

Global Renewable Independent Power Supplier



Large energy consumers seeking affordable and stable power in remote areas often have no option but to rely on expensive, inefficient, and carbon-intensive diesel generators. While renewable energy could be an alternative to diesel power, financing plants on an individual basis is usually out of reach given the need for high upfront investments and the non-core nature of such ventures. Attracting external funding is difficult too, since traditional project finance is often incompatible with decentralized clean energy projects.

The Global Renewable Independent Power Supplier provides an innovative and highly scalable solution for the mobilization of private-sector funding for renewable energy projects in developing countries.

The Global Renewable Independent Power Supplier (Grips), which was supported by a variety of players during the first Lab cycle, offers an innovative solution to finance renewable energy projects in developing countries – with no need for long-term public subsidies. Grips will provide renewable energy to industrial anchor clients and has the potential to also benefit surrounding areas that lack energy access. It will do this through power purchase agreements with anchor clients and a diversified portfolio that allows for effective finance.

The Grips model can promote economic growth in remote areas with no stable energy supply and it targets a huge and largely untapped global market of industrial off-grid diesel systems estimated at approximately 29 GW in installed capacity.

Grips is currently seeking public support for setting up its corporate governance structure and for identifying the first diversified pool of pilot projects. The Grips

team calculates funding needs of approximately USD 5 million for this initial phase. The development and construction of a first pilot location will require another USD 20-60 million, depending on project size, location, and technology mix.

Successful implementation would avoid up to 2.5 million tonnes of CO₂ per year through 2030, promote industrial energy security, and foster electrification of rural communities in low-income countries.

INSTRUMENT DESIGN

Grips will be a renewable energy service company, building and operating a diversified portfolio of hybrid energy plants in remote areas, and will be the 100% power supplier for its customers.

Anchor clients will be industrial energy consumers currently relying on diesel generators either to cover 100% of their energy needs or to provide backup capacity against power outages from an unstable grid connection. Grips will act as principal investor, financing project implementation entirely from equity capital. This model will circumvent potential conflicts of interest between debt and equity providers, and will be able to absorb temporary performance disruptions. In addition, all-equity-financing will enable Grips to offer revolving PPAs with initial durations as short as five years, which is much closer to the typical planning horizon of its industrial PPA-clients compared to the usual project lifetime of, for example, 20 years.

Since in most developing countries there is limited functioning markets for renewable energy projects, Grips will be structured to generate its own project pipeline.

Potential projects and sites will be individually assessed, placing strong emphasis on complementarity with the existing portfolio to achieve best diversification effects. As a supporting regulatory environment and political endorsement are mission critical, Grips will seek regional partnerships in order to ensure close alignment with local authorities.

Grips offers good conditions for a public-private partnership, providing public investors with a hands-on opportunity to support the set-up of an

innovative financing instrument for the roll-out of renewable energy technologies in developing countries. By building a diversified portfolio of renewable energy projects, Grips spreads project risk across a larger asset pool, achieving an attractive risk-return profile on the portfolio level. This structure allows Grips to address a broad private sector investor base looking for a more stable dividend yield. Investors will acquire a stake in the Grips Company, thereby benefiting from the entire project portfolio.

ABOUT THE LAB

The Global Innovation Lab for Climate Finance is an initiative that supports the identification and piloting of cutting edge climate finance instruments. It aims to drive billions of dollars of private investment into climate change mitigation and adaptation in developing countries. Analytical and secretariat work of The Lab has been funded by the UK Department of Energy & Climate Change (DECC), the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB), and the U.S. Department of State. Climate Policy Initiative serves as The Lab Secretariat.

The information included in this overview is based on the high-level preliminary analysis conducted in Phase 2 of The Lab assessment, and updates provided by the instrument proponent and implementer.

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