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FINERGREEN INSIGHT

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WHAT DOES THE MARKET SAY?

Our questions to ...

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R20 Regions of Climate Action is a non-governmental organization founded in 2010 by Arnold Schwarzenegger with the support of the United Nations. Its purpose is to assist subnational governments to implement sustainable infrastructure.

David, could you introduce us to the R20 mission?

The R20's mission is to assist subnational governments and local governments in the implementation of renewable energy, energy efficiency and waste management projects. We aspire to create a favourable ecosystem to bring together these public players as well as project developers and public and private investors. To ensure positive environmental, social and economic impacts, we have developed an internal MRV (i.e. Measure, Report and Verification) division, in partnership with the Gold Standard Foundation.

What are the tools implemented by the R20 to develop the projects?

The R20 articulates its activities around the project value chain, from structuring to implementation through financing, and developing complementary tools for each step.

In the structuring phase, the Waste Project Facilitator (WPF), in partnership with the private operator Egis, forms a financing program for feasibility studies and support (legal and technical) towards the bankability of waste management projects.

In the financing phase, the R20 has teamed up with the Swiss asset manager BlueOrchard to create the Sub-national Climate Fund (SnCF) Africa, which takes minority or majority stakes in projects with a high environmental impact and with a transparent governance. With a maturity of 10 years, the fund provides for a progressive and gradual exit from projects.

Regarding Waste to Energy, what kind of projects do you invest in?

The R20 favours waste-to-energy projects that value a specific type of waste, such as tires, some plastics or agricultural waste, to more global solutions that can treat all municipal solid waste, such as incineration. On one hand, non-selective incineration is not in line with our environmental values, and is a missed opportunity to develop a more sustainable economy.

On the other hand, it is easier to secure a constant flow of supply from a single source of waste, than to depend on the collection of all waste from the city. To isolate this flow, a sorting can be done upstream directly or by the collection manager or done mechanically on a sorting unit. An energy recovery technology adapted to a single type of waste has, moreover, a higher yield. Easier to size, the project has a better economic return. We prefer to invest in these projects, generally of smaller capacity, possibly grouping them under the same project company, if there is a geographical and technological coherence, in order to facilitate their financing.

How best to catalyze the financing of waste-to-energy projects in developing countries? What financial tools should be developed?

The lack of financial tools suited to Waste-to-Energy continue to hamper the development of the sector. For instance, it could be necessary to set up financing facilities or securities for the gate fees. However, in my opinion, the most important aspect is to inject capital into development in order to make these projects bankable.

Financing tools for feasibility studies, similar to the Waste Project Facilitator, could be developed, in particular by development institutions. We can also think of the monetization of externalities. Waste-to-Energy projects improve soil quality, fit into forest rehabilitation programs and contribute to improved public health. Like the carbon market, it may be appropriate to design equivalent soil or health credits, creating additional income for these projects.