Early Warning System

MIGA-15033

CFE - Hydropower Rehabilitation Program

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Quick Facts

Countries	Mexico
Specific Location	Humaya, Infiernillo, Mazatepec, Malpaso, Peñitas, La Villita, and Zimapán
Financial Institutions	Multilateral Investment Guarantee Agency (MIGA)
Status	Active
Bank Risk Rating	B
Voting Date	2023-06-27
Borrower	JPMorgan Chase Bank N.A., The Hong Kong and Shanghai Banking Corporation Limited
Sectors	Energy, Finance, Hydropower
Investment Type(s)	Guarantee
Investment Amount (USD)	$ 536.00 million
Project Cost (USD)	$ 333.60 million

Project Description

As stated on the project disclosure page, on June 30, 2023, the Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group, issued a US$536 million guarantee covering principal and interest on a loan from JPMorgan Chase Bank, N.A. of the United States and The Hong Kong and Shanghai Banking Corporation Limited of Hong Kong SAR, China, to the Fideicomiso de Energias Limpias Numero 10670. The Fideicomiso de Energias Limpias was created by the Comision Federal de Electricidad (CFE) in August 2021 as a financing vehicle for capital expenditures related to its renewable energy investment program.

MIGA's guarantee provides cover over the 15-year period of the Loan, including a 5-year grace period, against the risk of Non-Honoring of Financial Obligations by a State-Owned Enterprise (NHFO-SOE) in connection to the guarantee that CFE in Mexico is providing under the Loan. MIGA's NH-SOE guarantee provides CFE with access to long-term dollar financing at favorable terms, and it constitutes the first guarantee issued by MIGA to cover the obligations of a State-Owned Enterprise acting as guarantor.

In this context, the Loan and MIGA's NHFO-SOE instrument support the rehabilitation and modernization of seven existing hydropower plants owned and operated by CFE. The upgrades (all within the powerhouses), depending on the plant, include replacement of turbines, generators, transformers, electromechanical equipment, and ancillary systems which are expected to increase the hydroelectric energy generation capacity of the plants by 113 MW in total, producing approximately 1,426 GWh of additional electricity per year, as well as extend each asset's useful life by several decades while improving reliability and reducing maintenance costs.

The Project contributes towards the achievement of the objectives and goals established in CFE's Business Plan 2023-2027 to strengthen the operational and financial capacity of the company, get a market share of 54% in the generation of electricity in Mexico, as well as to accelerate the energy transition of the country and to contribute to achieving the commitments established by the Mexican State to reduce greenhouse gas emissions. The Project also addresses CFE's social responsibility ambitions of being able to supply electricity on a timely, safe, reliable, efficient, and sustainable basis.

Although solar PV and wind play an increasingly important role in Mexico's energy matrix and Nationally Determined Contribution commitments, hydropower remains Mexico's largest source of renewable energy. The country's 12.6 GW of installed hydropower capacity, which is primarily owned and operated by the CFE, generated approximately 8.6% of the country's electricity in the second quarter of 2023. The Government of Mexico has pledged to increase investment in hydroelectricity generation as part of efforts to reduce Mexico's carbon footprint, reduce the amount of natural gas imports, and maintain and increase renewable energy production in the country's energy matrix.

Investment Description

- Multilateral Investment Guarantee Agency (MIGA)

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- JPMorgan Chase & Co (Financial Intermediary)
- The Hongkong and Shanghai Banking Corporation Limited of Hong Kong (Financial Intermediary)

Private Actors Description

As stated by the MIGA, CFE, Mexico's state-owned electric utility, plays a central role in the country's energy sector providing transmission, distribution and commercialization services to 99.2% of Mexico's population and generating approximately 74% of the country's electricity as of the first quarter of 2023.

As stated by Bloomberg, JPMorgan Chase Bank, National Association operates as a bank. The Company offers planning, advice, investing, lending, and banking services. JPMorgan Chase Bank serves customers worldwide.

The Hongkong and Shanghai Banking Corporation Limited (HSBC) provides commercial banking services. The Bank offers consumer and commercial loans, mortgage, deposit products, internet banking, credit cards, insurance, wealth management, and trust services. HSBC serves customers worldwide.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Comision Federal de Electricidad (CFE) de Mexico	Client	Energy

Contact Information

Guaranteed Institutions -

The Hong Kong and Shanghai Banking Corporation Limited:

Address: 8 Canada Square, London E14 5HQ, United Kingdom
Website: www.hsbc.com

JPMorgan Chase Bank N.A:

Address: 383 Madison Avenue, New York, NY 10179-0001, USA
Phone: +1-212-270-6000
Website: https://www.jpmorganchase.com/

Client - Comision Federal de Electricidad:

Address: Av. Paseo de la Reforma 164, Col. Juárez, C.P. 06600, Ciudad de México, México
Contacto: +52 55 5229 4400
Website: https://www.cfe.mx/Pages/default.aspx

ACCESS TO INFORMATION

You can submit a request for information disclosure at: https://www.miga.org/contact/access_to_information

You can also request general information about MIGA and for information on guarantees by emailing: migainquiry@worldbank.org

ACCOUNTABILITY MECHANISM OF IFC/MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org

Bank Documents

- CFE Quality, Environment, Health and Safety Management System [Original Source]
- Environmental and Social Action Plan (ESAP) [Original Source]
- Environmental and Social Pre-Assessment Reports (ESRs) for each HPP [Original Source]
- Environmental and Social Review Summary

Media

- MIGA Backs CFE's US$333.6M Green Power Project