

24 Aug 2022 | 14:00 CEST | Virtual

PWCET Series

**Carbon Financing
in the Decentralised
Renewable Energy Sector**



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**Alliance for
Rural
Electrification**
Shining a Light for Progress

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

PWCET Series – 6th Event

**Carbon Financing in the Decentralised Renewable Energy
Sector**

Introduction

Under the new joint initiative 'Paving the way for Clean Energy Transition with Decentralised Renewable Energy (PWCET) Series', the [Alliance for Rural Electrification](#) (ARE) and the [Green People's Energy](#) (GBE) organised the sixth event titled 'Carbon Financing in the Decentralised Renewable Energy Sector' on 24th August 2022. The webinar had **812 registrations** and attracted **more than 280 attendees**, worldwide,

The webinar focused on carbon financing as an innovative mechanism that can complement the conventional funding mechanisms to power DRE projects, and featured presentations from experts and companies who tapped into carbon financing to raise capital or to finance DRE projects to increase access to energy funding and thereby achieve clean energy transition.

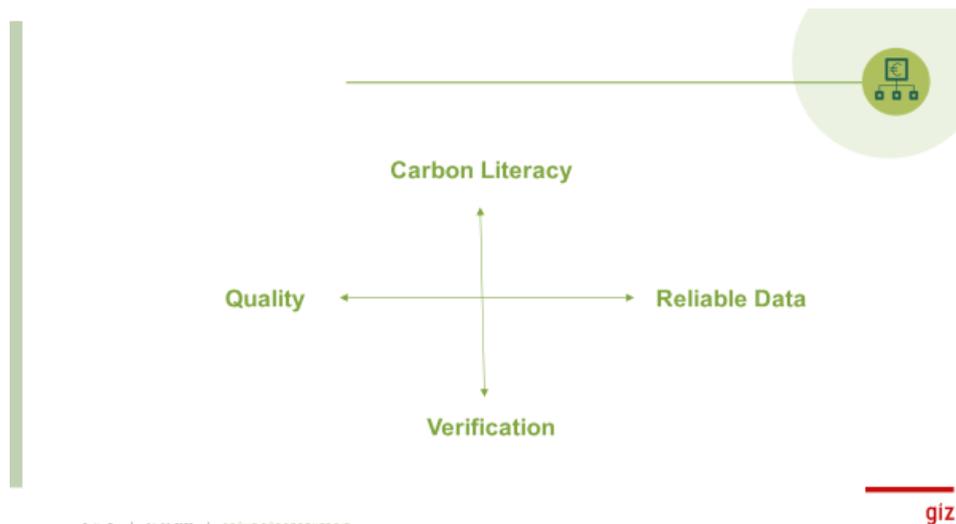
Event Summary

The webinar was opened by **Mr. David Lecoque, CEO of ARE**, who introduced ARE, the PWCET series and the topic of the webinar to the audience.

Mr. Deepak Mohapatra, the Senior Officer of Policy & Business Development, ARE carried on with the proceedings of the session as the moderator.

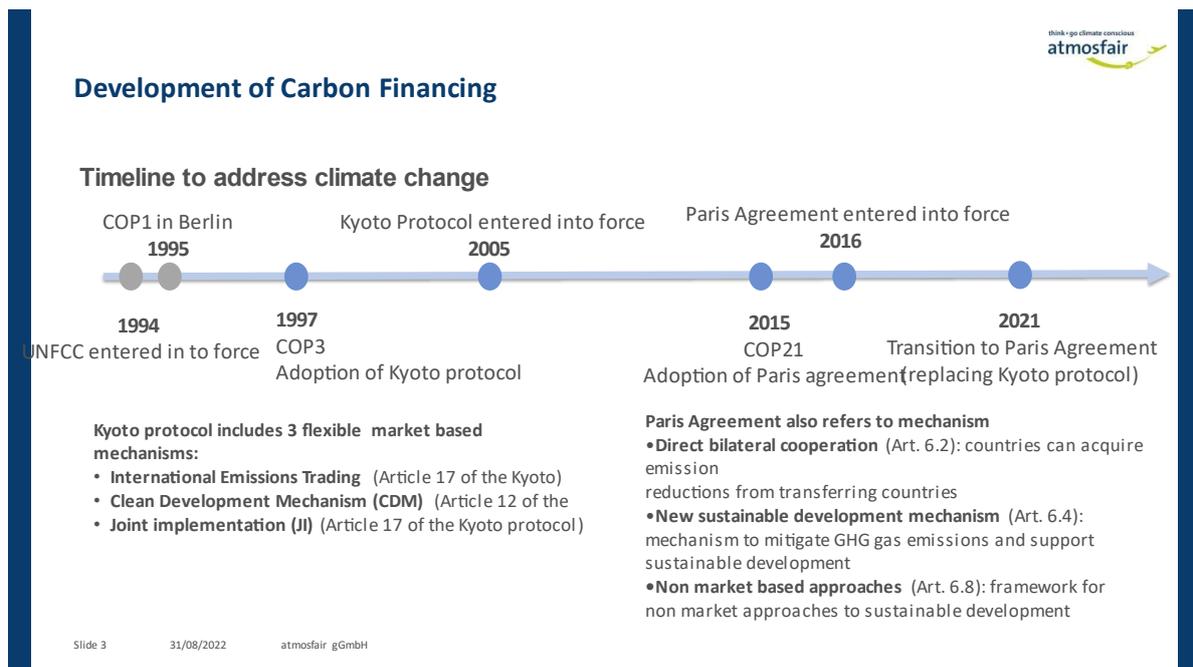
Mr. Caspar Priesemann, Head of Component – Small Projects Fund, GIZ gave a keynote speech where he briefly introduced the GBE initiative and its experience with Carbon Markets. Focusing on the audience that was keen on learning more about the Carbon Market, Mr. Priesemann presented some of the factors which are necessary to consider for an effective and successful intersection between the Voluntary Carbon Market (VCM) and energy access:

- **Carbon literacy**, in order to understand what is relevant in the company business model;
- Knowing how to get **reliable data** in a cost effective way;
- Ensure that all processes and data are **verified**;
- Focus on the **quality** of the certification process and the certification itself.



To conclude, Mr. Priesemann accentuated that while there is a steep growing interest in Carbon Markets, there are still a lot of questions and entry barriers that still need to be addressed. He further invited the audience to share their perception on carbon markets and their relevance for DRE projects during Q&A round.

Mr. Philipp Neff, Senior Project Manager, Atmosfair, was invited as the guest speaker for the webinar. Mr. Neff started by walking participants through the history of Carbon Financing, from the Kyoto Protocol to the Paris Agreement. Then, he presented the requirements that must be met for projects to be eligible to carbon financing and proceeded to present the concept of **additionality** and how it emphasises that the idea behind carbon markets is to ensure financial viability of projects that otherwise would not be able to get funding.



Afterwards, Mr. Neff presented Atmosfair’s experience in the sector and how the company ensures that local communities are able to profit from carbon projects by registering with Gold Standards (GS), that monitor the projects throughout their life and ensure that at least three SDG’s are accomplished.

The speakers’ interventions followed the intervention of the guest speaker.

The first speaker was **Ms. Camille Andre-Bataille, CEO & Partner, ANKA Madagascar**. Ms Andre-Bataille started by giving a brief introduction of the main challenges addressed by ANKA’s project: **access to energy; energy reliability; and energy sobriety**. Afterwards, she presented projects that illustrate how carbon financing allowed for the implementation of the company’s projects related to energy access, electric cooking, and installation of solar systems for health centres, in Madagascar.



FINANCING OF THE CONSTRUCTION OF SOLAR MINI -GRIDS

- ▶ 4 smart and green mini-grids (to date)
- ▶ 1,700 kWp PV
- ▶ About 7,000 connections
- ▶ Concession: 25 years

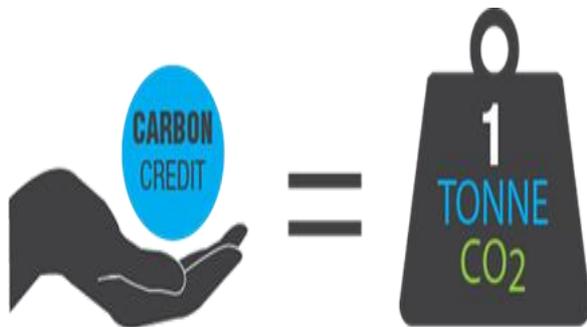
- ▶ Blended financing: grant + equity + **debt**
- ▶ Debt provided by Atmosfair through a low-interest rate loan (additionality)
- ▶ Registration to the Gold Standards
- ▶ Long-term partnership

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Ms. Andre-Bataille highlighted Atmosfair's catalytic role in assisting ANKA's securing sufficient funds via a **blended financing mechanism** that included registration with the Gold Standards and carbon finance.

The following speaker was **Mr. Nicola Baggio, CEO of OffgridSun**, a SME based in Italy and focused on PV Solar systems with implemented projects in Kenya. Mr. Baggio shared his experience on how carbon credit was crucial for the materialisation of the company's project regarding clean water and improved cook stoves. He further stressed that it is an illustration of the additionality principle presented by the Guest Speaker, Mr. Neff.

Mr. Baggio acknowledged that Carbon Credit can unlock the development of projects in rural areas but pointed what he considers to be key elements for an effective project:



- consider in detail the **specifications of the methodology** of the certification chosen;
- chose a **good local partner** that can assist with securing control over the area of the project to ensure credits for longer periods; and
- ensure that **projects are designed carefully** and taking the necessary time.

The last presentation was given by **Mr. Adel Serhal, Investment Officer, Africa Go Green Fund, Lion's Head Global Partners**. He started by explaining that Africa Go Green Fund investments focus on energy-related technology solutions that reduce energy consumption and CO2 emission.

Mr. Serhal recognised that there is surge of several players present in projects that generate carbon credits, and that these are generally projects that struggled with profitability. Carbon Finance allow financial sustainability to these projects, that now have additional revenue streams coming from carbon credit generation and monetisation.



IV AGG Approach, Considerations & Challenges



- **AGG Financing Approach:**
 - Corporate Loans for business growth (recognition of carbon credits streams)
 - Tailored innovative structure reflecting carbon generation
 - Project financing
 - Technical Assistance Facility



- **Key Considerations & Challenges:**
 - Supply side dynamic (e.g., volume, quality, technology)
 - Demand side dynamic (e.g., offtake arrangement, WTP)
 - Pricing transparency/standardization
 - Regulatory landscape (e.g., law, tax, transfer pricing, etc.)
 - Stakeholder (verifiers, brokers, financiers, buyers)
 - Barriers to entry



He concluded by showcasing some of the challenges of the Carbon Markets, that can be related to pricing transparency, barriers to entry related to verification, certification, etc.

Mr. Mohapatra thanked the speakers for their presentations and facilitated the panel discussion with questions from the audience. Some notable questions are highlighted below:

Q1: Do carbon projects consider the carbon generated by the projects themselves (development/standards/research/production of solar equipment/implementation and distribution)?

Philipp Neff: *“Generally I would say yes, but important to note that it will depend on the methodologies used. But in general, yes, some consider the generating factors by the project itself.”*

Adel Serhal: *“Also important to assess the whole value chain and look at greenhouse emission. Some of the requirements for the issue of quality credits is that the project cannot be associated with social or environmental harm, as this can jeopardize the issuance of carbon credits”.*

Q2: When choosing a project to offset their carbon footprint, people and companies should consider impact holistically, e.g., what are the benefits to biodiversity and the local community? In your opinion, how can companies measure their impact?

Adel Serhal: *“There are minimum set requirements for the issuance of the carbon credits. These include the additionality factor, where offset will only be considered additional if emission reductions, avoidance or removal would not have occurred unless there was a monetisation of carbon credits that support the business. On top of the minimum criteria there are the co-benefits, the social, environmental related to things like biodiversity or local community and these affect the quality of the carbon and the pricing. Hundreds of methodologies, defers on the scale of the project, location, geography, sector, and other factors including reglementary.”*

Q3: To become a Gold Standard certified company, you had to go through a process which covered several steps. Could you walk us through your experience and challenges that you might have faced?

Nicola Baggio: *“It is possible for you to request assistance from companies like Atmosfair, with experience or companies can do it by themselves. At OffgridSun, we did it ourselves. It was complicated and with a lot of steps, and we only hired an external consultant for the calculations. Gold Standards provide a checklist with all the requirements and a list with recommended consultants.”*

Camille Andre-Bataille: *“In our case, the process at ANKA Madagascar was assisted by Atmosfair, who oversaw everything but would like to highlight that carbon credits are issued afterwards, not in the beginning of the project; thus everything must be monitored in a way that will allow auditors to check and verify everything later.”*

Q4: Thoughts on the regulatory barriers in the carbon market, how it can be addressed and what are the best practices in place?

Caspar Priesemann: *“Although the Carbon Finance sector is wider, the VCM is the dynamic one. Its appeal is related to the fact that it is more flexible, and everyone can set a carbon registry because there are no global rules to regulate the market. Big changes are expected in the next few years, as currently, major companies are offsetting emissions by purchasing certified emission reductions by questionable sources. Now, it is a super liberalised sector and regulation is a good question mark and something to look after.”*

To conclude the webinar, **Mrs. Dorothea Otremba, Senior Advisor, GIZ** thanked the panellists for their contributions and the audience for their active participation. She also suggested the audience to follow ARE and GBE webpages to be updated on the latest information on the topic.

Annex: Webinar Programme

Programme 90 Minutes	<p>Opening and welcome remarks – 5 Minutes Mr. David Lecoque, CEO, ARE</p> <p>Moderator – Mr. Deepak Mohapatra, Senior Officer - Business and Market Development, ARE</p> <p>Keynote speech – 10 Minutes Mr. Caspar Priesemann, Head of Component – Small Projects Fund, GIZ (tbc)</p> <p>Guest speech – 10 Minutes Mr. Philipp Neff, Senior Project Manager, Atmosfair</p> <p>Speaker interventions and dialogue - 5 Minutes each:</p> <p>Ms. Camille Andre-Bataille, CEO & Partner ANKA Mr. Nicola Baggio, CEO, OffgridSun Mr. Adel Serhal, Investment Officer, Africa Go Green Fund, Lion’s Head Global Partners</p> <p>Moderated discussion and audience Q&A – 40 mins</p> <p>Closing remarks - 5 Minutes Ms. Dorothea Otremba, Senior Advisor, GIZ</p>
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Partners:

About GBE

Dr. Gerd Müller, the Federal Minister for Economic Cooperation and Development, announced a new initiative, named Green People’s Energy for Africa (GBE) in June 2017. This initiative aims to enable, expand and secure the supply of sustainable energy in rural Africa. It is part of the Marshall Plan with Africa and relies on the broad participation of small and medium-sized enterprises, municipalities, cooperatives, public associations and citizens.

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About ARE

Established in 2006, the Alliance for Rural Electrification (ARE) is the global business association representing the whole decentralised renewable energy sector for rural electrification in developing and emerging countries.

With more than 185 Members, ARE aims to promote a sustainable decentralised renewable energy industry for the 21st century, activating markets for affordable energy services, and creating local jobs and inclusive green economies. ARE enables improved energy access through advocacy and business development support for its Membership comprising the whole value chain of off-grid technologies.

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