Handbook

International Guarantee Trust Fund for Renewable Energy (iTrust)

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Designed by

Greenmap
Renewables for all

In collaboration with

CLIFFORD
CHANCE

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1. Glossary of Terms and Definitions

AreA	Analytic for Renewable Energy Auctions platform under development by Greenmap.
CAPEX	Capital expenditures.
CO2	Carbon dioxide.
COD	Commercial operation date.
ETPG	The Early Termination Payment Guarantee, provided by the iTrust, to cover the offtaker or the host country's obligation to make certain early termination payments upon the occurrence of certain triggering events that lead to an early termination of the offtake agreement.
FAQ	Frequently asked questions.
FATF	Financial Action Task Force.
GHG	Greenhouse gas.
GW	Gigawatt, equivalent to 1,000 megawatts (MW).
IPP	Independent power producer.
IRENA	International Renewable Energy Agency.
iTrust	International Guarantee Trust Fund for Renewable Energy.
KPI	Key performance indicator.
MDB	Multilateral development bank.
Offtake agreement	The agreement whereby the designated offtaker purchases the energy produced by the IPP, also often called power purchase agreements or power sales agreements.
PPA	Power Purchase Agreement.
RE	Renewable Energy.
REPG	The Revolving Energy Payment Guarantee, provided by the iTrust, to cover the risk of delayed payment or non-payment by the offtaker.
REPP	A renewable energy procurement programme, and the legal framework and documents related thereto.

2. About Greenmap

Greenmap stands for Global Renewable Energy Mass Adoption Programme. 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 their 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 customization, 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 (described in detail in the sections below), is being designed to complement Greenmap's work in eligible countries. It will be an effective tool to de-risk and mobilize investment at scale with a focused, innovative and programmatic approach. The design and implementation of the iTrust will be independent of Greenmap's core services. This means that the adoption of the iTrust's guarantees is not subject to Greenmap's prior support to an eligible country for the design and implementation of a renewable energy procurement programme, so long as the programme meets certain eligibility criteria. In that respect, we envision Greenmap will provide technical assistance and support in the process of verifying compliance with such set criteria by the host country, their renewable energy procurement programmes (**REPP**s) and offtake agreements.

Greenmap 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 from other private sector institutions with any conflict of interest.

You can find more information about Greenmap in the Annex at the end of this document and at our website energygreenmap.org.

3. The iTrust and its Guarantees

3.1. Introduction

The adoption of renewable energy at large scale has the greatest potential to reduce emissions in the power generation sector, while promoting economic and social development. Although renewable resources have become a competitive and technically mature source of power, their deployment across most developing countries (excluding China and India) has been slower than needed. The main reasons are limited access to international financing, more challenging political, economic, financial, regulatory and legal environments; lack of sufficient transmission infrastructure; and in some cases strong interests in coal- and natural gas-fired generation on the part of state-owned and private entities.

Accelerating the pace of investment in renewable and sustainable energy systems in the developing world is a must under the current climate imperatives. Reaching net-zero by midcentury requires changes in how things are done. In most developing countries, managing and mitigating the risks mentioned above will help make renewable energy generation competitive and attractive for long-term investments. Credit enhancement tools have the potential to unlock the needed investments in the developing world facilitating access to more competitive financing both in terms of costs/returns as well as tenor and amount of leverage, all contributing to lower levelised costs of energy.

At Greenmap we believe that two of the most important enablers of accelerated action are (i) better, more competitive and more transparent procurement processes (typically **auctions**), and (ii) well-structured de-risking instruments and guarantee schemes which must be embedded in auction design.

Greenmap's work centres on the first enabler described. To address the second enabler, Greenmap is designing the iTrust to provide credit enhancement in the form of customized programme-based guarantees offered automatically and directly to those renewable energy projects awarded offtake agreements[1] in public auctions called by eligible developing countries, based on the renewable energy procurement programme (REPP) rules.

The iTrust guarantees will cover offtaker **liquidity risk** (i.e., delay and/or non-payment for energy produced/delivered) and certain country-level risks that could trigger the **early termination** of **offtake agreements** and which, if not mitigated, could severely affect the bankability of investment projects and reduce market attractiveness.

3.2. Legal Framework

The iTrust will be organized and incorporated as a trust or equivalent structure and registered in a jurisdiction with a solid regulatory framework for the protection of investments. The specific location and type of entity is currently under analysis. The iTrust's governance structure will include an independent and qualified board of trustees (including representatives of the iTrust' funders as well as independent members) and a world-class trustee (or equivalent agent) in charge of the management and administration of the operations. A tier-one international audit firm will be appointed to conduct regular audits. We are currently analysing the possibility of the iTrust obtaining a public credit rating by an internationally-recognised credit rating agency.

The iTrust´s legal framework will consist of guideline documents and model contracts that will be customizable to the needs, specific risks and particular features of each host country. Table 1 and

[1] In most cases the offtake agreement will take the form of a power purchase agreement, or PPA. In this document, we use "offtake agreement" or "PPA" indistinctly.

Table 2 below show the main components together with a brief description and an indication of the parties involved in each. For reference ♦ indicates a signatory party and ⊙ indicates a party that is directly involved or affected by that contract.

Table 1 - Legal Framework of the iTrust (Guidelines)

Guidelines Document	Scope/Purpose	Host Gov't	Offtaker	iTrust	IPPs	Lenders	iTrust Funders
Country Readiness and Eligibility	Sets forth certain minimum institutional and economic features that the host country must have to be eligible for the guarantees granted by the iTrust. Also describes the host country's power sector characteristics needed to allow RE deployment and integration.	♦		♦			
Renewable Energy Procurement Programme (REPP) Eligibility	Describes the iTrust's programme design guidelines to ensure that project and REPP objectives and standards are acceptable to private investment and in line with minimal requirements and expectations of local and international capital markets.	♦	♦	♦			
Funders' Eligibility	Describes certain transparency, anti-money laundering, credit, size and track record requirements of the funders, to ensure reliability of their capacity to comply with the Funding Commitment Agreements.			♦			♦
Cooperation Agreement	This agreement will be entered between iTrust and the Host Government to regulate the rights, duties and the work plan applicable to the implementation of the iTrust guarantee scheme for a specific REPP.	♦		♦			

Table 2 - Legal Framework of the iTrust (Model Contracts)

Model Contract	Scope/Purpose	Host Gov't	Offtaker	iTrust	IPPs	Lenders	iTrust funders
Guarantee Agreement	This agreement will be executed among the iTrust, each IPP awarded a PPA in a REPP organised by the host country, the offtaker, and the host country. Regulates the Revolving Energy Payment Guarantee and the Early Termination Payment Guarantee granted by the iTrust in favour of the IPPs. This will also include the payment obligations of each beneficiary with respect to scheme costs.	♦	♦	♦	♦	⊙	

Offtake Agreement	This agreement will be executed between the offtaker and each IPP awarded in a REPP organised by the host country. Regulates the offtaker's obligation to purchase the RE to be delivered by the power plant owned by the IPP. To be regarded as market validated and bankable, this agreement must contain certain basic features, which can be customised to the specific needs and risks of each jurisdiction.		♦		♦	◉	
Guarantee and Reimbursement Agreement	This agreement will be executed among the iTrust, the offtaker, and the host country. Regulates the obligation of the Offtaker and the host country to reimburse to the iTrust all amounts disbursed by the iTrust in favour of the IPPs awarded in a REPP organised by a host country, under the terms of the Guarantee Agreements, and any interest thereon.	♦	♦	♦			
Funding Commitment Agreements	These agreements will be executed bilaterally between each donor or investor and the iTrust. Regulates the obligation and the terms and conditions under which donors will make grants and investors will make loans to the iTrust, which proceeds the iTrust shall use to fund the Revolving Energy Payment Guarantee account and the Early Termination Payment Guarantee account.			♦			♦
Security Trust and Intercreditor Deed	Investors who lend amounts to the iTrust will have first ranking security over all the iTrust's collection rights under the Guarantee and Reimbursement Agreement. This will be their sole recourse against the iTrust for the repayment of amounts lent. This will include typical standstill, voting and waterfall provisions with respect to enforcement of the iTrust´s rights under such Guarantee and Reimbursement Agreement.			♦			♦

3.3. Guarantee Package

The awarded IPPs will enter into power purchase agreements (PPAs) with the designated offtaker and will have access to the two-tier guarantee scheme provided by the iTrust that includes:

- A free-of-charge and automatically granted guarantee covering late payments or lack of payment by the offtaker under the relevant PPA (the Revolving Energy Payment Guarantee or REPG); and

- A fee-bearing optional guarantee covering the offtaker´s or host country´s failure to make a required early termination payment under the PPA, as applicable (the Early Termination Payment Guarantee, or ETPG).

3.3.1. Revolving Energy Payment Guarantee (REPG)

In accordance with the terms of the REPG contained in the Guarantee Agreement, in the event that the offtaker partially or completely defaults on its obligation to pay for the energy delivered under the PPA, the IPPs will receive an equivalent payment from the iTrust[2]. The payment will be prompt and efficient mechanisms will be set up to avoid bureaucratic hassles and delays. The iTrust's guaranteed obligation will extend to the maximum guaranteed amount set in the REPP which could typically be the equivalent of 3, 6, 9 or 12 months of energy deliveries under the PPA (such amount to be set in advance of tender for each tender round and will depend on the corresponding risks assessment). The obligation will continue for the entire tenor of the PPA.

Amounts disbursed by the iTrust under the REPG, in local or hard currency as applicable depending on local regulations and the terms of the PPA, are required to be reimbursed to the iTrust by the offtaker or host country, together with any applicable accrued interest. The reimbursements will allow the iTrust to replenish its accounts and make future payments to the IPPs. The design of the REPG as a revolving facility allows for better and more effective mitigation of the offtake liquidity risk. The use of the REPG will not constitute per se an event of default by the offtaker under the PPA, nor will it terminate the guarantee. After each payment is made under the REPG, the iTrust will be subrogated to the rights of the IPPs against the offtaker under the PPA. The offtaker will repay the amounts disbursed under the REPG (plus any applicable interest) directly to the iTrust. The offtaker will always have an obligation to pay the oldest obligation first. Therefore, with any new liquidity applied to pay for the older obligations, the offtaker will replenish the REPG account before paying under new PPA invoices. In addition, the Guarantee and Reimbursement Agreement and the Guarantee Agreement will include a clean-up obligation related to the REPG whereby the host country must replenish the REPG account in full when such account's revolving balance falls below a certain percentage threshold of the maximum covered amount (to be determined on a jurisdiction specific basis). All the information regarding payment of invoices, revolver balance of the REPG account and compliance with the clean-up obligation will be available to all interested parties. Failing to comply with the clean-up obligation may trigger a step-up in the interest rate applicable to REPG advances, but it will not constitute a default under the PPA or cause the suspension of the guarantee.

If at any time during the term of the guarantee, the revolving balance in the REPG account is exhausted, the iTrust will no longer make payments under the REPG. If, as a result, the offtaker then defaults on energy payments for the applicable number of months or for an amount that exceeds the threshold set forth in the PPA, an early termination right in favour of the IPP will then arise under the PPA. In that case, the IPP will be able to exercise its early termination rights and demand the corresponding early termination payment by the offtaker/host country according to the PPA.

3.3.2. Early Termination Payment Guarantee (ETPG)

The ETPG guarantees the obligation of the offtaker or the host country (as the case may be) to make an early termination payment as applicable under the PPA. The early termination payment amount shall be predetermined in each case within the REPP rules and as reflected in the PPA for which the IPPs bid. Although the determination of such an amount can vary by country depending on its regulatory framework and market features, the calculation shall follow certain guidelines, as further explained in the FAQs section below.

[2] So long as the REPG guarantee account has not been yet exhausted as a result of previous payments by the iTrust which have not been reimbursed by the offtaker or host country, as applicable.

The specific termination triggers will be set for each REPP. These triggers will, at a minimum, include payment default by the offtaker over a certain period (or in excess of a certain threshold), and shall also include, subject to specific conditions of the relevant jurisdiction, local currency inconvertibility and hard currency non-transferability, amendment of certain fundamental laws of the host country adversely affecting the projects, the offtaker's failure to comply with an arbitration award issued in the context of a dispute with the IPP and, in some cases and subject to certain limitations, expropriation.

The ETPG operates on an opt-in basis and shall be granted to those IPPs who request it in their bids and who agree to pay the fees and comply with applicable requirements as set forth in the REPP. IPPs are not required to take up ETPG cover with respect to the full amount of their potential ETPG claim. Typically, in their bids the IPPs will set the amount and the tenor of their preference (their "**Covered Amount**") within the limits of the REPP and the PPA.

Payments by the iTrust under the ETPG shall be made in hard currency directly to the IPPs (or to any person, e.g. lenders, to whom they may have assigned their rights under the ETPG) upon acceptance of the claim by the Host Country or on presentation of an arbitral award confirming that the amount is due.

3.4. Business model, funding and operations

The iTrust will be a non-profit organisation and has no independent sources of revenue. Accordingly, funding and guarantee commitments will need to match, and running costs need to be covered, under all circumstances, in order that the iTrust will always remain solvent.

The iTrust will make its best efforts to cover its administration and running costs, and both the principal and funding costs of providing the REPG (together, its "**General Costs**") free of charge to the IPPs who are awarded a PPA as a result of a winning bid submitted to an eligible auction. The General Costs are expected to be covered by philanthropic donors and by the host country to the extent possible (with any host country funding being provided by way of an up-front deposit to the REPG Account so that there is no ongoing exposure). In that respect, the iTrust will conduct a fundraising campaign and commit its best efforts to secure funding from philanthropies and host countries at no cost or the lowest possible cost.

Exceptionally and only to cover any funding uncertainty related to General Costs, every project participating in the REPP will have a backstop obligation to fund up to its pro rata share of General Costs, up to a maximum amount, to the extent not funded by donors. That funding obligation will take the form of a single upfront payment on execution of the Guarantee, to cover the period from execution to the scheduled COD of the IPPs project (plus a suitable buffer for delays), followed by annual payments thereafter in respect of the forthcoming year for the tenor of the PPA. Annual payments could be deducted from PPA payments at source and paid directly to the iTrust by the offtaker (or deducted from REPG payments, as applicable).

Payments will be sized based on the iTrust's budget for the year ahead, which will include a reasonable contingency. The pro rata share will be determined based on the MW capacity of the relevant IPP's project as a proportion of the total MWs contracted under the REPP. Accordingly, that share may decrease if further projects are added to the scheme over time. The General Costs share will not increase from that identified at signing of the Guarantee. In the event that donor contributions are received after payment by IPPs, the iTrust will credit the relevant IPPs with the difference on the next payment.

The ETPG will most probably be funded -in addition to commitments from philanthropic donors and development agencies from developed countries- by institutions or investors that require a fee in compensation for the commitment they will undertake. Any and all commitment costs and fees

related to making available ETPG funding ("**ETPG Costs**") shall be passed on to and be paid by the guaranteed IPPs in proportion to their Covered Amount, which will be payable upfront in the same way as General Costs, save that they will be due quarterly post COD. In the unlikely event that, notwithstanding the above arrangements, an IPP fails to meet any liability for General Costs or ETPG Costs when due, the iTrust will have the right to terminate the non-compliant IPP's guarantees. The terms of the iTrusts funding arrangements will allow it in such circumstances to (a) cancel without penalty the equivalent amount of ETPG funding commitments (so as to reduce its related ETPG Costs commensurately) and (b) apply funds in the REPG Account to make up any shortfall in General Costs funding that may arise from an IPP default.

As further explained in the FAQs section below, depending on the type of guarantee and the size of the relevant REPP, the iTrust guarantees will be funded by a variety of sources including philanthropic donors, multilateral development banks (MDBs), other public and private financial institutions, institutional investors, and government agencies (both of developed countries and/or of the host country). The Funder's Eligibility document will describe ***ex ante*** the requirements that funders will be expected to have, including, unless providing all their contribution by way of upfront cash, having and maintaining a minimum credit rating for long-term indebtedness from a recognised agency. Funders whose rating is or becomes within a specified tolerance of the minimum rating will be required to enter into a credit support annex for their commitments, under which they may be required to collateralise their commitment if their credit drops below the required minimum rating.

There may be some cases, for example with philanthropic institutions, where a rating is not available but the benefits of their low-cost funding justify taking a bespoke view on their credit and ongoing testing of it. Where that is the case for any specific country, the relevant institution and proposed tests will be identified and detailed for IPPs to consider as part of the REPP RfP (and could be subject to co-funder approval).

For any country, the iTrust will always have cash and designated commitments from eligible funders at least matching its guarantee exposure on execution of the Guarantee Agreement for that country, and if any funders of those commitments cease to be eligible (and do not collateralise their position) the iTrust will seek to find a replacement commitment from an eligible funder as soon as possible. The iTrust may choose to (but shall not be obliged to) raise cash and commitments exceeding its exposure to assist managing this kind of risk in some circumstances.

Where IPPs call on the guarantees for an amount that exceeds the available cash balance in the relevant iTrust account, the iTrust will be obliged to call on its designated funding commitments ***pro rata***. In the unlikely event that a funder defaults on that call, the iTrust will be obliged to make a further call for the shortfall on its remaining available designated commitments ***pro rata,*** up to each funder's commitment amount. If having called all its designated commitments the iTrust still does not have enough funds to meet a call on the guarantees in full, it will only be obliged to pay any outstanding guarantee claims to the extent of its funds (and pro rata between claimants) and shall continue to pursue payment of any defaulted commitments: any recoveries under defaulted commitments will be distributed pro-rata to claimants promptly when received.

Figure 1 below shows the economic and financial flows between the iTrust (including its governing bodies, trustee and contractors), the host country, its funders and beneficiaries.

Figure 1 - Business model schematic

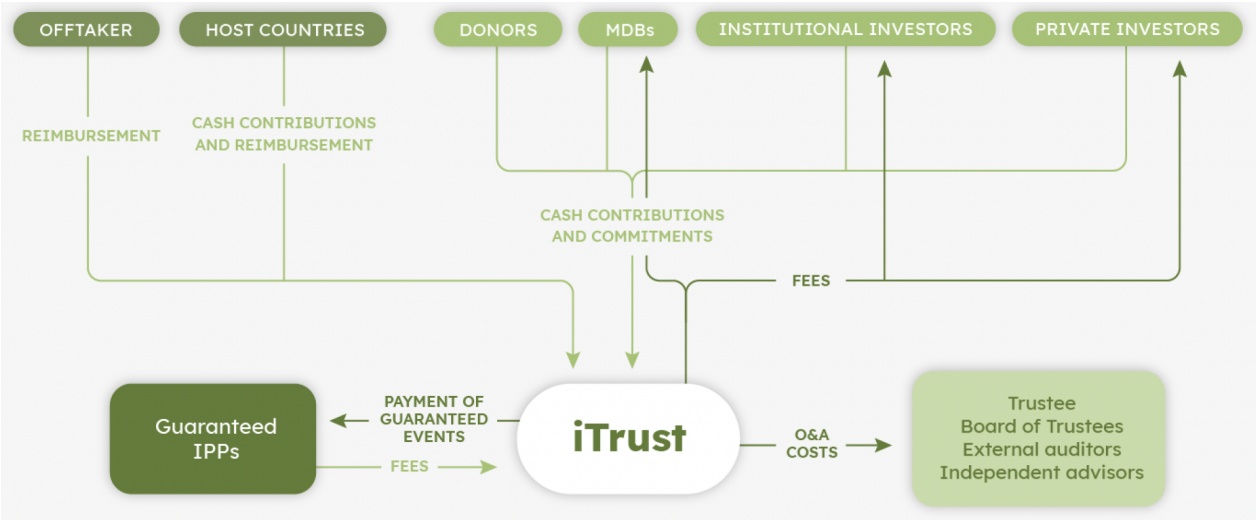
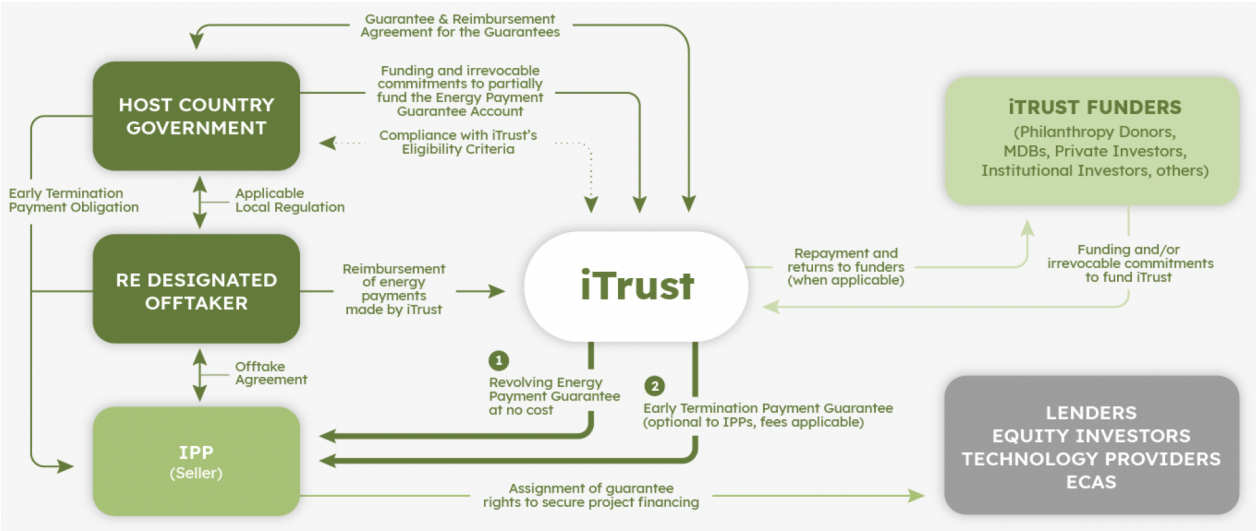


Figure 2 below shows the interactions between the different stakeholders involved in the iTrust guarantee scheme. Arrows indicate obligations or contractual relationships between the iTrust, the guaranteed IPPs, the host country government, the offtaker, and the iTrust funders. It is worth noting that, by design, the guaranteed IPPs will be able to assign their rights under the REPG and/or the ETPG by way of security to creditors in order to mobilise or facilitate the financing of the investment projects.

Figure 2 - iTrust operational schematic



4. Frequently Asked Questions

4.1. For host countries

(i) What makes a host country eligible under the iTrust's guidelines?

The iTrust shall work with countries and programmes that comply with certain criteria necessary to provide minimum levels of comfort to long-term investors in renewable energy.

Eligible developing countries must respect the rule of law within the framework of their respective institutional organisation, and act in accordance with high institutional transparency standards. As a general principle, the iTrust will not operate in countries identified by the Financial Action Task Force (FATF) as High-Risk Jurisdictions (countries ***subject to a Call for Action***). The iTrust will evaluate on a case-by-case basis possible operations in countries that FAFT classifies as ***Jurisdictions Under Increased Monitoring***.

In addition, the iTrust's host country eligibility guidelines include, the following principles:

- Application of internationally accepted anti-money laundering standards and reporting obligations.
- Adequate macroeconomic context that allows a minimum favourable private investment environment.
- Land access regulation according to minimum international standards.
- The fact that the host country is a party of the International Centre for Settlement of Investment Disputes Convention and the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards shall also be positively considered.

In addition, as a key element for the a successful REPP implementation, it is advisable for the host country's power sector to have certain features:

- Political will to integrate renewables at scale.
- Certain minimum market size and/or total electricity consumption growth potential including a long-term planning process and clear climate targets (to be determined on a case-by-case basis).
- Favourable regulatory framework for local and foreign investment in general, and in the renewable energy sector in particular.
- Competition in the electricity generation segment and/or regulation allowing IPPs to participate in the market.
- Identified targets and policies for the development of the renewable energy sector.
- Favourable endowment of renewable energy resources.
- Sufficient grid infrastructure capacity to integrate new generation and/or credible plans to expand existing infrastructure.

(ii) What makes a Renewable Energy Procurement Programme (REPP) eligible under the iTrust's guidelines?

The relevant REPP will have to meet certain conditions for the iTrust to be able to grant the guarantees to the awarded IPPs. These conditions may be already present in an existing programme where the iTrust is to be integrated and/or there must be openness and political determination to adjust or redesign the REPP as necessary to reach eligibility.

Some of the elements to be considered imply the existence of:

- Clear commitment by the host country government to programme implementation.
- Clear and transparent bidding, selection and awarding process.

- Certain minimum (reasonable) size for the auction round or the whole REPP in comparison to the pipeline of existing eligible projects'.
- Equal treatment of local and foreign participants.
- Adoption of standard offtake and guarantee agreements as an integral part of the REPP (i.e. no individual negotiation of contracts pre- or post-bid).
- Application of best practices to avoid overpricing, collusion or any other unfavourable market bias or speculation.
- Adequate legal and technical project prequalification requirements.
- Reasonable certainty for bidders regarding grid integration of winning projects.
- Balanced and reasonable permitting requirements.
- Compliance with the Performance Standards on Environmental and Social Sustainability and Standards on Prohibited Practices of the World Bank, the Equator Principles, the Integrated Safeguard System (African Development Bank), or other recognized international environmental standards, as applicable.
- Qualified administrative and technical staff in charge of programme's implementation and the evaluation of renewable energy projects.

(iii) What conditions must the PPAs meet to be integrated with the iTrust's scheme?

Although certain specific features of the PPAs will depend on the characteristics and regulatory framework of the relevant host country, the PPAs will need to ensure certain common elements, provisions and conditions:

- Long-term purchase obligation by the offtaker (between 20 and 30 years is recommended).
- Commitment to purchase all (or most) of the energy generated by the awarded project at the awarded price.
- Obligation to make payment in hard currency or in local currency provided that the host country grants convertibility and transferability of funds.
- Protection against early termination due to certain offtaker and/or country risks (as further explained below).
- Pre-established mechanism or formula to determine the applicable early termination payment amount (which calculation will depend on which party exercises the early termination and whether the early termination also involves the transfer of the project to the host country).
- Early termination dis-allowed unless one of the specific early termination events occurs and the applicable process is followed.
- Authorization to assign rights under the PPA and the guarantee agreements to the project's lenders.
- PPAs to be governed by private law rather than administrative law.
- Efficient dispute resolution provisions allowing the IPP to resort to an impartial forum if a dispute arises (typically international arbitration).
- Lenders' step-in rights.

Other relevant elements to be considered by the iTrust will include (but are not limited to):

- Certain price and/or price formula denominated in hard currency and/or with clear and credible indexation mechanisms.
- Hardship protection, subject to compliance with certain requirements and processes.
- Obligation to track work progress/milestones within specific and enforceable deadlines.
- Tax stability clauses protecting the project against certain tax changes.

(iv) Will the guarantees be considered sovereign debt of the host countries?

Although the final answer to this question will depend on the debt reporting standards of each host country, the iTrust's guarantees are designed so as not to be classified as sovereign debt of the host country. The ETPG's feature as a one-off guarantee, for example, could allow it to be classified as contingent liabilities under IMF rules. This would reduce fiscal and financial impact and related costs or limitations for the host country.

(v) What are the benefits of the iTrust's guarantees for host countries?

The provision of the iTrust's guarantees as an embedded feature of the REPP will result in lower equity return requirements, higher leverage, lower interest rates and longer tenors for debt financing, and along with increased attractiveness and competition. This virtuous cycle will reduce the price of the renewable energy to be purchased and paid for in the host country.

Other benefits for host countries include:

- Reduced costs and times for the implementation of the REPPs while still accommodating each country's particular needs.
- Unlocking private investment.

Moreover, the integration of renewable energy at scale and at lower prices will allow host countries to:

- Enhance energy independence;
- Increase savings due to lower fossil fuel expenditures;
- Reduce exposure to fuel price volatility; and
- Enhance social and political acceptance, as lower tariffs will help reduce internal energy and infrastructure related political risks.

(vi) Will the offtaker and/or the host country be required to sign any agreement with the iTrust?

Yes. To manage the implementation of the iTrust guarantees and the integration with the host country's REPP, the iTrust and the offtaker or host country shall enter into a Cooperation Agreement. This agreement will set forth the conditions under which the iTrust will support the process and contribute to the successful implementation and funding of the scheme.

Later in the process (and before the bid submission date) the iTrust, offtaker and host country will enter into a Guarantee and Reimbursement Agreement which will supersede the Cooperation Agreement and shall govern each party's definitive rights and obligations, including the reimbursement of funds disbursed by the iTrust, applicable interest, and the iTrust's subrogation rights.

(vii) How much do the iTrust's guarantees cost the host countries?

iTrust implementation should not carry immediate cash costs for the host country. All operational, administrative and financial costs of the iTrust setup will be covered by donations or will be recovered from the IPPs.

Whenever possible, host countries will be required to make an upfront cash contribution to fund a portion of the REPG account, to avoid moral hazard and ensure that the host countries have some "skin in the game". Where this is the case, the financial cost of contributing such an amount should be considered.

Further, the host country is obliged to comply with the PPA and the Guarantee and Reimbursement Agreement and therefore to reimburse to the iTrust the principal amount

corresponding to any amounts paid by the iTrust under the guarantees, plus any applicable interest. In this regard, (i) default interest (as applicable under the PPA) shall accrue on any amounts owed to the iTrust by the host country or the offtaker in relation to payments made under the REPG and not repaid within the agreed dates; (ii) if applicable, higher defaulted interest rates shall accrue on any amounts owed to the iTrust by the host country if the clean-up obligation is breached; and (iii) a market-rate interest shall accrue on amounts paid by the iTrust under the ETPG.

In other words, the host country will have no costs as long as they comply with the PPA and the REPP and/or repay amounts drawn under the REPG within the agreed timescales.

4.2. For IPPs & lenders

(i) What are the benefits of the iTrust's guarantees for IPPs and lenders?

The mitigation of certain key risks by the iTrust's guarantees will result in lower return requirements by sponsors and lenders financing these projects. This should allow IPPs to obtain (i) a higher leverage capacity (i.e., lenders would be willing to finance a larger portion of the project's capex), thus lowering the requirement of relatively more expensive equity, and (ii) longer tenors and average life of loan, improving equity economics.

In addition, the mix of international and national players involved in the implementation of REPPs and the iTrust, together with the contractual protections granted through the guarantee documents and the PPA, will constitute a de-risking element which reduces the likelihood of a host country taking actions that negatively affect specific projects or key components of a larger procurement programme.

For many lenders, the existence of the guarantee scheme may make participation in limited recourse funding of REPP projects possible where it would otherwise not be, under their normal country-risk assessments. This increases the funding pool and liquidity, which is good for both sponsors and lenders, as well as building institutional knowledge of the host countries within those lenders, which may open up wider possibilities both for the lenders and the host country.

Finally, the standardisation of REPPs, PPAs and guarantees, and their publication ahead of the auction´s launch, will avoid post-bid negotiations and will reduce the execution time of the projects.

(ii) How will the maximum guaranteed amounts be set?

The maximum guaranteed amounts for the REPG and the ETPG shall be calculated and determined by the iTrust together with the host country based on the country's risk assessment and funding possibilities. Before the submission of bids in the relevant auction, the definitive amounts shall be announced to all prospective bidders to provide certainty and allow them to factor the coverage in their economic offers.

(iii) How will the risk of political interference of the host country be mitigated?

To mitigate the risks of political interference, the iTrust will be organized and incorporated as a trust or equivalent structure ensuring complete legal and economic separation between the assets and obligations of its funders, and the participating host countries. IPPs and their lenders will have no exposure to the host country with respect to the amounts covered by the guarantees.

Host countries shall not be involved in the management of the iTrust or the decisions it makes. The iTrust's operations (application of eligibility criteria, granting of guarantees, enforcement of terms and conditions, etc.) will be conducted following the guidelines approved by the iTrust's Board of Trustees and under their supervision.

The iTrust will be incorporated in a jurisdiction with a solid foreign investment protection regulatory framework. Moreover, all contracts involved in the implementation and granting of the guarantees shall (to the extent possible) be governed by private law of internationally recognized jurisdictions (e.g. New York or UK) and shall provide for the settlement of disputes in such jurisdictions.

In addition, the offtaker and/or the host country shall be required to waive any right of sovereign immunity that they may have before courts or arbitral tribunals and in connection with their property (The waiver shall extend to any bank account belonging to the offtaker/host country or the host country's central bank or similar monetary authority.)

(iv) How will the credit risk of the iTrust itself and its funders be mitigated?

The guaranteed obligations will be backed by either cash or a blended credit risk of commitments from funders meeting the minimum eligibility requirements, or which otherwise go through a transparent diligence process requiring no objection from the other co-funders. Where a funder with pending funding obligations ceases to be eligible, there are collateralisation and replacement obligations. All funders stand to be called to cover any shortfall arising from another funder's default up to the maximum committed amount by each funder. Only in the event of an offtaker massive default where all IPPs terminate the PPA's and claim the ETPG at the same time, the commitments are called to the full and there has been a funder default on a commitment, that the risk of a payment shortfall to IPPs arises. To protect the iTrust itself, which may have obligations in more than one country, it is never obliged to pay under the guarantees more than the funds it has received from commitments allocated to such a country.

Having funded guarantees of a specific country, funders' repayment claims against the iTrust will be coordinated under the intercreditor agreement and the sole recourse will be to the iTrust's claims under the Guarantee and Reimbursement Agreement for that country, ensuring that the iTrust's credit is not cross-contaminated from another jurisdiction.

All costs of the iTrust with respect to a particular jurisdiction will be funded by donors and/or the IPPs (by way of a deduction from PPA payments), and in the unlikely event of an IPP payment default can be funded from the REPG account.

(v) How will the guarantees be documented?

Each successful IPP shall enter into: (i) an offtake agreement with the designated offtaker; and (ii) a guarantee agreement with the iTrust and the offtaker/host country.

In turn, the iTrust shall enter into a Guarantee and Reimbursement Agreement with the offtaker/host country which will govern, among other issues, the relationship between them, the iTrust reimbursement rights and its right to subrogate in the IPPs rights against the offtaker/host country.

(vi) How will the early termination payment amount be determined when exercised by the IPP?

For each REPP the early termination amount or a clear methodology for its calculation be set forth in the PPA and announced ahead of bid submission. An early termination amount

can be calculated in different ways, all of which should somehow reflect the remaining value of the project at the time the specific termination event occurs. Calculation mechanisms may vary depending on the features of the host country's power market and regulatory framework, or whether the PPA early termination is coupled, or not, with a transfer of the relevant project to the offtaker/host country.

Typically, in cases when the early termination does not include the transfer of the project's assets (i.e. when the IPP keeps the right to continue to sell the electricity generated by the project to a third party), the calculation formula should consider (i) the price differential between the PPA price and other available market prices to be defined (spot price, alternative offtaker), (ii) an estimate of the energy deliveries corresponding to the outstanding supply period; (iii) the deduction of taxes and operational costs and (iv) the application of a discount factor to calculate the net present value of the agreement in a but-for scenario. If this approach is to be adopted, evidence that sales of energy at the spot price or under corporate PPAs are feasible and permitted.

Where the early termination involves the transfer of the project's assets, the early termination amount should compensate the project's owners for their lost investment and amounts unpaid under the PPA, and determined by reference to the unamortized portion of the audited capex spent in the construction of the project up to a reference value for each MW of installed capacity (which reference value will be set forth in the REPP).

(vii) How will the early termination payment amount be determined when exercised by the host country due to the IPP's default?

The early termination payment amount will be set as a percentage (lower than 100%) of the payment corresponding to the early termination amount as set forth in the PPA in case it is exercised by the IPP. Typically, it includes the transfer of the project assets to the offtaker or host country. The iTrust ETPG will not cover the early termination payment when such an event is exercised by the host country.

(viii) What are the costs of the guarantees for IPPs?

The aim is for the REPG to be granted at no cost for the projects awarded a PPA and for them to have no liability for General Costs as a result of donor funding, although IPPs could be required to backstop these costs in the event that the iTrust's fundraising in any year falls short.

With regard to the ETPG, certain up-front and recurring commitment or guarantee fees related to making the funding available shall be paid by the IPPs that request and are granted the guarantee. These costs will be reflective of the iTrust's funding costs and the IPP's Covered Amount and shall be calculated with a pass-through approach based on the fees paid by the iTrust to its funders for the matching cover. This will include: (i) an up-front fee, (ii) a standby fee payable on a quarterly basis from the execution of the guarantee agreement and until the project's financial close; and (iii) a guarantee fee to be paid on a quarterly basis from the project's financial close until end of the term of the guarantee or its cancellation by the IPP. As the iTrust expects to raise low- or no-cost donor funding to support the ETPG as well, it is expected that the blended cost of the ETPG raised this way will be significantly below market cost.

Each IPP will make an upfront payment on signing the guarantee to cover (i) the blended commitment fees to be paid to funders between the execution of the funding commitment agreements and the date of execution of the guarantee agreements; and (ii) the IPPs cost obligations for the period from the signing of the guarantee agreement to its scheduled COD (plus an appropriate, e.g. 1 year, buffer). Thereafter the IPP will pay annually in advance, by way of deduction from PPA (or REPG) payments if there are any. In the event

that donor contributions received after an IPP has made a payment mean that payment was oversized, the iTrust will credit the relevant IPPs with the difference on the next payment date.

(ix) Will the lenders enjoy typical protections under the agreements entered into by the IPPs?

Yes.

Although the lenders are not party to such agreements, the PPA and the guarantee agreement shall provide, as applicable, for lenders' step-in rights, the possibility to assign the IPP's contractual rights and contractual position to the project's lenders or their agent, the need to obtain prior lenders' consent (through the appointed representative) in order for the IPP to exercise certain rights or carry out certain actions under the PPA and/or the guarantee agreement, the need to provide lenders' (through the appointed representative) with a copy of all material notices delivered between the parties under the agreements, and the right of the lenders' to cure certain breaches of the IPP's under the PPA's.

4.3. For prospective funders

(i) How can those institutions willing to fund the iTrust benefit from participating in the scheme?

From a funder' standpoint, the iTrust represents a powerful, high-impact and high-leverage investment opportunity to support the energy transition in the developing world which involves not only the integration of clean and affordable energy and the avoidance of new coal power plants, but also the creation of jobs and wider prosperity.

For every 100 MW of capacity competitively procured in a process supported by iTrust, $100 million in investments will be directly mobilised. The funding necessary to provide the iTrust guarantees for such an investment is estimated at $10 million in cash and commitments for the REPG, and $25 million in commitments for the ETPG. The financial cost of the funding is estimated at $5.5 million resulting in a leverage of 20x. By funding the iTrust, investors can accelerate multiple investments without themselves needing to conduct credit assessments on the individual projects.

The revolving feature of the REPG is also a plus for funders looking to wisely invest their resources. The impact of the REPG on project bankability and price reduction significantly exceeds its financial costs. Moreover, given its revolving feature the principal will be repaid (if drawn) and released at the end of the guarantee period and could be recycled into other projects or programmes, meaning an ever-green guarantee support.

The iTrust will be structured in a tax-efficient manner in order to allow deductibility to private donors.

(ii) How will the ETPG be funded?

The ETPG's funding shall be granted by (i) philanthropic donors; (ii) MDBs; (iii) other public and private financial institutions such as the Green Climate Fund, government agencies and commercial lenders, (iv) institutional investors; and (v) private investors. Funding shall be provided through cash contributions and/or funding commitments. In the case of institutional and private investors, the funding shall be sought through competitive processes to secure the lowest possible costs (to be passed on to the beneficiaries).

(iii) How will funders (excluding donors) be remunerated?

The iTrust will remunerate funders (excluding donors) of the ETPG through the payment of: (i) a commitment fee, accruing between the execution of the relevant funding commitment

agreement and the execution of the PPAs and the guarantee agreement; (ii) a stand-by fee, accruing between the execution of the relevant PPA and guarantee agreement with the IPPs and the financial close of the projects; (iii) a guarantee fee, accruing between the financial close of each guaranteed project and the end of the term or the early cancelation of the guarantee, and (iv) market-rate interest accruing on amounts effectively called by the iTrust and disbursed by the funders to make payments under the ETPG to the beneficiaries.

The iTrust shall be authorised to make permitted investments with any funds disbursed under the funding commitment agreements, and to allocate any cash paid under, or resulting from the sale of permitted investments. The iTrust shall not be required to transfer to a funder any portion of the permitted investments' yield.

(iv) How will the funding agreements be documented?

To regulate cash contributions, funding commitments and the iTrust's repayment and reporting obligations, the iTrust shall enter into individual funding commitment agreements with donors, MDBs, other public or private financial institutions, agencies of developed countries, and institutional and private investors.

The goal is to secure renewable commitments to at least match in tenor the duration of the PPAs and the requested guarantee coverage in the case of the ETPG. The funding commitment agreements will provide certain flexibility to allow the iTrust to reallocate unused cash contributions and/or commitments between countries, and also to reduce the commitments' amount proportionally to the guaranteed amounts under the ETPG.

Funders will also enter into the security trust and intercreditor deed to limit their recourse in the event they are called to fund the ETPG, and to co-ordinate the enforcement of their security over the Guarantee and Reimbursement Agreement claims.

(v) What are the risks faced by the funders of the iTrust?

Those interested in funding the iTrust will ultimately take on the risks posed by the host country or the portfolio of host countries as the case may be. In case of an offtaker or host country default, the iTrust will call on the funding commitments on a pro-rata basis and the funders will disburse the necessary funds to make the guaranteed payments. Thereafter, the iTrust will activate the reimbursement provisions under the guarantee and reimbursement agreement entered into with the offtaker and host country. Funder's sole recourse for repayment will be to the provisions in the Guarantee and Reimbursement Agreement, over which they will have first ranking security. The iTrust could participate pro rata in that security with respect to the reimbursement obligation for the REPG amount. Enforcement of that security and the underlying claims will be conducted collectively and governed by the intercreditor agreement. Eventually, the iTrust and the funders (acting through the security trustee) will need to litigate in the applicable jurisdiction to seek reimbursement by the responsible party. Enforcement/administrative party costs may need to be funded initially by funders but will be recoverable under the Guarantee and Reimbursement Agreement. Any outstandings will be repaid in priority from any recoveries.

Funders will also be taking the risk on the IPPs with respect to the payment of their ongoing ETPG related financing costs. These will either be pre-funded on issuance of the guarantee or deducted at source from PPA and REPG payments, so the default risk should be low. In the unlikely event of an IPP default, the corresponding exposure will be cancelled.

Annex on Greenmap's Strategy

Greenmap's approach is inspired by Argentina's RenovAr Programme, which was designed and implemented by our team. RenovAr proved effective in the complex Argentine market, mobilizing more than US$7 billion in investments in 154 clean power generation projects of new-build capacity and creating more than 11,000 jobs in 30 months.

Greenmap's co-founders are Sebastian Kind, former Undersecretary of Renewable Energy (2016-2017) and Undersecretary of Renewable Energy and Energy Efficiency (2018-2019) at the Ministry of Energy in Argentina; Mauro Soares, former National Director of Renewable Energy at the Ministry of Energy in Argentina (2016-2018); and Michael Liebreich, Founder of New Energy Finance (now Bloomberg NEF) and current CEO of Liebreich Associates, UK Board of Trade.

Other key members of the Greenmap team are: (i) Andrea Bertello, Director for Europe, (ii) Fernando Lagarde, Director of Policy and Regulation; (iii) Ramiro Gomez Barinaga, Director of Finance Strategy Design, (iv) Martin Kind, Director of Innovation and Technology and (v) Florencia Agatiello, Global Head of Research.

Greenmap is involved in several initiatives and projects throughout the developing world, including:

(i) Asia: Greenmap is coordinating efforts with IRENA, the South-East Asia Energy Transition Partnership (SEA ETP) and the UK Climate Compatible Growth Programme (CCG) to provide high-level technical assistance in Southeast Asian countries. Currently Greenmap is engaging with four countries: the Philippines, Indonesia, Vietnam and Lao PDR.

(ii) Africa: Greenmap is advising the National Treasury of South Africa as part of a project funded by the European Climate Foundation (ECF), to provide research and policy briefs on auction design tools and best practices to address the specific risks and limitations of the South African power market. Also, Greenmap is working with the Africa-EU Energy Partnership and other EU programmes designed to support renewable energy adoption in Algeria and in other countries in Northern Africa.

(iii) Europe: Greenmap is assessing the potential of certain "coal-heavy countries" to work towards supporting existing EU programmes focusing on government-level technical assistance in the region. Greenmap is currently engaging with the Ministry of Energy of Romania and the Government of Moldova for possible cooperative projects to be started in 2022.

(iv) Latin America: Greenmap is working with the Latin American Energy Organization (OLADE) to analyse current strategic activities at a national level and connect with energy ministries of several countries in the region. Engagement with the Ministry of Energy of Ecuador is progressing with the aim of providing support for upcoming tenders planned for 2022 and 2023.

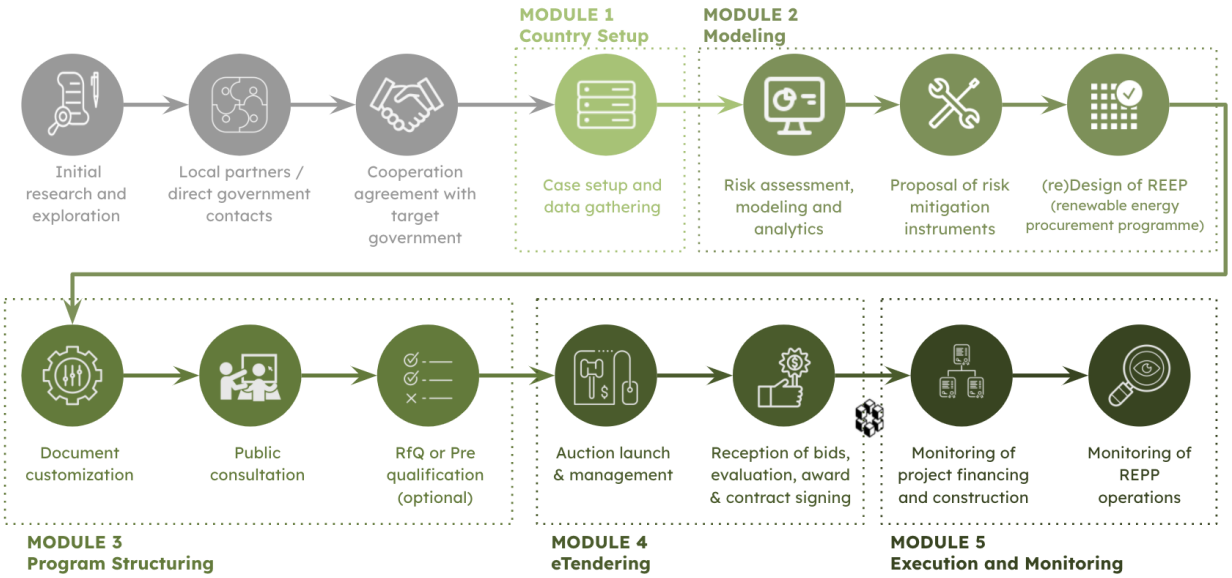
Greenmap's objective is to mobilize investments to install at least 110 GW of new renewable capacity by implementing its platform in 25+ developing countries within 10 years, directly and indirectly avoiding more than 293 million tons of CO2 emissions annually. This objective is related to the core activity of the organization, which is delivering direct support and technical assistance for the design and implementation of well-structured REPP's and de-risking instruments.

The design and implementation of the iTrust will be independent from Greenmap's core services (i.e. the adoption of the iTrust's guarantees is not subject to prior support in the design and

implementation of REPPs). However, Greenmap will still provide technical assistance and support on the compliance verification of the eligibility criteria for host countries, REPPs and Offtake Agreements.

The country entry process is structured into six distinct phases (see graph below): (i) the initial exploration, which lasts up to the execution of the cooperation agreement with the host country's government; (ii) the country setup when all relevant data sets for analysis and decision making are put together using different sources and data gathering activities, (iii) the modelling and analysis which centres on the risk assessment of host country and its power market and the application of de-risking instruments and their impact of auction results; (iv) the programme structuring which involves the design and customization of the procurement programme, the tender, and the guarantee documents; (v) the tender implementation phase which is to be carried out via a proprietary, secure and blockchain based e-tendering tool; and (vi) the execution and monitoring of the programmes and participating projects.

Typical Country Workflow



Source: GREENMAP

Achieving Greenmap's ambitious goals requires engaging with strong partners. Greenmap looks to build a wide network of selected partner organizations with three main attributes:

1. Organizations and initiatives that will help us expand outreach and impact in terms of the number of target countries/governments to work with.
2. Organizations and tools that will help us improve the quality of our products and services to provide support for stronger REPPs in the Global South. This ranges from guarantee providers to legal advisors, and from energy experts to software and blockchain platforms' developers. Looking forward, partners may also include local organizations able to support Greenmap during the concurrent implementation of various activities in different countries.
3. Experts and researchers focusing on robust methodologies and theoretical frameworks for policy impact evaluation and KPI metrics (such as GHG emission reductions, RE-generated

vs. overall energy mix, reduced energy imports, job creation, energy access and lower energy prices). While focusing on accelerating RE adoption in developing countries, Greenmap aims to develop a transparent and robust approach to track the impact generated and identify possible areas for improvement.

Greenmap's partners include international, regional and national organizations dedicated to promoting and supporting climate action and different types of stakeholders, including MDBs, export credit agencies, philanthropies, non-governmental organisations, law firms and energy experts. Working directly with governments is challenging in a very crowded market, where technical assistance and renewable energy financing is provided by many different actors. For this reason, Greenmap engages both internationally and locally to source the best human resources and most synergic partners.

For more information you can write to us at itrust-info@energygreenmap.org or download the full concept note here.

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