



# IDEAcarbon and Regions 20

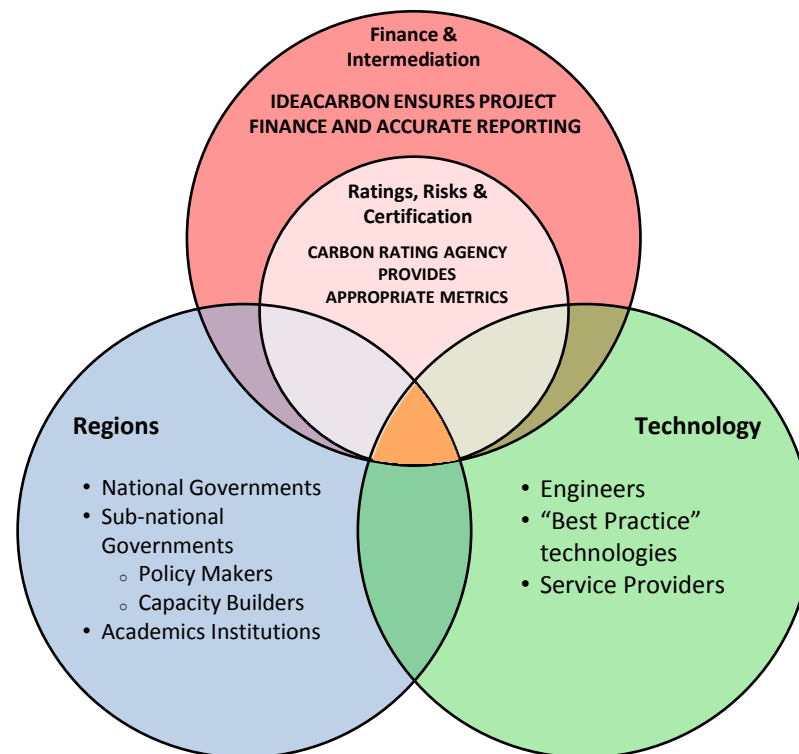


REGIONS OF  
CLIMATE ACTION

# IDEAcarbon's Climate Finance Platform Applied to R20 Goals

## Applications complement R20 efforts:

- Risk/return profile matching through investment lien selection
- Geographical and technical preference analysis through geo-sector risk parameterisations
- Facilitates project selection and portfolio investment
- IDEAcarbon has undertaken the design of Pre-Investment Facilities for Regions 20
- IDEAcarbon is also involved in discussions with financiers with the goal of facilitating investment in the project pipeline



# IDEAcarbon & R20 – Strategic Alliance



PRESS RELEASE - Embargo 12:00 BST/13:00 CET Friday 20<sup>th</sup> July

## Regions 20 and IDEAcarbon enter strategic collaboration

July 20<sup>th</sup> 2012: Today the Regions of Climate Action (R20) ([www.regions20.org](http://www.regions20.org)) and IDEAcarbon ([www.ideacarbon.com](http://www.ideacarbon.com)) entered into a strategic collaboration to analyze the financial risks associated with the R20's low-carbon energy projects.

**"The R20 is delighted to be working with IDEAcarbon, and believes that its expertise in climate finance along with its world class Climate Finance Platform will accelerate the R20's ability to quickly develop high quality "bankable" projects worldwide"**

*Christophe Nuttall, Executive Director R20*

**"R20 and its members are the world's most significant sub-national entities motivated towards low carbon growth. IDEAcarbon's products and platforms will provide key technical expertise, transparency and standards to enable meaningful climate finance flows.**

*Shandi J Modi, Founder IDEAcarbon*

# IDEAcarbon & R20 – Terms of Strategic Alliance

Term:

The initial term of this agreement will be 36 months

“R20 engages IC to”:

Work on priority projects carrying appropriate due diligence which include, but is not limited to:

- Building financial models
- Drafting of project information memoranda
- Rate and due diligence on input and off-take contracts; and
- Rate and due diligence on O & M contracts

Standards:

The initial projects prioritised by both parties will be used to set standards for investment, processing and monitoring which will be made available to all R20 Affiliates, funds and multilateral organisations. R20 will use its network to share and encourage the use of these standards among R20 affiliates

# Deliverables as per Heads of Terms & Status

## Status

### IC Products and Services

Both Parties agree:

- to use IC Products and Services in all projects of R20 and R20 Affiliates,
- to integrate IC ratings and IC risk assessments into the standard R20 project due diligence process,
- ensure IC ratings and IC risk assessment are available for on going reporting requirements and project valuations and
- promote to R20 Affiliates the use of the above.

### Score Card

Both parties recognize and agree to the need to integrate a "score card" (as more fully described in the appendices) for R20 Affiliates. IC will adapt its existing ratings products to meet the needs of R20 and R20's Affiliates. IC will test the score card with R20 Affiliates, and both parties will use best efforts to integrate the score cards as practically as possible as standard practice of reporting by R20 Affiliates.

### Secondment of IC employee

IC will provide R20 with a full time member of staff to provide experience and in depth knowledge of environmental markets and carbon finance to assist R20 in the delivery of its various products and services. This secondment will be for an initial 3-month period and will be at no cost to R20.

### Fees and funding

IC will provide the seconded person to R20 free of charge for an initial 3 month period. Both parties agree that IC will set aside €40,000 per month as a cost in its books for this work, which it will recover from its planned financing and capital raise as discussed with R20.

**COMPLETED** – Initial Rating Scans of all R20 Project pipeline supplied to IDEACarbon

**COMPLETED** – Regions Readiness for Climate Investment Review

**COMPLETED** – Secondment of employee to Geneva with team of 7 in London and expert financial advice

**COMPLETED** – 7 months of work completed with expenditure of €280,000

# Rating of Pipeline

IDEAcarbon has performed initial rating scans on all projects provided by R20 to date:

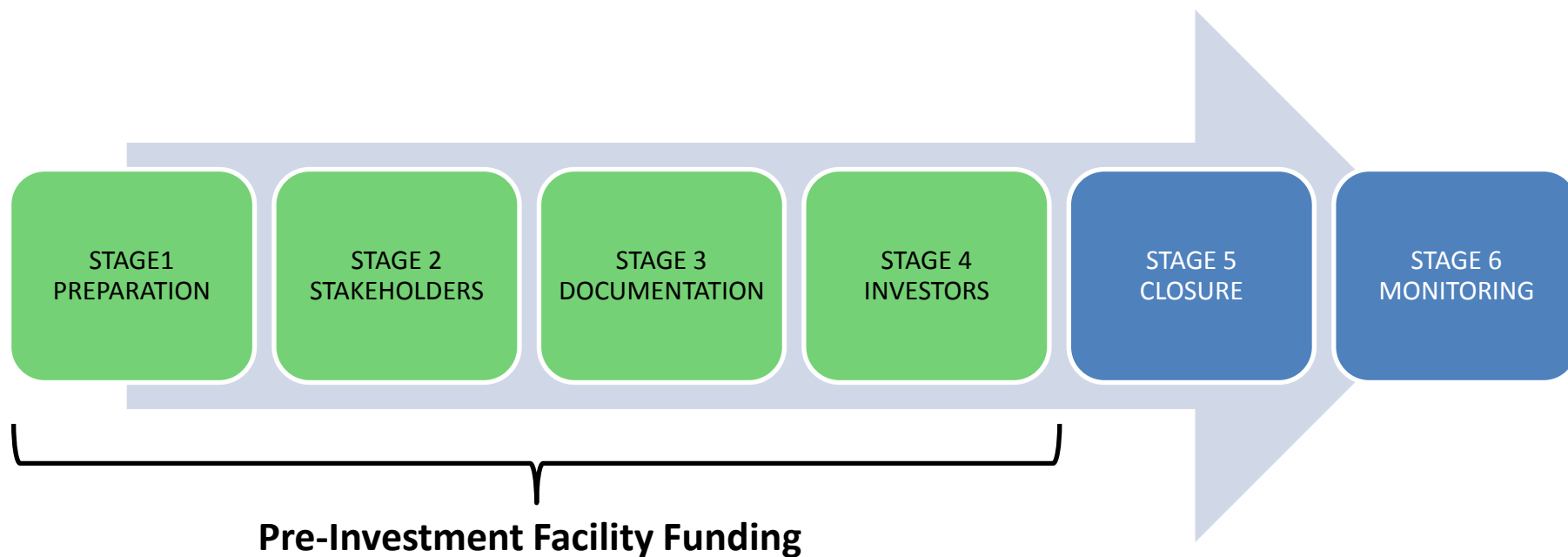
- Biofuel project – Mexico
- Waste recycling – Moldova
- Solar PV – Morocco
- Landfill gas – Côte d'Ivoire

IDEAcarbon has also held discussions with potential R20 stakeholders to establish early-stage viability



# Pre-Investment Facility

IDEAcarbon has designed the structure of a Pre-Investment Facility and developed it to an executable state:



# Regions Readiness for Climate Investment (RRCI)

The RRCI Review contains issues and parameters designed to address aspects crucial in highlighting various region specific climate investment risk concerns identified by financiers

- Identifies actions necessary to make investment more attractive to domestic and foreign investors and highlights areas for support
- Sets pace for establishing an MRV framework by keeping track of climate action taken by regions on mitigation & adaptation policies, strategic objectives and actions
- Provides the basis for sharing best practices and peer learning on policies with quantitative assessment and benchmarking

## Examples of issues addressed

### Sound governance

- Functioning legal and judicial system
- Transparency and lack of corruption
- Clear and effective procurement procedures

### Financial robustness

- Solid tax base and financial balance
- Credit risks
- Investor attractiveness

### Policy stability and innovation

- Consistent long term planning
- Policies supporting low carbon growth
- Institutional continuity

### Implementation track record

- Success on infrastructure projects
- Project management capability
- Effective public consultation



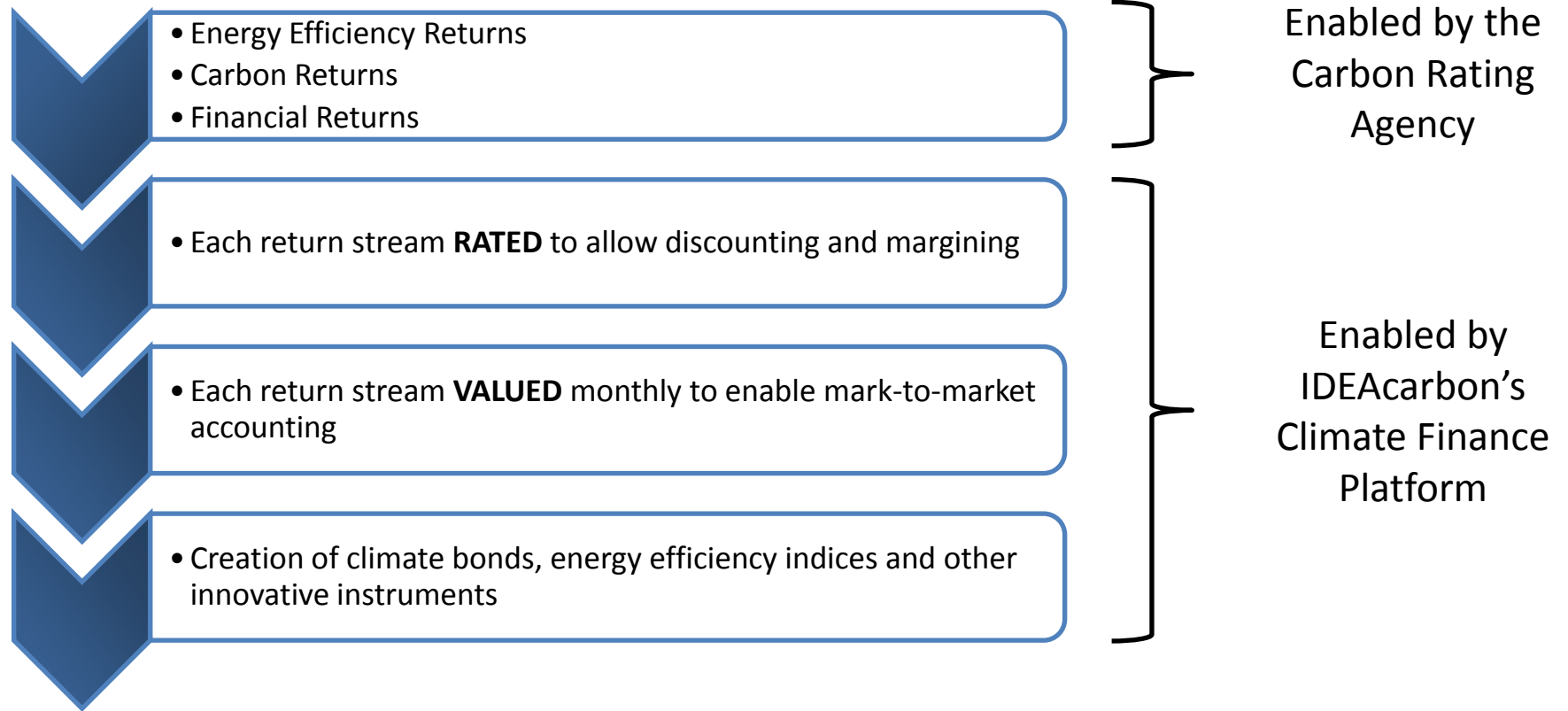
# How to Make Regions more Efficient & Effective at Generating Investment Flows

## Necessary Actions:

- Minimum Standards of accounting, performance and transparency
- Operationalise by implementing 3 – 5 regions' top projects, create metrics of performance data for independent verification and presentation to stakeholders
- Establish frameworks for Regions, Cities and Municipalities ratings (RRCI) to a comparable standard to rated entities in developed nations
- Prove the ability of ratings to de-risk investments for private and multilateral investors
- IDEAcarbon has developed a methodology ready to be applied with R20 to release a new incremental flow of climate finance

## How to Demonstrate Real Returns from Low Carbon and Energy Efficiency

### Each Project Can Show:



# R20 Climate Finance Hub & Platform

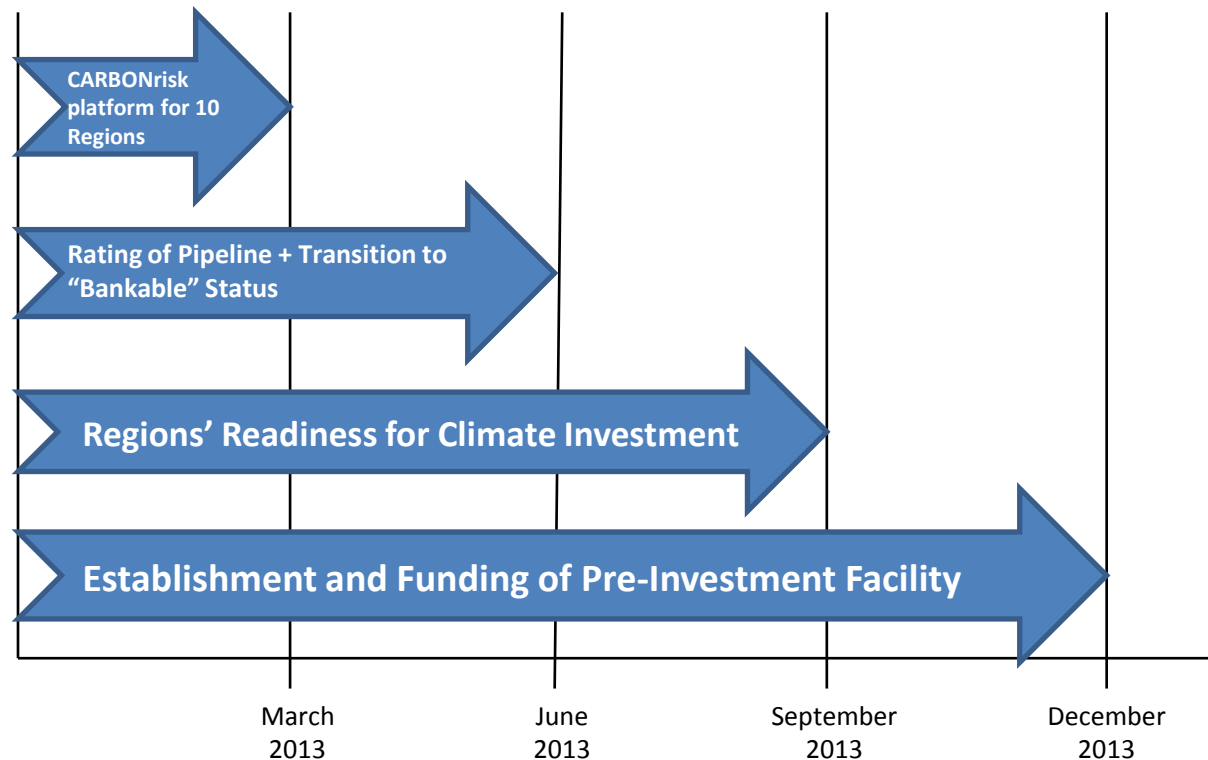
Critical to success in the medium term

This allows sustained learning, sharing, best practices, speed and transparency

- Registry
- Benchmark Pledges
- Minimum Metrics for Regions
- Indices
- Capacity Building and Education
- Regions' Readiness for Climate Investment

Accessed by all R20 members and offered as compelling reason for investors to join and share information

## 12 Month Action Plan, Milestones, Resources and Deliverables



**Funding for Regions 20 is needed for IDEAcarbon to develop the above pipeline and deliver goals in 2013**