



Scalable Impact Through Investments in Mid-size Emerging Markets Climate Infrastructure



Investment Manager



25
YEARS


Technical Assistance Manager



Consortium partners



Pegasus Capital Advisors – Extensive private equity track record with pioneering milestones in impact investing



25
YEARS

As of Nov. 2020:

\$2.6bn+

Invested capital

5

Private Equity Funds

90+

Transactions

25 years

Track record

Key Characteristics

Pegasus Capital Advisors, founded in 1996, is an established global private markets impact investment manager

First and only U.S. private equity fund manager accredited by the Green Climate Fund

Strong emphasis on impact and sustainability throughout all stages of the investment process

Extensive network in infrastructure, energy, and waste management

Global impact partners⁽¹⁾



Operating Principles for
Impact Management

Signatory



International
Finance
Corporation

WORLD BANK GROUP



GREEN
CLIMATE
FUND

Accredited entity



IMPACT
CAPITAL
MANAGERS

Founding member



GIIN
MEMBER

Member

Signatory of:



Principles for
Responsible
Investment

Signatory

¹Global impact partners included herein are provided for illustrative purposes only. There is no guarantee that Pegasus will maintain accreditation or signatory status with or continue to be a member, partner or supporter of the global impact partners whose logos are included herein in the future.


SCF’s investment strategy combines a differentiated focus and origination approach, which the Fund believes will generate attractive returns, mitigate risk, and have measurable impact

Focus on untapped mid-size climate infrastructure market

SCF focuses on mid-size, low carbon, climate resilient, replicable and scalable infrastructure projects with proven technologies from leading private project developers.

USD 5m

USD 75m




- The SCF team believes equity investments in the range of 5-75m USD represent an underserved sweet spot with an extensive market of high-impact bankable projects
- With a consortium of experienced organizations, SCF believes it will be able to effectively source, develop, operate, scale and exit mid-size climate projects


Investment risk mitigation and enhanced economics

Protected USD 600m Senior Tranche Class A (8% preferred return)

Up to \$ 150m "First Loss" Capital Class B (3% preferred return)⁽¹⁾



28m Grant-financed Technical Assistance



Blended Finance approach with USD 150m⁽¹⁾ as first loss capital from the GCF and a 28m grant-funded technical assistance unit⁽²⁾:

- Junior tranche of min. 20% fund volume and 3% concessionary rate of return, intended to de-risk the fund and improve return for private investors
- TA is intended to source projects and mitigate construction & ES risks with feasibility studies at no cost to the fund


¹The GCF board approved an unconditional commitment to the first-loss tranche of SCF in an amount of \$50mm with up to an additional \$100mm commitment conditioned on GCF representing 20% of the total capital commitments. There can no assurance that such plans will be executed. GCF preferred return is 3% compared to 8% for Class A investors. Thereafter, GCF and Class A investors share distributions pro rata based on committed capital, subject to the General Partner's carried interest.

²GCF has approved an \$18.5mm grant to the TA facility. There can be no guaranty that IUCN, as manager of the TA, will successfully raise the full \$28mm or that all, or any portion of the TA will be disbursed to projects that are ultimately funded by the SCF.

³Third-party logos included herein are provided for illustrative purposes only. Inclusion of such logos does not imply affiliation with or endorsement by such firms or businesses. There is no guarantee that SCF or Pegasus will work with any of the firms or businesses whose logos are included herein in the future.


Dedicated, grant-funded Technical Assistance

Grant: Up to USD 28 million




International Union for the Conservation of Nature

Supported by



REGIONS OF CLIMATE ACTION



Gold Standard for the Global Goals

The technical assistance is managed by IUCN, the world’s largest nature-focused NGO with presence in more than 160 countries and 50 offices.

Pipeline building and operational fund support

Deal Sourcing: Utilizing network to authorities, developers and organizations to contribute to SCF’s pipeline building

Feasibility Studies: Working with R20 and recognized engineering firms to validate and develop projects


Capacity Building: Training local project sponsors and authorities for effective project sourcing & design

Impact assessment: Mandating Gold Standard to develop and deploy impact assessment methodologies

Extensive impact assessment, management, and certification framework

Gold Standard deploys a sophisticated impact assessment system to provide reliable validation and certification of the fund’s impact and projects.

CERTIFIED BY:




Reliable independent assessment of impact


Certification at the fund and asset level

International recognition of impact certification

Pioneering impact: The Global Innovation Lab for Climate Finance awards

- SCF received the Lab award for Sustainable Cities through its differentiated approach and extensive potential to generate climate impact with sustainable urban infrastructure



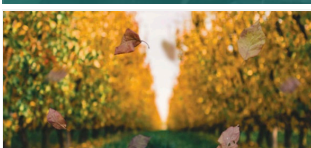




PEGASUS
CAPITAL ADVISORS

25
YEARS

Applying a holistic investment approach, the Fund has identified three reinforcing areas covering both climate mitigation and adaptation with the highest anticipated impact in tackling climate change

Primary development Solutions ⁽¹⁾		Rationale	
 Sustainable Energy Solutions	<ul style="list-style-type: none">▪ Solar photovoltaic farms▪ Energy storage solutions▪ Wind parks▪ Biomass power plants▪ Energy efficiency solutions	mitigation-focus	<ul style="list-style-type: none">➤ Various studies and campaigns have identified significant climate infrastructure needs in developing countries across the three focus areas⁽²⁾➤ However, despite increasing climate and health risk, private investments are still mostly focused on the mitigation of climate change, overlooking the equivalent need for adaptation to a carbon damaged world⁽³⁾➤ With extreme weather, air- and water pollution, and vanishing of croplands and mangroves, the costs of adaptation are estimated at USD140-300bn p.a. by 2030⁽⁴⁾➤ Investing USD1.8tn between 2020 and 2030 in target areas like climate-resilient infrastructure, improved dryland agriculture crops, mangrove protection, water resilience, and waste treatment is expected to lead USD7.1 trillion in benefits⁽⁵⁾
 Waste & Water Management	<ul style="list-style-type: none">▪ Waste sorting, treatment, recycling facilities▪ Composting facilities▪ Proven conversion technologies▪ Water & Sanitation		
 Nature-based Solutions	<ul style="list-style-type: none">▪ Sustainable agriculture & aquaculture▪ Water provision & purification▪ Flood regulation▪ Carbon sequestration▪ Mangroves and coastal defense	adaptation-focus	<div>SCF benefits</div> <div>Holistic investment approach that extends beyond renewable energies to amplify impact on climate change by also addressing urgent adaptation needs with significant climate impact.</div> <div>Enhanced portfolio diversification by engaging in a variety of heavily growing climate infrastructure sectors and subsectors on top of geographic diversification.</div> <div>Combining the several development sectors in one fund, the SCF grants investors exposure to new, heavily growing sectors in otherwise hardly accessible geographic subregions.</div>

¹The complete list of potential sectors in which the fund may invest is comprised of (i) water and sanitation, (ii) restorative agriculture/aquaculture, (iii) urban development solutions, (iv) waste optimization and (v) renewable energy generation and energy efficiency, including energy retrofits. The project types described above are intended focus areas and do not represent an exhaustive list of all potential project types.

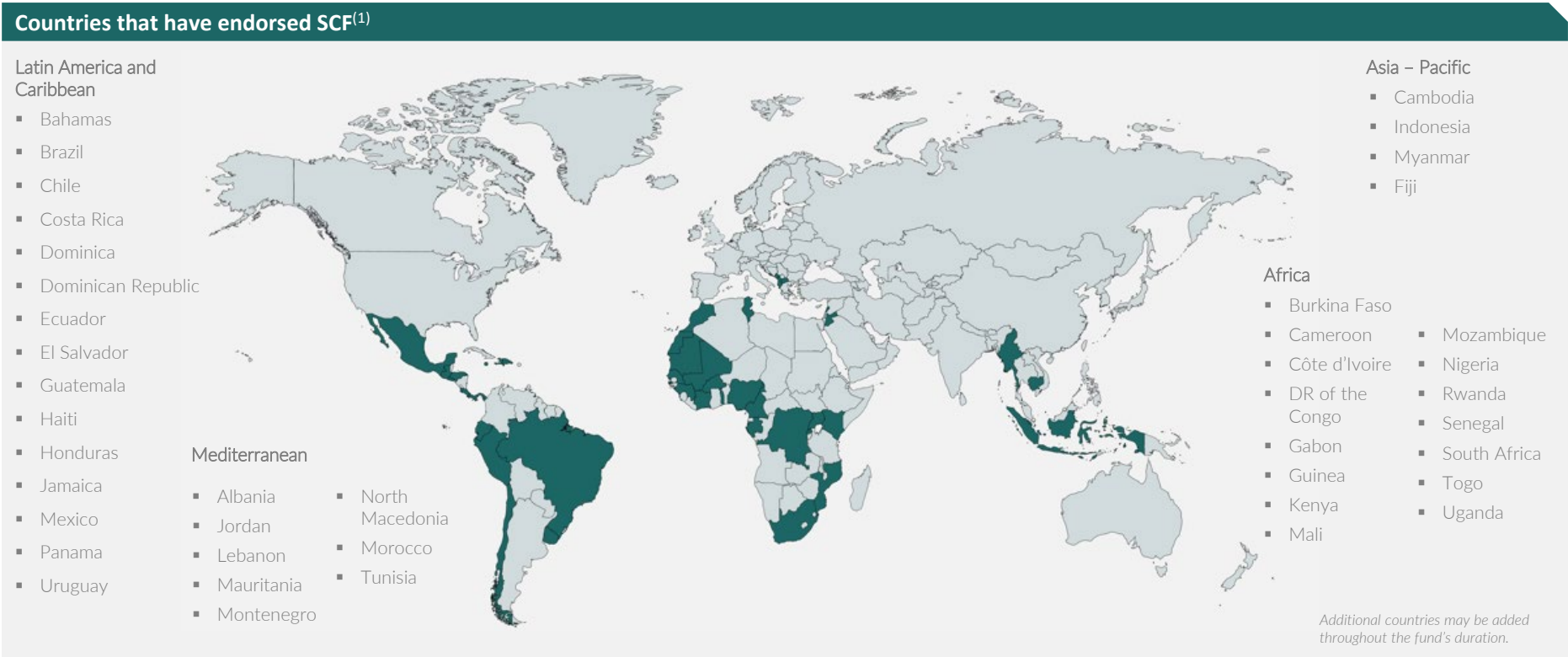
²E.g. R20 100 projects campaign (2016); IFC (2018): Climate Investment Opportunities in Cities An IFC Analysis; OECD Climate Resilient Infrastructures (2018)

³World Bank: Enabling Private Investment In Climate Adaptation & Resilience (2020)

⁴United Nations Environment Programme (UNEP): UNEP Adaptation Gap Report (2020)


⁵Global Commission on Adaptation (GCA): Adapt Now: A Global Call For Leadership On Climate Resilience (2019)

The Fund maintains relations and agreements with numerous developing countries, which is expected to result in a well-diversified portfolio across all developing regions and sub-regions






¹The terms of the GCF's investment prohibit SCF from investing in projects outside of the countries identified below.

Case study¹ – Past project example: Kita, Mali, 50 MW PV park with 28-year PPA (executed by consortium prior to SCF)



Kita,
Mali



Description

50 MW solar plant in ideal geographic location for solar energy production and in proximity of 1 km from the grid. Malian governments invited projects of this kind due to rapidly increasing electricity demand and frequent power outages.

Sourcing and Development

- Locally identified need for electricity infrastructure by authorities
- Project submitted by public authority for mid-scale PV plant
- A local engineering consulting firm conducted a feasibility study

Operational Aspects

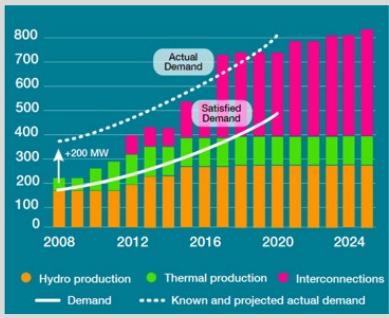
- Local partner Akuo Energy was identified for the construction and operation of the plant, all operations were internalized
- Power Purchase Agreement with Mali’s national power grid, guaranteeing pay for 28 years for electricity produced and electricity that would have been produced if the grid was available

Investment rationale

With increasingly fast population growth, Mali was facing the issue of low electrification rates of only 15% in rural areas and a lack of electricity for mining operations.

To enhance electrification with at least 50MW and an additional 500MW required to mine the country’s natural deposits, Mali launched an energy access program

- Proven, publicly backed market demand with existing undersupply and growth at 10% p.a.²
- Geographic benefits as Mali is one of the highest solar potential regions in the world



Specific project key facts (as of 11/2020)	
Total investment (mEUR)	80.0
Leverage	70%
Capacity	50 MW
Global production in 28y-period	2’380 GWh
Approx. revenues expected in first year of operations (mEUR)	12.0
Projected jobs created by 2025 (direct and indirect)	750
Estimated avoided CO2 emissions p.a.	51’597 t



¹Example provided for illustrative purposes only, which reflects a project executed by a consortium prior to SCF and does not reflect an investment made by the Fund nor an investment made by Pegasus. There is no assurance that Pegasus will continue to make investments consistent with the example provided above nor that similar opportunities will be available to the Fund. Estimated impact projections are provided for illustrative purposes only. There can be no assurance that such impacts will be achieved. See slides entitled “Notice to Recipients” for important additional information, including the use of case studies and pipeline examples.

²Data and chart based on conducted feasibility assessment of Akuo Energy (2018)

Pipeline example¹ – Biomass Powerplants in Nusa Tenggara Timor, Indonesia



Indonesia,
Nusa Tenggara



Description

Development of distributed biomass power plants in three districts in the Nusa Tenggara Timor province. The plants are expected to reduce fuel consumption and runtimes of diesel/ gasoline generators & create a sustainable farming economy.

Sourcing and Development

- Project developer got in touch as a client of a consortium party to propose the project for investment
- An in-depth financial and operational study was conducted by CleanPower Indonesia as result of increasing local need

Operational Aspects

- The state-owned utility company PLN is expected to purchase all power generated under a 25-year purchase agreement for the highest possible tariff due to high cost of current power
- The plants consume sustainable feedstock of the newly set up surrounding farming economy with the option of increasing capacity by using wood pellet feedstock from underutilized or degraded land

Investment rationale

Facing the food-energy-environment trilemma, NTT is set to become independent under Indonesia’s Medium Term National Development Plan (RPJMN) 2020-24 with substantial commitments to electrification of rural areas.

Average electrification by region⁽²⁾

Indonesia (excl. NTT)	99%
NTT	73%

Nusa Tenggara Timor is one of the last remaining areas where electrification in rural areas is to be increased with major investments in renewable energies

- Secure returns and potential for scaling due to long-term partnership with PLN
- Deploys a model for climate change mitigation, which combines renewable energy with energy forestry (maximum GHG emission reduction)




Expected project-specific key facts (as of 11/2020)	
Estimated total investment size (USDm)	48.6
Est. initial equity provided by SCF (USDm)	20.0
Est. maximum leverage	70%
Total power capacity (3 plants)	17,340 kW



¹Pipeline examples are provided for illustrative purposes only. There can be no guaranty that any of these transactions will be consummated on attractive terms (or at all), that any of these opportunities will be available to the Fund when the Fund is prepared to deploy capital, or that Pegasus will be able to source similar transaction opportunities in the future. Estimated investment represents the projected amount of equity capital that Pegasus anticipates could be deployed for each opportunity. To the extent Pegasus anticipates staging one or more transactions, amounts shown assume funding of all stages. All such plans are subject to uncertainties and risks. Estimated impact projections are provided for illustrative purposes only. There can be no assurance that such impacts will be achieved. See slides entitled “Notice to Recipients” for important additional information, including the use of case studies and pipeline examples.

²Statista (2019)



25
YEARS

Pipeline example¹ – Distributed Mini-Grids with Solar Power Generation and Storage in Nigeria

Nigeria,
General

13 CLIMATE ACTION

7 AFFORDABLE AND CLEAN ENERGY

11 SUSTAINABLE CITIES AND COMMUNITIES

Description

Platform for the development of distributed mini-grids throughout the country in partnership with various grid developers. Projects are complemented with solar energy and storage to bring first-time power to more than 1 mio. people.

Sourcing and Development

- The SCF was approached directly by a developer in the extended Pegasus network
- The development of the initial series of mini-grids with respective studies is already advanced and several debt and equity investors are currently evaluating co-investments

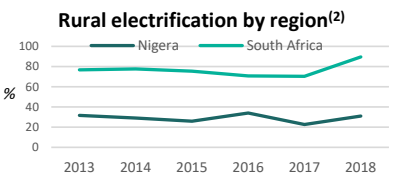
Operational Aspects

- Experienced developers provide their proprietary pipelines, conduct local feasibility as well as ability to pay and usage studies to the find the most appropriate investment targets
- The grids are operated by the developer, managed and monitored by the platform management team
- Local agents are the focal point for end-consumers (private and business), with payments being automated through mobile applications

Investment rationale

Nigeria continues to see an extremely low electrification rate in rural areas. Improvements in recent years were negligible and the current rural electrification rates are lower than the ones seen in 2013. Access to electricity remains one of the main development objectives.

Rural electrification by region⁽²⁾



Year	Nigeria (%)	South Africa (%)
2013	25	75
2014	25	75
2015	25	75
2016	30	75
2017	25	75
2018	30	80


To address the ongoing issue, Nigeria’s government launched a private-sector driven program to encourage off-grid electrification with grants and incentives, backed by World Bank, AfDB and others.

- Strong long-term outlook with government backing and immense potential for scaling
- Platform is already a preferred partner with strong government and DFI relations through previous operations, facilitating grant applications and tariff permitting

Expected project-specific key facts (as of 06/2021)	
Estimated total investment size (USDm)	150.0
Est. initial equity provided by SCF (USDm)	15.0
Est. maximum leverage	70%
Total connections (with # of people impacted)	200’000+ (1mio.+)
Total grid power capacity	30MW+

¹Pipeline examples are provided for illustrative purposes only. There can be no guaranty that any of these transactions will be consummated on attractive terms (or at all), that any of these opportunities will be available to the Fund when the Fund is prepared to deploy capital, or that Pegasus will be able to source similar transaction opportunities in the future. Estimated investment represents the projected amount of equity capital that Pegasus anticipates could be deployed for each opportunity. To the extent Pegasus anticipates staging one or more transactions, amounts shown assume funding of all stages. All such plans are subject to uncertainties and risks. Estimated impact projections are provided for illustrative purposes only. There can be no assurance that such impacts will be achieved. See slides entitled “Notice to Recipients” for important additional information, including the use of case studies and pipeline examples.

²World Bank (2019)



25
YEARS

Pipeline example¹ – Grand Bahama AgriPark in the Bahamas with 50 MW Solar Plant



Grand
Bahama



Description

The project aims to create a variety of farming facilities, including hydroponic greenhouses, aeroponic vertical farms, an algae plant, etc., that will be powered by a 50 MW solar park to significantly reduce food imports.

Sourcing and Development

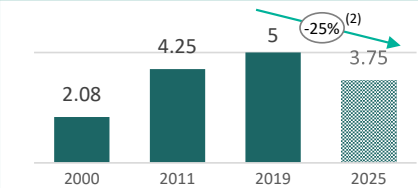
- Direct outreach from local authority to the SCF
- Project sponsor Safe Haven, in partnership with the authorities of Grand Bahamas, already designed a viable solution and undertook feasibility and market studies

Operational Aspects

- Safe Haven will develop and install the Facilities
- A local company will be set up for operation and maintenance with support of Safe Haven
- Local market is already identified and the project will use the Producer Market platform to generate additional off-takes for high-end production

Investment rationale

The Caribbean is in urgent need to modernize food production models to withstand current and future climate change impacts. An unhealthy, steadily increasing reliance on low-quality food imports is creating social and economic vulnerability.



Year	Value (USDm)
2000	2.08
2011	4.25
2019	5
2025	3.75

CARICOM launched the '25 in 5' imperative to replace 25% of imports with local production within the next 5 years

- 25 in 5 is a multi-billion dollar commitment to regional purchasing in CARICOM nations
- The initiative opens up a rapidly growing market with secured demand and governmental support




Expected project-specific key facts (as of 06/2021)	
Estimated total investment size (USDm)	60.0
Est. initial equity provided by SCF (USDm)	20.0
Acres of planned farmland	100.0
Solar park output to power the operation (incl. 25% buffer)	50 MW
Approx. annual savings on imports to CARICOM (USDm)	17.5




¹Pipeline examples are provided for illustrative purposes only. There can be no guaranty that any of these transactions will be consummated on attractive terms (or at all), that any of these opportunities will be available to the Fund when the Fund is prepared to deploy capital, or that Pegasus will be able to source similar transaction opportunities in the future. Estimated investment represents the projected amount of equity capital that Pegasus anticipates could be deployed for each opportunity. To the extent Pegasus anticipates staging one or more transactions, amounts shown assume funding of all stages. All such plans are subject to uncertainties and risks. Estimated impact projections are provided for illustrative purposes only. There can be no assurance that such impacts will be achieved. See slides entitled "Notice to Recipients" for important additional information, including the use of case studies and pipeline examples.

²Food and Agriculture Organization of the United Nations (2013); Caribbean Business Report (2020)

Pipeline example¹ – Montenegro Waste-to-energy Facility



Montenegro
Vrmac



Description

The project is looking to implement a waste to energy facility that could use multiple inputs: first, the sludge that is today landfilled, second, non recyclables plastic fractions of the MSW and third, biomass.

Sourcing and Development

- The Foundation of the Prince of Montenegro, Petrovic Njegos has been a strong advocate of sustainability in the bay of Kotor
- This project is the outcome of consultation with the municipalities to find a solution for the waste
- The EU has funded some preliminary feasibility studies for the site

Operational Aspects

- Synecom has performed initial feasibility studies
- A local O&M company will be contracted
- The EPC will be tendered to minimize development risk
- The SCF Technical Assistance has initiated its coordination phase to advance the project with additional studies

Investment rationale

Montenegro is among the fastest growing economies in the Balkans. CO₂ emissions from increasing waste and coal energy reliance are causing health and environmental issues.

Allowance for CO₂ emissions (in m t)⁽²⁾

2020	3.3
2030	2.84

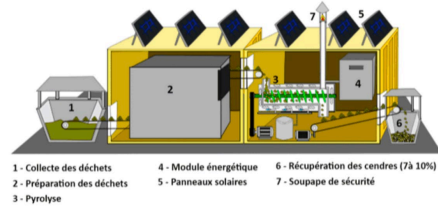
-1.5% p.a.

As EU candidate, Montenegro has introduced a policy to heavily reduce CO₂ emissions through a carbon credit system to comply with EU regulation.

- Governmental urge to reduce emissions make waste management and renewable energy solutions increasingly competitive
- Growing economy and energy gap due to regulation provides rapidly growing market

Expected project-specific key facts (as of 06/2021)

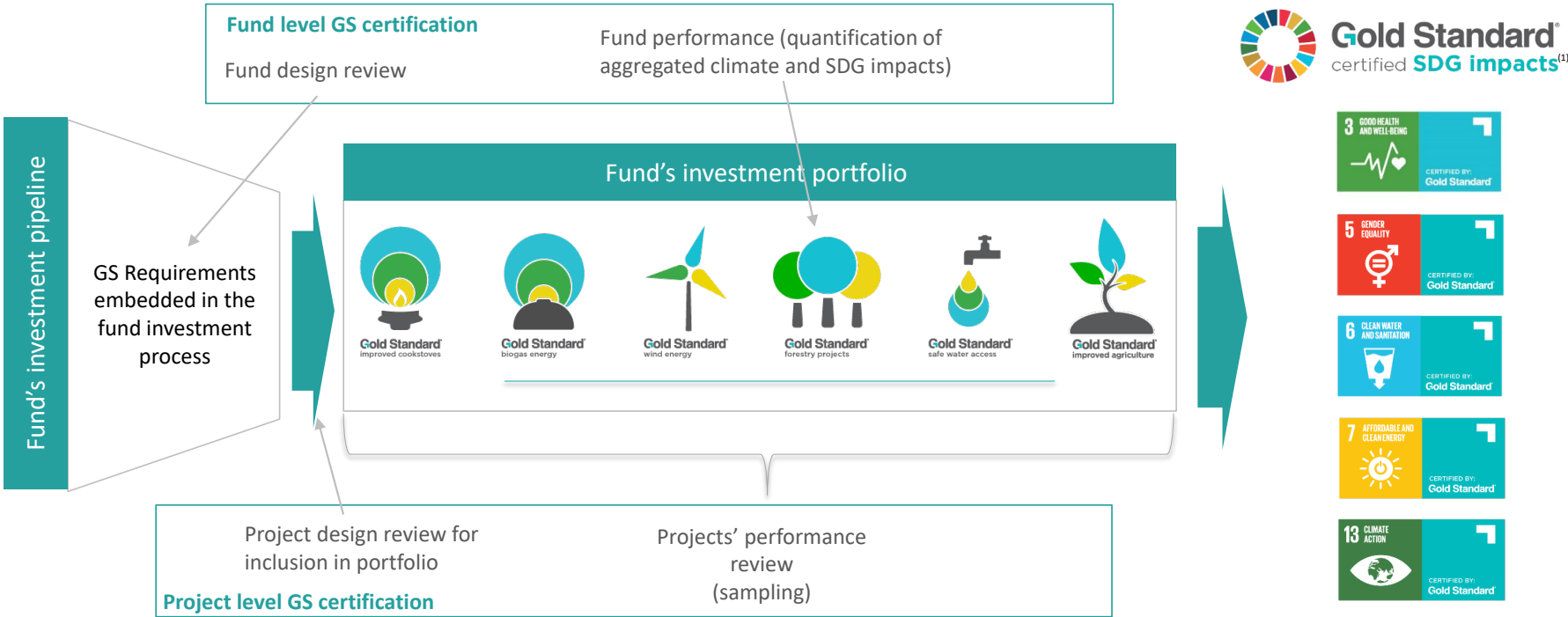
Estimated total investment size (USDm)	25.0
Est. initial equity provided by SCF (USDm)	10.0
Estimated payback period (years)	6.5
Estimated initial waste processing capacity	35'000 t/y
Estimated initial electricity generation capacity	2.8MW



¹Pipeline examples are provided for illustrative purposes only. There can be no guaranty that any of these transactions will be consummated on attractive terms (or at all), that any of these opportunities will be available to the Fund when the Fund is prepared to deploy capital, or that Pegasus will be able to source similar transaction opportunities in the future. Estimated investment represents the projected amount of equity capital that Pegasus anticipates could be deployed for each opportunity. To the extent Pegasus anticipates staging one or more transactions, amounts shown assume funding of all stages. All such plans are subject to uncertainties and risks. Estimated impact projections are provided for illustrative purposes only. There can be no assurance that such impacts will be achieved. See slides entitled "Notice to Recipients" for important additional information, including the use of case studies and pipeline examples.

²Climate Action Network Europe (2020)

Globally recognized impact certification at the fund and portfolio level through Gold Standard



¹Example Displayed SDGs serve for illustrative purposes only and are not representative for what will ultimately be certified within SCF. There is no assurance that the Fund or any individual Fund investment will receive certifications similar to, or consistent with, those presented herein or at all.