

PowerGen partners with CrossBoundary Energy Access, Oikocredit, Triodos Investment Management and EDFI ElectriFI to connect 55,000 people to electricity in rural Nigeria

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PowerGen, the leading developer in Africa of on-grid and off-grid distributed energy, has secured long term project financing to connect 55,000 people to electricity in rural Nigeria from CrossBoundary Energy Access with construction financing provided by Oikocredit, Triodos Investment Management (Triodos IM) and EDFI ElectriFI (the EU-funded Electrification Financing Initiative). The project is supported by grant funding from the World Bank and the Nigeria Rural Electrification Agency's Nigeria Electrification Project (NEP), which provides a fixed grant for each customer connected. The electricity will be provided by 28 distributed renewable energy (DRE) systems, designed as solar PV and battery-powered mini-grids.

Oikocredit, Triodos IM, and EDFI ElectriFI are acting as the construction financiers for the transaction, providing \$9m of financing for the construction phase of the project. Once operational, CBEA will purchase the portfolio, becoming the long-term owner of the systems and providing the construction financiers with an exit.

CBEA's 'take-out at completion' transaction structure allows the construction financiers to segment their investment to the construction phase, and CBEA as an asset owner to segment its investment to the long-term operations phase. This is a first for mini-grids in Africa at this scale and shows how innovative financing structures can bring private capital into the sector.

PowerGen will build the systems and continue to act as the long-term operator of the project after the transfer to CBEA. The project will serve a base of residential, commercial and productive use customers.

PowerGen has already commissioned 6 sites, including the pilot site, Rokota, which was the first to be commissioned under the NEP Performance Based Grant (PBG) program. The financing will be used to develop and build the remaining sites in the portfolio.

Nigeria is Africa's largest economy, but is plagued by poor energy access, particularly in rural areas, where only 25% of people have access to electricity. This has led many to turn to fossil-fueled alternatives, like diesel generators and kerosene. The result is poor air quality, greenhouse gas emissions, and noise pollution. Together, these represent an undue burden on the health of rural populations, who are already marginalized.

The long-term funding from the CBEA finance facility and the construction financing from Oikocredit, Triodos Groenfonds, Hivos-Triodos Fund (both managed by Triodos IM), and EDFI ElectriFI makes possible an alternative to harmful sources of power. The DRE systems

developed as a result will provide clean, reliable electricity to 55,000 people and will mitigate over 2,000 MT CO₂e annually, which is equivalent to removing 500 cars from the road per year. PowerGen's service further empowers communities to increase local economic activity by reducing the cost of power and increasing access to productive power, which enables agricultural processing to be mechanized, the use of power equipment such as welding machines and electric cooking appliances, and enabling electric mobility. These benefits are critical as low-income individuals manage the economic downturn brought on by the COVID-19 pandemic.

The transaction is facilitated by CBEA's project finance structure, which proves a model for bringing long-term infrastructure capital into the mini-grid sector at scale. The systems are being built into a special purpose vehicle (SPV) which will be fully acquired by CBEA once the systems have met the pre-agreed technical standards. Oikocredit, Triodos IM, and EDFI ElectrIFI are able to provide construction financing because they have a contracted exit from a long-term financier. Once CBEA becomes the owner of the project, PowerGen will step into a long-term contract to operate and maintain the assets and provide customer service.

PowerGen, Oikocredit, Triodos IM, and EDFI ElectrIFI were advised in the transaction by Trinity LLP. CBEA was advised by Foley Hoag LLP.

Alastair Smith, Co-founder and Country Director of PowerGen in Nigeria: "We're very excited to continue scaling up distributed renewable energy systems in Nigeria in partnership with Oikocredit, Triodos IM, EDFI ElectrIFI, and CBEA. With their support, alongside that of Nigeria's REA, the World Bank, Power Africa's Nigeria Power Sector Program, and the communities themselves, we are eager to continue transforming lives through smarter power."

Humphrey Wireko, Associate Principal, CrossBoundary Energy Access: "We're excited to work with such strong partners to reach an agreement to finance and own this portfolio of mini-grids in Nigeria. We continue to believe that mini-grids are a key tool for bringing power to over 200 million people in Africa, and this project finance structure is the best way to attract the \$187 billion of investment that these assets need. This transaction is a testament to the fantastic work being done by many stakeholders to help facilitate off-grid investment in Nigeria. We see this as the first of many such financings that CBEA plans to do in Nigeria."

James Todd, Oikocredit's Renewable Energy Investment Officer: "We are extremely proud to partner with PowerGen, Triodos IM, EDFI ElectrIFI, and CBEA at the forefront of innovative solutions to rural energy access. Renewable energy mini-grids have enormous potential to provide safe, clean and reliable energy to millions currently experiencing energy poverty, supporting productive use of electricity and in turn stimulating fundamental development in rural communities. This project, benefitting 55,000 people, forms a key tenet of our long term commitment to supporting leading mini-grid developers across Africa while achieving higher social impact in communities we serve."

Estefanía Matesanz, Senior Investment Manager Private Equity, Triodos IM: "This equity investment in PowerGen's Mini-Grids project can be considered a landmark investment with major strategic importance both for Triodos IM and the African Mini-Grids sector development. The success of this investment results from the combined expertise, creativity and synergies created by PowerGen together with Oikocredit, EDFI ElectrIFI, Triodos IM, and CBEA. We are

pleased to be able to contribute to the access to energy in emerging countries with clean and affordable technologies through this deal.”

Quentin Antoine, Senior Investment Manager at EDFI Management Company: *“EDFI ElectriFI is thrilled to join such a strong group of investors backing visionary entrepreneurs who will positively impact thousands of households and local businesses in rural Nigeria. This is an important milestone for rural electrification in Nigeria as we aim for big impact by phasing-out thousands of diesel generators and build a reliable and renewable source of electricity for 11,000 rural households and entrepreneurs. This investment is the perfect illustration of EDFI ElectriFI’s mandate, successfully achieved thanks to a strong partnership with the Delegation of the European Union in Nigeria and innovative solutions delivered by the Nigeria Rural Electrification Agency.”*

PowerGen Renewable Energy is the leading developer in Africa of on-grid and off-grid distributed energy, with offices in Kenya, Nigeria, Sierra Leone, Tanzania, and Benin. PowerGen has installed more than 3 MW of renewable energy projects across 10 countries and currently serves over 20,000 customers. The company was founded in 2011 in Nairobi, Kenya with a vision to provide clean, reliable, and affordable electricity to 10 million people by 2030.

CrossBoundary Energy Access is part of the CrossBoundary Group, an investment and advisory firm whose mission is to unlock capital to make a strong return and a lasting difference in underserved markets globally. CBEA was launched in January 2019, with funding from Ceniarth and Rockefeller Foundation as Africa’s first project finance facility for mini-grids. It has since also secured financing from the DOEN Foundation to help implement its vision. CBEA invests long-term equity and debt into mini-grids through a project finance structure, delivering first time grid-quality power to rural households and businesses.

Oikocredit is a social impact investor and worldwide cooperative Oikocredit has 45 years of experience funding organisations active in financial inclusion, agriculture and renewable energy. Oikocredit’s loans, equity investments and capacity building aim to enable people on low incomes in Africa, Asia and Latin America to improve their living standards sustainably. Oikocredit finances close to 550 partners. For more information see: www.oikocredit.coop.

Triodos Investment Management connects a broad range of investors who want to make their money work for lasting, positive change with innovative entrepreneurs and sustainable businesses doing just that. In doing so, it serves as a catalyst in sectors that are key in the transition to a world that is fairer, more sustainable and humane. Triodos Investment Management has built up in-depth knowledge throughout 25 years of impact investing in sectors such as Energy & Climate, Inclusive Finance and Sustainable Food & Agriculture. It also invests in listed companies that materially contribute to the transition toward a sustainable society. Assets under management as per end of 2020: EUR 5.4 billion. Triodos Investment Management is a globally active impact investor and a wholly owned subsidiary of Triodos Bank NV.

EDFI ElectriFI is an EU-funded impact investment facility that invests in early-stage companies and projects in the access to energy sector. EDFI ElectriFI focuses on creating new and improved connections and on increasing generation capacity from sustainable energy sources. EDFI ElectriFI invests in the private sector in emerging markets. The facility is managed by

FMO and the EDFI Management Company, on behalf of the 15 European Development Finance Institutions (DFIs).

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