



COMMERCIAL AND INDUSTRIAL WINDOW **TERMSHEET**

Energy Transition Challenge Fund (ETCF) - Nigeria



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TERM SHEET

Energy Transition Challenge Fund (ETCF) - Nigeria Commercial and Industrial Window

01

The **ETCF** is an initial EUR €20 million Programme that seeks to 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 Development Bank (KfW). ETCF is 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 2026 2027 2028 2029



03

Geography

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

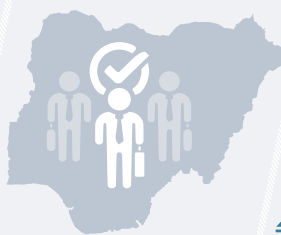


(applicants from all states are welcome to apply, as long as they meet the eligibility criteria indicated below)

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 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.

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



Stand-alone solar powered equipment solutions, 10kWp and above with high potential for off-grid productive uses such as solar water pumps, cold chain solutions (refrigerators, freezers, cold rooms) solar incubators, crushers/grinders/presses/solar mills, solar dryers, agricultural processing machines.

B



Commercial and Industrial (C&I) solar systems ranging from 20 kWp to 1 MWp, designed to meet the energy needs of commercial and industrial users, reduce energy costs and support transition from fossil fuels.

C



Solar-powered micro (system larger than > 1MWp) and mini-grids (system between 20kWp > 1mWp), with integrated distribution networks tailored to serve the energy needs of local businesses and productive users.

06 Funds available

Applicants are expected to submit a short funding application with their concept, justifying their requirements for the project 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., new C&I project, scaling up an existing project or replication/ expanding to a new market.

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



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



Funding is subject to meeting the required level of match funding (*see Section 10 - 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 20% of the total amount awarded.

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

Businesses are obliged to open bank accounts and submit the account along with their claims prior to each disbursement.



Duration of the funding agreement with investees: 12 – 24 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 address at least nine (9) of the following criteria:

- i Lower electricity tariffs compared to grid or diesel generation.
- ii Substitution of 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 Indirect employment through expansion of businesses benefitting from stable power
- 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.

4 New capacity installed from renewable energy sources.

3 Increase in income for end beneficiaries selling to or buying from grantees.

5 Energy efficiency measures leading to a reduction in energy consumption.



08 Type of support available

The support package includes





09

Funding Instruments

CAPEX Results-Based Financing (RBF)

The ETCF will provide results-based payments of up to 40% of the capital expenditure (CAPEX) cost per system deployed. This subsidy is subject to, and will not exceed, the approved maximum grant amount applicable to each system size.

The 40% subsidy applies to systems up to 1MW in size. For systems larger than 1MW, the grant is capped at **USD 250,000 per system**. Investees may apply for funding based on the specific requirements of their proposed projects, within the following limits:



- **Minimum funding per investee:** EUR € 100,000
- **Maximum funding per investee (total portfolio):** EUR € 800,000
- **Maximum funding per individual project:** USD 250,000

To promote equitable distribution and support a broader range of businesses, funding is contingent upon the applicant providing the required level of **matching funds** (see **Section 10 – Matching Contribution**). Companies may present a portfolio of projects, provided that:



- **The total grant received does not exceed EUR € 800,000 per investee, and**
- **No single project exceeds USD 250,000 cap.**

Applicants must provide evidence of the availability of matching funds at the time of application.

CAPEX = Solar PV modules + Inverters+ Lithium-ion battery energy storage (BESS)+ Balance of Systems (BoS) (which includes cables, mounting brackets, breakers and other electrical accessories) + Installation costs.

09

This incentive will be provided in tranches as follows:

Milestone	Type of Result	Result Trigger	Percentage of Grant Amount Payable
Milestone 1	Activity-based result	Proof of delivery of the agreed activities, e.g., customer acquisitions, placement of orders, power purchase agreements (PPA), Service Level Agreement (SLA), Purchase orders, etc.	10% of the total approved grant amount for the Approved Project.
Milestone 2	Output-based result	Procurement of system equipment at the location e.g. delivery notes, supplier invoices, proof of payments, customs clearances, on-site photographic evidence with date/time stamp, inventory list of equipment received etc.	30% of the total approved grant amount for the Approved Project site.
Milestone 3	Output-based result	Installation of system at the location with evidence of installation completion and testing report, site photographs showing installed systems, system configuration and layout documentation, certificate of installation (eg.NEMSA where applicable)	30% of the total approved grant amount for the Approved Project site.
Milestone 4	Outcome based	Submission of proof of functionality of the system meeting technical standards, stable power supply, at least 30 days of stable power supply with the following: Commissioning and testing report; Power output logs or performance monitoring data for at least 30 consecutive days; Technical compliance report confirming adherence to relevant standards; User or beneficiary feedback forms; Evidence of actual system utilization (e.g., usage logs, billing data, operational hours, system monitoring tool)	20% of the total grant amount upon proof of utilization of the system
Milestone 5	Outcome based	Verification of the quality as per the specified standards including Thermography test Report and functionality of the system at least 2 years post installation	10% withhold payment



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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)

Applicants who cannot provide matching funding in cash are still encouraged to apply, providing justification as to why they cannot provide it. Applicants who provide cash matching funds will be prioritized in the selection process. 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, incubator/accelerator, foundation, or the founder) agrees to provide funding to the applicant. Evidence accepted includes a signed MoU or contract, a bank statement, and a letter 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.

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



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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.
- ③ Must not have received a grant for the same project six (6) months prior to the application time.
- ④ Be a registered (or willing to register prior to the start of the investment), private sector enterprise that is aligned with the focus value chains.
- ⑤ Passes AECF's KYC (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.
- ⑥ Be able to show commitment to matching AECF funding based on the ratios stated in matching contributions.
- ⑦ Be compliant with fundamental laws and regulations in-country, including tax compliance laws.
- ⑧ Be compliant with international human rights, labor standards, and environmental management laws.
- ⑨ 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.]
- ⑩ 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
- ⑪ 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.
- ⑫ 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.
- ⑬ 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 be aligned with the priority focus area. 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 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 – headquarter 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 ETCF 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.
- Demonstrate how matching funds are to be made available, indicating details of when the cash / in-kind contribution 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 benefit underserved, low-income rural, urban, or peri-urban populations currently underserved by utility companies, ideally with a focus on benefits to women and girls.
- Women or youth-owned or -managed business is a plus



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Additional Guidelines for Applicants as shown in the termsheet

Additional guidelines for applicants:

- Provide on/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



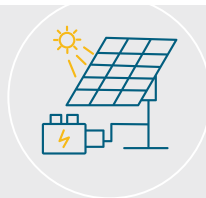
13 Characteristics of Winning Proposals (Cont..)

Project categories that will be considered but not limited to:



Healthcare – Energy Nexus:

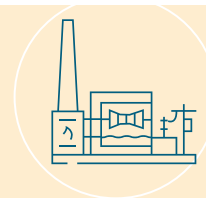
Off-grid energy solutions focused on financially sustainable improvements of healthcare service and delivery like healthcare facilities electrification (HFE), vaccine storage and distribution, etc. Off-grid energy solutions for processes and activities related to Water, Sanitation and Hygiene (WASH)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



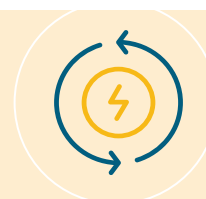
Women-in-Energy:

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.

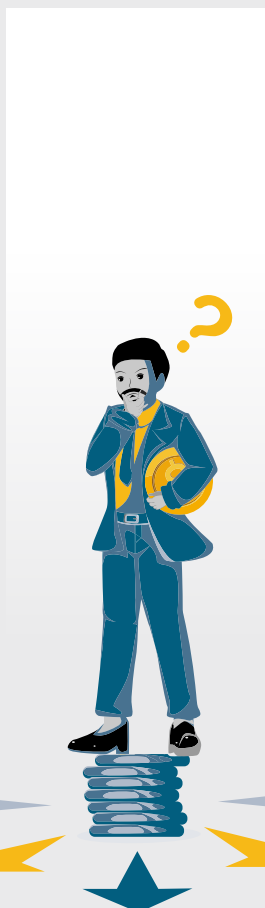
Proposals need not necessarily be for power generation only; they may also include the provision of innovative metering, payment systems, network expansion/strengthening or other enabling technology across the clean energy value chain. If it is an innovation, then a simple and clear explanation must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

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

- 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.
- 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.
- 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

Additionality 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 could 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 h operating environment risks.

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Commitments from successful grantees

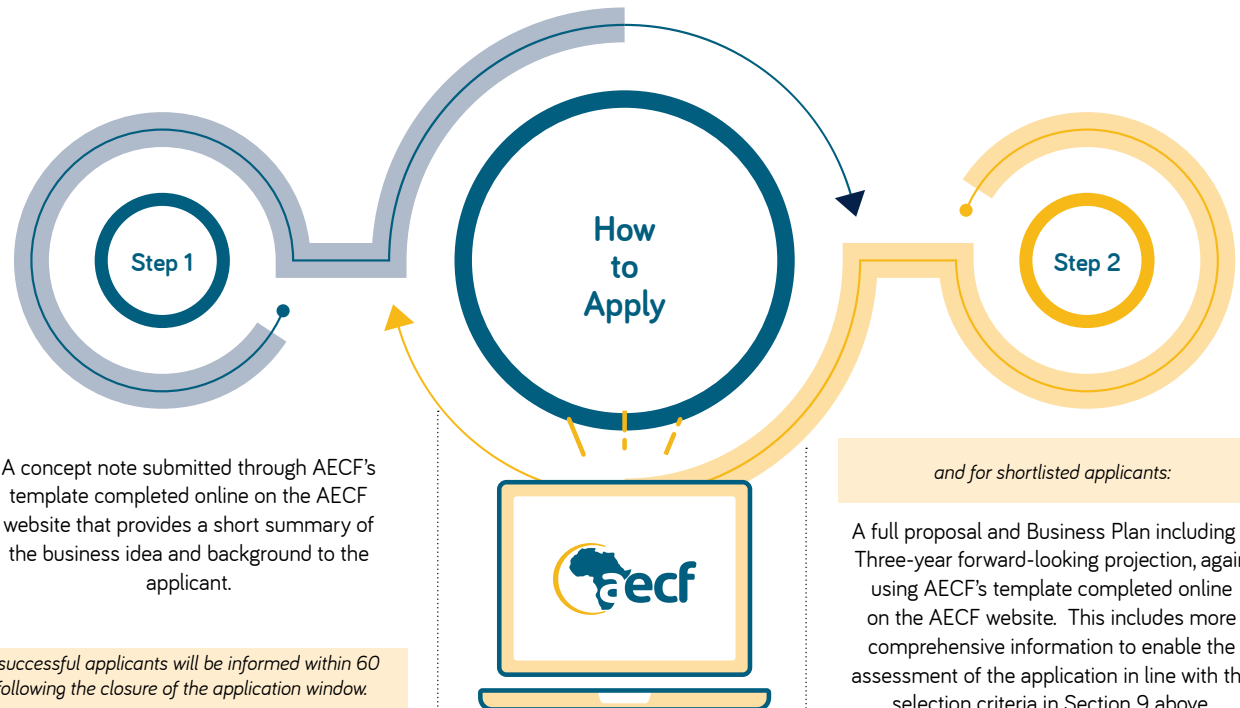
If selected, applicants must be committed to:

- 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, analyse, and share learnings from the project with AECF.
- Report according to agreed schedules and the requirements of AECF.
- Participate in AECF's annual programme reviews.
- Ensure financial data and other management systems are accessible for audit purposes upon request.
- Permit AECF to carry out 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

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How to Apply

A two-step application process consisting of:



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