

## Africa Carbon Asset Development (ACAD) Facility

### ***Guidelines for Submission of Proposals – January 2010*** ***Support Line #1 – Carbon Asset Transaction Cost Sharing***

A central thrust of the ACAD Facility is to share carbon asset development transaction costs for highly replicable demonstration projects, thereby reducing the early-stage investment risks associated with African carbon projects. The objective of this support line is to provide seed capital for viable projects that may have high initial risks, but which are close to an investment decision-point or which could reasonably reach completion/financial closure after having achieved specific, predefined milestones. ACAD Facility support shall be in the form of an up-front grant or a reimbursement of eligible expenditures (elaborated in detail below).

The ACAD Facility grant shall complement existing or pledged equity, debt finance and/or other in-kind resources for the project's overall and carbon-specific asset development. Through this support, the ACAD Facility aims to enhance the bankability of the selected demonstration projects, helping to bring to closure viable, replicable transactions that would not reach financial closure without additional financial and technical support.

All supported projects are subject to the same general criteria and guidelines concerning eligibility and transaction cost support. The criteria for the evaluation of proposals and selection of projects to receive ACAD Facility Support are provided below. The criteria have been elaborated by a Steering Committee composed of one representative each from UNEP, UNEP Risoe Center, Standard Bank, and the German Federal Ministry of the Environment, Nature Protection, and Nuclear Safety (BMU).

Projects seeking grant funding from the ACAD Facility shall submit applications, which shall be reviewed on a rolling basis by the ACAD Steering Committee.

Applications and/or questions on this call for projects should be sent by email to: [ACAD@standardbank.co.za](mailto:ACAD@standardbank.co.za)

#### ***Application Review Procedure***

Each application received on time will be evaluated by an ACAD application evaluation panel until the target project portfolio is completed. The ACAD Steering Committee will take reasonable steps to protect any information submitted and use it solely for purposes of the evaluation; nevertheless, UNEP accepts no liability for any disclosures. Project selection for Phase I is anticipated to be completed by June 2010; applicants are therefore encouraged to submit their applications as quickly as feasible.

Applications will be screened to determine if they contain the requested information in the required format. Proposals that, at UNEP's sole discretion, meet these criteria will be designated responsive and proceed to the next level of evaluation. UNEP reserves the right to reject any or all proposals. Additional material beyond what is requested will not be part of the evaluation. Elaborate proposals, lengthy discussions, and non-critical attachments are discouraged.



### **Africa Carbon Asset Development (ACAD) Facility**

The application evaluation panel may determine that the basic requirements have been met, but that additional information is needed to fully evaluate an application. Information or required details may be sought from the applicant in the form of additional written material or oral presentation that will expand upon the original material presented in the application. UNEP has sole discretion to declare an application non-responsive or request additional information. Once submitted, applicants may not submit revised applications but they may withdraw their application from consideration and re-submit.

All applications will be treated as confidential. Operational or strategic details of project applications will be shared only amongst Steering Committee members.

## Africa Carbon Asset Development (ACAD) Facility

### ***Project Selection Criteria for ACAD Facility Support***

1. Located in sub-Saharan Africa countries.
  - No countries *a priori* excluded from consideration except those sanctioned due to existing conflict or support international terrorism
  - CDM Designated National Authority (DNA) must exist and be operational in Host Country
  - Preference shall be given to projects that have already received a Letter of Non-Objection or Letter of Approval from a Host Country DNA
2. Project shall be developed under CDM and/or Gold Standard VER or VCS protocols.
  - Projects must adequately address additionality, permanence, leakage, & measurable reductions
3. All project types/methodologies *except carbon sink, afforestation & reforestation* shall be eligible.
  - Sustainable biofuel projects shall be oriented toward domestic market consumption and implemented in compliance to internationally accepted, third party sustainable certification protocols and standards, including, but not limited to, the German Government's "Ordinance on requirements pertaining to sustainable production of bioliquids for electricity production", the Roundtable on Sustainable Biofuels (RSB) sustainability guidelines, and the International Sustainability and Carbon Certification (ISCC).
4. Demonstrated need for ACAD financial and technical support.
5. Highly relevant and replicable in a Sub-Saharan African context.
  - ACAD portfolio shall include diverse technologies and projects shall be innovative or otherwise contribute to capacity building, learning processes, and knowledge/experience development.
6. Preference to projects with high social and other local sustainable development impacts.
  - Use of appropriate technology, equipment, and locally-sourced labor/content
  - Impact on the local environment and local communities shall be taken into account
7. Bankability (i.e., ability of the proposed project to be financed).
  - Ability for project proponents to secure required capital for project to be implemented
  - Projects should be able to demonstrate, through letters and emails of investor interest, likelihood to reach financial closure within a 12-18 month period.
  - Sufficient risk sharing for asset development costs taken among parties
8. Likelihood of project's being constructed, commissioned, and generating credits within a 3-year timeframe.
9. Reasonable amount of credits that could be generated by the project over its lifetime.



## Africa Carbon Asset Development (ACAD) Facility

### *Schedule of Eligible Expenditures and Suggested Service Providers*

The schedule in the following page outlines the expenditures eligible for ACAD Support Line #1 and terms of funding.

- In the first column, categories of eligible expenditures are listed which may be considered for ACAD Facility cost sharing.
- In the second column, a maximum share of the specific eligible expenditure that can be covered by the ACAD Facility is indicated, i.e., a percentage threshold of the total cost.
- In the third column, a maximum total amount that may be awarded from the ACAD Facility per specific eligible expenditure category is provided.
- As part of the overall objective of the ACAD Facility is to support the development of a more robust African carbon market, preference will be given to applicants intending to use service providers with strong local Sub-Saharan Africa presence and capacity. The applicant may indicate that it has not yet selected or tendered out for a specific service contract at the time of application.

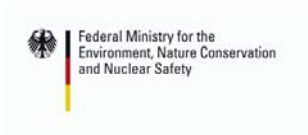
The total amount of financial assistance requested from the ACAD Facility should not exceed USD 100,000 per project. A single project proponent or developer can submit multiple projects for consideration for ACAD Facility support.

Generally, ACAD grant support will be based on an *ex-post* reimbursement of expenditures based on submission of final invoices and agreed deliverables. In some instances, however, advance financing will be provided to initiate consultancy contracts with third parties to realize the approved carbon asset development stages. In such cases, disbursements would be as per written agreement between UNEP Risoe and Standard Bank or directly between UNEP Risoe and the project proponent and/or third party consultant. The service provider/consultant must not be involved in the active purchase of CERs from the project to which it is providing technical assistance, or work as a broker or conveyor of CER transactions in any way unless a written agreement for avoiding conflicts of interest can be signed.



**Africa Carbon Asset Development (ACAD) Facility**

<b>EXPENDITURE</b>	<b>ACAD REIMBURSEMENT SHARE</b>	<b>MAXIMUM AMOUNT OF GRANT</b>
Carbon project documentation development (PIN, PDD)	Up to 50%	USD 50,000
Baseline Study/Initial GHG Emission Reduction Assessment	Up to 50%	USD 25,000
CDM Project Validation Costs/GHG Auditing Fees/Methodology Development/Gold Standard certification	Up to 50%	USD 30,000
CDM Project Registration Fees to UNFCCC	Up to 100%	USD 10,000
Environmental Impact Assessment/ Other Environmental Study	Up to 33%	USD 25,000
Technical Study/Feasibility Report	Up to 33%	USD 50,000
Legal Opinion/Due Diligence on Carbon Ownership/ERPA drafting	Up to 50%	USD 25,000
Deal Flow/Portfolio Development Support (travel costs to DNAs, on-site project coaching)	Up to 50%	USD 5,000 per project
Establishment of Project Coordination Unit for CDM Program of Activities (PoA) and Related Training and Capacity Building for PoA roll-out	Up to 75%	USD 70,000
Host Country CDM Approval Fees/Levies	Up to 50%	USD 20,000
Financial Engineering Analysis or Report/ Export Guarantee Financing Application preparation	Up to 50%	USD 25,000



## **Africa Carbon Asset Development Facility**

### ***Documentation Requested from Applications***

Projects seeking grant funding from the ACAD Facility shall submit applications, which shall be reviewed on a rolling basis. Applications shall consist of:

- A cover letter from the project proponent or third party project developer to the proponent expressing interest in receiving ACAD support and justifying how the project conforms to the eligibility criteria. The cover letter will include: Name of the applicant, company name, date of the Proposal, and contact information for the person responsible for the Proposal preparation.
- A brief overview of the applicant's relevant experience, including existing projects developed and operated.
- A general outline of the project's goals and objectives, key stakeholders integral to success, and estimated GHG emission reduction credits, in the form of a Project Idea Note or concept note, or in the form of a draft Project Design Document.
- A description of the project status and calendar of key project milestones or timelines. Please indicate where relevant anticipated or contracted service provider for implementation of critical carbon project development steps (e.g., PDD drafting, validation, etc.)
- A project financing plan, including and outline of the status of financial commitments and pledges made to date or that can be reasonably anticipated.
- Clear indication or demonstration of financial need from ACAD for carbon asset realization.
- A straightforward budget that estimates to the best of the applicant's ability: (a) the total estimated project transaction costs; (b) specific costs requested from the ACAD Facility for cost-recovery/sharing; and (c) ACAD share as a % of total cost per item and as % of the total amount of request.
- Any other supplementary documentation to support conformation to the selection criteria, such as evidence of Host Country DNA approval or letter of endorsement.

An application cover sheet has been prepared that summarizes the above requisite information and should be filled out accordingly. Applications must be submitted as electronic computer files in Adobe Portable Document Format (pdf) or Microsoft Word.

Electronic files provided must be free of all computer viruses. Any such electronic files containing viruses will be deleted immediately and may be rejected without further notice.