

Emerging Market Climate Action Fund



Annual Impact Report 2023



Private equity and debt investments are highly illiquid and designed for professional investors pursuing a long-term investment strategy only.

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A message from the EMCAF team

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Dear investor,

Allianz Global Investors (“AllianzGI”) and the European Investment Bank (“EIB”) are delighted to present you the second edition of the Annual Impact Report for the Emerging Market Climate Action Fund (“EMCAF”, or the “Fund”) covering 2023.

As of the end of 2023, EMCAF’s fund size was EUR 355m, thereof EUR 201m from private institutional investors. Following the fourth closing in March 2024, EMCAF had raised EUR 385m, including EUR 218m mobilised from institutional investors into the senior tranche of the Fund. By end of 2024, the Fund is expected to reach a final closing size of EUR c. 450m, making EMCAF one of the largest blended finance equity funds in Europe, supported by a diverse set of public investors and large private investors. Given its size, the EMCAF team is now able to initiate more tailored solutions and act as a market maker in the desired areas.

As of end of 2023, the Fund had five transactions in its portfolio, representing USD 115m in commitments. In 2023, we added Inspired Evolution III (“EVO III”), GEF South Asia Growth Fund III (“GEF”) and Vinci Climate Change (“VICC”) to the portfolio. These join ARCH Cold Chain Solutions Fund (“CCSF”) and Alcazar Energy Partners II (“AEP II”), investments made in 2022. EMCAF’s

portfolio funds will make investments across a broad range of sectors, including renewable energy, power grid infrastructure, water and wastewater treatment, e-mobility and energy efficiency, contributing to both climate mitigation and adaptation.

Although our investee funds are in the early stages of their portfolio development, we are pleased to report on the first set of available impact KPIs, including greenhouse gas (GHG) emissions reduced and people positively benefited. Like last year, we also pay particular attention to one of EMCAF’s investments in the report. This year, we spotlight EVO III and their investment into Red Rocket, an Independent Power Producer (IPP), operating over 2.5 GW of utility-scale wind, solar, and hydro projects across Sub-Saharan Africa. Achieving Africa’s energy and climate-related goals by 2030 will require annual investments of over USD 200bn through the end of this decade.¹ This investment contributes to the achievement of these goals.

We look forward to continuing to share our progress with you as the Fund’s portfolio continues to grow and with it the positive environmental and social impact of the Fund.

As always, thank you for your support and engagement,

The Impact Investing team



EMCAF overview

The Emerging Market Climate Action Fund ("EMCAF", or the "Fund") is an innovative blended finance fund of funds created by Allianz Global Investors ("AllianzGI") in partnership with the European Investment Bank ("EIB").

The Fund provides highly catalytic early-stage equity financing to greenfield climate mitigation, adaptation and environmental sustainability projects in emerging and developing markets by backing fund managers and project developers active in this area, creating a pipeline of bankable projects in these markets.

The Fund will create a long-lasting tangible impact by building up real assets on the ground as well as fueling private market ecosystems that will sustain a low-carbon economy over the long term, allowing the target countries to become more energy independent and resilient.



Amount committed:
USD 115,000,000
5 fund investments representing 6 indirect portfolio companies operating in Africa and the European Neighbourhood.²

Investee	Commitment	Impact themes
ARCH Cold Chain Solutions Fund	USD 15,000,000	
Alcazar Energy Partners II	USD 25,000,000	
Inspired Evolution III	USD 20,000,000	
GEF South Asia Growth Fund III	USD 30,000,000	
Vinci Climate Change	USD 25,000,000	
Helios CLEAR Fund	USD 25,000,000	
AIIF4 Climate Infrastructure Fund	USD 30,000,000	

2024 investments

KEY Climate change Planetary boundaries Inclusive capitalism

Source: Allianz Global Investors as at December 2024. Emerging Market Climate Action Fund is disclosing under Article 9 under SFDR: EU Sustainable Finance Disclosure Regulation. Information accurate at time of publishing. Investors should take into account all the characteristics and/or objectives of the fund as described in its legal Fund documentation.

EMCAF portfolio company impact

Capital mobilisation

EUR 201m

Private capital raised into EMCAF (December 2023)



EUR 627m

Raised by EMCAF's investee funds



EUR 450m

Raised by investee funds at project level (debt and equity)



Social and environmental

797,890

Metric tonnes of greenhouse gas emissions reduced



771

Increased production of renewable energy (GWh)



243,872

People and households positively benefited



Other KPIs

842

number of jobs created³



EUR 2m

Taxes and fees paid to the government by the investee companies



In alignment with:



Blended finance at AllianzGI

Blended finance at AllianzGI

AllianzGI was one of the first global asset managers to facilitate blended finance and currently manages over EUR 3.5 billion in investor commitments across 6 blended finance vehicles.



2017

AllianzGI began mobilising private capital to emerging and developing markets



EUR 3.5bn

Investor commitments across blended finance strategies

EMCAF: an innovative partnership between AllianzGI and EIB

EMCAF is a risk-tiered blended finance fund of funds structured with a junior tranche funded by public investors (1/3 of the capital structure) and a senior tranche funded by private institutional investors (2/3 of the capital structure).

Structured as a partnership between AllianzGI and EIB, EMCAF benefits from the combined expertise of the two institutions in emerging market climate investments, global asset management and Environmental & Social ("E&S") standards.

Allianz 
Global Investors



EMCAF: supported by leading institutions

Following its fourth closing in March 2024, EMCAF's size was EUR 385m. The Fund is anchored by four public investors including KfW, UK's Foreign, Commonwealth and Development Office (FCDO), Nordic Development Fund, and the Luxembourg Ministry of the Environment Climate and Sustainable Development in the junior tranche with EUR 128m. Allianz and Folksam, two of the largest insurance companies in Europe, and the European Investment Bank have committed EUR 400m to the senior tranche.



Source: Allianz Global Investors as at December 2024

EMCAF investment strategy

EMCAF brings together **public and private capital** in pursuit of a common goal – to **channel investment** into **emerging and developing economies** to accelerate the **climate transition**, facilitate their **energy independence** and meaningfully narrow the infrastructure investment gap **at scale**.

THEORY OF CHANGE

Climate change

- Our activities to date have caused an estimated 1°C of global warming⁴ and, at the current rate of emissions, it is estimated that the world will warm by about 3.5°C to 4°C on average by the end of the 21st century.⁵
- Emerging and developing economies are the most exposed to the effects of climate change. Development constraints mean populations are highly vulnerable to climate hazards.⁶

Development challenge

- Emerging and developing economies face an almost impossible challenge. They require a large and stable supply of energy to support their economic growth, while reducing their reliance on fossil fuels and ensuring their economies are climate resilient.⁶
- USD 1 trillion per year in external finance is needed by 2030 to support emerging markets and developing countries but private capital is limited by risk considerations and a lack of investment opportunities.⁷

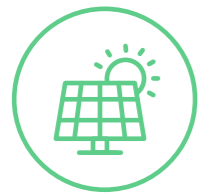
The solution

- By investing in climate mitigation and adaptation projects for a low-carbon economy, EMCAF can support emerging and developing markets develop climate resilient and productive economies based on a clean energy mix, efficient business activities and nature-based solutions.⁸
- EMCAF is expected to mobilise up to EUR 10 billion to bridge the climate finance gap in emerging and developing markets.



EMCAF investment themes

EMCAF backs fund managers and developers who develop commercially viable climate mitigation, climate adaptation and resilience, as well as environmental sustainability projects across three broad themes.



RENEWABLE ENERGY

Lower-cost clean energy technologies, led by solar and wind, can help support a new low-emissions development model for the developing world.⁹

The Fund's **primary focus** is on **renewable energy generation infrastructure projects** in the development/greenfield stage. Most underlying projects will **secure long-term contractual revenues** and bankability through power purchase agreements, feed-in tariffs or similar agreements.



ENERGY EFFICIENCY

Energy efficiency is one of the most cost-effective measures to mitigate GHG emissions while reducing stress on power grids and keeping enterprises competitive.¹⁰

Underlying fund investments will also focus on **equity and quasi-equity investments in energy efficiency projects**. Energy efficiency projects act as a good complement to equity participations in renewable energy projects: they typically provide for **early and stable cash re-flows** thanks to shorter development and construction cycle and **lower exit risk** due to their self-liquidating nature.



OPPORTUNISTIC

Climate solutions are needed across a variety of sectors in developing and emerging economies. This includes sustainable transport options¹¹ better logistics to reduce food waste as well as nature-based solutions such as agroforestry and ecosystem restoration.¹²

Opportunistic investments will be made in other climate mitigation and adaptation solutions including **sustainable transport**, forestry and **sustainable land use** as well as climate adaptation and environmental solutions such as **land rehabilitation** and **ecosystem services**.

Portfolio spotlight: Red Rocket

Company description

Red Rocket, a portfolio company of Evolution III, is an integrated renewable energy Independent Power Producer (IPP), operating over 2.5 GW of utility-scale wind, solar, and hydro projects across Sub-Saharan Africa. The company is focused on forging strong relationships with governments, the private sector, local communities, civil society and global financial institutions to successfully develop renewable energy infrastructure in Africa.

Intended outcomes


Recapitalise and scale up Red Rocket to become one of Africa's leading IPPs, accelerating the deployment of utility-scale clean energy infrastructure across Africa.

Capital raised

USD 261m from Inspired Evolution-led Consortium

Activity highlights for 2023

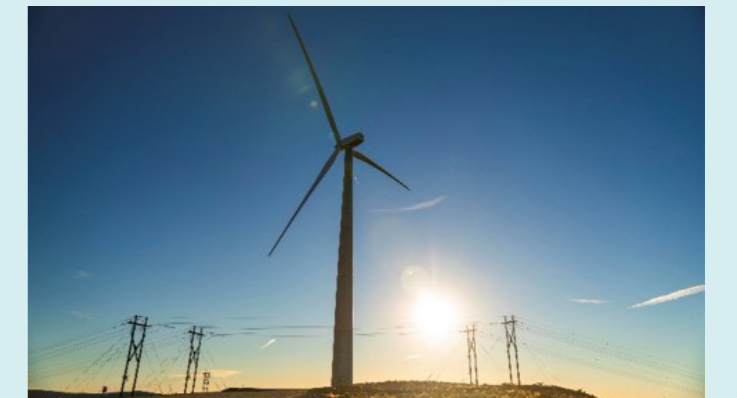
 **797,890**
Metric tonnes of GHG emissions avoided

 **771**
GWh of clean energy produced

SDG alignment



RED ROCKET



Portfolio spotlight: Inspired Evolution



Christopher Clarke
Managing Partner,
Inspired Evolution



Marike Fourie
Head of ESG & Impact,
Inspired Evolution

INSPIRED 
EVOLUTION
INVESTMENT MANAGEMENT

What is Inspired Evolution's approach to generating impact in Africa?

Inspired Evolution was founded in 2007 by managing partners, Christopher Clarke and Wayne Keast, who set out to prove that climate finance and responsible investment can unlock commercially viable returns alongside positive environmental and social impacts. Impact objectives were embedded in the original investment thesis, dedicating Evolution funds exclusively to climate action and mitigation. Over the past 17 years, Inspired Evolution has contributed to developing more than 10 GW of renewable energy generation projects. Our latest fund Evolution III will focus on three key climate-driven investment themes: clean energy and sustainable energy infrastructure, energy access, and energy and resource efficiency with the aim of top-quartile investment performance alongside sustainable environmental and social returns.

Can you tell us more about the first investments made by the fund and the impact being generated?

Our first investment from Evolution III was into Red Rocket, a fully integrated Independent Power Producer (IPP) headquartered in Cape Town, who build, own, and operate renewable energy infrastructure projects across Sub-Saharan Africa. To date, Red Rocket has invested more

than USD 1bn in renewable energy projects across Africa with their focus on onshore wind, solar PV, and small-scale hydroelectric power. They have a portfolio of 3.7 GW of renewable energy in operation, under construction, or at advanced stage. In 2024, following on from Red Rocket, we made our second investment into Equator Energy, a leading vertically integrated commercial and industrial (C&I) developer in East Africa. The company has a strong development pipeline and has set itself an ambitious target to develop, construct, and operate 300 MW of solar projects over the next five years. Affordable clean energy solutions for C&I customers are one of the fast-growing renewable energy sectors.

As well as generating positive impact with the fund, how do you guard against environmental and social risks?

We created and implemented an Environmental & Social Management System (ESMS) to guide investment decisions, which was initially based on IFC performance standards and investor requirements. Over time, this was developed into a more sophisticated ESG risk management system with various underlying E&S policies and procedures that are implemented during all phases of the investment cycle. Parallel to risk management workstreams, impact screening and assessment has now evolved into an independent value driver. This move

was partially driven by the increasingly complex impact reporting requirements from investors, and the need to improve transparency and disclosures. The investment team now ensures that impact targets and metrics are effectively integrated into the entire investment cycle. Thus, impact opportunities are identified, assessed, tracked, and reported during each phase of the investment process to align with our core sustainable development goals. Our impact journey continues to transform the energy landscape across Africa.

How do you view climate adaptation financing? Does Inspired Evolution consider this in its investments?

We view climate adaptation financing as a vital component of achieving sustainable, climate-resilient growth across Africa. While our core investment strategy leans toward climate mitigation and energy transition, our investment strategy acknowledges that many projects inherently contribute to climate adaptation. For instance, our emphasis on decentralisation and digitisation enhances energy resilience, which is crucial for communities vulnerable to climate impacts. Through the Evolution III Fund, we focus on sectors that align with Africa's long-term climate-resilient pathways, such as

renewable energy, energy access solutions, and energy efficiency improvements. These investments support adaptation by enhancing local infrastructure, expanding reliable energy access and integrating innovative technologies to bolster resilience across industries and communities.

What do you see as some of the key challenges in terms of generating impact in Africa?

Constraints faced by African impact investors are often outside of our control. Some of these challenges include geopolitical instability, macroeconomic uncertainties, regulatory complexities, lack of competency and lack of transparency. This may cause low deal flow and slow investor appetite. There are also country-specific challenges to consider such as poor infrastructure, unreliable energy availability, challenging transportation systems and complex value chains. To address these challenges, Inspired Evolution regularly reviews and adjusts our investment strategies to ensure we have effective risk-mitigation measures in place. We develop innovative business models, bespoke risk screening tools, hedging instruments, and implement rigorous policies to craft feasible transactions that protect shareholder interest and deliver balanced and impactful returns.



Looking ahead 2024

Looking ahead

2024 Investment activity highlights

- The EMCAF team executed a USD 25m participation in Helios CLEAR Fund (“Helios”), a pan-African strategy focused on making investments in a broad range of sectors, including climate-smart agriculture, sustainable transport and logistics, green energy solutions, resource efficiency, and climate-focused insurance/credit.
- The team also completed a USD 30m investment into a fund vehicle set up for EMCAF to invest alongside African Infrastructure Investment Fund 4 (“AIIF 4”) in climate- and environmentally-focused infrastructure, such as renewable energy, power grid infrastructure, e-mobility and data centers across Africa.
- We are expecting to sign an additional two investments by the end of 2024, including a USD 20m participation in a strategy focused on financing the expansion of renewable energy in Latin America and the Caribbean and a USD 15m participation in a strategy focused on early stage investments in renewable energy developers, sustainable mobility and other climate solutions in Southeast Asia.

Expected impact

- Helios is expected to contribute to a number of SDGs as a result of its investments, including SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure) and SDG 13 (Climate Action).
- The AIIF 4 Climate Infrastructure Fund, through its strategy, will deliver impact on a number of SDGs, notably, SDG 5 (Gender Equality), SDG 7 (Affordable and Clean Energy), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action).
- The two additional investments in 2024 are expected to map against a range of SDGs including SDG 7 (Affordable and Clean Energy), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action).

Spotlight:

GEF III South Asia Growth Fund

The GEF III South Asia Growth Fund (“GEF”) will focus on investing in growth-stage mid-market companies in India providing climate solutions through the sale of products and services in support of climate mitigation, climate adaptation, and circular economy thematic objectives.

In 2024, the fund made its first investment – USD 55m – in TI Clean Mobility, an electric vehicle platform active across all commercial vehicle categories, including three-wheelers, trucks, small commercial vehicles and tractors.

In India, 15% of the country’s total emissions are generated from the transport sector with conventional internal combustion engines (ICE) vehicles being the primary source for these emissions. GEF’s investment will support the rapid electrification of transport in India, reducing GHG emissions by up to 65% versus corresponding ICE vehicles, while improving air quality and supporting quality jobs in the sustainable transport sector.



Photos of TI Clean Mobility’s three-wheeler and e-tractor vehicles in production at the company’s factory.

Footnotes:

1. [IEA \(2024\). World Energy Investment 2024: Africa.](#)
2. Refers to the EU's neighbouring regions, both in the South and in the East.
3. Figure includes both permanent and temporary jobs created, measured in FTEs and person-years respectively.
4. [IPCC \(2018\). Special Report: Global Warming of 1.5°C: Summary for Policymakers.](#)
5. [WWF \(2018\). Wildlife in a Warming World: The effects of climate change on biodiversity in WWF's Priority Places.](#)
6. [IPCC \(2022\). Climate Change 2022: Impacts, Adaptation and Vulnerability.](#)
7. [Songwe, Stern and Bhattacharya \(2022\). Finance for climate action: scaling up investment for climate and development. London School of Economics.](#)
8. [IPCC \(2022\). Climate Change 2022: Mitigation of Climate Change.](#)
9. [IEA \(2021\). Financing Clean Energy Transitions in Emerging and Developing Economies. International Energy Agency.](#)
10. [IEA \(2023\). Financing Clean Energy in Africa. International Energy Agency.](#)
11. Chiang and Grütter (2023). Accelerating Low-Carbon Pathways through E-Mobility: Perspectives from Developing Economies. ADB Sustainable Development Working Paper Series, 84.
12. [PwC \(2023\). Accelerating Finance for Nature: Barriers and recommendations for scaling private sector investment. PwC Centre for Nature Positive Business.](#)

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