



„I HOPE THAT OUR ACTIVITIES ARE A BEACON FOR THE GREATER FINANCIAL SECTOR”

Launched in 2018, the Luxembourg-based ICFA, International Climate Finance Accelerator, acts as a public legal partnership of 10 private entities in the Luxembourg financial sector. It guides and supports aspiring fund managers to focus on key areas of climate action. Once selected, those entities receive financial as well as personal and training support in a two-year program. FONDSTRENDS.LU spoke with Managing Director Stephan Peters about the mission behind the ICFA, why Luxembourg is a suitable location, and what criteria really count when it comes to being selected.

FONDSTRENDS.LU: Mr. Peters, what exactly is the International Climate Finance Accelerator (ICFA) about and for whom was it initiated?

Stephan Peters: Great to be here with you and thank you for the opportunity! The ICFA is a unique non-profit initiative, created in 2018, with the aim to support and scale innovative and high-impact climate solutions. We support first- and second-time fund managers with a focus on climate action. These emerging fund managers struggle to overcome the administrative, operational, and financial barriers in order to launch their fund.

FONDSTRENDS.LU: Why do you think it is important to increase engagement in sustainable investing?

Stephan Peters: Across the globe we are seeing changing weather patterns with more prolonged droughts, increased rain causing flooding, and a weakening of the polar ice caps. More and more people are recognizing the potential danger that these effects pose not only to our own lives but to the economy and society as a whole. Investors are similarly starting to understand that their investment decisions can no longer be solely based on the ability to generate financial returns and should take into account the indirect financial impacts climate change is starting to cause. We feel it is essential to engage with everyone in the financial sector – and beyond – to raise awareness, collaborate and invest together. No single party can tackle these global challenges alone.



Stephan Peters (Quelle Studio Kia Photography)

FONDSTRENDS.LU: Why is Luxembourg an ideal location for climate investment funds and what other advantages does Luxembourg have to offer fund managers?

Stephan Peters: Luxembourg is a pioneer when it comes to sustainable finance and is at the forefront of developing initiatives and financial instruments that support sustainable finance.

Launched in 2016, the Luxembourg Green Exchange (LGX) provides a meeting place for issuers, asset managers and investors wishing to enter the Sustainable Finance field with an environment for green bonds and funds with ESG, green, sustainable and social characteristics. The LGX is the world's first and leading platform dedicated to sustainable finance.

Furthermore, there is also the Luxembourg-EIB Climate Finance Platform (LCFP), a joint initiative between Luxembourg and the European Investment Bank to mobilise and support private investment in international climate finance, focusing on climate change mitigation and adaptation. One of our fund managers, the Lightsmith Group, has secured funding from the LCFP.

Luxembourg is also home to LuxFLAG, the first independent labelling agency for sustainable investment funds and financial instruments. It offers labels on microfinance, environment, climate finance and broad ESG funds as well as Green Bonds. Since its establishment in 2006, LuxFLAG has gained invaluable expertise in assessing and measuring the environmental and social impacts of investments across the globe.

On a more general basis, Luxembourg has a stable political and social environment with a competent and strong fund services industry. Luxembourg has a high concentration of investment fund experts, covering all topics from fund set up, to structuring to administration and day-to-day operations. Luxembourg has favourable regulations and tax rules, which are internationally approved, and the country is in the centre of Europe, making travelling for business convenient.

FONDSTRENDS.LU: What are the criteria for fund managers to be selected for support? Who should consider applying for the ICFA?

Stephan Peters: Our target group are the fund managers looking to raise their first or second fund. Their fund must have a 75% target portfolio in climate change mitigation, climate change adaptation or REDD+ and the fund must comply 100% to our exclusion policy. While we require the fund to have a sound impact management and measurement methodology and reporting, we assist them – through our training workshops – in developing these further before and during our programme. The team must have a developed pipeline and a proven experience in transaction closing. Anyone interested can go to our website (www.icfa.lu) to see our full eligibility criteria, the selection process, and the selection criteria.

FONDSTRENDS.LU: Suppose I qualified as a fund manager – What does the further process look like? What are the next steps?

Stephan Peters: Once you qualify as an applicant, we will organize training workshops provided by our private partners on a wide range of topics like Fund Management, Portfolio and Risk Management, Fund Structuring, Legal Structuring, Certification, Distribution, Due Diligence, Pitching, Regulation, and more. Once you've completed the trainings, we provide you with an application form that will help you understand the various elements you would need to address in your first application.

After you submit your first application, we will review each file and shortlist the top 10 applicants. We provide feedback to all applicants to help them understand the strengths and weaknesses in their proposals. The shortlisted applicants will then receive a second round of training workshops from our private partners, as well as a lessons learned session from a fund manager from a previous ICFA cohort. We give you some

time to rework your application and then request you to submit your final application. Once submitted, our independent selection committee goes through a rigorous analysis of all the fund manager applications.

Once all of the applications have been analysed, the selection committee recommends four fund managers to be selected for the next cohort. We provide a third round of training workshops with our newly selected fund managers, going more in depth on their specific situations.

After being selected, the ICFA will support you for two years in a variety of ways. We provide financial support to help set up your fund structure, risk management, impact strategy, and we provide access to a working capital loan backed by a state guarantee to use for fundraising, marketing, team development, pipeline building etc. We also connect you with an expert coach who will dedicate time for you and your team for specific advice and feed-back on your fund project. Beyond that, we provide visibility by being featured and presented in dedicated climate finance media and events, boosting your credibility as you were selected by a team of recognized public and private experts in the Luxembourg Climate Finance eco-system, leveraging our networks for fundraising support, and, not to be discounted, accessing the ICFA community of like-minded climate finance managers who are willing to support you and share learnings and insights.

FONDSTRENDS.LU: If you could see 5 years into the future, where would you like to see ICFA?

Stephan Peters: I hope that our activities are a beacon for the greater financial sector to pay attention to and invest in emerging climate fund managers as they are working on solving the most difficult and challenging questions around climate action.

To help them, my team and I are working hard to strengthen existing relationships and build partnerships with development finance institutions, fund-of-funds, family offices, private banks, foundations, and others. We hope to have a strong network of like-minded institutions that will join us over the next five years.

Finally, we would love to see more acceleration initiatives, just like ours, be created to tackle all the UN Sustainable Development Goals, including but not only the climate related SDGs.

FONDSTRENDS.LU: Mr. Peters, we thank you for the exciting interview and wish you all the best.

Author:

Stephan is the Managing Director of the International Climate Finance Accelerator Luxembourg (ICFA) where he assists emerging impact fund managers with focus on climate action to formulate their investment and impact strategies, structure their vehicles, guide operational implementation, and secure financing. Previously, Stephan ran his own sustainable advisory and investment boutique SANZARU, while also part of the TIIME.org team, advocating and educating decision makers to boost awareness of impact investing, sustainability and diversity. Prior, Stephan accumulated experience in private equity, corporate finance and strategy consulting across Europe, Africa, the Middle East and Asia with blue-chip names like Oliver Wyman, Credit Suisse, and Delta Partners.

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