



SUSTANA COOLING INDIA FUND

SECTORS: ENERGY, ENERGY EFFICIENCY, SUSTAINABLE CITIES, BUILDINGS, INDUSTRY & MANUFACTURING

REGION: SOUTH ASIA

INVESTMENT TYPE: COMMERCIAL CAPITAL, CONCESSIONAL CAPITAL, GRANTS

SDGs:



PROPONENT: CLIMAKE, SUSTANA IMPACT ADVISORS

As the world warms, heat waves are becoming more frequent, severe, and prolonged. In India, heat significantly impacts economic output, productivity, health, and food security while the use of cooling technologies is not widespread. However, the demand for cooling is projected to increase by eight times by 2038, coinciding with growing incomes, rising populations and urbanization trends. This would increase

The Sustana Cooling India Fund will invest USD 100m in early-stage cooling solutions in India. The country's first blended capital equity fund focused exclusively on cooling de-risks and scales innovative cooling technologies, addressing climate change and UN Sustainable Development Goals.

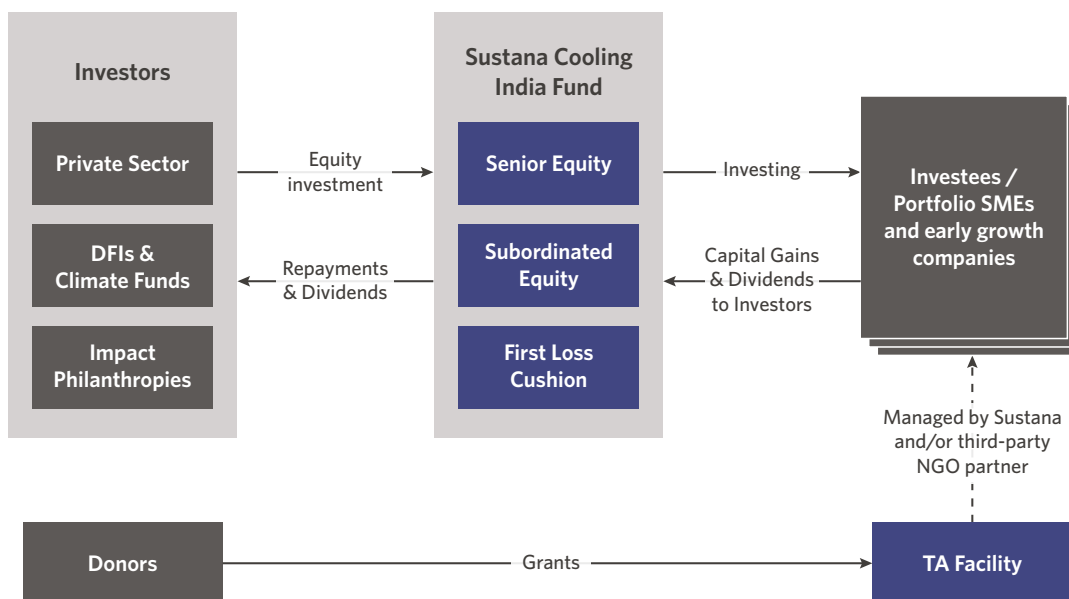
energy consumption and emissions, posing a challenge for India's 2070 Net Zero target. This represents an unprecedented opportunity to scale sustainable cooling in India, as current cooling solutions are inefficient or too expensive for households and businesses.

INNOVATION

Sustana's Cooling India Fund tackles the significant barriers that hinder the scaling of energy-efficient cooling technologies in India by focusing on three key areas. First, it addresses the capital-intensive nature of cooling technology investments by providing the necessary patient equity capital and thereby bridges a gap in venture capital offerings. Second, it fosters innovation in business models by supporting early-stage growth for small and medium-sized enterprises (SMEs) and startups. Finally, the fund builds a collaborative ecosystem, bringing together stakeholders across the value chain to enhance the sustainability and effectiveness of cooling solutions.

IMPACT

The Sustana Cooling India Fund aims to raise USD 100 million to address India's growing cooling needs while delivering significant returns to investors. Targeting sectors with high potential, the fund blends concessional equity to enhance returns for private investors, crowding-in more private capital. With a robust pipeline of potential investees, the fund plans a first close at USD 50 million within the first year and a final close by the second year. Over a decade, Sustana's investments are expected to abate approximately 7.5 million tons of CO2 equivalent over 10 years, demonstrating substantial environmental and financial impact. Sustana's dual mitigation and adaptation focus will also support the development of resilient cooling solutions and ensure that businesses and communities can better cope with the changing climate and address extreme heat.



DESIGN

The Sustana Cooling Impact Fund is designed as a triple-tranche equity instrument, offering senior, subordinated, and “first loss” equity to attract a diverse investor base. The senior equity tranche, capitalized by private sector investors, offers higher returns. In contrast, the subordinated equity tranche, funded by development finance institutions (DFIs) and climate funds, offers market-linked returns which are in line with returns expectations of DFIs. A key feature is the provision of a first-loss equity provision, capitalized by philanthropies, which provides a cushion for the greater loss expectation which is more common for startups in this sector. This first-loss cushion will help crowd in more private sector investments into the fund.

The fund primarily benefits early-growth stage startups and SMEs in the cooling sector, which requires patient capital which is suited to the operational needs of the sector. The fund supports their development and market penetration by providing these companies with essential equity investments. In addition to financing, the fund offers technical advisory (TA) services through a third-party NGO partner, covering areas like business process improvement and staff training. This approach ensures the invested capital is used efficiently, driving economic growth and positive environmental impact.

INVESTMENT OPPORTUNITIES

TYPE	ROLE OF CAPITAL	AMOUNT
SENIOR EQUITY	Private sector investors	USD 25-30M
SUBORDINATED EQUITY	DFI/MDB investors requiring a market-linked return	USD 55-60M
FIRST LOSS CUSHION	Provide loss absorption and help crowd in private capital to scale impact	USD 10-20M Concessional Equity
DONORS	To fund Technical Assistance to investees managed separately from the fund	USD 5M Grant Funding

TEAM



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The Lab identifies, develops, and launches sustainable finance instruments that can drive billions to a low-carbon economy. The 2024 Lab cycle targets three thematic areas (adaptation, high-integrity forests, and sustainable agriculture and food systems) and five geographic regions (Brazil, India, East and Southern Africa, Latin America and the Caribbean, and the Philippines). Bloomberg Philanthropies, the United Nations Development Programme, and the governments of Canada, Germany, the United Kingdom, and the United States have funded the Lab’s 2024 programs. Climate Policy Initiative (CPI) serves as the Secretariat and analytical provider.