

Finance to Accelerate the Sustainable Transition: Infrastructure FAST-Infra

12 November 2020



Welcome



Christian Deseglise

Head of Sustainable Finance and Investments, HSBC

Keynote speakers



Daniel Klier

Global Head of Sustainable Finance, HSBC



Bertrand Badre

CEO, Blue Like An Orange Sustainable Capital

Overview of the workstreams and the proceedings



Michael Ridley

Director, Senior Responsible Investment Specialist, HSBC GAM

Overview of the workstreams and proceedings



FAST-Infra Sustainable Infrastructure Label

- Underlying standards, reporting requirements, terms of award, and governance



Technology-Enabled Securitisation Platform

- Infrastructure Data Platform with centralized tools, attached to a project finance loan exchange / marketplace



PPA / revenue guarantee agency

- Guaranteeing timely payments from the off-taker (temporarily), through a mix of private and public finance.



Sustainable Financing Facility (SFF)

- Banks and concessional capital lend to NDBs for on-lending to sustainable infra projects



Open-Sourced Managed Co-Lending Portfolio Programme (OMCPP)

- Syndication structure allowing for participation from a wide range of NDBs in emerging markets.



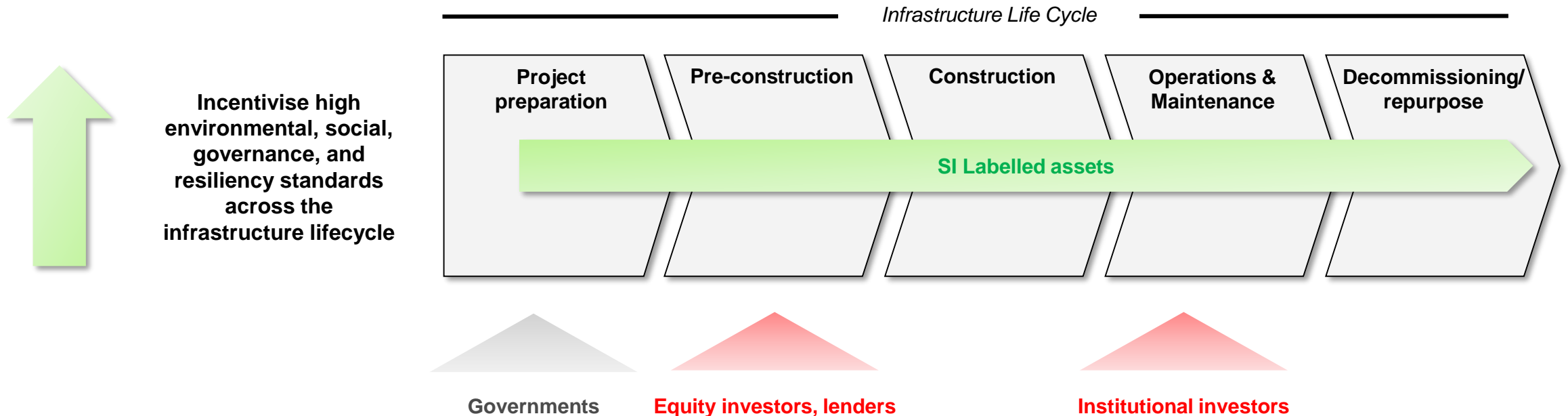
Sustainable Infrastructure Label

Lori Kerr, Global Infrastructure Facility, World Bank

FAST-Infra Sustainable Infrastructure Label



- ◆ Provide coherency in the market regarding infrastructure sustainability
- ◆ Encourage developers to design projects with SI Label in mind to market asset credentials
- ◆ Enable institutional investors to identify sustainable infrastructure assets to refinance
- ◆ Positively influence upstream pipeline preparation efforts of developing country governments
- ◆ Facilitate use of blended finance by donor governments and development finance institutions



SI Label helps shape the generation and financing of bankable infrastructure projects



Synergies with related initiatives

- ◆ OECD
- ◆ GIF
- ◆ GISD
- ◆ CFLI-EDFI-GIF
- ◆ MDBs and NDBs
- ◆ Governments
- ◆ NGOs, Philanthropy



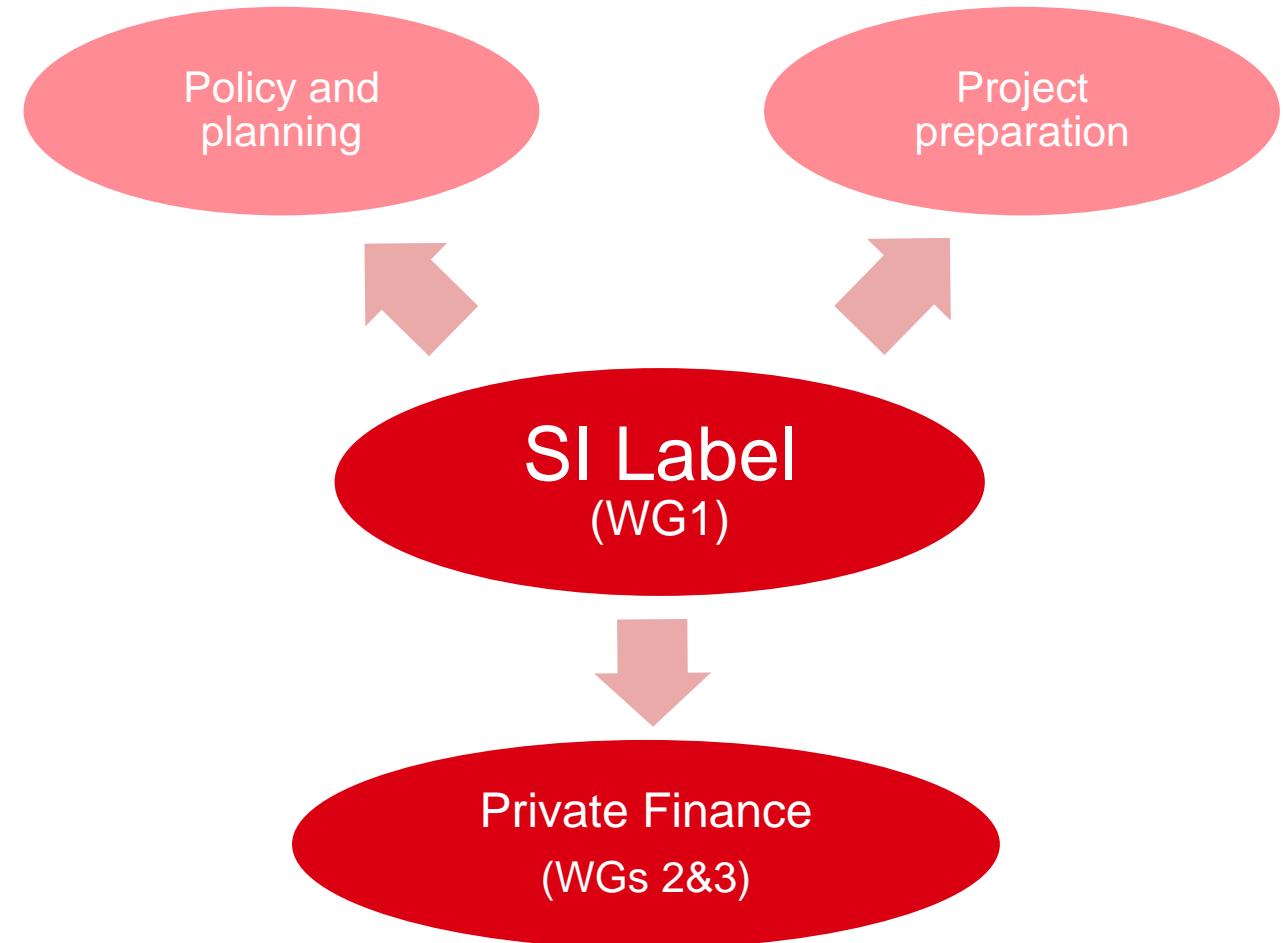
Aligned with

- ◆ MDBs frameworks
- ◆ Taxonomies, Standards & Benchmarking
- ◆ SDGs and QII

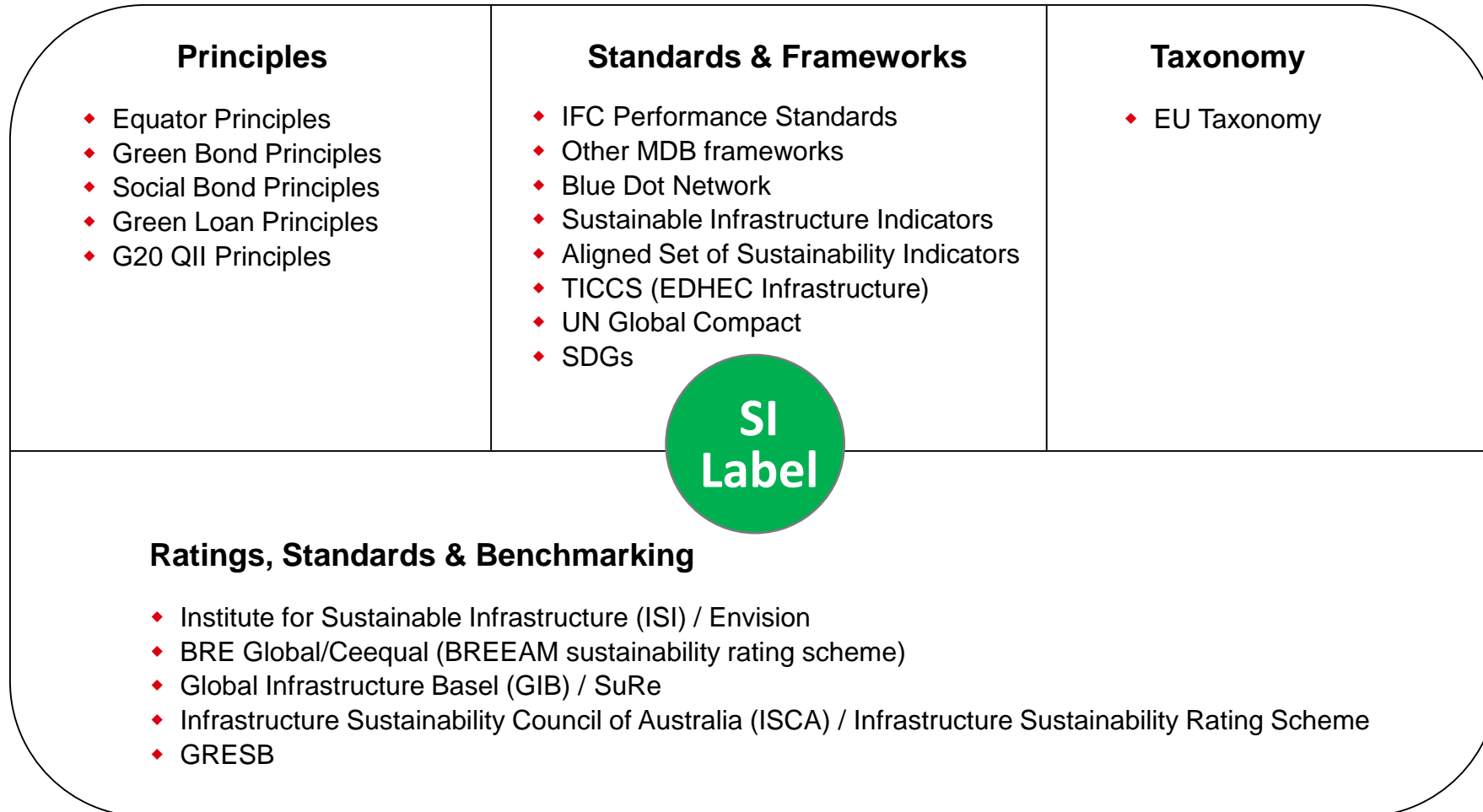


Synergies with FAST-Infra initiatives

- ◆ Project selection – i.e. which assets to fund
- ◆ Reporting of ESG information
- ◆ Marketing between initiatives



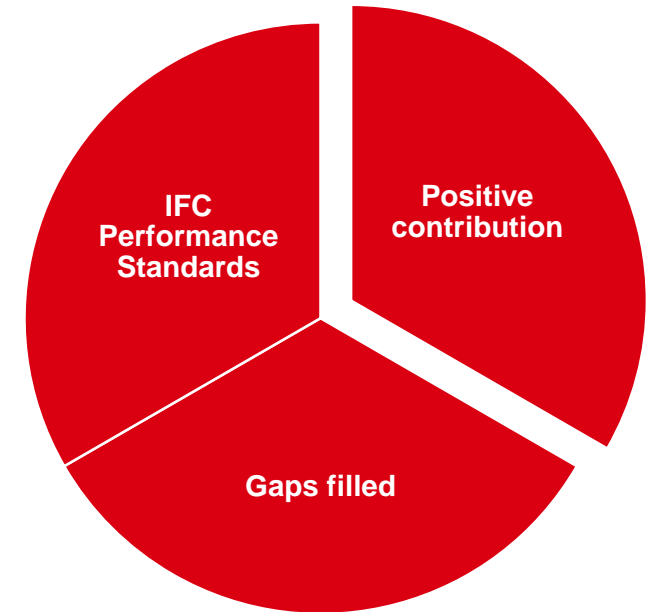
FAST-Infra and SI Label: Distinctive focus on emerging markets



SI Label framework: Raising ambition for contribution beyond minimum safeguards



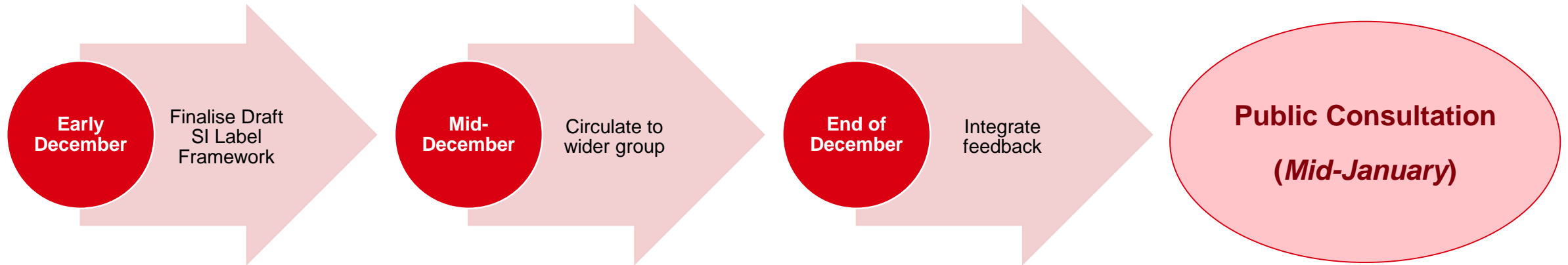
- ◆ **Four ‘dimensions’** of sustainability
Environmental, Social, Governance, Adaptation & Resiliency
- ◆ 14 **‘criteria’** within these dimensions that, taken together, define ‘sustainability’
- ◆ Each ‘criteria’ is further described/defined by reference to existing standards and associated with a series of **‘indicators’**
- ◆ Mapped to the SDGs and QII
- ◆ Requirement: IFC Performance Standards + ‘gaps filled’ + **positive contribution** across dimensions (reflecting best practice for each criteria)
- ◆ Impact reporting required; self-declaration, second- and third-party opinions, verification, certification; and at different lifecycle stages
- ◆ Governance structure inspired by **Green Bond Principles** (Members, Observers, Executive Committee)
- ◆ SI Label framework will evolve over time



Next steps



- ◆ The SI Label will be issued for consultation to the market in mid-January
- ◆ Launch of the SI Label and gain momentum towards COP26



To consult with FAST-Infra on the label contact



- ◆ Lori Kerr, Global Infrastructure Facility
- ◆ Hayden Morgan, Green Investment Group
- ◆ Michael Ridley, HSBC GAM

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SI Label Q&A

Facilitated by Michael Ridley, HSBC



Panel Discussion

Rashad Kaldany, Blue Like an Orange Capital

Thierry Deau, Meridiam

Alzbeta Klein, IFC

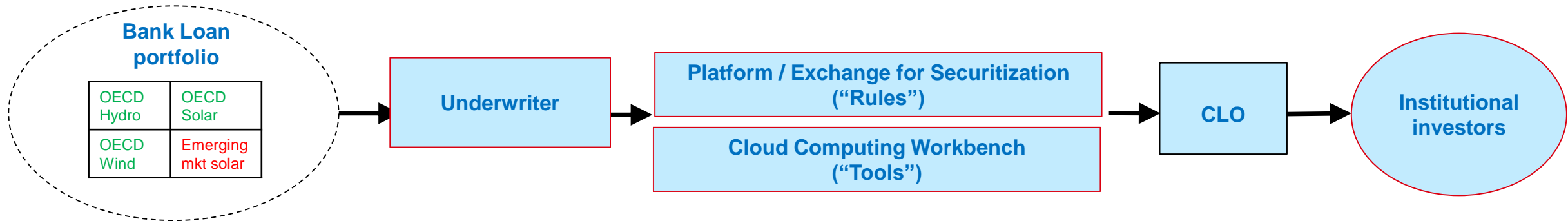
Fuat Savas, JP Morgan

Moderator – Barbara Buchner, CPI

Technology-Enabled Securitisation Platform (Infraclear)

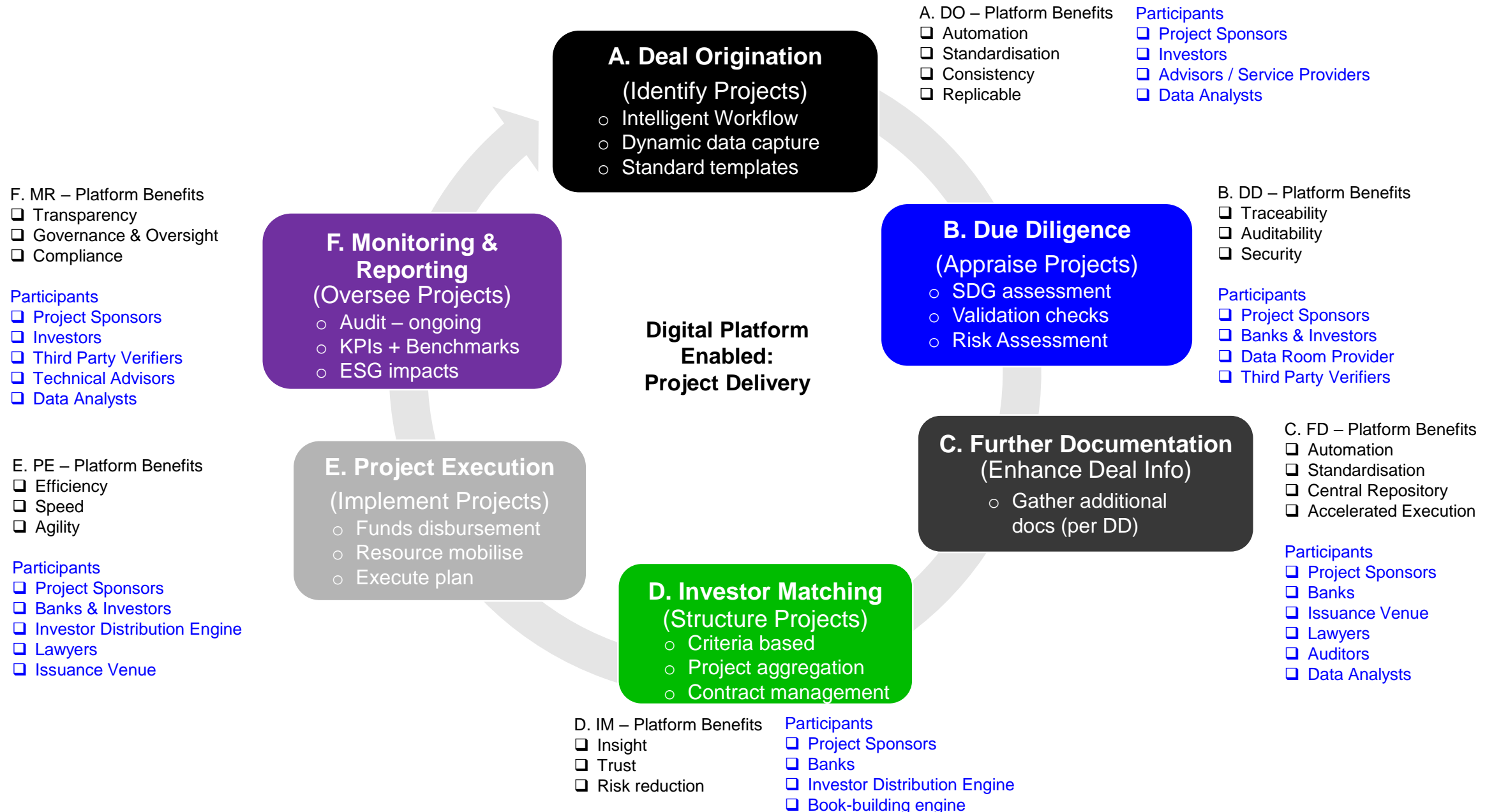


- ◆ Platform with widely-known “rules” and open-access, standardized tools
- ◆ Use AI to capture key terms of project finance deals to create ‘data utility’
- ◆ Build services on top of ‘data utility’: 1) portfolio analysis; 2) ‘what if?’ scenario analysis, 3) let host governments compare projects they have to approve, with deal terms of comparable deals
- ◆ Attach platform to securitization program like Bayfront, to allow more rapid creation of project finance CLOs
- ◆ Easily accessible project data and tools to streamline monitoring / reporting and boost transparency



Project Lifecycle – Technology Platform (IBM)

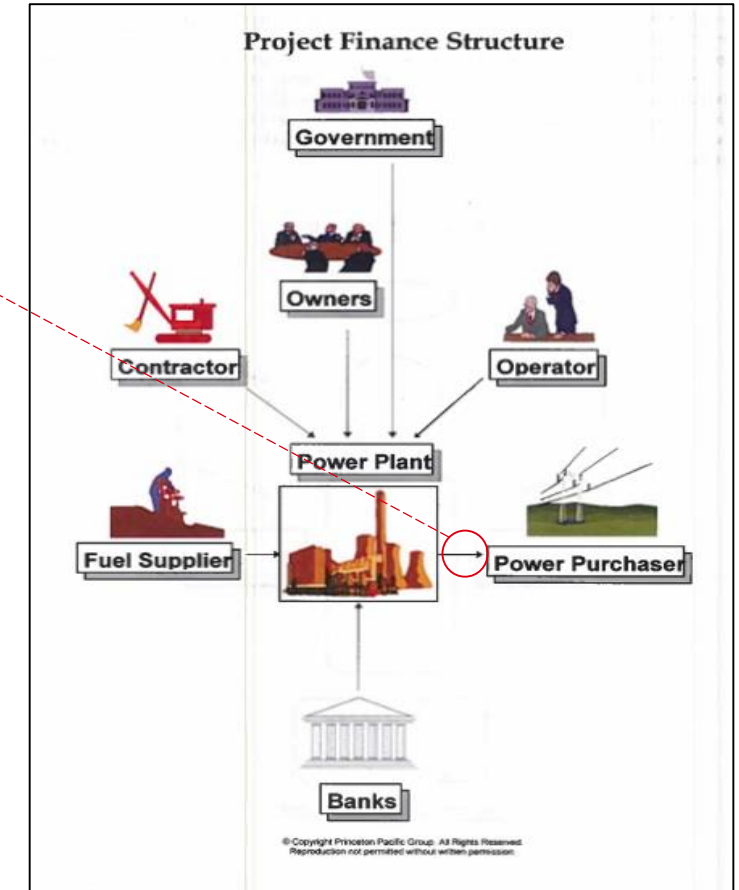
A holistic, end-to-end solution to streamline all stages across the product lifecycle



Off-take / revenue guarantee



- ◆ Many developing world utilities will sign PPAs but their credit rating is too low for the PPA to be bankable
- ◆ Solution: guarantee timely payments from the off-taker
- ◆ A “liquidity guarantee” with premium payments
- ◆ Varying levels of coverage – 12, 24 months?
- ◆ Priced to suit risk levels and characteristics
- ◆ Lift project ratings to BBB-
- ◆ To be piloted on **renewable energy** projects in a middle-income region, before broadening out in the long run
- ◆ Initially capitalised by MDBs, with a move to private partnership in the long run



OMCPP Benefits



Borrowers

- Increase the accessibility and supply of funding for sustainable infrastructure in emerging market
- The sustainable infrastructure label (from WG1) would provide standards/ guidelines for borrowers



Originators

- Enable Development Banks to do more and larger transactions
- Get more DBs to participate in existing MCPP type programme
- Lower the cost and time to complete financing packages by simplifying the syndication process
- Expand a proven solution for mobilising new sources of financing for development
- Standardise governance/ lending process among DFIs



Investors

- Gain first-time entry into emerging markets for large group of investors
- Achieve diversification
- Include capacity to create global or tailored portfolios
- Avoid the need to build origination capacity in global markets
- Access to recognised sustainable infrastructure asset class through reputable DBs

Sustainable Financing Facility (SFF) for National Development Banks

Overview

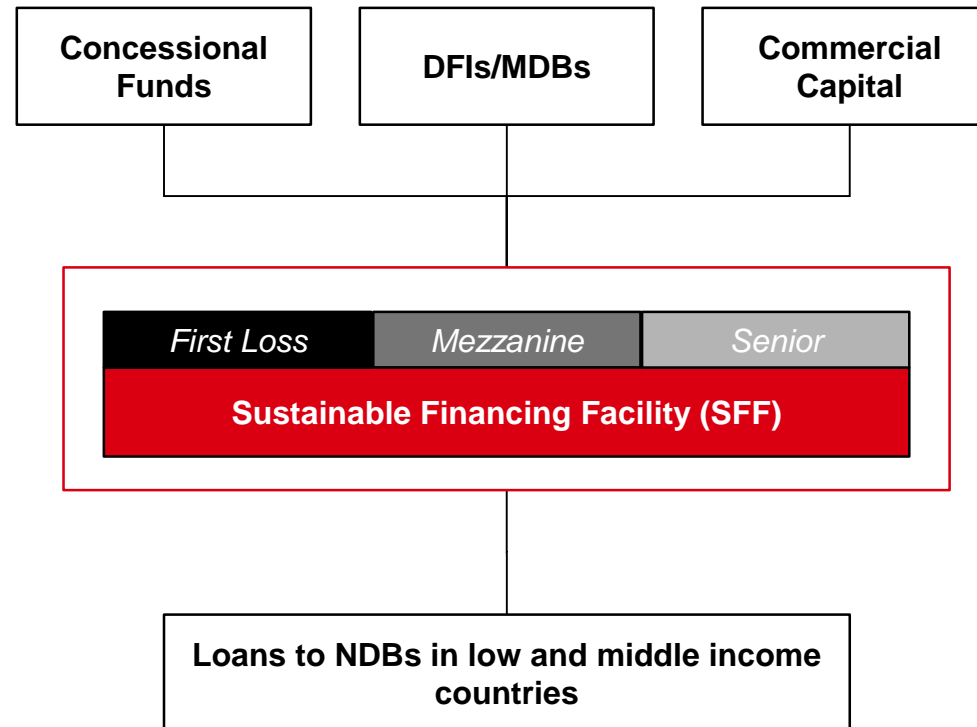
Hypothesis:

1. National development banks can penetrate deeper into their home markets and play a front-line role in financing sustainable infrastructure projects
2. It is easier to finance the NDBs than to aggregate individual infrastructure loans.

▪ **Description:** A financing facility that blends concessional, DFI and commercial capital to fund national development banks' sustainable infrastructure activities


▪ **Purpose:** Aggregator of capital and technical assistance for NDBs

Structure



Next steps

- ✓ Identify potential sources of concessional funding
- ✓ Survey potential users of the facility and assess demand
- ✓ Identify potential facility administrator
- Finalize SFF structure
- Negotiate financing term sheets with funding providers
- Negotiate financing term sheets with borrowers
- Facility formation, administrator appointment and funding



Road to COP26

Alzbeta Klein, IFC

FAST-Infra mobilising deliverables on Road to COP-26



“Mobilisation deliverables

Address barriers in financing sustainable infrastructure, such as data availability, by building from existing initiatives such as the work of the G20 and Global Infrastructure Hub, the work of the OECD, **and Fast Infra.**”

Building a private financing system for net zero; priorities for private finance for COP26’,

Mark Carney’s private finance framework to drive whole economy transition – announced at the Green Horizon Summit earlier this week

Road to COP26 – FAST-Infra sustainable infrastructure label



FAST-Infra Sustainable Infrastructure Label

- ◆ Launch of SI Label consultation period
- ◆ Advance on secretariat and data capture for SI Label
- ◆ First assets deemed as sustainable infrastructure according to SI Label framework

FAST-Infra financial interventions

- ◆ Sub-working groups advance from concept stage to product stage
- ◆ Consortia creation
- ◆ Product design and trial
- ◆ Launch

For more details on FAST-Infra



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- ◆ Stephanie Akinyelure, HSBC

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Thank-you!