EIB
Climate Action in ACP

Business Climate Conference on Renewable Energy in ACP

Brussels, November 14, 2011
Role of Climate Action at EIB

- Climate Action is one of the key priorities of the EIB, both inside and outside the EU
- **Focus:**
  - Low Carbon Investments that mitigate greenhouse gas emissions
  - Climate-resilient projects that improve adaptation to climate change impacts
- **2010:** 33% (€20 bn) of lending for climate change related projects (energy, transportation, water, forestry, RDI)
- **2011:** Target: 25% but achievement is higher: 33%
Climate Action in ACP

- 2010: 5 projects Climate Action projects signed for EUR 230 mln:
  - Olkaria I and IV Geothermal in Kenya
  - Cape Verde Wind Power PPP
  - Interact Climate Change Facility (ICCF) Regional
  - Philips Lightening Maseru in Lesotho
  - ETED Power Transmission DR
- 2011: Investec Climate Action Project (SA)
- Considerable pipeline – wind, hydro, solar
Cabéolica S.A.

- **Project:** 27 MW wind power project on four islands
- **Total project cost:** EUR 60 mln
- **EIB:** Senior Loan of EUR 30 mln
- **Promoters:** Infraco, Electra (utility) and GoCV
- **Long term equity:** Africa Infrastructure Investment Fund and Finnfund
- **Co-financiers:** African Development Bank, Finnfund, Africa Finance Corporation

Cape Verde has outstanding wind resources but the country relies heavily on expensive imported fossil fuel for power generation. It is one of the largest wind projects and the first wind farm public-private partnership (PPP) in sub-Saharan Africa.

The EIB was involved at a very early stage and designated “lead financier” by the Borrower, working closely with the African Development Bank.
GEEREF
Global Energy Efficiency and Renewable Energy Fund

- Funds of funds (€108 mln) domiciled in Lux as SECAV
- Investors: EU, Germany and Norway
- Objective: provide equity funding for funds that invest in private, small/medium RE and EE projects
- Africa, Asia and Latin America
- Two funds supported in Africa:
  - Evolution One – Southern Africa (GEEREF: €10 mln)
  - DI Frontier Market – East Africa (GEEREF: €10 mln) - founding father: Confederation of Danish Industry

“People Planet Profit”
www.GEEREF.com
Examples: Energy Efficiency
Project Finance

European Union, Germany and Norway

GEEREF

Other LPs

Private Equity Funds

Banks

Energy User (or a SPV)

ESCO (or a SPV)

Banks

Repayment using funds from energy savings

Repayment from portion of energy savings share

Payment for services (i.e. project development and implementation) and/or equipment

Project development and implementation and/or equipment (also providing energy savings guarantee)

Project development, Financing, Implementation and/or equipment

Payment based on energy savings share

An ESCO is an energy service company (which may also be an equipment producer)
An SPV is a special purpose vehicle, which is set up for the purpose of project finance
The diagram was partially based on “Financing energy efficiency”, The World Bank, 2008
Africa Sustainable Energy Facility

Risk sharing Instruments – loans, guarantees, mezzanine financing
Objective: promote participation of local commercial banks in funding small EE and RE projects

First Loss
EU-Africa ITF
Bilateral grant

EIB/IFC

EIB Trust Account
IFC Trust Account

PFI

Loans

1st loss payment
2nd loss payment

Loans
default

EIB and IFC to share risks pari passu
Backed by first loss grants
Africa Sustainable Energy Facility

Special Purpose Vehicle

- Equity
- Mezzanine debt
- Senior debt

First loss or Equity providers

Mezzanine loan Providers (EIB, IFC, DFIs)

Senior loan Providers (EIB, IFC, DFIs)

PFI

SME

RE/EE

SCALING IT UP
Regional Programme
Thank you!
**EIB lending in ACPs & OCTs**

**European Development Fund (EDF)**
(EU Member States’ budgetary funds)

**European Commission**
- Grants
  - National & regional indicative programmes
  - Intra-ACP & inter-regional cooperation

**Investment Facility**
- Loans *
- Equity
- Guarantees

**Revolving fund**
Total capital endowment under 9th and 10th EDF
- ACPs EUR 3 137m
- OCTs EUR 48.5m

**Subsidies**
- Interest rate
- Technical assistance

**Own resources**
- Senior loans

**Amounts available under the 10th EDF 2008-2013**
- ACPs EUR 400m
- OCTs EUR 1.5m

* Senior, junior, subordinated and intermediated loans, as well as quasi-equity operations
**Instruments**  The Investment Facility

**A revolving fund**

Flexible / risk-bearing financial instruments
denominated in EUR, widely traded currencies or local currencies

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Cotonou mandate Interest Rate Subsidies

- Available to increase concessionality for:

  ✔ Infrastructure projects in Least Development Countries, post-conflict and post-natural disaster countries, HIPC countries

  ✔ projects with substantial and clearly demonstrable environmental or social benefits

  ✔ restructuring operations in the framework of privatisations

General rule applied:
- Interest rate subsidy: maximum 3%
- Final rate of loan: cannot be less than 50% of the reference rate
- In the case of HIPC countries, the interest rate may be reduced by such amount as required to comply with the level arising from the HIPC initiative.

By end-2010, a total of EUR 65.8 m committed in favour of 35 projects in the ACPs and OCTs with a further EUR 112 m in the pipeline