

Press release by Scalar and Mergence Investment Managers

Date: 15 April 2025

Scalar International and Mergence Investment Managers announce the launch of a \$150 million private equity fund to finance clean energy and digital infrastructure in sub-Saharan Africa

Key takeouts:

- ***Scalar International is one of only five fund managers chosen out of 66 as part of the 2024 cohort of the International Climate Finance Accelerator, a programme powered by Accelerating Impact.***
- ***The Africa Decarbonisation Fund I, managed by Scalar and Mergence Investment Managers in partnership, will invest in energy-efficient / decarbonisation projects in the private commercial and industrial (C&I) sector within SADC, with a focus on women- and youth-led SMEs.***
- ***The target is to reduce 1 GT of carbon emissions by 2030; achieve energy efficiency in 30,000 buildings by crowding in investment of at least \$100 million; and create 15,000 full-time jobs.***

Cape Town, South Africa:- Scalar International, a black-owned international venture capital and private equity firm, has been selected by Luxembourg's International Climate Finance Accelerator (www.icfa.lu/) to form part of its 2024 cohort. The ICFA aims to accelerate emerging fund managers to advance sustainability-based finance solutions for carbon reduction, mobilising international institutional capital to build a stronger and more integrated climate finance system. Out of an initial expression of interest by 66 firms, 48 were selected for consideration with a final five selected. Scalar has partnered with Mergence Investment Managers to launch a fund-in-concept, called the Africa Decarbonisation Fund I. Mergence is a leading black-owned institutional fund manager with a strong impact investing track record in SADC. The fund has a target size of \$100-150 million and is also one of only 10 so-called "Article 9" funds worldwide, launched recently by the EU's Sustainable Finance Disclosure Regulation ([SFDR](#)) to facilitate attraction of Limited Partners to private equity funds.

Via the fund, the Scalar and Mergence impact partnership will invest in energy-efficient / decarbonisation projects in the private commercial and industrial (C&I) sector by supporting the emergence of first-tier, indigenous, women- and youth-led companies that are developing new technologies in clean energy solutions and digital infrastructure. At least 25% of the fund's investment will be into underserved communities

The fund's first stage of investments aims to target C&I decarbonisation and energy efficiency in Southern Africa. The pipeline of projects is primarily in the data centre and manufacturing sectors, which have seen a 40% decrease in grid energy reliability due to their reliance on the regional energy pool. Most SADC member states consume their energy from the [Southern African Power Pool](#), which is primarily 40% hydro energy and 50% coal-powered energy.

The fund is at advanced negotiations with European Development Finance Institutions in support of the [EU-Africa Global Gateway Investment Package](#). The fund seeks to work with

local pension funds in support of South Africa's national determination contributions, together forming a Global Just Transition Partnership using the Scalar platform.

Some target investment areas include:

- On-site power generation
- Critical infrastructure utilities
- Smart grid technology
- Manufacturing energy efficiency
- Digital infrastructure energy
- Industrial energy storage, EV, battery storage
- Enterprise on-site electric vehicle infrastructure
- Commercial energy efficiency (equipment retrofit)
- Blockchain/AI infrastructure that supports digital transformation
- Aggregated virtual solar power purchase agreements (PPAs)

Investments will also be guided by four of the United Nations Sustainable Development Goals (SDGs) – 7 (affordable and clean energy); 8 (decent work and economic growth); 10 (reduced inequalities); and 13 (climate change).

Investee businesses will be put through their own incubator and accelerator programme by the Scalar-Mergence fund, providing training and technical as well as financial assistance. The fund's targets include working together with all communities to reduce 1 GT of carbon emissions by 2030 (equivalent to 100,000 MW of energy); achieving energy efficiency in 30,000 buildings by crowding in investment of \$100 - \$150 million; and job creation of 15,000 full-time positions.

Commenting on the market opportunity, Hubert Gutsa, Managing Director of Scalar International, says: "Africa holds 60% of the best solar resources globally, yet has only 1% of installed solar photovoltaic capacity. Furthermore, women make up 48% of the global workforce yet account for less than 20% of labour in the renewable energy sector.

According to the International Energy Agency, 43% of the African continent's population lack access to electricity. Many African governments are struggling with power infrastructure, with South Africa's power utility being no exception.

Massive investment is required, and we are delighted, in our partnership with Mergence, to have been accepted into the ICFA's current cohort, whose platform will help us as General Partner to network, fundraise, and attract Limited Partners. We believe we can make a real difference - by 2030, the electricity demand in Africa's C&I sector is expected to grow by more than 270% compared to current levels", said Mr Gutsa.

Semoli Mokhanoi, Chief Commercial Officer at Mergence Investment Managers, says: "We make a powerful partnership with Scalar. The teams have more than five years of collaboration and 20 years of experience in advising, modelling and structuring infrastructure transactions. At Mergence we have deep experience in private markets investing in challenging geographies, including in renewable energy, water, housing, transport, digital connectivity, property and health.

Transformation has a dual meaning in the context of our investments: transforming the ownership patterns of the clean energy and digital technology sectors in tandem with

transforming the nature and extent of infrastructure access for inclusive economic growth and development,” said Mr Mokhanoi.

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Prepared by: Lucy Reyburn PR on lucy@lucyreburn.com or +27 82 922 7483.

Contact:

Hubert Gutsa, Managing Director of Scalar International on +27 72 077 7633 and email:

Hubert Gutsa

Semoli Mokhanoi, Chief Commercial Officer at Mergence Investment Managers, on +27826723474 or semoli@mergence.co.za

Or

Ronel Bantjes, Head: Marketing & PR at Mergence Investment Managers, on +27 82 563 8610 or ronel@mergence.co.za

NOTES TO EDITORS

More about Scalar International

Scalar International are asset managers and advisors that invest in and own energy and water efficiency infrastructure assets. Our team provides turn-key investment solutions for carbon reduction, energy savings, and energy efficiency. We empower corporations and businesses to analyse and use utilities efficiently. We provide our clients with the finance, technology, and insights to make decisions that are sustainable for their businesses and the environment.

Our mission is to empower communities to take control of their energy resources and understand their consumption, and facilitate the infrastructure for organisations to be environmentally sustainable.

To achieve this, we have developed an energy management programme aimed at improving access to all communities in equitable transition. We partner with local governments and small businesses to create opportunities for general contractors and certified electricians in all our programmes.

More about Mergence Investment Managers

Mergence Investment Managers is an independent asset management firm founded in Cape Town, South Africa with a strong 20-year track record and capabilities across both public and private markets, spanning specialist equity and fixed income, multi-asset, infrastructure, debt and private equity funds.

Mergence was a pioneer in impact and infrastructure investing, with a rich history showcasing the advantages of uncorrelated alternative investments. We have a suite of alternative/impact investment funds, since 2015, including both debt and equity funds, and we were the first to bring to market a renewable energy debt fund (invested across 16 projects, both wind and solar, in remote areas of Southern Africa in the REIPPPP). We are the only asset managers in a PPP in the water sector.

We were one of the first signatories in South Africa to the United Nations-supported Principles for Responsible Investment (PRI).

An ESG ethos is embedded in our investment process and has been further refined in our private markets capability to require investee/portfolio companies to report their impact in detail (for example, we commissioned EY to do a first-of-its-kind Return on Social Impact report for the innovative affordable rental housing brand, Live Easy).

More about Accelerating Impact

Accelerating Impact is an independent non-profit initiative, set up in 2018 in the form of a public-private partnership by the Luxembourg State and a dozen private partners with deep experience in impact finance, with a mission to accelerate the impact finance leaders of tomorrow across the globe.

The International Climate Finance Accelerator, powered by Accelerating Impact, is a unique multi-year programme that includes technical and financial support to selected impact investment managers in their start-up phase who have strong, innovative climate investment strategies and are in process of fundraising.

These investment managers are selected using a highly competitive process and, once selected, they receive access to expert trainings, coaching, access to working capital, and much more.

To date, 39 fund managers have been supported, and 17 vehicles launched.

Find out more: <https://www.icfa.lu/>