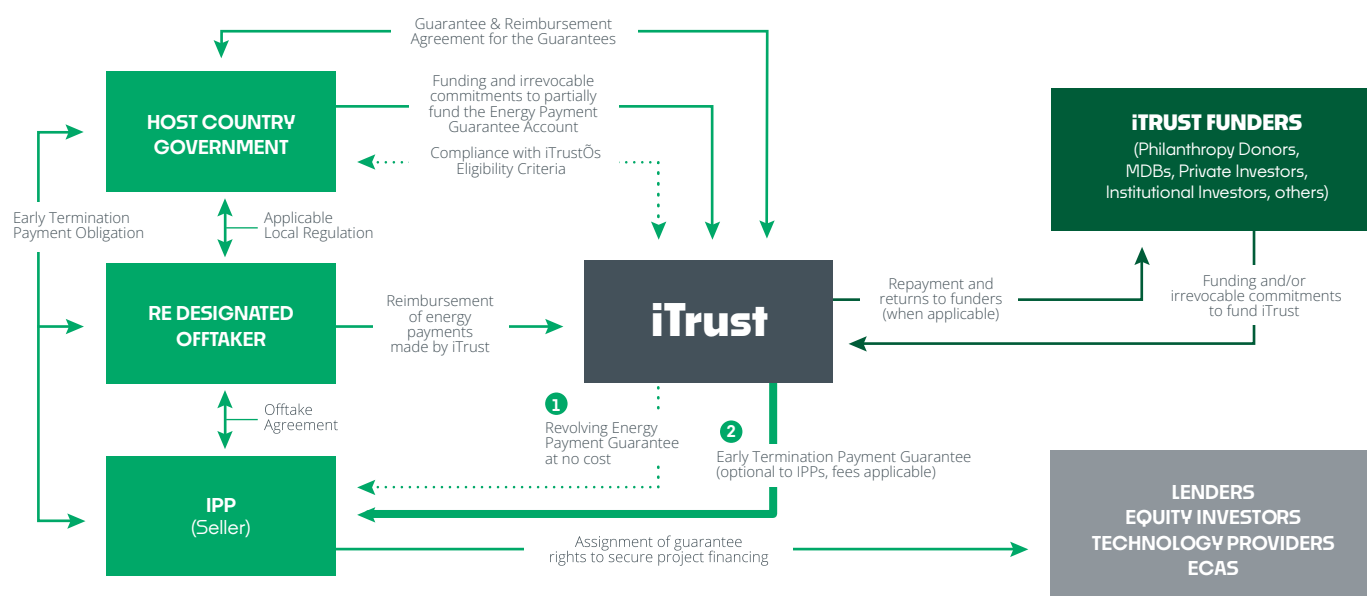
In addition, the iTrust’s purpose is consistent with Articles 9, 10, and 11 of the Paris Agreement⁸, leaving the door open for the usage of a variety of funding sources.

Ultimately, lower RE prices will result not only from reduced returns required by lenders and equity providers, but also from: (i) higher leverage (i.e., lenders financing a greater portion of the project’s CAPEX), which lowers the share of relatively more expensive equity, and (ii) longer maturity and average life of the debt financing, which

improve equity economics and allow lower energy prices in the bidding process.

The following diagram shows a possible general scheme of the iTrust guarantees, as well as the stakeholders and beneficiaries that would take part in the arrangements.

FIGURE 2 - General Scheme of iTrust Guarantees



8. https://unfccc.int/sites/default/files/english_paris_agreement.pdf

Besides enabling affordable clean energy prices for eligible host countries, the successful implementation of this solution fully aligns with other key common national goals such as (i) enhanced energy independence, (ii) increased savings on the balance of payments due to lower fossil fuel expenditures, (iii) reduced burden of energy subsidies on public budgets, (iv) lower exposure to fuel price volatility and (v) better social and political acceptance as lower tariffs help reduce internal energy and infrastructure-related political risks (i.e., support backdrop and/or renegotiation).

Also, both the diverse mix of international and national parties involved in implementing a REPP backed by a well-

structured guarantee scheme and the iTrust itself represent “de-risking” elements. Hence, they decrease the probability of a host government taking actions that negatively affect specific projects or key components of a larger procurement programme (as those multilateral, international, and national parties all have “skin in the game”).

At RELP, we strongly believe that RE can be scaled massively, quickly, and cost-efficiently in developing countries through the design and implementation of robust policy frameworks and well-structured guarantee schemes. There is “only” one key requirement: strong leadership and political commitment.

3. First step: a proper evaluation and allocation of risks

The first step in designing an efficient guarantee scheme is a proper allocation of risks between the private and public sectors. Both country and project-level risks must be allocated or transferred to those parties best capable of understanding, managing, and mitigating them. Project contracts and guarantee schemes must be designed in a way that makes all stakeholders comfortable and, ultimately, spurs market competition lowering bid prices. For instance, hard-currency transferability risk must be assigned to the host government being the party with more control over its main drivers, rather than to the project sponsor or lender which, in absence of such control, would potentially charge

extra for electricity as coverage. However, host country governments should not assume risks typically borne by private investors and under their control. Excessive risk allocation on the public side usually generates substantial fiscal contingent liabilities, as well as an increased political risk due to possible public/media backlash, if not adequately mitigated or managed.

The following table shows the desirable allocation of risks between the host country government and the project owners and lenders.

FIGURE 3 - Desirable Risk Allocation

Project Owners and Lenders	Host Country Governments
<ul style="list-style-type: none"> • Project siting, permitting, resource assessment, environmental and social impacts • Financing and refinancing (equity and debt) • Project design and construction • Equipment performance (technology) • General procurement and O&M 	<ul style="list-style-type: none"> • Due payment of energy price to IPP • Local currency inconvertibility • Hard currency non-transferability • Energy take-or-pay (as applicable) • Grid access, expansion (as applicable)⁹ • Change of key regulations • OA termination due to offtaker or host country default events

9. Whenever the host country takes on the obligation to construct transmission or transformation infrastructure to connect newly awarded projects, it may be necessary to include in the offtake agreement model a take-or-pay obligation from the offtaker.

In general terms, risks allocated to the host country government should be properly mitigated via a guarantee scheme in most developing countries, especially where well-structured power markets are still in the making and/or market predictability/credibility are absent or more challenging for long-term investors.

When risks remain unmitigated, investors increase their expected returns and, consequently, the price of the electricity to be delivered. Also, in many cases the situation is binary: if risks persist, investors are simply not attracted to the country, regardless of prices or other existing incentives. This is true for both equity investors and debt providers.

4. Why guarantees: their relevance in developing countries

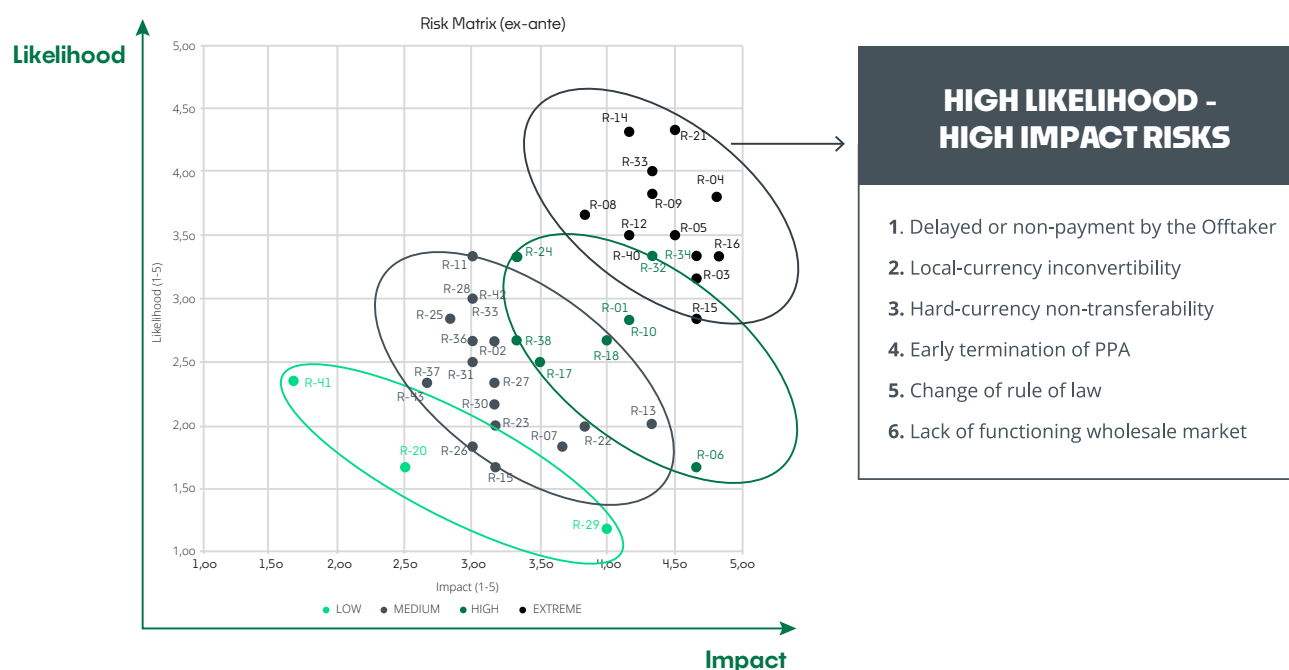
Infrastructure projects can be represented by risk-adjusted cash flows, which are negative during the development and construction phases (typically 2 to 4 years), and turn positive during the operation phase (20-30 years).

The objective of a risk analysis is to assess the likelihood of their occurrence and the associated impact on the project's expected cash flows. Mitigating them implies improving the

predictability and stability of a project's cash flows, which will determine its bankability, performance, and capacity to honour debt and equity obligations.

The chart below shows some of the key risks (mapped by RELP in terms of impact and likelihood) affecting RE investment in developing countries¹⁰. Risks marked in red have the highest impact and likelihood.

FIGURE 4 - Typical Risks Affecting Developing Countries



Source: RELP

10. Each emerging and developing country has a different risk structure according to its political, regulatory and economic contexts, as well as its power market features. This analysis was prepared in a specific market to detect the most relevant risks, with the aim of focusing mitigation efforts.

Since many of these risks are common to multiple countries, the design and implementation of the iTrust as a specialised international provider of RE guarantees will help mitigate them in a quicker and more effective way.

Moreover, when conducting a creditworthiness analysis, credit rating agencies essentially look into the predictability and stability of its future cash flows to assess a project's overall financial structure. Infrastructure risks, their allocation and mitigation are not evaluated individually but rather collectively, in terms of their estimated impact on two key parameters: the probability of default (PD) and loss given default (LGD).

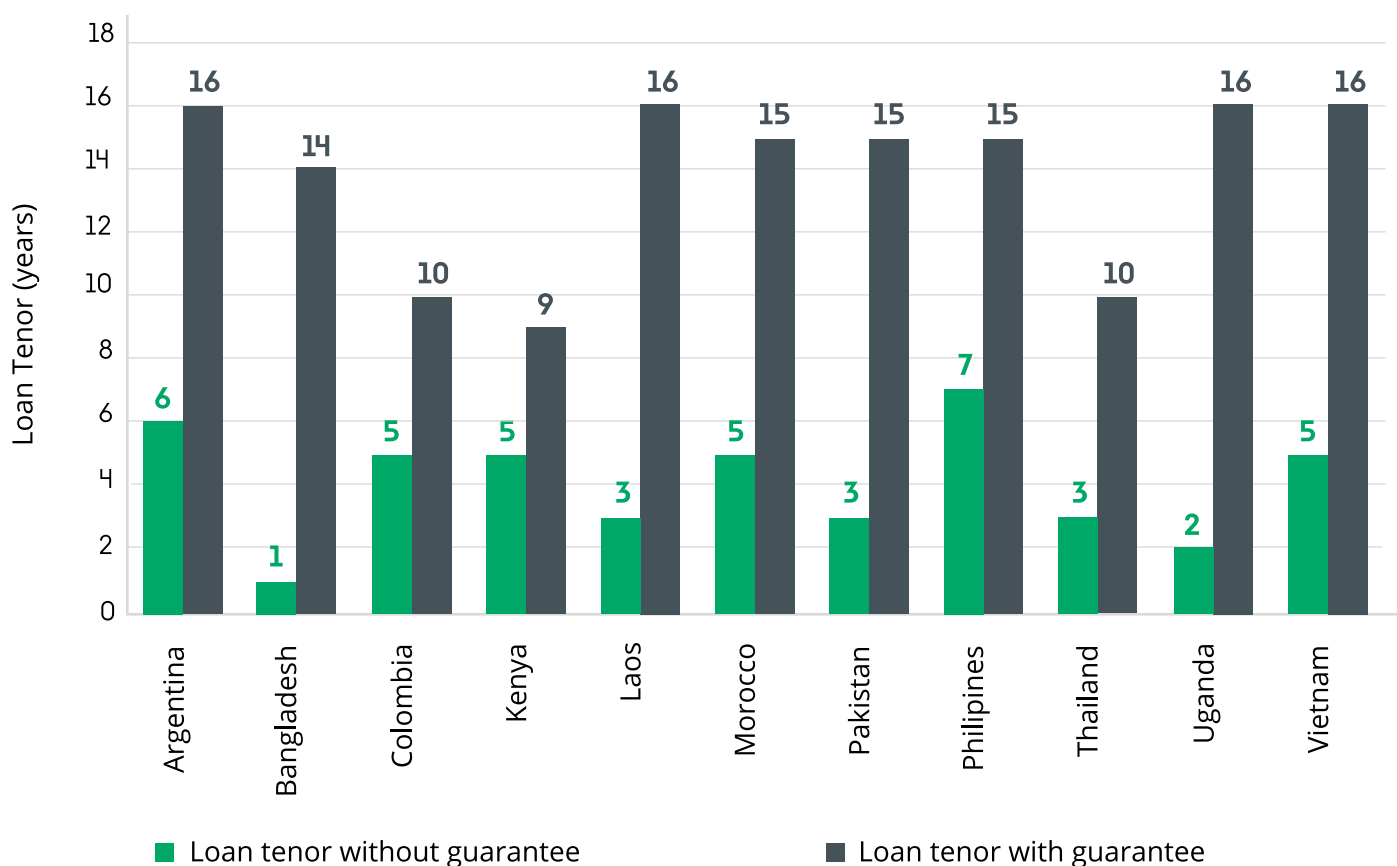
Well-designed guarantees are a very robust instrument to improve a project's cash flow's stability and predictability, enhancing bankability. The iTrust's main goal is to reduce or postpone the probability of default (i.e., avoiding non-payment or delayed payment of the energy delivered by the project) and to lessen the loss upon a given default (i.e., securing the payment of the termination amount upon early termination of the OA). This should improve the credit-rating profile of the investment in the given country.

In several ways, a guarantee is similar to an insurance policy, as there is coverage for a specified amount of loss, a need for a reserve fund to cover the anticipated maximum loss, and a premium to be paid for the coverage. Nonetheless, the instruments are quite different: under a guarantee, the beneficiary receives a remedy immediately, so that it can pay expenses and meet debt payments, rather than after an insurance investigation. A guarantee makes it more likely that a project will successfully continue while insurance focuses on the subsequent recovery of possible damages.

Typically, a fee must be paid for the issuance of the guarantee. But when the guarantee is well designed and implemented, its existence should lower the cost of RE financing, outpacing the guarantee fees, thus lowering LCOE and generating an overall benefit both for the host country and the offtaker.

The charts below show the impact of investment-grade guarantee schemes on loan tenor and interest rate spreads, two critical drivers of LCOE.

FIGURE 5 - Impact of Investment-Grade Guarantees on Loan Tenor



Source: RELP, based on World Bank and other sources

FIGURE 6 - Impact of Investment-Grade Guarantees on Interest Rate Spreads


Source: RELP, based on World Bank and other sources

4.1. Mobilisation of private investments: the leverage effect of guarantees

The private sector plays a critical role in financing the transition to low-carbon, climate-resilient economies, which underpins the objectives of the Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC).

Developmental guarantees are a valuable instrument for mobilising private resources, be they from private companies, banks, individuals, NGOs, investment funds, or other sources. For a fraction of the potential cost of the undertaken risks, considerable liquid resources can be deployed to improve economic and social conditions in developing countries¹¹.

The OECD Development Working Paper No. 36¹² report shows that only 26% of the total funds mobilised by the private sector in the 2012-2015 period targeted climate mitigation and/or adaptation, mainly through guarantees

and syndicated loans. In terms of instruments, 41% of the funds from the private sector targeting climate change were mobilised through guarantees, followed by syndicated loans (27%).

Guarantees leverage more investment than public lending for a given budget because they are only payable in the event of default. One key metric for the iTrust success would be the “multiplying factor” between the total amount of public capital invested by host countries and/or by donors/funders in the iTrust, and the total volume of financial investment mobilised.

The RELP team has successfully designed, implemented, and tested guarantees in a very challenging environment—Argentina—delivering results that significantly exceeded the expectations of both the public and private sectors. We strongly believe that experience can be replicated in other developing countries.

11. Raundi Halvorson-Quevedo and Mariana Mirabile (2014), “Guarantees for Development,” Development Co-operation Directorate, OECD.

12. Benn, J., C. Sangaré and T. Hos (2017), “Amounts Mobilised from the Private Sector by Official Development Finance Interventions: Guarantees, syndicated loans, shares in collective investment vehicles, direct investment in companies, credit lines,” OECD Development Co-operation Working Papers, No. 36, OECD Publishing, Paris.

Given the existing fiscal restrictions in most developing countries, which have been exacerbated by the impacts of the COVID-19 pandemic, a more extensive use of guarantees could be an effective mechanism for mobilising private resources to finance infrastructure and development projects.

4.2. A well-designed REPP and a standard bankable OA to be guaranteed

Host countries must comply with pre-set criteria to be eligible for the iTrust guarantees, including certain design features in their REPP to ensure that both project and programme standards are acceptable to private investment and meet minimal requirements and expectations of local and international capital markets.

The iTrust will award guarantees only to developing countries that respect the rule of law within the framework of their respective institutional organisations, and act in accordance with high transparency standards. Among other institutional and economic features, to be eligible a host country must

guarantee that international participants will receive the same treatment as local developers.

Annex 1 introduces the target's Country Readiness and Eligibility criteria, including applying criteria for the REPP design.

Moreover, to promote and secure investment, the OA must contain certain basic features to be regarded as market-validated and bankable, which are included in the standardised Offtake Agreement Term Sheet. Nevertheless, it can be customised to the specific needs and identified risks present in each jurisdiction.

Annex 2 contains the general features of the OA in accordance with the Offtake Agreement Term Sheet.

5. iTrust guarantee offering

The iTrust guarantees (as further described below) were designed by RELP in collaboration with Clifford Chance and Mr John Pickett. The joint work allowed the creation of a standardised set of Term Sheets that lay the groundwork for the product's governance and cover the most typical offtaker and host country risks affecting bankability. They also pursue the goal of improving credit ratings, making a country and/or a REPP fit for most investment-grade standards international financial institutions may apply. However, the iTrust will have a flexible approach to working with authorities to tailor those documents to the host country's specific risks (triggering events), circumstances, and needs.

As a result of successfully participating in an eligible REPP, awarded bidders will automatically be granted a bankable OA and a two-tier guarantee scheme provided by the iTrust, which will include:

(1) A Revolving Energy Payment Guarantee (REPG), aimed at covering late payment or failure to pay by the offtaker under the OA; and

(2) An Early Termination Payment Guarantee (ETPG), aimed at backstopping the offtaker's and/or the host country's obligation to make an early termination payment under the OA.

The REPG will be offered for free to all awarded projects/ IPPs, while the ETPG will typically have a cost to be borne by them.

As a condition precedent to the issuance of the guarantees by the iTrust, the offtaker and host country will enter into a Guarantee and Reimbursement Agreement with the iTrust to ensure the reimbursement of any funds disbursed to the IPPs.

5.1. Revolving Energy Payment Guarantee (REPG)

Power markets in most developing countries are dominated by state-owned or -controlled companies, which are typically designated as offtakers under renewable energy OAs. Generally, typical reliance on public subsidies for income

and the lack of assets to use as security under OAs, resulting in a higher real or perceived risk of late or non-payment, which in turn causes poorer credit ratings.

REL^P has designed the iTrust's REPG to assure that invoices from energy sales are paid on time. The REPG will be in effect during the entire term of the OA (typically 20 years) and will cover delays or lack of payment for the energy supplied. The guarantee will do so for a maximum amount equivalent to a pre-set number of standard¹³ billing periods, which could be 3, 6, 9 or 12 months. Depending on the risk perception for a particular offtaker or market, if the offtaker is delayed in making a payment, the iTrust, acting as guarantor, will automatically come into operation and timely cover the amounts due.

The REPG works as a buffer to cover delays in payments from the offtaker. If the lack of payment exceeds the maximum term or amount guaranteed by the REPG¹⁴, the offtaker will incur a default under the OA. If not cured, the default will eventually lead to a termination event under the OA, in which case the IPP could request the early termination payment. The next section provides more details.

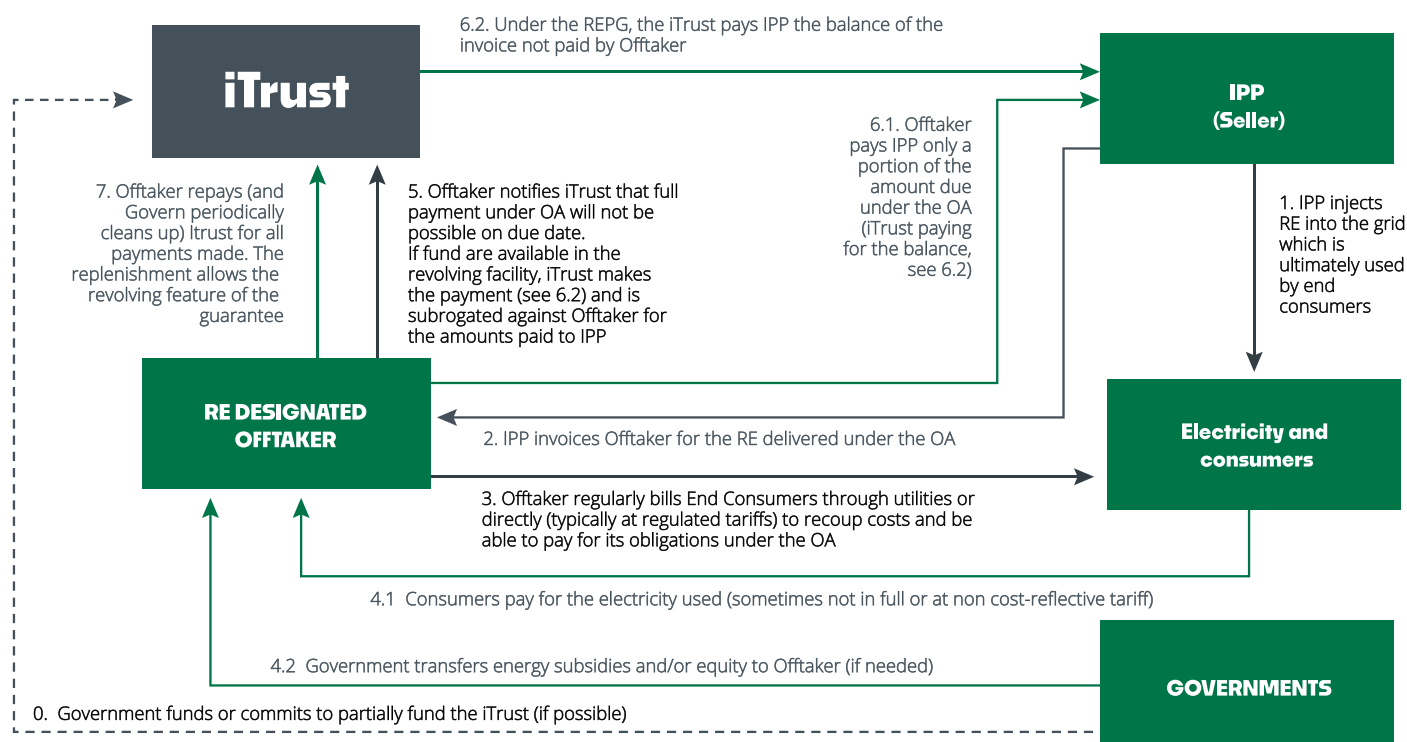
Under this guarantee, and up to the maximum amount covered, the IPP will receive payment immediately so that it can continue to pay for expenses and/or make debt service payments. Under most circumstances, the iTrust will pay promptly, avoiding bureaucratic hassles and delays.

The REPG design includes a mechanism under which the iTrust would disburse the funds on the due date to the IPP, provided the offtaker has previously notified the iTrust of its inability to discharge its obligations. In this way, payment can be made in full on time, which should lower the IPP's cash reserve requirements and consequently lowers the overall cost of financing.

Once the offtaker recovers its financial capacity to make payments¹⁵, it will reimburse the iTrust for the paid amounts, plus any interest accrued per the OA. The host country could also be compelled to reimburse the iTrust if the offtaker does not meet its obligation.

The following chart shows the flow of the REPG:

FIGURE 7 - Revolving Energy Payment Guarantee Schematic (First Level)



Note: Flowlines colored in green represent payments, grey represents physical flows of electricity.

13. These amounts will be calculated based on customised reference data (price, plant factor and plant capacity) for project within a specific REPP in the eligible country by technology.

14. The amount will represent an approximate number of monthly invoices (3 to 12) to be covered, being set before bids are submitted and depending on the risk assessment and status of the offtaker and/or the host country.

15. The funds available to the offtaker may come from the collection of payments by energy consumers, energy subsidies, government equity contributions to state-owned enterprises, or other sources, depending on the applicable regulations of the host country's electricity market. By design, the amounts allocated to the REPG will exceed the maximum delayed-payment period by the Offtaker, so the REPG account could be replenished before amounts are exhausted.

To avoid the moral hazard of the offtaker or the host government using this liquidity guarantee as a cheap working capital facility, the REPP documents and the OA will provide for (i) a preferential payment for RE, or at least a scheme with a pari-passu payment obligation with all other OAs (if allowed by applicable local law); and (ii) delay payment interests under the OA to incentivize on-time payments; or (iii) other mechanisms that discourage improper use of this guarantee (e.g., prohibition of discriminatory practices or payments, or others to be defined).

5.2. The Revolving feature of the Energy Payment Guarantee

Most payment guarantees and government payment supporting mechanisms (even those based on the issuance of irrevocable letters of credit) cover a maximum amount under the respective OA and, once such amounts are used and exhausted, the guarantee is terminated.

Such limits are imposed by liquidity ratios of the financial institution issuing the guarantee and/or the public budget, to avoid debt being over-accounted (by the offtaker itself and/or the guarantor).

RELP proposes a facility with a revolving feature, providing for effective commitments and liquid amounts covering the pre-set period of energy payments under all OAs awarded in an auction.

According to the market conditions, the guarantee will have a maximum covered amount, but its usage will not terminate the guarantee. After each payment made by the REPG, the iTrust will be subrogated to the rights of the IPPs against the offtaker, per the OA. As the offtaker recovers its liquidity, it will repay the amounts disbursed by the REPG directly to the iTrust (plus any applicable interest under the OA).

In addition, the REPG provides for a clean-up obligation of the offtaker and/or the host country to replenish the REPG account when the revolving balance falls below a certain percentage threshold of the maximum covered amount.

If at any time during the tenor of the guarantee, the revolving balance is exhausted and the offtaker does not reimburse any funds under the OAs, nor there is no compliance with the clean-up obligation by the offtaker or the host country government, the REPG will no longer make payments until funds are reimbursed to the REPG account. The facility will recover its ability to make payments when the REPG account is totally or partially replenished.

5.3. Early Termination Payment Guarantee (ETPG)

Investors typically seek protection against early termination of an OA due to the risk of the offtaker and/or host government default. To that end, and assuming there is no developed market for long-term electricity contracts in which the IPPs may trade the energy generated if the offtaker defaults, an early termination payment with the transfer of the project's assets is designed to protect investors under certain selected events. The offtaker and/or the host country government will take on this payment obligation on the basis of the value of the unamortised assets or by other methods to be analysed with the host country, and incorporated in the OA prior to the bid.

The early termination amount can be set in different ways, all of which should somehow reflect the remaining value of the project at the time the specific event occurs. Depending on the characteristics of the national electricity market and the possibility of selling the energy to alternative offtakers such as utilities or big consumers, the early termination amount could leave out the transfer of the project's assets and be set in terms of price differentials (i.e., between the one set in the OA and the one corresponding to the sale of the electricity to an alternative market or offtaker).

FIGURE 8 - Revolving Facility



Source: RELP

The ETPG provided by the iTrust backs up the offtaker's or host country's obligation to pay the early termination amount. The ETPG can be used to cover both debt and equity holders against the following country risks or triggering events: (i) payment default over a certain period under the OA (after the REPP amounts are exhausted and not replenished); (ii) local currency inconvertibility; (iii) hard currency non-transferability; (iv) amendment of key regulations adversely affecting IPPs; (v) the offtaker or the host country failure to comply with terms of an arbitral award or court decision resulting from a dispute under the OA; (vi) non-compliance with a tax increase pass-through to the OA's price or with any other compensatory mechanisms created to make any post bidding tax increase neutral to the project; and (vii) expropriation; and other risks affecting the host country RE market. Any of these triggering events would automatically entitle the IPP (usually a special purpose vehicle) to terminate the OA and—at its sole option, except in case of expropriation—to transfer the project's assets to the offtaker or host government, as applicable. In any case, the early termination payment amount to be collected by the IPP shall be pre-set in the OA.

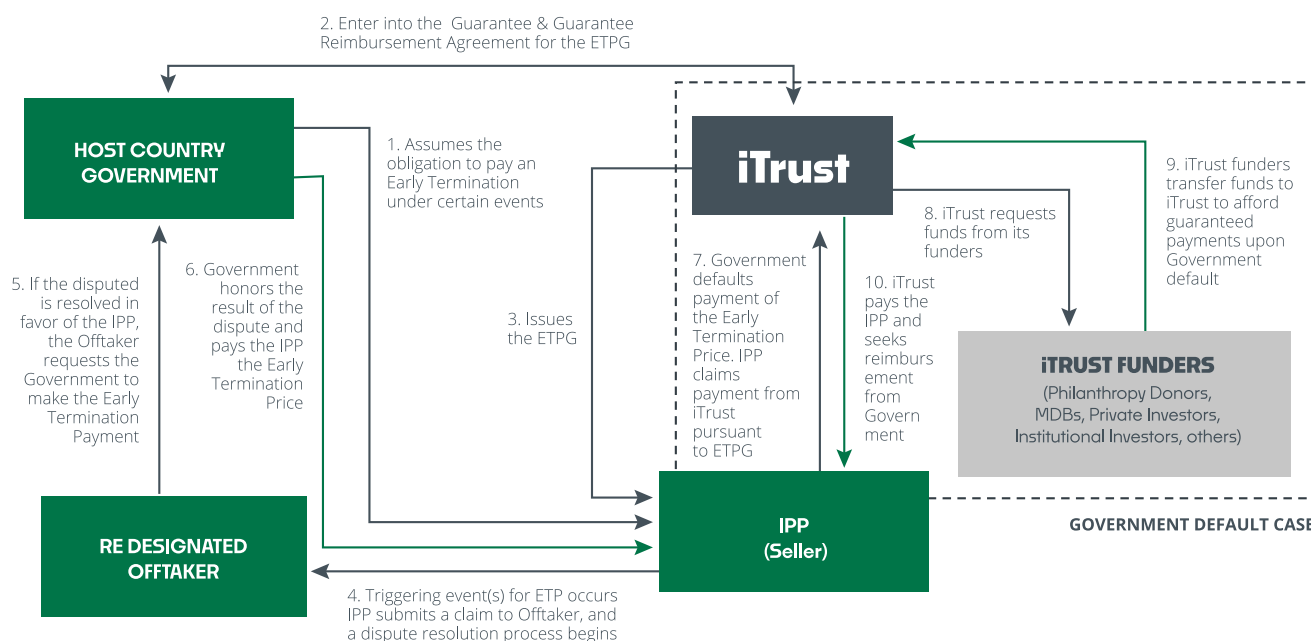
The existence and implementation of this guarantee will be key to promoting investment by providing higher security and allowing for lower financing costs (of both equity and debt), as it would directly reduce the risk of LGD.

We strongly believe that such coverage is desirable and effective in any sound de-risking scheme, although we recommend that it be offered as optional to the IPP sponsors¹⁶. This guarantee will reduce the risk of LGD, lower risk perception, and have a cost-effective impact on the bankability of the whole tender process—particularly on the prices offered by the IPPs.

The implementation of the iTrust will also benefit those projects that do not request and pay for the ETPG. As the iTrust involves a programmatic approach -including compliance with certain REPP design features and standard OAs to be entered into by all bidders awarded in the auction-while the iTrust guarantees and functioning are kept isolated from the discretionary power of the Host Country or the Offtaker, all the incentives are focused on the host country honouring the contracts of all participants in the auction.

The following chart shows the flow of the ETPG.

FIGURE 9 - Early Termination Payment Guarantee Schematic (Second Level of Guarantee)



A similar guarantee scheme to the one described above has been successfully implemented in Argentina by the

REL^P team, as described in Harvard cases¹⁷, demonstrating proper design and implementation over time.

16. The design of the guarantee within the features of the REPP could also provide for the guarantee's cost to be borne by the requesting IPPs.

17. Harvard Kennedy School, "Integrating Renewable Energy in Argentina," May 21, 2019, <https://case.hks.harvard.edu/integrating-renewable-energy-in-argentina/>; Harvard Kennedy School, "Untapped Potential: Renewable Energy in Argentina," August 23, 2019, <https://case.hks.harvard.edu/untapped-potential-renewable-energy-in-argentina/>; Harvard Kennedy School, "Untapped Potential: Renewable Energy in Argentina (Sequel)," October 6, 2020, <https://case.hks.harvard.edu/untapped-potential-renewable-energy-in-argentina-sequel/>.

5.4. Funding of the iTrust's guarantee accounts

The funds necessary to provide the REPG and the ETPG may come from different sources at different costs and with varying terms and conditions, always depending on the size of the REPP. As the iTrust has no independent source of revenues or funding and relies on its funders with respect to the guarantees, the iTrust will operate under a pay-when-paid scheme. The compensation to the providers of funds to the iTrust will directly determine the fees that will be charged to IPPs to issue the guarantees.

The REPG will be provided at no cost for all awarded IPPS. Only in the unlikely event that a shortfall of the available funding to cover the general costs of the iTrust, a fee might be charged to the IPPs to cover administrative costs. In such a case, the amounts will be informed in the tender documents and reimbursed subsequently if the iTrust receives additional funding from its donors to cover such running costs.

The iTrust will conduct a fundraising campaign and commit its best efforts to initially secure funding from philanthropies and host countries. Donors are not entitled to any compensation or interest with respect to any grant or grant commitment provided to the iTrust. An up-front cash contribution from the host country will reduce the moral hazard of improper use of the guarantee, as it will provide a degree of "skin in the game." In addition, if needed, funding could also be sourced from other types of creditors such as MDBs, blended funds and/or institutional and private investors.

The funds necessary to provide the ETPG will also come from different sources at different costs and conditions depending on the type of funder. The iTrust will conduct a fundraising campaign to secure the cheapest possible commitments, including support from MDBs, and grant commitments from donors. Transparent and competitive processes will be implemented to secure and price any commitment involving payments to creditors.

The terms and conditions of the Donor Funding Commitment Agreements will govern funding by philanthropic donors, and the Senior Facilities Agreement will govern funding from investors including MDBS, private, public and blended financial institutions and agencies, and institutional and private investors. Moreover, an Intercreditor Agreement, to be executed among all investors, will regulate the investors' recourse to the iTrust for reimbursement and coordinate the enforcement of their securities over the iTrust's credit rights against the host country.

The terms and conditions of the fees payable by the IPPs to cover the iTrust funding costs will be established in the Guarantee Agreement to be executed among the iTrust, the IPPs, the oftaker and the Host Country.

During the implementation phase, the iTrust will work with the host countries and other institutions to set up the most cost-efficient alternative to fund the guarantee accounts.

6. Why programme-based guarantees?

Even when de-risking solutions are implemented, they are often applied to support projects on a case-by-case basis and upon specific demand from the project developer or sponsors (private sector).

REL P proposes to implement program-based guarantees rather than individual project-based ones. This means that all RE projects awarded through auctions have automatic access to the guarantees.

The proposition is to move the credit enhancement approach two levels upstream: from project loan/financing to the project itself (including equity) and further to the level of a program-based guarantee, enabling more efficiency and significant competition and acceleration in the REPP.

The iTrust's approach generates important benefits at several levels, from donors and investors to the host country and its people. Firstly, it allows more-efficient allocation of

resources from donors and funders aiming to promote an affordable energy transition; secondly, project developers have certainty about the mitigation of typical country/power market risks previously to the submitting of the offers -without complex post-bid negotiation- allowing them better financial conditions and lower bidding prices; thirdly, as the country/sector risks profile improves, the REPP turns out more attractive to investors and spur competition in the auction; and finally, at the host country level, the REPP and the auction's risk and risk perception are reduced, allowing awarded projects better financial conditions resulting in lower generation prices and a positive impact on the overall generation cost mix.

Moreover, the implementation of the iTrust avoids the creation of ad-hoc structures in the Host Countries to provide guarantees to projects, which could have an undesired fiscal impact and may require complex procedures that deter their implementation and delay the launching of the REPPs.

The introduction of the iTrust requires the host government to be fully committed and work as a market enabler for private investors and developers to harness the deployment of RE at a competitive price. The host government will have the challenge to create the proper investment environment and issue the legal and regulatory framework to mitigate risks and attract private capital to deploy RE infrastructure, including crafting an eligible REPP according to the REPP Eligibility Criteria of the iTrust, and establishing a bankable OA with certain distinctive features according to the OA Term Sheet designed by the iTrust in collaboration with its partners.

The host government's challenge and adaptation efforts to design an efficient auction will be supported by RELP, if necessary and required, and leveraged by the guarantees offered by the iTrust.

7. Why an international/cross-border trust-type entity?

To enable governments in developing countries to grant customised guarantees to competitively awarded RE projects and to increase credibility in their REPPs, the iTrust is designed as a trust-type entity and relies on the following main features:

- (i)** Having its own assets and rights isolated from the host country's decisions to change the allocation of resources over the term of the OAs.
- (ii)** Being organised under foreign legislation and a stable legal system, independent from the host country.
- (iii)** Being ruled under the private law of the jurisdiction of its incorporation, rather than the public law of the host country —as would be the case with a public domestic trust organised by the host country -which by its very nature gives greater prerogatives to the government.
- (iv)** Having its assets registered in a cross-border jurisdiction, and not subject to domestic political decisions of the central

bank, the treasury or other institutions of the host country, which could jeopardise the guarantee scheme capacity.

- (v)** Being administered by an independent world-class trustee —selected through a competitive process— with specific instructions to manage the fund assets and to execute the guarantees. The trustee is by nature independent from the interests of public officials, who may change office several times during the tenure of a long-term OA.
- (vi)** Managing funds transparently and providing regular information to the IPPs beneficiaries of the guarantees, as well as its donors and creditors.
- (vii)** Being audited by an internationally recognised audit firm.
- (viii)** Receiving permanent advice from a recognised international law firm for the preparation of the Term Sheet of the documents to be executed among all the parties, and the monitoring of the implementation and operations of the iTrust.

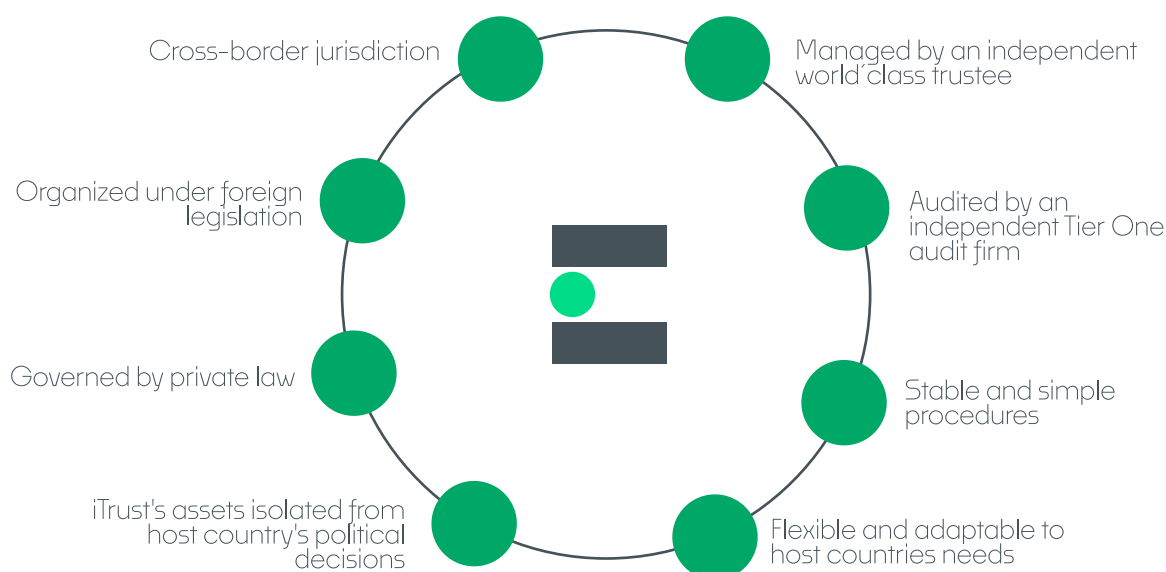
(ix) Displaying stable procedures to comply with the awarded guarantees and not subject to the unnecessary bureaucratic procedures usually required by public administrations when guarantees are called, enabling a rapid response to collect claims.

(x) Being a flexible trust-type entity able to be tailored to have “subsidiary iTrusts” in alternative jurisdictions with existing investment treaties to support specific-country REPPs, or

to adapt various types of purpose-specific accounts and structures for different types of guarantees, which could have different funders for different countries.

The successful implementation of the iTrust will provide the following benefits:

FIGURE 10 - iTrust Main Features



Potential jurisdictions of incorporation of the iTrust: The Netherlands or Luxembourg

Source: RELP

(i) Accelerating the implementation of the host country's tenders, avoiding the need for each host country to create and implement a specific trust/entity to provide the guarantees for its specific REPP.

(ii) Creating a bigger portfolio of guarantees, reducing the probability of default and risk and consequently lowering the price to issue further guarantees, generating a virtuous circle.

(iii) Scaling standardisation to promote its implementation across different developing countries, expanding RE deployment at greater speed and lower cost.

(iv) Preserving -through customised solutions- host countries' right to address their own particularities, needs, limitations, and goals.

RELP -with the collaboration of Clifford Chance and John Pickett- has culminated the design phase and leads the implementation of the iTrust. The annex 3 shows the proposed activities envisioned for the iTrust's implementation phase.

Annual RE investments must grow threefold up to 2030, and even further thereafter, to meet global decarbonisation targets. If only emerging and developing countries are considered, such growth must be seven times higher (from US\$150 billion in 2020 to above US\$1 trillion by 2030)¹⁸.

8. Why now?

Current approaches in developing countries are clearly insufficient: standardised tools and agreements must be designed and implemented taking into consideration the specific context of each country to maximise potential benefits for all involved stakeholders.

The social, economic and fiscal consequences of the Covid-19 pandemic, not yet overcome in many developing countries, are currently combined with global high inflation levels (which push interest rates up) and high volatility of energy prices that have been sharpened by the Russia-Ukraine war, limiting government ability to further invest in decarbonising. In that context, affordability, security and sustainability of the electricity system are, more than ever, under threat in most of the developing world, and the need to accelerate decarbonisation, more urgent.

In this context, properly designed guarantee schemes are essential to scale RE investment without consuming the host country envelope assigned by MDBs, nor be booked as public debt (according to IMF standards they qualify as contingent

liabilities), as financial constraints might be long-lasting.

In the past decade, de-risking tools to support RE investments in emerging countries have been developed, but some approaches have been fragmented, with different solutions taken and applied “off-the-shelf,” usually following top-down approaches or without proper customisation and implementation.

RELP sees this as the right moment to pursue the iTrust implementation and identify funders to assign a portion of their resources in an effective manner to support impact-driven guarantees in the developing world.

9. Why the RELP iTrust concept?

RELP promotes the implementation of an international cross-border trust-type entity as a specialised provider of programme-based guarantees. The iTrust’s main credit enhancement tools will be the REPG and the ETPG, to be offered as an integral part of eligible REPPs in developing countries.

The iTrust will act and operate independently, while RELP will act as a permanent advisor to the trustee, the Board of Trustees and the iTrust’s Secretariat, with a leading role supporting its implementation and management, and in cooperation with potential funders.

RELP’s objective is to mobilise investments to install at least 45 GW of new renewable capacity by implementing its

platform in 20+ developing countries within 10 years, directly and indirectly avoiding more than 140 million tons of CO2 emissions annually. iTrust aims to support the mobilisation of 11 GW of new build RE capacity across 12 countries during the same period, with an estimated investment of US\$12.5 billion.

One of RELP’s differentiating factors is our focus on integration and implementation aimed at achieving faster impact, as demonstrated by our team with the RenovAr Program in Argentina¹⁹.

The [annex 4](#) identifies major differentiating factors of RELP’s proposal and team characteristics.

18. IEA et al. (2021), “Financing Clean Energy Transitions in Emerging and Developing Economies”.

19. For more details on the RenovAr Programme, see the [latest case study](#) published by RELP.

Annex 1 - Country Readiness and Eligibility Criteria and REPP Eligibility Criteria

1. Institutional and Economic Features

1) Respect the rule of law within the framework of their respective institutional organisations. Even when each country has its own legal system, some basic features are prerequisites to offer a basis of legal certainty that allows for the development of this type of long-term private investment. Among other things, respect for private property and contracts is essential.

2) Institutional transparency in general and in the implementation of renewable tenders. Given that one of the iTrust's central objectives will be attracting new and trustworthy local and international players to develop RE projects in each Host Country, each government must guarantee that international participants will receive the same treatment as national participants.

3) Apply internationally accepted Anti-Money Laundering (AML) standards and reporting obligations. The iTrust will not work with countries identified by FATF as High-Risk Jurisdictions Subjects to a Call for Action. The iTrust will evaluate on a case-by-case basis possible collaboration with countries classified by FATF as Jurisdictions Under Increased Monitoring.

4) The macroeconomic context must be adequate to create a minimum private investment environment. Among other things, convertibility of the local currency and transferability of hard currency funds abroad should be allowed.

5) Having signed bilateral or multilateral investment protection treaties with many countries and being a part of the International Centre for Settlement of Investment Disputes (ICSID) Convention and the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (The 1958 New York Convention) is desirable. The Host Country's law should allow state parties to be a party in commercial arbitrations and should provide a reasonable framework for the recognition and enforcement of arbitral awards against state parties, if applicable.

6) Local laws should not require the iTrust (or trustee) to register a local vehicle and/or obtain any local license in order to provide its guarantees to the projects awarded in the Host Country tender.

7) Ideally, local laws should allow the iTrust to open a bank account in the Host Country without being registered as a legal entity in the Host Country, to deposit the funds committed and funded by the Host Country for the Revolving

Energy Payment Guarantee (if such local account is required by the Host Country).

8) Land access regulation consistent with minimum international standards.

2. Power Sector Features

1) Considerable market size and total electricity consumption and/or growth potential.

2) Favourable regulatory landscape for private investments in energy in general and RE in particular. Competition in the electricity generation segment and regulations allowing Independent Power Producers (IPPs) to participate is required.

3) Current momentum or opportunity for RE in the country.

4) Current and/or planned targets and policies for RE deployment.

5) Renewable energy resources endowment (mainly wind and solar).

6) Availability of grid infrastructure with sufficient capacity to integrate new generation supply.

7) State of the resources of the electricity system (cost-reflectiveness of tariffs, metering and collections, delinquency rates, etc.).

3. Renewable Energy Procurement Program Eligibility Criteria

1) The commitment of political authorities for efficient program implementation. This kind of program and the engagement with the iTrust require full support from the main levels of government and, at the same time, a specific office or team with direct command of the implementation and a strong relationship with the political decision-making authorities. The lack of commitment of intermediate political authorities could be an obstacle to efficient and prompt program implementation and should be avoided.

2) The program should be designed to have continuity over time. If due to underlying bureaucratic structural problems

and/or political scenarios, main stakeholders (in particular, big international players) do not believe that several rounds will be launched in the country, they may decide not to participate or to do it with different proposals, producing suboptimal results.

3) A reasonable size of the auction in comparison to the existing eligible projects' pipeline. Setting a relatively low auction quota per round is desirable to avoid oversizing it and to show the Government's commitment to program continuation.

4) Clear and transparent bidding procedure. To achieve transparency, auction documents must be widely disseminated. The previous public consultation of a draft version of the documentation prepared for the RE procurement program (Request for Proposals, Offtake Agreement and Guarantee Agreement models, etc.) is highly recommended so that all stakeholders, without restriction, can make comments and suggestions on the published draft within a designated period.

5) The program in general and the specific documents of each auction must ensure equal treatment of national and foreign bidders. Even if requirements or incentives regarding local job creation, local content and/or other similar socio-economic topics could be established, foreign bidders should be able to fulfil such obligations without restrictions.

6) The Request for Proposals should not allow individual negotiation of contracts (offtake and guarantee agreements) between the offtaker and/or the Government and awarded bidders to ensure transparency and equal treatment for all bidders.

7) Application of mechanisms to avoid overpricing (i.e., bid prices are higher than expected and auction prices result in higher values than expected) particularly due to a perception of low or lack of competition. The auctioneer may fix a ceiling price for the bidding process which could be kept secret to avoid speculation when market information is limited and/or for the first round of the program.

8) Proper project prequalification requirements. These requirements should be balanced to avoid the unreasonable exclusion of bids but, at the same time, ensure proposals are serious, to achieve a high rate of project completion.

9) Proper bidder prequalification requirements. The established requirements should be aimed at admitting those bidders who have the necessary capabilities to carry out the projects. Bidders shall be asked to fulfil the applicable Host Country's legislation and financial requirements (as applicable). Certain individuals or legal entities may not be allowed to bid, including: (i) individuals or legal entities legally disqualified from entering into contracts under the laws of the Host Country; (ii) individuals legally disqualified due to

a judicial ruling; and (iii) other applicable restrictions under the Host Country's law. Compliance with anti-corruption international standard rules will always be required.

10) The Government must provide reasonable certainty to the bidders regarding available grid capacity. The curtailment risk should be reduced as much as possible, providing clear and complete information to the developers about the state and transmission capacity of the grid.

11) Proper treatment of issues related to permitting and administrative procedures required by regulation. Requirements concerning permits and other administrative authorisations should be balanced in accordance with the schedules and demands of the administrative agencies of the Host Country.

12) Proper treatment of issues related to land access, as appropriate to the situation in the Host Country.

13) Application of mechanisms to avoid delays or lack of payment due to the characteristics of the electricity sector (e.g., non-cost-reflective tariffs and/or high delinquency rates). The availability or enactment of specific payment priority provisions for these projects (or at least a *pari-passu* payment obligation with all other OAs) would be useful, in addition to the specific guarantee scheme provided by the iTrust.

14) Qualified administrative and technical staff in charge of program implementation and evaluation of RE projects, even if a specific training program may be necessary.

Annex 2 - Features of the Offtake Agreement Term Sheet

1) A long-term purchase obligation from the offtaker -recommended a minimum of 20 years in alignment with the useful life of the projects' assets- allowing the project to have a long-term cash flow and to amortise the investment over the longest period possible.

2) A commitment to purchase all or most of the energy generated by the project at the agreed price, allowing the investor to analyse the economics of the project and have the most cost-efficient ratio for the investment. Price adjustment factors, if any, should be clearly set forth in the agreements and included clearly in the requests for proposal and model contracts.

3) A "take or pay" and/or deem energy generation payment clause to compensate for the energy that would otherwise have been delivered to the Offtaker, except when caused by a Force Majeure Event or an act or omission attributable to the project.

4) OAs denominated in hard currency or local currency, provided that the Host Country ensures convertibility and transferability of funds.

5) Inclusion of certain milestones to be met by projects during the construction phase.

6) Termination clauses and/or amendment provisions protecting the project and investors (equity and debt) from certain offtaker and/or country risks, such as offtaker default risk, local currency inconvertibility, hard currency non-transferability, expropriation, non-compliance by the offtaker under any ruling of an arbitration tribunal, change of fundamental rules or key regulations that adversely affects the IPPs (as such shall be defined in each case), and non-compliance with the tax increase pass-through to the contract price or with other mechanisms set forth to make the tax increase neutral to the project.

7) A provision in the termination clause for a pre-established termination payment amount by the offtaker or the government, allowing the project to evaluate the convenience of exercising the termination clause if the default-triggering events detailed in the OA occur. This payment obligation assumed by the offtaker or the host government should be part of the standard design of the REPP and should be provided at no cost to the IPPs.

8) Possible feature in termination clause giving the IPP, upon the occurrence of a triggering event, the alternative

right to terminate the OA, keep the assets of the power plant or transfer them to the offtaker or host government, and collect a pre-established early termination price. If the assets are transferred, the early termination price should accordingly be higher. The early termination payment should be made in hard currency or in domestic currency at an agreed exchange rate and with additional protection to allow for conversion to hard currency and transferability of such funds abroad.

9) Transfer of the assets of the power plant to the offtaker/ government at the exclusive option of the IPP, considering also the different applicable amounts for the early termination payment with or without the transfer of the project's assets.

10) Tax stability protection clauses covering the project against tax changes (whether general to the whole economy or particular to the project, the cost of the investment, or the cash flow derived from the supply of the electricity) happening after the date bids are submitted. This can be cured with an exemption from the application of such tax increases, with the possibility to pass through the corresponding tax increase to the contract price, or by collecting from the offtaker certain additional amounts to compensate for the increased costs or reduced value.

11) Authorisation to assign rights under the OA and the guarantee agreement to the project's lenders, as a means to facilitate financing.

12) Lenders' "step-in rights," allowing the project's lenders to intervene in the OA and secure their rights and actions if the developer or project owner does not comply with the OA, and protecting the IPPs and their investors from discretionary decisions of the offtaker or political risks. This clause also discourages the offtaker and the host government from taking illegitimate actions that would alter the relationship with relevant lenders and investors of the IPPs. The level of risk is, in part, a function of who has skin in the game, so including protection for relevant lenders may prevent the offtaker and the host country from unilaterally amending or breaching the OA.

13) OA governance under private law rather than administrative law, which is commonly used for government purchases. Administrative law may be considered to better represent the public interest, though it could allow the host country to exercise certain public prerogatives that negatively affect the private investor's interests, creating uncertainty for the project and thus jeopardising bankability

in this kind of contract. Private law gives the private party and the government party equal power and enforceability rights under the OA, lowering implied political risk for the project.

14) Arbitration with a venue outside the host country. A bankable OA also depends on the IPPs being able to enforce their rights. In this regard, subject to the diligence of applicable laws of the host country, providing efficient, simple and fast dispute resolution mechanisms, and a neutral forum out of potential domestic interferences are fundamental.

Annex 3 - Work Plan and Implementation

1. Work Plan Schedule

iTrust Work Plan		Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
DESIGN PHASE	INITIAL DESIGN	●	●	●								
	VALIDATION			●	●	●						
	FINAL DESIGN						●	●	●			
SET UP											●	
IMPLEMENTATION PHASE												●

2. iTrust Design Phase

We executed an 18-month design phase for the iTrust, which included:

1) Initial design phase:

- Elaboration and signing of the engagement letter with Clifford Chance (COMPLETED);
- Preparation of guidelines for country readiness and eligibility criteria (COMPLETED);
- Preparation of guidelines for REPP eligibility criteria, including bankable OA (COMPLETED);
- Preparation of guidelines for funders' eligibility criteria (i.e., eligible funders' profile, including reputational and credit-related parameters), and the iTrust's policy allowing funders to participate in a country-specific programme or to support all programmes managed by the iTrust (COMPLETED);
- Preparation of a request for proposal for the assessment of the tax and legal implications of selecting Luxembourg as the jurisdiction for the iTrust's incorporation (ONGOING);
- Preparation of a request for proposal for the assessment of the tax and legal implications of selecting The Netherlands as the jurisdiction for the iTrust's incorporation (COMPLETED);
- Elaboration of a term sheet of the Guarantee Agreement (including both the REPG and the ETPG) to be executed among the host country government, the iTrust, the IPPs, and the offtaker (COMPLETED);

- Elaboration of a term sheet of the Guarantee and Reimbursement Agreement among the host country government, the offtaker and the iTrust (COMPLETED);
- Elaboration of a term sheet of the OA between the offtaker and the IPPs (COMPLETED);
- Elaboration of a term sheet of the Donor Funding Commitment Agreement between the iTrust and the donors to fund the REPG and/or the ETPG to support the implementation of the guarantees (COMPLETED);
- Elaboration of a term sheet of the Seniors Facilities Agreement between the iTrust and the investors to fund the ETPG and/or the REPG to support the implementation of the guarantees (COMPLETED);
- Elaboration of a term sheet of the Intercreditor Agreement executed among all of the investors and the iTrust to regulate investors' recourse to the iTrust and coordinate the enforcement of their security over the iTrust's credit rights and claims (COMPLETED);
- Definition of the guidelines of the governance structure of the iTrust (COMPLETED). The final structure is going to be defined according to the legal structure to be adopted by iTrust according to the laws of the jurisdiction of incorporation;
- Definition of the relationship, governance, and liabilities of the general trust and the "subsidiary trusts" (COMPLETED);
- Definition of an initial business model and building a simplified financial model to dimension operations, funding needs, and potential socio-economic impacts of the iTrust's implementation (COMPLETED);

- Elaboration of the budget for the design phase (COMPLETED);
- Presentation of the iTrust at the COP26 in Glasgow (COMPLETED);
- Selection and recruitment of management and staff members to work for RELP in the design phase of the iTrust (ONGOING);

2) Validation phase:

- Validation of the design features of the iTrust, its Strategy Plan, and its Business Plan with funders, IPPs, and other selected key stakeholders (ONGOING);
- Validation of the business and financial model (ONGOING);
- Validation of the terms of the OA and guarantee agreements (financial, risk, and legal aspects) with funders, and other selected key stakeholders (ONGOING);
- Validation of the terms and conditions of the funding commitment agreement and the guarantee and reimbursement agreement with selected key stakeholders, including representatives of potential host countries (ONGOING);

3) Final design phase

- Tendering and selection of a tax advisor to assess The Netherlands and Luxembourg as efficient and convenient fiscal jurisdictions for the incorporation of the iTrust (ONGOING)
- Preparation of model contracts for the guarantee agreement, the OA, the guarantee and reimbursement agreement, and the funding commitment agreement (ONGOING);
- Preparation of final terms and conditions for the guarantees' pricing model, including the determination of who will assume the operating costs and the compensation to funders (COMPLETED);
- Preparation of final guidelines for country, REPP, and funder eligibility criteria (COMPLETED);
- Preparation of a financial strategy, including of funders' compensation as per the iTrust's Term Sheets and the general investment policy of the iTrust to be put into consideration to the designated trustee (ONGOING);
- Integration of the iTrust with RELP's offerings and digital platform;

3. iTrust Implementation Phase

At this stage, RELP will have the final assessment ready of the suitability of the pre-selected jurisdiction of incorporation of the iTrust. The RELP implementation team and the iTrust accordingly will undertake the following activities:

1) Funder's roadshow

- Negotiating the funding of the iTrust [for a specific program] with specific investors/funders/donors (Golden Rule);
- Elaborating of commitment agreements between RELP and the funders to support the implementation phase of the iTrust;

2) iTrust incorporation

After confirming the jurisdiction of incorporation:

a. Selection and appointment of the trustee, including:

- Preparing of a request for proposal for trustee selection;
- Contacting with prospect trustees;
- Appointment of the trustee;

b. Incorporation of the iTrust, including:

- Approving of guidelines and procedures for the iTrust and trustee's actions and obligations;
- Appointing of a legal advisor with a recognised track record in the selected jurisdiction;
- Selecting an internationally recognised audit firm;
- Elaborating the trust agreement;
- Signing of the trust agreement;
- Selection of independent advisors;
- Elaborating the service agreement among the iTrust and independent advisors;
- Elaborating the service agreement among RELP and the iTrust;
- Signing of the service agreements by independent advisors and the iTrust;
- Elaborating the engagement letter of the members of the Board of Trustees;
- Appointing of the Board of Trustees;

3) Initial Country Readiness Assessment

- Commencing work with one or more developing countries hosting REPPs that may be or become eligible to receive guaranteed coverage from the iTrust;
- Analysing country compliance with the iTrust country eligibility criteria;
- Hiring local advisors, if necessary, to validate country eligibility criteria;

4) Cooperation Agreement with Host Countries

- Entering into a direct engagement with eligible host governments via a cooperation agreement (or similar), which will set the terms and conditions of the engagement, including the roles and responsibilities of each party and a possible initial scope of the guarantees to be provided;
- Analysing the host country REPP and OA compliance with the iTrust eligibility criteria;
- Confirmation of compliance of the host country REPP and OA with the iTrust standards;
- Analysing the convenience to grant the guarantees through a subsidiary trust to be incorporated under an adequate jurisdiction for that specific host country and/or donor/funder/investor funding the guarantees for that specific REPP in the host country. Formation of the subsidiary iTrust, if applicable;

- Tendering or negotiating the funding of the iTrust by international donors and investors to build up a specific fund for the REPG and ETPG;
- Executing the funding commitment agreements with funders/donors/investors to fund the iTrust in the form of cash, commitments or grant commitments to provide cash or securities to backstop the risks to be covered;
- Signing of the guarantee and reimbursement agreement between the host country and the iTrust;
- Customisation of the auction documents package, including the request for proposal documentation, the OA, and the guarantee agreements;
- Launching of an international, open, and competitive auction by the host country to assign the OAs with the guarantees provided by the iTrust;
- Executing, simultaneously with the signing of the OAs awarded in the tender, the guarantee agreements with each project company/sponsor, as applicable.

Annex 4 - Differentiating Factors

At RELP we believe that successfully accelerating RE adoption in developing economies requires a blend of solutions customised to address the risks and barriers specific to each country. The following are the main differentiating factors of our organisation:

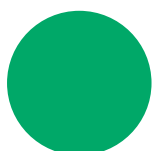
1) Highly experienced Board and team members. Our Board of Advisors (meet them at BOARD OF ADVISORS) is composed of experienced international leaders with extensive backgrounds in RE and climate mitigation strategies. Most of the team members (MEET THE TEAM) were born and raised in a developing country but have international experience in both public and private sectors.

2) Design of tailor-made guarantees from a general customisable platform. Our goal is to help governments design ad hoc de-risking solutions that meet their specific needs, trying to maximise long-term benefits for the country and its people. RELP seeks the ideal blend of investment de-risking mechanisms, with the support and technical assistance required to attract private investors to deploy RE in developing countries, meeting specific public sector goals. “Off-the-shelf” solutions not addressing the specifics of each context will fail in most situations, as each country requires customised solutions and customised implementation agendas. We bring the granularity necessary to enable change.

3) Focus on implementation (capacity building, technical assistance) - Most governments in developing countries need support to run new or existing REPPs because most potential benefits (and problems) arise while implementing the new policy schemes and auctions. We focus on strengthening governments’ capabilities, and we help them bridge potential gaps with a structured approach. We know how hard it is to deliver successful results.

4) Nonprofit, no conflicts of interest, transparency - Having worked for both the private and public sectors, RELP’s team members understand the importance of avoiding any possible (or even perceived) conflicts of interest. We incorporated RELP as a nonprofit organisation to address this issue and serve developing countries with a fully transparent approach. We are not financed by private companies, and we’ll always prioritise sources of finance that will allow us to maintain full independence and freedom to operate in any circumstance. See [MEET OUR DONORS](#).

5) Passion and focus on real impact - It takes big passion to face big challenges. The success story developed in Argentina motivates us to replicate that experience globally, at the largest possible scale. We are extremely determined because we have seen the possible benefits we can help generate through an accelerated implementation path toward more renewables.



For more information you can write to us at
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Greenmap is now

RELP
Renewables **for all**.

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