THE EXPERIENCE OF PROPARCO IN ENERGY EFFICIENCY FINANCING

BANGLADESH CLEAN ENERGY SUMMIT 2019

SUNDAY MARCH 10TH 2019
#EntreprendreEnCommun
#BusinessInCommon
PROPARCO SNAPSHOT
PROPARCO AT A GLANCE

THE FRENCH DFI SERVING THE PRIVATE SECTOR AND SUSTAINABLE DEVELOPMENT

A SUBSIDIARY OF THE AGENCE FRANÇAISE DE DÉVELOPPEMENT (AFD)
- AFD is a public financial institution implementing French government’s policies, aimed at poverty alleviation and sustainable development

DEVOTED TO PRIVATE SECTOR FUNDING SINCE 1977
- 450+ clients, not tied to French interests

ACTIVE IN DEVELOPING COUNTRIES (PER OECD DEFINITION)
- 80+ countries of operation, 23 local currencies in the portfolio

SUPPORTING SUSTAINABLE DEVELOPMENT GOALS
- Devoting 30% of activity to projects with climate change co-benefits

In 2018

- €1.6bn in financing
- 103 new executed transactions
- €5.5bn of outstanding loans and equity stakes
- 300+ staff members
A UNIQUE MODE OF GOVERNANCE

PUBLIC AND PRIVATE SHAREHOLDER BASE FROM FRANCE AND ELSEWHERE

Since the opening of the capital in 1990, PROPARCO shareholders have been playing a key role in the strategic management and governance of the institution.
A GLOBAL NETWORK

THE MOST EXTENSIVE NETWORK DEDICATED TO THE PRIVATE SECTOR AMONG BILATERAL IFIs

ALSO LEVERAGING AFD’S EXTENSIVE INTERNATIONAL NETWORK OF 85 AGENCIES AND OFFICES
FINANCING ENERGY EFFICIENCY: CHALLENGES & CASE STUDIES
FINANCING SMALLER PROJECTS (1/2)

CASE STUDY – AZURE ROOFTOPS - INDIA

OPPORTUNITY TO TAP A SIZEABLE MARKET
- India has set an ambitious target to reach 40 GW of solar rooftop capacity by 2022
- Energy efficiency benefits include reduced transmission costs/lower losses, easier installation, competitive tariff
- Long-time client Azure Power is well poised to seize this market opportunity

A SOPHISTICATED TRANSACTION TAILORED TO MEET CLIENT’S NEEDS
- Target portfolio of 200 MW (150 MW for public off-takers and 50 MW for C&I clients)
- 500+ off-takers/sites spread out over 5 states
- Public projects auctioned, based on bundled capacity with one tariff /one PPA template
- C&I projects assessed through specific rating tool designed by Moody’s local subsidiary ICRA
- Dual facility: <10MW projects (mostly C&I) and >10MW projects (mostly public)
- 7-year door-to-door tenor with ability to recycle funds

LOOKING AHEAD TO NEW OPPORTUNITIES FOR OUR PARTNERS
- Ability to support the growth of clients developing innovative decentralized energy solutions
- Financing solution for a pool of smaller projects, with partial visibility on the pipeline
- Target segments: C&I, rooftop, distributed generation
FINANCING SMALLER PROJECTS (2/2)

**Case Study - Intermediation through Local Banks**

**Dedicated Credit Lines to Financial Institutions**

- PROPARCO extends LT loans to financial institutions, in order for them to on-lend to eligible customers in targeted sectors.
- Such facilities have been rolled-out to finance renewable and energy efficiency projects in Bangladesh, Panama, Sri Lanka, Turkey.

- Aims at promoting investments in energy and environmental services in developing countries.
- Offers an integrated approach to actors involved in the ecological transition.
- In the context of a partnership, Proparco and banks identify investment potential, select thematic areas and develop an action plan.

![Diagram showing the process of financing smaller projects through PROPARCO and local banks](image-url)
FOREIGN EXCHANGE SOLUTIONS

Case Study - UNLOCK – Guarantee Scheme to Extend Local Currency Funding

How it Works

- PROPARCO issues a guarantee in favour of a local bank to ensure de-risking over time.
- Local bank is the lender of record and provides liquidity until maturity.
- Bespoke structuring ensures adequate decision rules between lender and guarantor.

Guarantee Features

- UNLOCK is a suretyship guarantee that can be called upon after collection efforts have been exhausted and acceleration has been invoked.

Diagram illustrating the timeline and structure of the guarantee scheme.
RESOURCE EFFICIENCY IN THE MANUFACTURING SECTOR


- **PROJECT:** CONSTRUCTION OF A SECOND SPINNING FACTORY

- **SPONSOR:** LEADER IN THE TEXTILE INDUSTRY RECOGNIZED FOR ITS EFFORTS IN E&S COMPLIANCE

- **RESOURCE EFFICIENCY IMPACTS:**
  - 300,000 litres of used water recycled for toilets, leading to savings of c. 100 mln litres of water/year
  - 45 mln litres of rain water collected in the roofs of a factory used for treatment of textile products, leading to savings of 28 mln litres of water/year
  - Footprint compensation: production of fertilizers out of different waste generated by the activities of Viyelatex (food, cotton dust), leading to 30 tonnes/year
**RESOURCE EFFICIENCY IN THE MANUFACTURING SECTOR**

**SOCOCIM - SENEGAL**

**Industry:** Cement  |  **Amount:** EUR 12-19 M  |  **Due diligence (2019)**

- **Project:** Funding of solar panels and increase of production capacity in Mali

- **Sponsor:** Vicat, French leading player in cement sector with a strong appetite for low carbon technologies

**Resource efficiency impacts:**

- More ecological production, including the recycling of waste
- Substitution of fossil energy by solar energy
- Energy efficiency through heat recovery system
PROPARCO
INVESTING IN A SUSTAINABLE FUTURE

Khi Solar One 50MW solar power tower thermal plant, Northern Cape, South Africa