HOUSEHOLD ENERGY ACCESS WINDOW TERMSHEET

Energy Transition Challenge Fund (ETCF) - Nigeria

german cooperation
DEUTSCHE ZUSAMMENARBEIT

aecf

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TERM SHEET

Energy Transition Challenge Fund (ETCF) - Nigeria Household Energy Access Window

01

The **ETCF** is an initial EUR €20 million Programme that seeks contribute to Nigeria's Transition Plan which outlines pathways for transitioning the power, industry and residential sectors. It is funded by Germany's Federal Ministry for Economic Cooperation and Development (BMZ), via KfW German Development Bank (KfW) and implemented by the AECF, a development finance provider based in Nairobi, Kenya and operating across the continent including a programme office in Nigeria.

Programme Objectives

The ETCF seeks to empower SMEs to contribute to Nigeria's energy transition ambitions and boost the productivity and resilience of key sectors and value chains.

This programme aims to:

- Increase household access to modern, affordable, and sustainable energy solutions by supporting the transition from traditional fuels to clean and efficient technologies.
- Accelerate the energy transition in the commercial, industrial, and agribusiness sectors by promoting investments in clean, efficient, and cost-effective energy solutions that contribute to climate goals.
- Power public institutions with sustainable energy solutions and strengthen the skills and competencies needed for the energy transition through targeted investments in Technical and Vocational Education and Training (TVET) institutions.

02 Programme Duration

4 Years

2025 2029

03 Geography

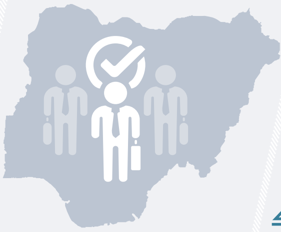
*Nationwide implementation with emphasis on **'peri-urban'** and **'rural areas'**.*

Nigeria

(applicants from all states are welcome to apply, as long as they meet the eligibility criteria indicated below)

04 Eligible organizations

Private sector companies that are commercially active in the renewable energy market in Nigeria



05 Focus areas

The objective of this window is to establish a sustainable energy supply chain for distribution of distributed renewable energy solutions for households and small businesses using a private sector-led market-based approach.

Applicants must deliver low cost, affordable, quality clean energy products and services that benefit rural and peri-urban households.

The following are the eligible products:

A

Solar home systems (>50Wp), comprising basic lighting, phone charging systems and radios, made available to large numbers of households through (but not limited to) pay-as-you-go systems.

B

Medium capacity (50-500Wp) stand-alone solar systems for productive use for rural and peri-urban based business or household premises (e.g. solar water pumping, cooling solutions, drying, milling etc).

C

Solar powered mini and micro grids, with distribution networks that meet the full range of household/ business needs.

D

Production and/or distribution of energy efficient cooking solutions e.g. improved cook stoves and cleaner fuels (e.g. e-cooking, ethanol and biomass) for rural and peri urban low-income individuals.

Production and/ or distribution models that support local entrepreneurship and growth of SMEs, women and youth within a renewable energy product demand and supply chain.

06 Funds available

Applicants are expected to submit a short funding application with their concept, justifying their requirements for the business and/or idea to be funded, the funding amount and the project duration. Shortlisted applicants will be requested to submit a more comprehensive full proposal and business plan.

Funding must be additional – it must be used for a specific project, e.g., introducing new services or products, scaling up an existing product or replication/expanding to a new market.

Investees can apply for a range of funding depending on their proposed business idea/project/requirement:

Minimum funding is **EUR € 100,000** while the maximum funding per grantee is **EUR € 800,000**.

Funding is subject to meeting a certain level of match funding ***(see Matching Contribution).*** Businesses should apply for funding depending on their project requirements and capacity to absorb funding for the proposed project. Funding will be in the form of non-repayable grants and will be disbursed in US dollars, Euro, and/or local currency equivalent.

Funding payments will be milestone based, where disbursements are based on mutually agreed milestones that must be achieved/ delivered. The first disbursement will not exceed 30% of the total amount awarded.

Funding payments for inventory may be disbursed in US dollars or Euro on behalf of businesses direct to suppliers.

Businesses are obliged to open project specific open bank accounts and provide invoices prior to each disbursement.

Duration of the funding agreement with investees: 36 months

07 Desired socio-economic impact

The desired socio-economic impacts of the projects align with the national development goals and energy transition priorities. The impacts span economic growth, job creation, energy security, climate resilience, and inclusive development.

Companies are expected to articulate how their strategy addresses at least nine (9) of the following criteria:

- i. Lower electricity tariffs compared to grid, petrol or diesel generation.
- ii. Substitution of petrol or diesel generators with solar PV to reduce GHG emissions and local air pollutants.
- iii. Enhanced competitiveness for MSMEs by reducing operational costs.
- iv. Improved business viability, especially in energy intensive sectors such as agriculture, manufacturing, and services.
- v. A reliable and uninterrupted power supply reduces downtime and equipment damage.
- vi. Enables longer operating hours and better service delivery, especially for agro-processing, cold chain logistics etc.
- vii. Direct jobs in installation, operations, maintenance and manufacturing.
- viii. Projects must be environmentally friendly. Environmental impact assessments and mitigation measures approved by relevant regulatory authorities must be obtained.
- ix. Opportunities for youth and women in technical and entrepreneurial roles
- x. Growth of local solar equipment and service industry (inverters, racking systems, energy monitoring tools).
- xi. Throughout the funding life, companies must demonstrate that they promote sustainable development outcomes in their target communities and markets.

07 Desired socio-economic impact *(Cont..)*

Progress in attaining the above will be measured through:

1. Number of beneficiaries accessing high-quality technologies
2. Number of jobs created disaggregated by gender
3. Increase in income for end beneficiaries selling to or buying from grantees
4. New capacity installed from renewable energy sources
5. Energy efficiency measures lead to a reduction in energy consumption

08 Type of support available

The support package includes:

- Provision of ***non-repayable grants***
- Provision of ***targeted technical assistance*** on business development services as required by the grantee
- ***Access to further funding*** opportunities through investment advisory and investment facilitation support

09 Funding instruments

Disbursement milestones will be agreed upon by both AECF and the beneficiary, prior to signing the contract. Milestone-based grants (MBG) The MBG is divided into three components: market entry (ex-ante), results- based payment (RBF) (ex-post) and sustainability payment. These are described below:

i. **First disbursement:** Market entry payment (30% of award)- this is the first payment that companies can claim upon signing of ETCF contract. It is intended to support early-stage activities such as market awareness campaigns, sales and marketing efforts, securing of inventory or working capital financing. The market entry payment will not exceed 30% of the total award and will require a grant to matching contribution ratio of 1:1 from the company.

ii. **Subsequent disbursements/ RBF components (60% of award):** This portion of the award will be disbursed based on verified sales within the reporting period. The approach to verifying sales will vary depending on the company's business models.

- For cash-based sales, ETCF will count the total number of sales in the specific timeframe, e.g. quarter, from the official starting date of that quarter based on evidence of sales sold in that period.
- For PayGo sales, ETCF will incentivize the growth of new active subscribers over the project period, beginning at project inception. To avoid double counting, incentives will be provided only once per system. This approach recognizes that PAYG providers may repossess systems from defaulting customers and reassign them. Reassigned systems will not qualify for additional incentives.

In subsequent claims, the incentive amount will be calculated based on the net increase in active users. Companies will also be required to report on the number of subscribers who have fully paid off for their system as these will continue to be counted as active users.

The proposed incentive cap is set at a maximum of 30% of the retail price for SHS, PUE and Clean Cooking solutions. This cap is intended to mitigate the risk of failing to meet project targets and to prevent over-subsidization of products. Applicants will be selected based on the proposed incentive amounts and the strength of their technical proposals. For mini grids, a flat rate incentive of $600 per connection will apply.

Sustainability payment (10%): The sustainability payment will be paid at least once per year after the system has been sold and verified that is its working, Thermography Test Certificate submitted and that warranty and after-sales-services were provided when needed.

It is a requirement for the companies to include date of sale/installation of the product, comprehensive installation report/protocol and start date of system operation in their claim reporting to request payments. These dates will be used for determining when systems are eligible for claiming the sustainability payment. ETCF will verify a random sample of systems one year after the sales dates, submission of Thermography test result and no further inputs are required in this process.

10 Matching contributions

The ETCF requires a matching contribution from the applicant to demonstrate interest, commitment, and trust from the wider investor community. Acceptance of match funding is subject to approval by the Programme Manager. Proof of the availability of matched funding is required during the selection process and prior to any disbursement.

The match funding requirements are:

Matching contribution: 100% of the requested amount (At least 80% in cash and 20% in-kind)

Matching contributions can be made either all in cash or a combination of 'in cash' and/or 'in kind' as highlighted below:

In cash

Where at least one party (e.g., venture capital firm, impact investor, commercial banks, or the founder) agrees to provide funding to the applicant. The evidence provided includes a contract, a bank statement showing the funds disbursed to the applicant, and a letter of commitment confirming the total amount disbursed or to be disbursed by the other party. The submitted documents to the Fund of matching commitments must include all conditions, timescales, and any other considerations.

Examples include:

1. *Investment funding (equity funding)*
2. *Impact investment*
3. *Crowd funding (commercial)*
4. *Internal resources such as loans from founders, family etc.*
5. *Loans from financial institutions*

In-Kind

In-kind matching includes any significant and quantifiable contribution to the project that is not financial. Applicants must quantify and demonstrate what results in any match given in kind will achieve for the proposed project.

In cases where in-kind matching is offered, the Fund will discuss with the applicant how best to agree on the match funding commitment and valuation. For example, a contractual agreement of support from a local incubator (providing the equivalent monetary value of the service).

Examples include:

1. *Use of goods, services, and facilities (such as software, real estate)*
2. *Provision and access to equipment.*
3. *Special materials*
4. *Technical assistance*

11 Eligible companies

To be eligible for funding, private sector companies must meet the following criteria:

1. Request a grant within the stipulated range.
2. Be legally registered and physically established in Nigeria as a for-profit company and must have operated for a period of no less than two (2) full accounting years at the time of application, with the ability to provide audited accounts.
3. Must not have received a grant six (6) months for the same project prior to the application time.
4. Passes AECF's Know Your Customer), AMT/CFT (anti-money laundering and counter-financing of terrorism), PEP (politically exposed person) and IDD (integrity due diligence) screening), based on the information submitted as part of the concept note.
5. Be able to show commitment to matching AECF funding based on the ratios stated in matching contributions.
6. Be compliant with fundamental laws and regulations in-country, including tax compliance laws.
7. Applicants must comply with all applicable national and international human rights standards, labour laws, and environmental management laws and regulations.
8. NOT be involved in any act of corruption. AECF requires that the applicant (including its staff, contractors, and suppliers) not be involved in offering third parties, or seeking, accepting, or being promised by third parties, for themselves or any other party any gift, remuneration, compensation, or benefit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice.]
9. NOT be associated with activities prohibited by the government of Nigeria, terrorism, money laundering, or a list that prohibits trading with some business (IFC, USAID, UN, EU, and any other networks), United Nations Security Council resolutions issued under Chapter VII of the UN Charter. The screening will be conducted for all applicants and associated parties against provisions such as https://sanctionssearch.ofac.treas.gov/, www.worldbank.org/debarr World-Check, EU sanctions list, etc.
10. NOT be a representative of a government or a semi-governmental agency of any sort. This includes government owned or partially owned enterprises or companies that have ownership or substantial business ties with government or quasi-government bodies. Any subsequent identification of such links will lead to the immediate termination of the grant agreement.
11. Grant AECF and KfW unrestricted open book access to all relevant records and documentation, as may be reasonably required for the purpose of due diligence.
12. Demonstrate additionality; ***see broad view guide in text box 15 below.***

12 Selection Criteria

Each applicant will be evaluated and scored against the following criteria:

- Geographic focus area
- Outline a commercially sustainable business model. The proposal must be technically sound and aligned with the priority focus areas. It should spell out how performance is measured and evaluated with all agreed indicators, targets, and milestones.
- Must demonstrate a satisfactory performance record of the entrepreneur, technical person (s), or business. Where available, testimonials of past performance should be submitted
- The proposal must include the CV of key personnel with the education and experience required for the technical nature of the proposed project.
- The proposal must indicate the methods and degree of coordination with local administration and participating communities.
- If selling a product, ensure that it is certified in line with national and/or global standardization procedures and/ or supplied by a certified product manufacturer, clearly marked as an acceptable quality of a product.
- For existing companies, provide a track record of earning revenues from their users for existing products/services demonstrated success in at least one market.
- For existing companies, demonstrate sound financial health, including two years of audited financial accounts, established financial management processes and procedures, and dedicated financial management staff – headquarters and in-country.
- Demonstrate investment relationships/ potential to access matching funds (based on an agreed country-specific ratio), leveraging additional and follow-on funding.
- Demonstrate the capacity of the management team to implement the proposed business/ project (adequate internal resources/capacity) - at headquarters and in-country.
- Demonstrate understanding of the country context and culture where the project is operating or proposing to operate.
- Demonstrate how the business model will deliver and sustain social impact in the target markets, i.e. demonstrate how to leverage AECF funding to secure commercial funding.
- In their business proposals, companies MUST describe their environmental impact and waste management policy and procedures and demonstrate alignment to the global and respective national environmental management regulations. Grantees are expected to provide an outline of potential waste in the value/ supply chains and how they intend to manage these and labour laws. Grantees are also expected to identify potential waste streams associated with their operations and outline concrete measures for their effective management.
- Demonstrate how matching funds are to be made available, indicating details of when the cash will be available.
- Indicate any risks and threats to project implementation and methods that would be used to mitigate such risks.
- Demonstrate that the project benefits underserved, low-income rural, urban, or peri-urban populations that are currently not adequately served by utility companies, with a particular focus on benefits to women, girls, and vulnerable populations.
- Women or youth-owned or -managed business is a plus

13 Additional Guidelines for Applicants

Additional Guidelines for Applicants:

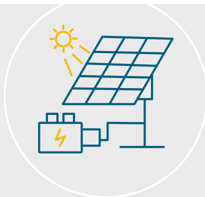
- Provide off-grid energy to rural, peri-urban or urban areas and populations currently lacking energy access. Distance of the site from the grid must be stated in the application, including an explanation on why grid connection is not feasible, and an estimate of the cost to connect the site to the grid. The best estimate of how long it will take for the area to be connected to the grid should be stated. If the proposal is for an urban area or area with grid connections, justification for selecting such site should be included.
- Focus on reaching unserved, underserved, or marginalized populations
- Clearly identify any female ownership/ management
- Explain all tangible improvements to the lives of women and girls, including whether and how the entity targets women for capacity building/ employment
- Clearly identify specific innovations of the technology or business model and the energy source, type of application, and usage.
- Clearly state whether and how many new connections will be added. A "new connection" is defined as a new mini-grid connection or home system installed
- Project includes power for economic (income generating) activities. For example, in small-scale value-added agriculture processing, the actual or potential business impact of the project should be addressed in the proposal
- Demonstrate the potential for financial sustainability and profitability. Attach a comprehensive five-year financial model projecting expected financial return on investment and anticipated payback period in an Excel format. The application must demonstrate the potential to operate as a commercially viable business
- **Demand Driven;** the proposal should address a clearly established and unmet demand
- Preference is given to proposals that leverage finance from other sources in addition to Challenge (grant) funds

13 Characteristics of Winning Proposals *(Cont..)*

Project categories that will be considered but not limited to:

Healthcare – Energy Nexus:

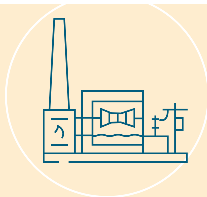
Off-grid energy solutions focused on financially sustainable improvements of healthcare service and delivery like healthcare facilities electrification (HFE), vaccine storage and distribution, etc. Off-grid energy solutions for processes and activities related to Water, Sanitation and Hygiene (WASH) will also be considered.



Stand-alone and Home systems:

Off-grid energy systems installed directly in the homes and/or businesses of unserved or underserved consumers, which supply energy directly to communities currently (and in the foreseeable future) lacking access to energy

Focus must be on distribution systems that are cost-effective, scalable, replicable, and affordable.



Productive use:

Off-grid energy solutions for commercial and industrial activities and/or processes including utilization of energy in machinery, factories, or in any activity that enhances productivity outcomes and increases income generation for the beneficiaries.

Agriculture – Energy Nexus:

Off-grid energy solutions for mechanization of agriculture value chain processes such as grain milling, oil expelling, refrigeration, transport, etc. Solutions are to explain clearly how they will be commercially viable. It is expected that the use of the power will address business solution(s) that will generate ongoing revenue and profits to sustain the enterprise. This must be clearly explained in the proposal.

Women-in-Energy:

Entities in this category must have majority female ownership AND the top manager(s) must be female, and/or the majority of the intended beneficiaries must be female. This category is open to women entrepreneurs and innovators with projects focused on increasing sustainable energy access – particularly off-grid solutions – extending the delivery of electrification to unserved and underserved communities in the target countries, with a particular focus on unserved and underserved women. In addition, women led, or managed companies focused on developing clean energy solutions, capacity building or skills education will also be considered.

Mini- and micro-grids:

Small-scale generation systems for electrification that provide a sustainable alternative to, or an enhancement of national/regional grid-connected electric transmission.

Other Energy Nexus:

Financially sustainable off-grid energy solutions for cross-sector areas like education, ICT, construction, manufacturing, mining, etc. will be considered.

Innovations and Renewable Energy value chain:

This category is open to applicants to identify innovative technologies that will advance an increase in energy access across the energy value chain.

Proposals need not necessarily be for power generation only; they may also include the provision of innovative metering, payment systems, network expansion/strengthening or other enabling technology across the clean energy value chain. If it is an innovation, then a simple and clear explanation must be provided to convey why/how the innovation is important and what it will do for the sector or the population.

14 Investment Principles

This section defines the basis of making funding decisions. The AECF investment principles will guide the investment decisions. These principles shall be applied in evaluating project ideas and making final award decisions.

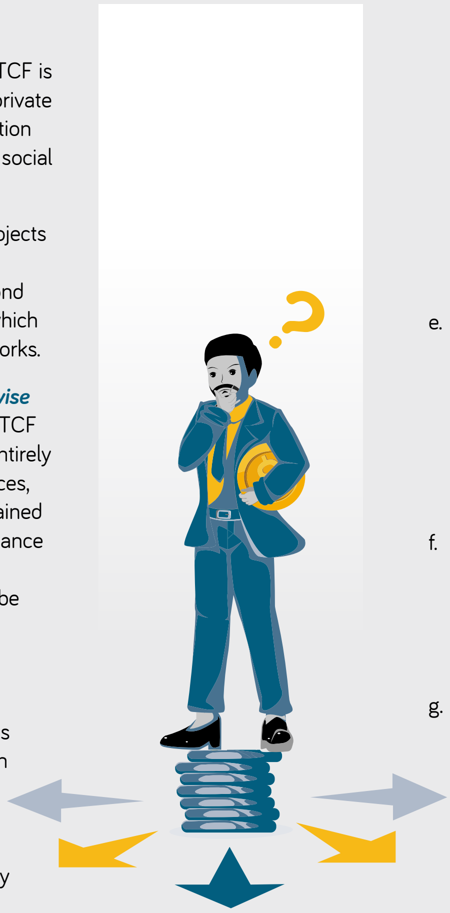
Investment Principles

a. ***Private sector demand-driven:*** ETCF is a demand-driven and leverages private sector initiatives and implementation capacity to deliver economic and social outcomes.

b. ***Systemic Change:*** the funded projects must illustrate the potential for economic and social impact beyond their immediate Project impact, which will change the way the market works.

c. ***Address Market Failure or otherwise demonstrate additionality:*** The ETCF funds projects which cannot be entirely funded through commercial sources, typically because they are constrained by market failure for access to finance within the context of the specific markets within which they are to be implemented.

d. ***Risk sharing:*** ETCF shares risk with private firms. The underlying principle is that the fund recipients have more risk in the venture than in the Programme. For practical purposes, recipient companies make financial contributions to the projects/businesses funded by the Programme as this maximizes resource mobilization and applicant commitment to successful implementation. Companies' financial and in-kind contributions can be in the form of equity finance (external or shareholder equity injections), commercial or concessionary loans, and/or grants from other funding sources.



e. ***Competition:*** the ETCF application process and term sheets are available in the public domain to ensure that all eligible organizations have equal opportunity to compete for the available funds and ensure transparency.

f. ***Portfolio approach:*** The ETCF seeks to build a portfolio of investments that is diversified in terms of risk, sector distribution, and economic, social, and market impact.

g. ***Additionality:*** the funded projects seek to create social and economic benefits that would not have been attained without this support. Therefore, funded projects should clearly outline the additionality of the funding provided.

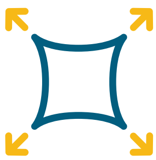
15 Classification of additionality

Additionally, it refers to the unique value or impact created by ETCF funding that would not have occurred or would have been delayed, smaller, narrower in scope or less inclusive without this support.

While we recognize that additionality is context-specific (e.g., geography, sector, etc.), below is a description of different types of additionalities:

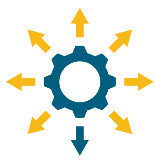
Faster:

Funding from ETCF helps the company to launch or grow much sooner than it can on its own, speed up, create transformational changes quicker and expose the business to attract additional investments.



Bigger:

ETCF allows the company to grow larger and create a greater development impact than it would with only its own resources



Wider scope:

ETCF enables the company to expand geographically or serve more clients, multiplying impact.

More inclusive:

ETCF helps the company reach disadvantaged groups such as women and youth, who are often harder and costlier to serve by cushioning risks while operating in such environments operating environment risks.

16 Commitments from successful grantees

If selected, applicants must be committed to:

- Collaborate with AECF to finalize contract milestones and Key Performance Indicators. Indicators and milestones are agreed upon with AECF before signing the contract.
- Share data, including performance against indicators and milestones. All data will be treated confidentially unless otherwise agreed in advance.
- All procurement using ETCF funds must follow ETCF procurement guidelines to ensure transparency competitiveness and value for money. All procurements financed under the Grant, including the acquisition of machinery, goods, or services, shall be undertaken in full compliance with the ETCF Procurement Guidelines as issued and updated from time to time. The Grantee shall ensure that no procurement is conducted with related parties or at non-competitive or excessive prices. Any expenditures determined to be non-compliant shall be deemed ineligible and may be subject to recovery by ETCF.
- Gather, analyze, and share learnings from the project with AECF.
- Report according to agreed schedules and the requirements of AECF.
- Participate in AECF annual programme reviews.
- Ensure financial data and other management systems are accessible for audit purposes upon request.
- Permit AECF to carry out site visits, surveys and field validation exercises through its staff and third-party partners to validate information shared by the applicant to AECF, with or without having to inform the applicant.
- All installed solar PV modules include a Potential Induced Degradation (PID) Test Certificate and geo-reference, captured in the Installation Protocol. Locations will be uploaded into a geo-mapping tool for ongoing tracking.
- All warranties for the system's operation would cover a minimum of 3 years.
- Provide a Thermography Test for Solar PV System after 24 months of operation.
- All projects funded must comply with the Exclusion List according to KFW (Exclusion List and Supplementary Requirements | KfW) and IFC (IFC Exclusion List (2007))
- Applicants must be willing to develop and implement a proportionate Environmental and Social Management System (ESMS), tailored to the scale and nature of the project, in line with the IFC Performance Standards, KfW Sustainability Guidelines, and AECF's Environmental and Social (E&S) Policy.
- The NERC Minigrid Regulation 2023, and Rural Electrification Agency (REA) Harmonised Technical Standards (Version 2.0, July 2025) would be the standards following for all works.
- The following Minimum Product Warranty would be required:

  1. ***Solar Panels:*** 10 years (Manufacturers)
  2. ***Battery:*** at least 5 years
  3. ***Charge Controller:*** at least 5 years
  4. ***Inverter:*** at least 5 years
  5. ***Meters:*** at least 10 years

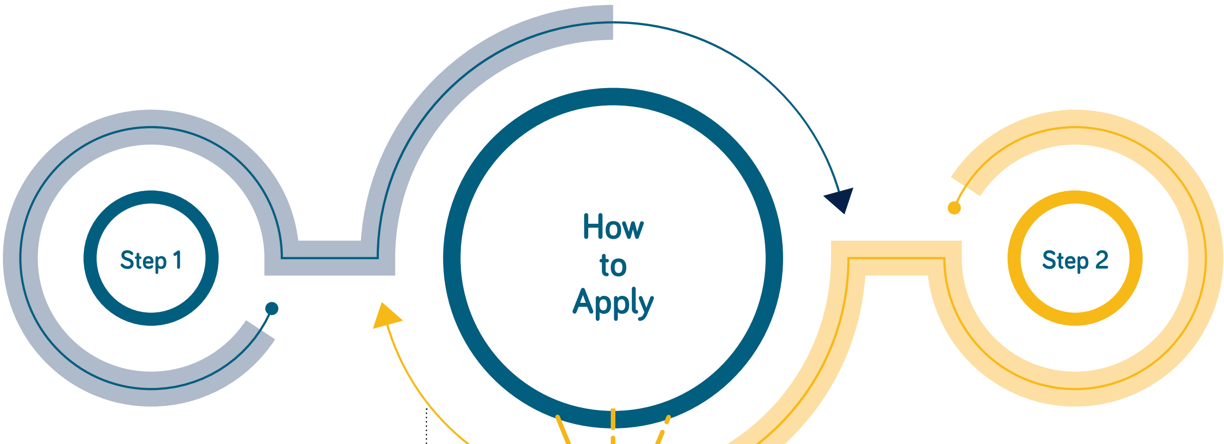
- For clean cooking solutions conformation with the following standard is required:

  1. ***Biomass Cookstoves***- ISO 19867-1:2018 and NIS 100:2018
  2. ***Electric stoves*** – IEC 60335-2-6 (62)

17

How to Apply

A two-step application process consisting of:



A concept note submitted through AECF's template completed online on the AECF website that provides a short summary of the business idea and background to the applicant.

A full proposal and Business Plan including a Three-year forward-looking projection, again using AECF's template completed online on the AECF website. This includes more comprehensive information to enable the assessment of the application in line with the selection criteria in Section 12 above.

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