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

**Infrastructure Life Cycle**

- **Project preparation**
- **Pre-construction**
- **Construction**
- **Operations & Maintenance**
- **Decommissioning/repurpose**

Incentivise high environmental, social, governance, and resiliency standards across the infrastructure lifecycle

Governments  Equity investors, lenders  Institutional investors

SI Labelled assets
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

SI Label (WG1)

Private Finance (WGs 2&3)
FAST-Infra and SI Label: Distinctive focus on emerging markets

Principles
- Equator Principles
- Green Bond Principles
- Social Bond Principles
- Green Loan Principles
- G20 QII Principles

Standards & Frameworks
- IFC Performance Standards
- Other MDB frameworks
- Blue Dot Network
- Sustainable Infrastructure Indicators
- Aligned Set of Sustainability Indicators
- TICCS (EDHEC Infrastructure)
- UN Global Compact
- SDGs

Taxonomy
- EU Taxonomy

Ratings, Standards & Benchmarking
- Institute for Sustainable Infrastructure (ISI) / Envision
- BRE Global/Ceequal (BREEAM sustainability rating scheme)
- Global Infrastructure Basel (GIB) / SuRe
- Infrastructure Sustainability Council of Australia (ISCA) / Infrastructure Sustainability Rating Scheme
- GRESB
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
  lkerr@worldbank.org
- Hayden Morgan, Green Investment Group
  Hayden.Morgan@greeninvestmentgroup.com
- Michael Ridley, HSBC GAM
  michael.a.ridley@hsbc.com
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
A. Deal Origination
(Identify Projects)
- Intelligent Workflow
- Dynamic data capture
- Standard templates

B. Due Diligence
(Appraise Projects)
- SDG assessment
- Validation checks
- Risk Assessment

C. Further Documentation
(Enhance Deal Info)
- Gather additional docs (per DD)

D. Investor Matching
(Structure Projects)
- Criteria based
- Project aggregation
- Contract management

E. Project Execution
(Implement Projects)
- Funds disbursement
- Resource mobilise
- Execute plan

F. Monitoring & Reporting
(Oversee Projects)
- Audit – ongoing
- KPIs + Benchmarks
- ESG impacts

Digital Platform Enabled: Project Delivery

A. DO – Platform Benefits
- Automation
- Standardisation
- Consistency
- Replicable

Participants
- Project Sponsors
- Investors
- Advisors / Service Providers
- Data Analysts

B. DD – Platform Benefits
- Traceability
- Auditability
- Security

Participants
- Project Sponsors
- Banks & Investors
- Data Room Provider
- Third Party Verifiers

C. FD – Platform Benefits
- Automation
- Standardisation
- Central Repository
- Accelerated Execution

Participants
- Project Sponsors
- Banks
- Issuance Venue
- Lawyers
- Auditors
- Data Analysts

E. PE – Platform Benefits
- Efficiency
- Speed
- Agility

Participants
- Project Sponsors
- Banks & Investors
- Investor Distribution Engine
- Lawyers
- Issuance Venue

F. MR – Platform Benefits
- Transparency
- Governance & Oversight
- Compliance

Participants
- Project Sponsors
- Third Party Verifiers
- Technical Advisors
- Data Analysts

Project Lifecycle – Technology Platform (IBM)
A holistic, end-to-end solution to streamline all stages across the product lifecycle
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
To give comfort to investors, eligible originators could be limited to a select group of MDBs / NDBs.

Eligibility criteria should be agreed at the outset, to ensure that participating originators have appropriate due diligence processes / controls.

Conduct due diligence on participating DBs for investors.

Similar to a GP/LP structure, a standardisation process in which investors agree to the terms by which they can choose their loans.
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**

- **Concessional Funds**
- **DFIs/MDBs**
- **Commercial Capital**

**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

- Michael Ridley, HSBC GAM
  michael.a.ridley@hsbc.com
- Stephanie Akinyelure, HSBC
  stephanie.akinyelure@hsbc.com
Thank-you!