

Nexus, Carbon For Development

Nexus Fund: scaling up pro poor climate friendly projects

Marion Verles
Executive Director



About Nexus, Carbon For Development

Created in 2008 by **PRO POOR CLEAN ENERGY** project developers, 11+4 member organizations

To **UNLOCK CARBON FINANCE** for these projects

COOPERATIVE MODEL : non profit aggregator/deal flow manager, benefits from economies of scale and reduced risks

Supported by:





1. Improved cookstoves (ICS)

(Bangladesh, Cambodia, Indonesia, Nepal, Philippines, Sri Lanka)

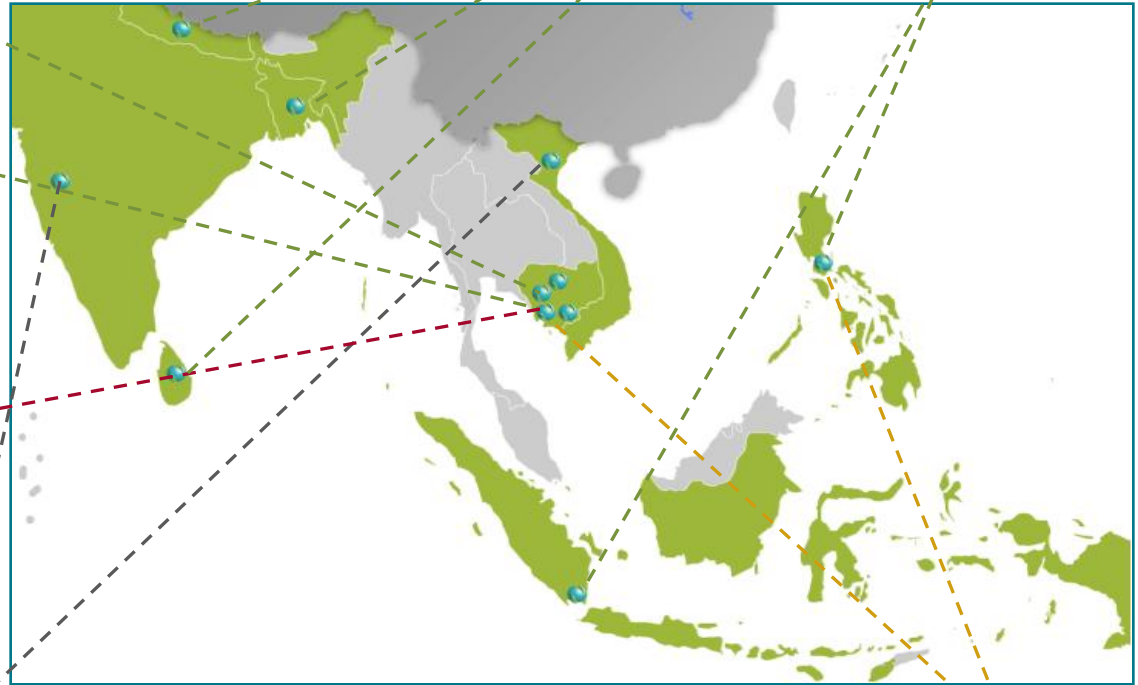
Improved cookstoves also reduce indoor air pollution, creating a healthier environment for users.



4. Water treatment

(Cambodia)

Water treatment solutions contribute to reduce health hazards while reducing the pressure on forests (avoided boiling)



3. Biogas

(India, Vietnam)

Thanks to this biogas plant, organic waste can become a sustainable source of energy.



2. Sustainable charbriquettes

(Cambodia, Philippines)

Made from organic wastes like coconut shells, these charbriquettes are more efficient than traditional charcoal.



Nexus member organizations



ARTI (Appropriate Rural Technology Institute), India



VERC (Village Education Resource Centre), Bangladesh



CEDAC (Cambodian Center for Study and Development in Agriculture), Cambodia



IDE-Hydrologic, Watershed, Cambodia



GERES (Groupe Energies Renouvelables Environnement et Solidarité), in 12 countries



IDEA (International Development Association), Sri Lanka



CCRD (Center for Rural Communities Research and Development), Vietnam



GEI, China



CRT/N (Centre for Rural Technologies), Nepal



YDD (Yayasan Dian Desa), Indonesia



Approtech Asia, Philippines



Background on energy access and carbon finance

2.4 bn people lack modern fuels for cooking and heating and 1.6 bn people in the developing world do not have access to electricity



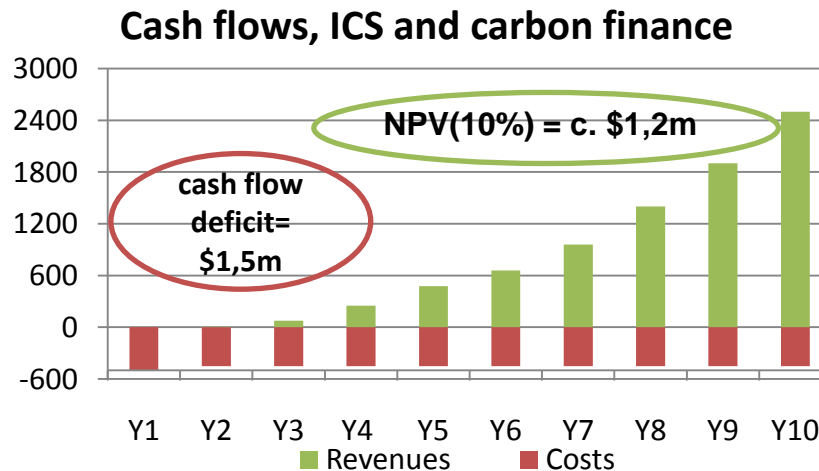
CARBON FINANCE : Untapped potential to fund pro poor clean energy projects (development practitioners)

- High transaction costs
 - Two gaps between project developers and
 - Investors – “The Knowledge Gap”
 - Carbon buyers – “The Information Gap”
- (50% of the value wiped out)



Nexus Fund Description (1)

OBJECTIVE: provide up front finance for pro poor energy projects eligible to carbon finance – focus on development practitioners (NGOs, eco businesses)



SYNERGIES: Builds on Nexus aggregator model and benefits from reduced costs, reduced risks

INNOVATION: lending to local NGOs and SMEs using carbon revenues as collateral



Nexus Fund Description (2)

FUND SIZE: €20m in the first phase

€20m

INVESTMENT SIZE: €500 to €2m
(debt @ max. 10%) capped to 50% of
future carbon revenues

€500k to €2m investments

TARGETED RETURN: 6%

PROJECTS: improved cooking
stoves, domestic biogas, water
treatment



IMPACT: 10m t eq CO2
avoided. 20m people access to energy

Fund Management

TEAM: specialist and dedicated management team incorporated into **Phitrust Active Investors**, 2 senior experts:

Mr Crampé (Managing Director **ReEX Capital Asia**, Singapore), renowned skills in the financial management of unlisted shares and experience in renewable energies

Mr Y(name is confidential), over 30 years of experience and renowned skills in pro poor energy project structuring and implementation in LDCs

ENTRY FEE: 5% entry fee allocated to fund structuring costs (1,5%) and project origination costs (3,5%)

MANAGEMENT FEE: technical and administrative management fees capped at 3%

PERFORMANCE: 6% to 8%



Challenges

COUNTERPARTY RISKS: organizations are usually “non bankable”, no tangible collateral – intellectual capital

Mitigation measures: aggregator model, track record (best practices), pre and post investment technical assistance, **reserve account**

MARKET RISKS: esp. true for voluntary market projects, also in the compliance market due to regulatory uncertainties

Mitigation measures: forward ERPA, price signal (standards, charismatic projects, quality control)

FINANCING ORIGINATION: feasibility studies and due diligence (€50k/€60k per project)

Mitigation measure: revolving fund (3,5% entry fee)



Donor funding to enable private investment

Two areas for a win-win partnership

1. COMMUNICATION / AWARENESS EFFORTS TO

1. Reduce perceived risks (document success stories, workshop targeting investors)
2. Attract patient capital into the “carbon finance space” (pro poor segment)

2. REDUCE RISKS AND BOOST PERFORMANCE

1. Price guarantee mechanism (floor price)
2. Revolving fund to cover origination costs



Thank you!

Marion Verles
m.verles@nexus-c4d.org

