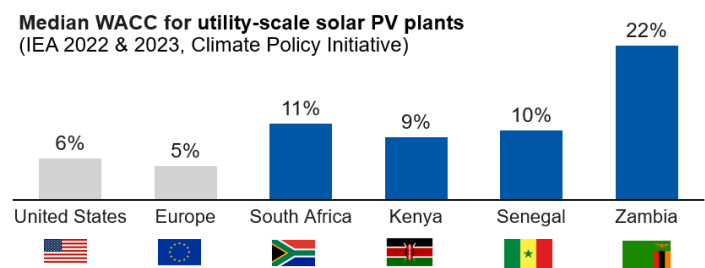


The Opportunity

Clean energy investment in emerging economies is vital for our global decarbonization efforts. But the poorest countries in the world cannot fund their energy transitions without significant international investment. Despite accounting for two-thirds of the global population, emerging and developing economies (EMDEs) hold just 10% of the world's financial wealth and have only made 5% of the clean energy investment committed by developed countries.

Lack of funds already put EMDEs at a disadvantage compared with developed economies, while a range of fiscal, socioeconomic and climate risks make it harder to secure capital, significantly raising the cost of funding clean energy projects in developing countries. Since renewable energy projects tend to be capital intensive, **reducing their cost of that capital is critical to scale up renewable energy adoption.**

Median WACC for utility-scale solar PV plants (IEA 2022 & 2023, Climate Policy Initiative)



Target Geography: Africa (and U.S.)

Why Africa? The continent trails far behind the rest of the world in achieving clean, affordable energy for all its citizens. Yet, Africa has an abundance of energy potential. The continent uses only 0.01 percent of its wind potential; it also holds 60 percent of the world's solar resources and offers the best average long-term practical yield for a utility scale solar energy installation.

Wind and solar in Africa have grown consistently over the past decade, but still account for just 8.6% of the total capacity in the region, around 20GW. South Africa, Egypt, Morocco, and Kenya have accounted for nearly three-quarters of all renewable energy asset investment since 2010, at \$46 billion. Overall, there

is a lack of knowledge of clean energy opportunities for investors and the huge gap between demand and supply represents both a massive challenge and **a major opportunity for the private sector.**

What about the U.S.? The U.S. provides a platform for us to aggregate less risky renewable energy projects, facilitating the **mitigation of cash flow, default, and currency risks.** We recognize that the U.S.'s stringent underwriting standards, robust off-take agreements, and low default rates in its well-established market act as effective mitigants for these risks.

Our solution

We believe securitization is a key instrument for mobilizing private capital needed annually to help finance the Sustainable Development Goals (SDGs), primarily because it can create large-sized investments with risks and returns that can appeal to institutional investors across the credit spectrum. Our goal is to create **Asset Backed Securities (ABS) that combine renewable project debt from select African countries and the U.S.** with the aim of creating an attractive risk-adjusted return Fixed Income product. The overarching aim is to take performing project finance loans off the balance sheets of lenders to: 1- Increase the velocity of lending to renewable power projects; 2- Decrease the cost of capital for debt by giving banks a market for project finance debt.

Investment Thesis

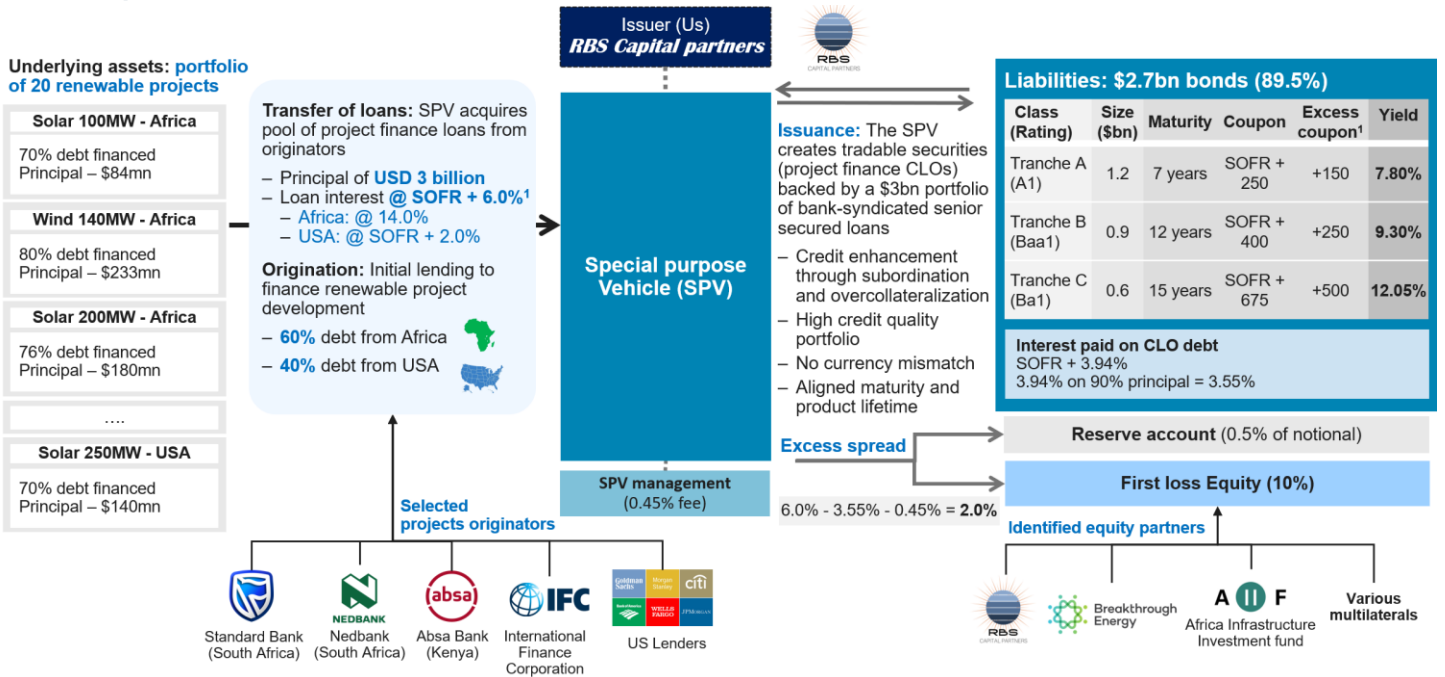
Our focus is to underwrite 20 operating utility-scale renewable energy projects between African countries (12 projects, \$1.8 bn) and the U.S. (8 projects; \$1.2 bn) that meet our filtering criteria. Specifically, countries with a large amount of existing renewable projects, with pegged currencies (Morocco; CFA Franc) or dollar denominated projects. Grid extension plans also serve as a proxy for project viability and are vital to integrate new renewable energy capacity and will be a filtering criterion. For example, **South Africa, Angola, Kenya** have each developed and made public grid extension plans. We would further filter through known developers or such projects and target partners for our fund, such as Enel, EDF Renewables, ACWA and Frontier Energy.

How it works

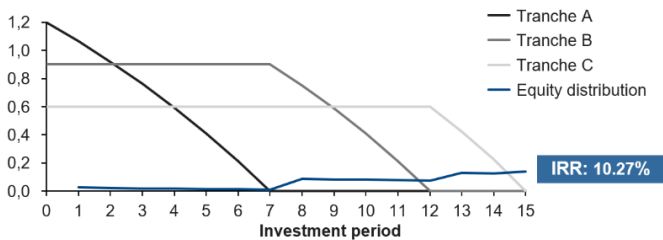
The aim is to syndicate the securities to **capital markets broadly** and we believe that this will be specifically attractive to **institutional investors** such as **pension funds** and **asset managers** with development or green mandates.

- Proprietary pooling of assets based on expected loan performance and individual project risk profiles we identify through the fund's developing partners and originators.
- Fund cash flows are modeled to offer differentiated tranches with attractive risk return profiles. Our African cumulative default risk is modeled at a portfolio average of 7%, in line with Moody's regional project finance default rates.
- Our Revenue model is two-fold: a standard SPV servicing fee (0.45%) to cover operating and monitoring costs and through equity participation (10.27% IRR).
- Credit enhancement for the CLO through over-collateralization (Issuance is lower than the value of the loans), subordination structure that both reduce the impact of defaults.
- Target attractive yields for investors by offering customized risk products while maintaining an excess spread as a reserve – value is different created by investors self-sorting according to their risk appetite within each tranche.

RBS Capital Structure and Fund Architecture



Note balance and equity cashflows (\$ bn)



Parameter

Parameter	IRR sensitivity
SOFR	60bps drop for every 25 bps SOFR increase (RBS would limit exposure to +/- 3% current SOFR)
Tranche A yield	30 bps drop for every 25 bps yield increase
Tranche B yield	50 bps drop for every 25 bps yield increase
Tranche C yield	40 bps drop for every 25 bps yield increase
Cumulative default rate on African loans	13 bps drop for every 25 bps default rate increase
Interest rate on African loans	90 bps increase every 25 bps interest rate increase

Risks

Risk factor	Mitigation strategy
Project Finance risk (highly attributable to country risk)	Target operational projects as risk diminishes drastically. Additionally diversify risk through countries and subordination.
Currency Exchange risk	Target loans from pegged CFA Franc countries backed by the Euro. The US project in the mix help diversify and hedge. Target loans with currency shortfalls guarantees from host country. Target loans in partnership with Currency Exchange Fund (TCX) for affordable hedging.
Asymmetry of information in lending standards	Systematize information requirements for due diligence. Equity Contribution by originating partners. Focus on 20 mid-size projects allows for teams to perform due diligence.

Impact

<p>7 AFFORDABLE AND CLEAN ENERGY</p>	The \$3 bln portfolio is estimated to generate reinvestment of \$1-1.5 bln in renewable power projects across Africa, representing 650-1050 MW . Longer term cost of capital reductions of 0.5-1.5% across Africa further enhances competitiveness of renewables, representing an additional 25-75 GW of realized capacity by 2030
<p>13 CLIMATE ACTION</p>	The added renewable capacities through reinvestment of freed-up balance sheets represents 25-50 Mt of CO₂ avoided , assuming a 50/50 gas/coal mix of fossil plants otherwise developed. Similarly, the additional renewable capacities due to lowered cost of capital represent 1-3 Gt of CO₂ avoided .
<p>17 PARTNERSHIPS FOR THE GOALS</p>	The program fosters sustainable development through international partnerships, mobilizing resources, promoting innovation, and advancing sustainable development objectives at both local and global levels.

Scalability

The IEA estimates that around \$128 billion is required annually in clean energy investments in Africa to reach their energy and climate goals. Assuming a typical debt to equity structure for renewable project finance of 70:30, the addressable market is roughly **\$130 billion per year**.