

PROJECT ABTRACT

Country:	Regional
Sector:	Financial Markets
Project Name:	Regional Green Bond Facility
Project Number:	RG-X1250
Borrower/Guaranteed Parties:	<i>Special Purpose Vehicles “SPVs”</i>
Sponsors:	Energy Service Providers (EESPs) or Energy Service Companies (ESCOs)
Proposed IDB Facility:	Up to US\$ 400 million in the form of Senior Loans and Partial Credit Guarantees (PCGs)
China Fund Co-Loan:	US\$ 50 million
Green Climate Fund:	US\$ 197 million

PROJECT OVERVIEW

The purpose of the Regional Green Bond Facility is to provide an alternative financing mechanism for EE projects through the issuance of green asset backed securities (ABS). A second objective of the Facility is to contribute to the development of LAC capital markets, by introducing green ABS under the highest standards by following the Green Bond Principles and fostering social and environmental responsible investments among local institutional investors.

PROJECT DESCRIPTION

The total IDB financing Facility will be for up to US\$400 million in Loans and PCGs. It is expected that the Facility will be complemented with an up to US\$195 million reimbursable co-financing and a grant of US\$2 million from the Green Climate Fund (GCF),¹ and at least US\$50 million in co-Loans from the China Co-financing Fund for Latin America and the Caribbean (China Fund). Other co-financiers such as the Climate Investment Funds (CIFs) may participate in the financing of the Facility. Institutional and private sector investors are expected to bring-in at least US\$750 million by investing in the green ABS issued in the capital markets.

DEVELOPMENT IMPACT

The IDB Green Bond Facility is a financing solution that has been recognized by the G-20 Climate Finance Study Group in Turkey (September 2015) as best practice to unlock the EE market through capital markets securities. The IDB is also contributing to the development of LAC debt capital markets, by introducing green asset-backed securities under the highest available standards (Green Bond Principles), and fostering social and environmental responsible

¹ GCF Board committee is scheduled for November 2015. IDB has already submitted a Funding Proposal to support this Facility.

investments among local institutional investors. Finally, the energy savings per EE project are expected to be at least 15% against project baseline and the GHG emission reductions for the Facility are expected to be at least 17,000 tCO₂e per million of US\$ invested.

IDB'S ADDITIONALITY

The IDB's financial additionality will serve to develop EE projects with adequate financing in terms of tenor, pricing and type of collateral required (hence unlocking the EE markets in LAC). The IDB was instrumental in mobilizing additional financing from the China Fund and the Green Climate Fund and potentially other co-financiers like the CIFs. The IDB participation is also key to provide comfort to local institutional investors to invest in green ABS. The financing (both the Loans and PCGs) can be offered in local currency which helps mitigate foreign currency risk.

PROJECT CONTRIBUTION TO IDB OBJECTIVES

The Facility adheres to the main tenets of the Ninth General Capital Increase ("GCI-9"). More specifically, the Facility supports the Bank's mission to foster: (i) development through the private sector and (ii) protect the environment, respond to climate change and promote clean and efficient energy. In addition, the Facility, through its support to green investments, specifically addresses and complements IDB's Climate Change Strategy. The Facility will clearly contribute to Structured and Corporate Financing Department (SCF) vision targets of supporting climate friendly investments of US\$12 billion and to the objectives of SCF beyondBanking program under the planetBanking pillar by promoting green initiatives across financial intermediaries in LAC. Lastly, by providing access to a new asset class, the Facility seeks to promote the development of green bond markets in LAC.