



# **The EIB's experience in climate change financing in Latin America and the Caribbean**

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# The European Investment Bank



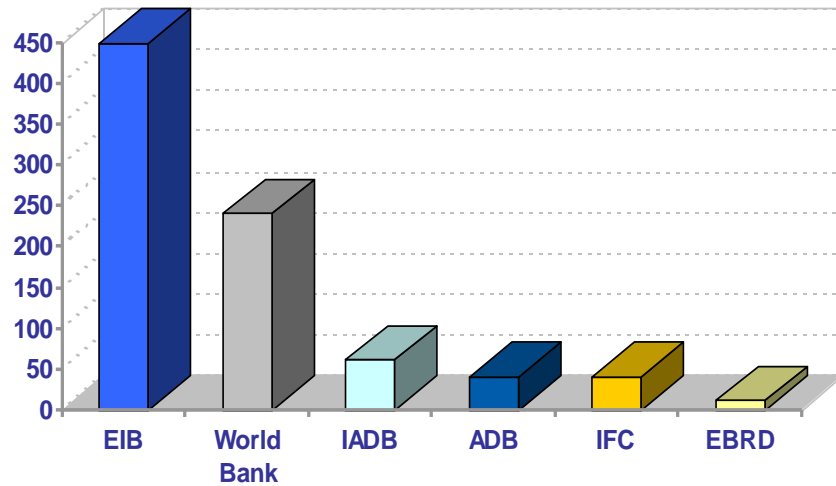
- ❖ Largest multilateral lender and borrower in the world
  - ❖ Raise our funds on the international capital markets
  - ❖ Pass on favourable borrowing conditions to clients
- ❖ More than 400 projects each year in over 160 countries
- ❖ Approx. 10-15% of lending is outside the EU / pre-accession
- ❖ Headquartered in Luxembourg and some 30 local offices
- ❖ Around 2 000 staff:
  - ❖ Not only finance professionals, but also engineers, sector economists and socio-environmental experts
  - ❖ More than 50 years of experience in financing projects

# EIB: The World's Largest Multilateral



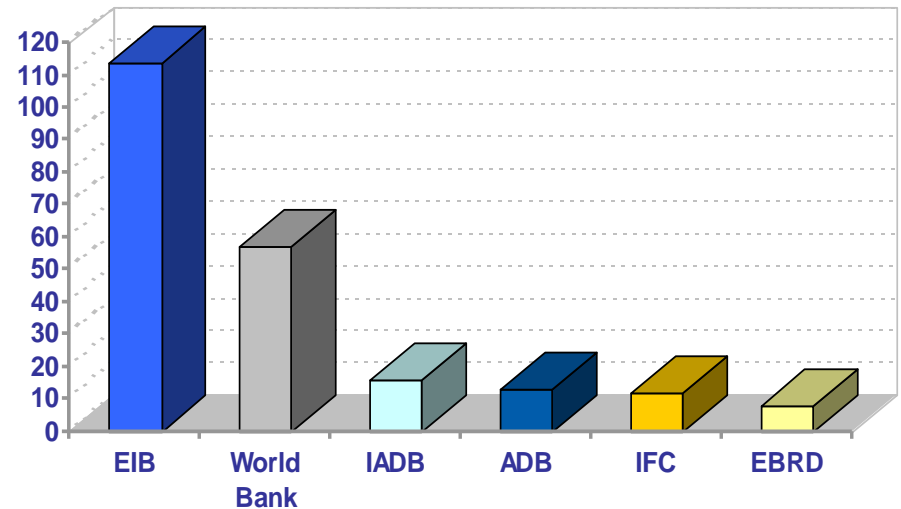
## Outstanding Loans

USD billion



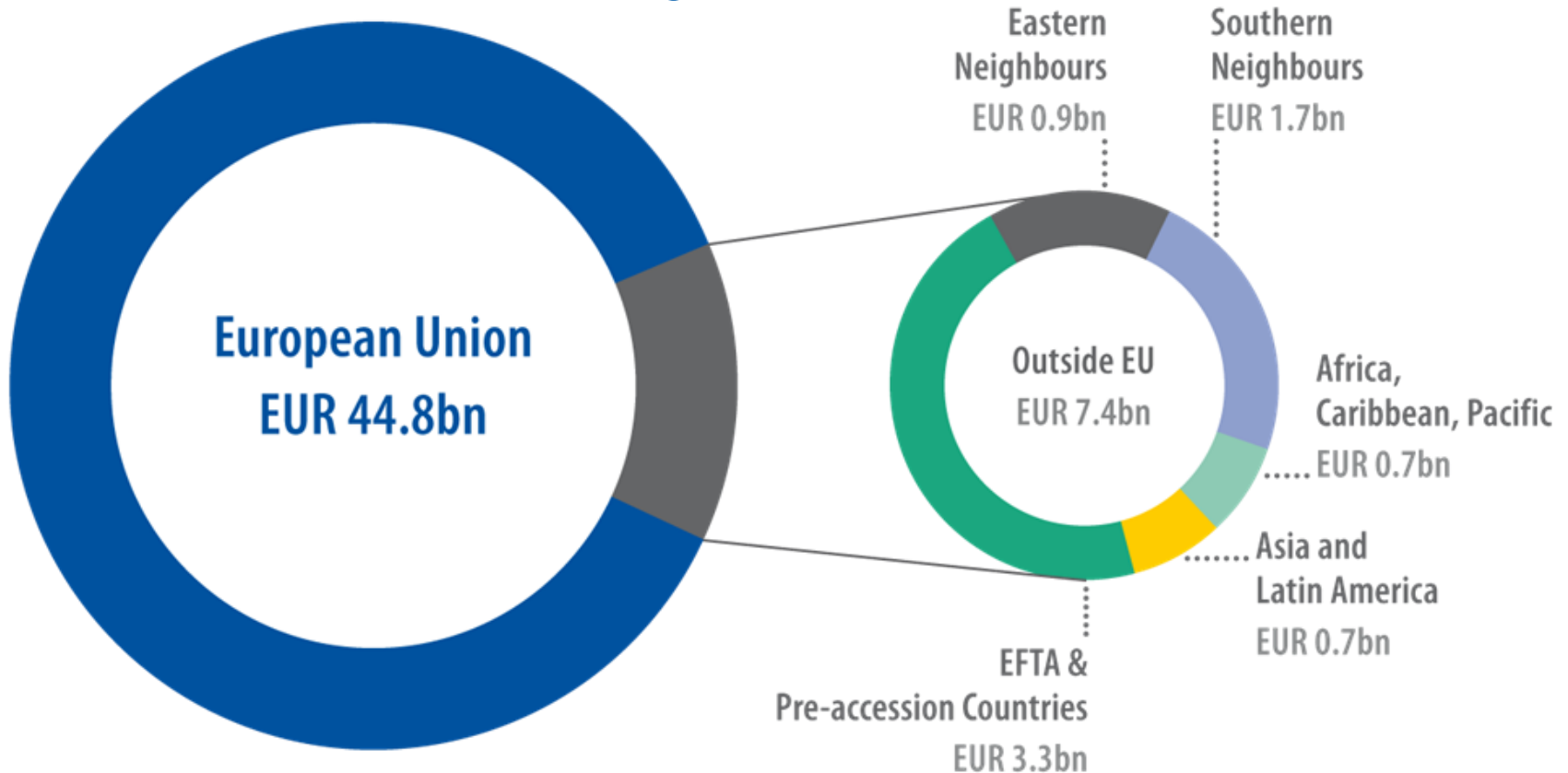
## Signed Loans

USD billion





## The EIB: loans signed in 2012: EUR 52.2bn



Pre-accession Countries include:

Candidate Countries: Iceland, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey.

Potential Candidate Countries: Albania, Bosnia and Herzegovina, Kosovo.



- Scaling-up lending for climate change. Climate change lending is a key EIB objective, focusing on Energy Efficiency, Renewable Energy and sustainable transport.
- In 2012 total lending was €52.2bn, of which €7.4bn was outside the EU. Of this €7.4bn, more than €1.5bn went on climate action (22% of external lending).
- From 2008-11 overall, sustainable transport is the dominant sector (40% total lending); then renewable energy (30%) and energy efficiency (9%). The remaining 20% is dominated by RDI (especially clean engine technology), adaptation and forestry.
- Climate Change a Key Performance Indicator in EIB, with annual volume targets: Climate action target has risen from 20% in 2010, to 25% for the current 3 year planning period (2012 – 14).

# Integrating CC in Project Evaluation



Minimising adverse environmental impact on all projects

Project Quality

*Value added safeguards:*

Economic and financial price of carbon

Footprint calculation: mitigation and management

Screening for climate change risk

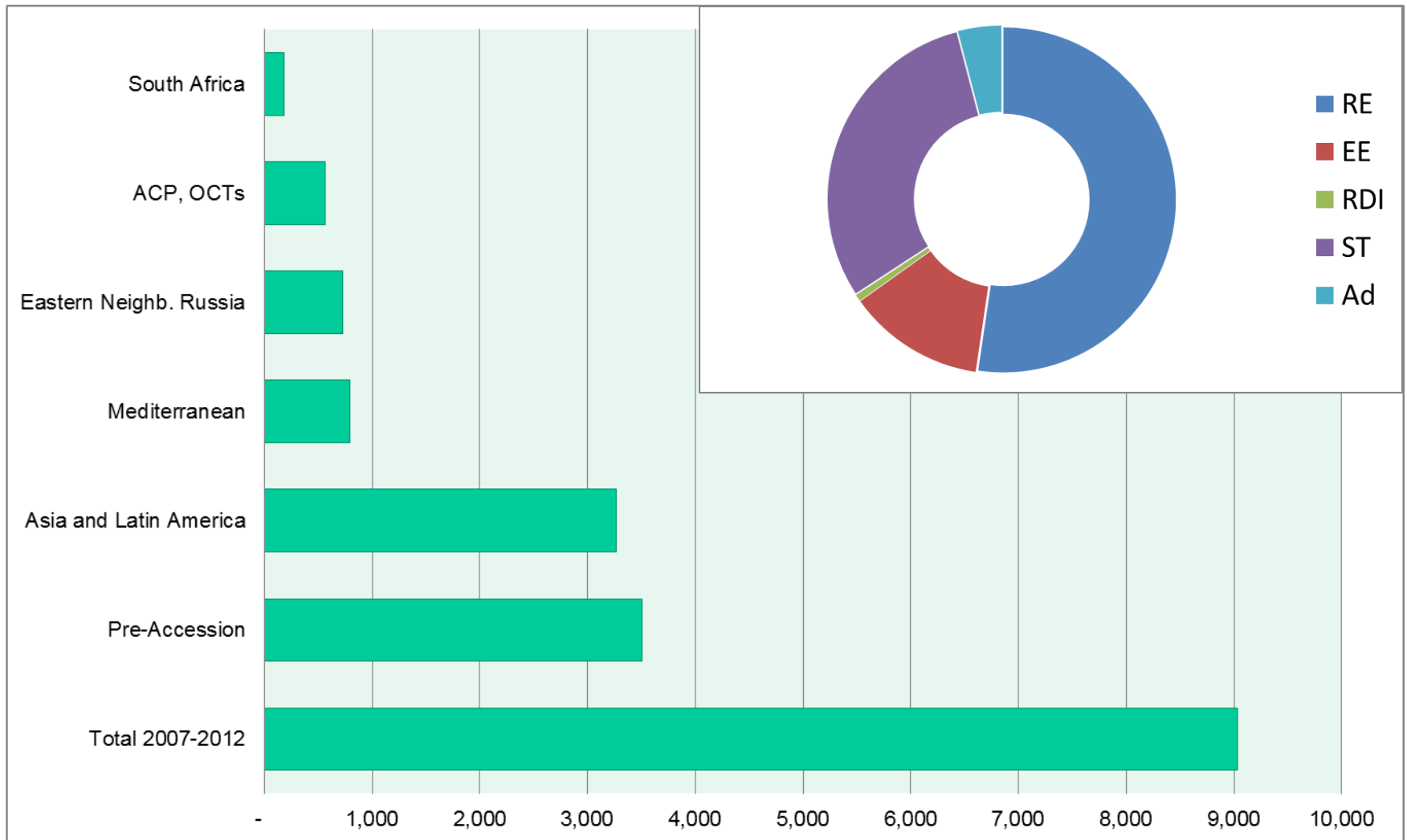
Evaluation of energy efficiency potential

Require use of BAT

Carbon credit potential



## Total climate signatures outside EU (Mandate and facilities 2007 -12)\*



\* Pie Chart is based on 2008 to 2012 data



# Financing Instruments



- ❖ **EIB's traditional loan products**
  - ❖ Outside Europe EIB lending is determined by multi-annual mandates by the EU Member States
  
- ❖ **New and innovative financial instruments for climate:**
  - ❖ Many instruments include, or even focus on, countries outside EU
  - ❖ Debt and Equity funds: E.g. Dasos forestry funds, Eco-enterprise funds, Althelia Climate (forestry) funds
  - ❖ EIB managed funds: E.g. GEEREF
  - ❖ Climate Awareness Bonds





# Overview of climate operations in Latin America

Since 2007, the EIB signed or approved the following Climate Change operations in Latin America for a total EUR 1,846M:

Under the General Mandate (EUR M):

<b>Environmental Sustainability</b>			
Panama	Panama City and Bay Sanitation	<i>Signed</i>	27.1
Mexico	Bancomext Environmental Sustainability	<i>Signed</i>	50.0
Panama	Panama Canal Expansion	<i>Signed</i>	396.6
Nicaragua	Hydro Refurbishment and Transmission	<i>Signed</i>	15.0
Nicaragua	Pneser-Renewable Energy Transmission	<i>Signed</i>	54.0
Ecuador	Metro de Quito	<i>Signed</i>	200.0
Costa Rica	Las Pailas Geothermal	<i>Approved</i>	53.5
<i>Sub-Total:</i>			796.3

Under our own risk facility (ESF) (EUR M):

<b>Latin America</b>			
Panama	Dos Mares Hydroelectricity Plant	<i>Signed</i>	140.9
Mexico	Iberdrola La Venta III Wind Farm	<i>Signed</i>	78.5
Chile	Laja Hydro Power Plant	<i>Signed</i>	55.3
Brazil	Brazil Climate Change Mitigation FL	<i>Signed</i>	500.0
Central America	Climate Change FL	<i>Signed</i>	100.0
Central America	Climate Change FL II	<i>Signed</i>	175.0
<i>Sub-Total:</i>			1049.8



## How we work in the Latin America region



- ❖ Cooperation with national development banks, e.g. BNDES and Bancomext
- ❖ Cooperation with regional development banks, e.g. CABEL and CAF
- ❖ Cooperation with local and EU commercial banks
- ❖ Direct loans to projects > EUR 50M



## Metro de Quito (Ecuador)



- How EIB participation can tip the balance in favour of EU interests...
- ...while bringing social benefits for millions
- ...with a strong CO<sub>2</sub> reduction impact
- Proposed loan to the Republic of Ecuador under the EU Comprehensive Guarantee



# Changing urban mobility and bringing social benefits to millions

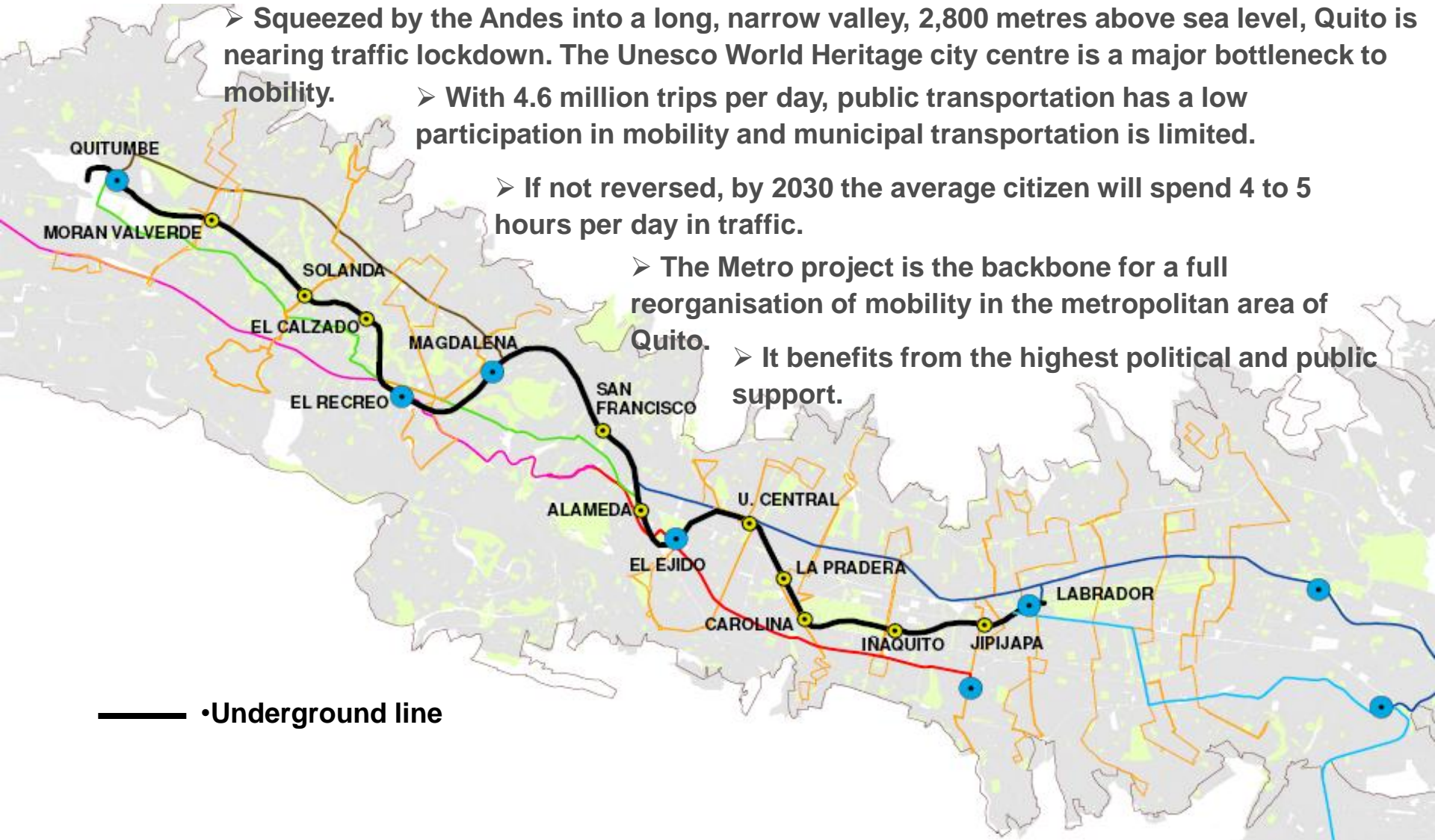
➤ Squeezed by the Andes into a long, narrow valley, 2,800 metres above sea level, Quito is nearing traffic lockdown. The Unesco World Heritage city centre is a major bottleneck to mobility.

➤ With 4.6 million trips per day, public transportation has a low participation in mobility and municipal transportation is limited.

➤ If not reversed, by 2030 the average citizen will spend 4 to 5 hours per day in traffic.

➤ The Metro project is the backbone for a full reorganisation of mobility in the metropolitan area of Quito.

➤ It benefits from the highest political and public support.



•Underground line



## The Caribbean: “Traditional” and new approach to climate action on a regional basis

For more than three decades, the EIB has supported the Caribbean Energy sector – geothermal, wind, hydro - with loans and technical assistance - EUR 296 million (20% of total activity).

In 2011, EUR 50m line of credit dedicated to Climate Action to cater for the adaptation and mitigation needs of the Caribbean Development Bank’s 18 borrowing member countries, supported by:

- funding and technical assistance for initiatives that improve climate resilience, reduce the negative impacts of climate change and decrease greenhouse gas emissions
- technical assistance for capacity building to CDB







## Summary

- Strong sectoral expertise / global reach means the EIB is an ideal institution for tackling climate change in a cost effective manner
- New External Lending Mandate (2014-20) expected to be even more ambitious in its climate reach
- EIB working with the Commission on doing more climate in the blending platforms and at its own risk
- Adaptation spend will increase
- EIB is not just a lender for climate infrastructure, but has various tools to leverage private sector finance