

UPDATE ON ISA'S GLOBAL SOLAR FACILITY

Background

The world needs to invest USD12.5 trillion in renewable energy by 2030ⁱ, and USD23 billion in off-grid solar installations to transition to clean energy and ensure universal access to energyⁱⁱ. However, current global solar investments are ~10% of what is needed to achieve net zero statusⁱⁱⁱ.

More than 50% of the world's population, residing in developing countries, received only 15% of global investments in renewable energy in 2022. Per Capita renewable energy investment in Sub-Saharan Africa declined by 44% between 2015 and 2021. The magnitude of shortfall is visible in comparison to North America and Europe, which have per capita renewable energy investment of 41 times and 57 times of Sub-Saharan Africa respectivelyⁱⁱ.

About the Global Solar Facility (GSF)

A Global Solar Facility (GSF) is needed for both 'quality' (deepen the reach to low-income countries) and 'quantity' (multiply the global investments) of solar investments. Development of solar energy over the past decade has eliminated technology risk for solar energy. It has also achieved grid parity which is critical to provide affordable power. Solar industry is now capable of producing power at GW scale. This Global Solar Facility (GSF) aims to help alleviate the remaining constraints of contractual and financial uncertainty for solar energy.

In 2022, ISA Secretariat approved the formation of a Solar Facility in Africa, later it was announced at COP27 in Sharm-el-Sheikh on Nov 10, 2022. The GSF is being proposed for an efficient implementation and giving a strong foundation to the Africa Solar Facility itself. Expert feedback and market research has suggested using a balanced approach for the Africa Solar Facility. This includes, outsourcing to an Investment Manager, building in-house capacity, and ability to leverage the Africa experience. This approach will bring several long-term benefits and create large-scale impact.

Structure & Methodology

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The solar facility will stimulate high potential solar technologies by attracting private capital to flow into underserved markets in Africa while ensuring a payment and insurance mechanism as a first loss guarantee as approved by the Fifth Session of the ISA Assembly.

The Solar Facility would be operationalised to crowd in investments from various donors across the globe. The solar facility will consist of three funds (the payment guarantee fund, the insurance fund and the investment fund). Projects proposed in Africa could purchase payment guarantees or partial insurance premia from these funds. Annexures I to IV, approved by the Fifth Session of the ISA Assembly, provides the details of the facility.

The GSF will provide: (i) payment guarantee fund-guarantee mechanisms to ensure payment guarantees; (ii) insurance fund- provide mechanisms to mitigate project risks; and (iii) investment fund- allow Technical Assistance for addressing gaps in the regulatory framework. It could also help in catalysing project development and reducing currency risks – all aimed at the following objectives:

Provide clean and reliable source of energy to all people across the globe who today do not have access to electricity. Thereby ensuring Green Growth for the world

Enable deeper innovation and capacity building for solar power development

Open up solar markets across the world

Accelerate transition to net zero, by helping catalyse part of the USD12.5 trillion needed for solar installations globally

It is important for the facility to begin in the regions with the largest need. Africa has the highest potential of solar energy, yet it accounts for only close to 1.3% of global installed solar capacity, at 11.4 GW in 2021 v/s global total of 849 GW. On the other hand, Africa has nearly 600 million people without access to electricity, making a strong case for distributed solar. Therefore, ISA proposes to commence GSF facilities from Africa. Thereafter, GSF

will be rolled out across the globe in other regions, such as Latin America, Middle East, Asia etc.

The Regional Facilities (RFs) will be customized to suit the needs of each region. GSF will invest in newer technologies that enhance efficiency of solar energy, start-ups that enable faster implementation of solar energy and other emerging areas of solar energy. In long term it can also support cutting edge research for solar energy across the world.

Action Undertaken by the ISA Secretariat

Following the approval of the facility at the Fifth Session of the ISA Assembly, the ISA Secretariat has undertaken the following activities:

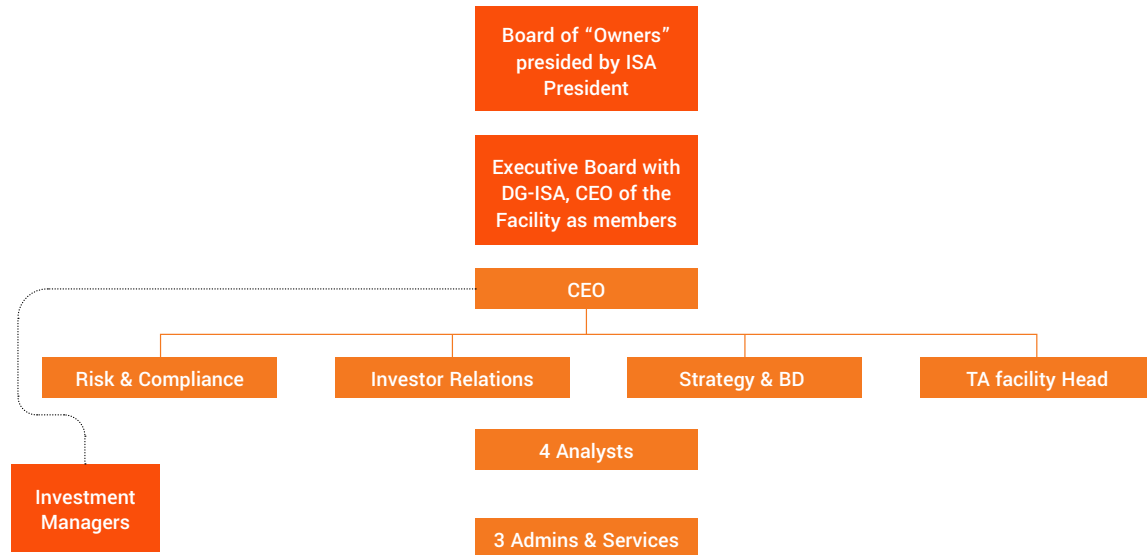
- 01 Announced the facility at a high-level event at COP27 to gauge and establish investors' appetite for the facility. High-level representatives from MIGA, GCF, French Government, World Bank, and IFC participated and positively contributed.
- 02 Appointed Edhina Capital Advisors LLP following the ISA procurement policies to operationalise and structure the solar facility. The selected firm will assist in drafting the Terms of Reference (ToRs) for hiring a fund manager, selecting a feasible location for legally registering the fund, and assisting in ongoing roundtable discussions to tap into investors for the Solar facility.
- 03 Held multiple hybrid and in-person discussions with potential investor groups, including the EIB, MIGA group, WB and the pension funds from the Nordics, including Norad, PK Denmark, and Africa 50. The first investor roundtable was held in the Nordics in March 2023, with about 30 investors from Copenhagen, Oslo and Stockholm joining the roundtables.



Next Steps:

- 1 The Government of India has agreed to look at the possibility of investing up to USD 25M in the Global solar facility as seed capital- in discussion
- 2 The ISA could engage with MIGA as a collaborator to help in the operationalizing the facility
- 3 The ISA would foster partnerships by seeking support from various multilateral and other potential investors to implement the facility successfully. ISA will develop a proposal to seek funding from multilateral organisations such as GCF, GEF, WB etc.
- 4 The ISA will engage a commercial private fund manager(s) following the ISA procurement policies for managing & socialising the facility to mobilise resources to scale up solar investments in emerging geographies beginning with Africa.
- 5 For successfully operationalising the Solar facility, the ISA secretariat would be undertaking the following activities:
 - Hold investor roundtables in Asia Pacific and Africa to socialise the facility and get in-principle buy-in for the fund
 - Register and housing of the Solar Facility Fund
 - Submit the Proposal to GCF- Submission of a full-fledged proposal to the Green Climate Fund for locking in USD 100M fund for the facility
 - Secure the first In-principle first financial close of the Facility during 2023

Annex B – Proposed Organization structure of the GSF



Governance

- ParentCo will act as an extended arm of ISA but with its own independent management;
- Board of Owners will provide strategic guidance to the ParentCo and its facilities.
- **ISA President will chair this Board;**
- Executive Board will provide guidance over day-to-day activities of ParentCo and its facilities. Its members will include ISA senior leadership (e.g. DG, COO etc), CEO of the facility;
- The CEO will be responsible for running the Facility and all the underlying funds / RFs;
- Most of the RFs of ParentCo will be run via an outsourced Investment Manager. However, in certain cases when circumstances warrant, some RF could build up their own teams;
- All the RFs will have their own Investment Committee / Board with representation from ParentCo
- The team of ParentCo will comprise of CEO to lead the efforts of GSF, oversee operations of RFs and take strategic initiatives. CEO will have a team of 4 personnel:
 1. Investor Relations – To interface with investors (both existing and potential). Having a focused Investor Relations team will enable GSF to have continuous dialogue with investors from across the world which is very critical to continue the work of GSF with launch of new facilities;
 2. Strategy and BD – This team member will drive the growth of GSF into newer regions, design new facilities and manage relations with regulatory bodies
 3. TA facility head – GSF will manage TA facility in-house. Outsourcing the TA facility to another investor manager may have issues related to conflict of interest and devoid GSF of strategic and knowledge benefits of running TA programs. Therefore, TA facility will be led by an in-house resource of the GSF.
 4. Risk and Compliance – To oversee governance at each of the RFs, make sure projects are being done within the guidelines and compliances are taken care of. He will also lead the risk policy and portfolio review of RFs;
- This team will have a minimal support staff of analysts and administration team. By and large GSF will benefit from common infrastructure offered by ISA