

GREEN GUARANTEE COMPANY

SECTOR: ENERGY, TRANSPORT, WATER, BUILDINGS, WASTE

REGION: AFRICA, ASIA, ASIA-PACIFIC, LATIN AMERICA, CARIBBEAN

INVESTMENT TYPE: GRANTS, CONCESSIONAL EQUITY, COMMERCIAL EQUITY, CALLABLE DEBT

PROPONENT: DEVELOPMENT GUARANTEE GROUP

OTHER IMPLEMENTATION PARTNERS: CARDANO DEVELOPMENT

Green bond issuance is expected to range between USD 500 billion to 1 trillion in 2022, however less than 10% will flow to emerging markets outside China. Lack of access is driven primarily by perceptions of the risks associated with climate investments in developing economies.

Outside global capital markets, large climate infrastructure projects struggle to raise patient debt capital required at scale other than via limited public finance. Emerging capital markets are underdeveloped, with green bonds delivering little benefit in terms of scale or horizon.

Without solutions to unlock private climate capital, emerging markets cannot mobilize the capital required to deliver on climate change mitigation obligations under the Paris Agreement and build resilience domestically against physical climate risks.

The Green Guarantee Company is the first specialist guarantor for emerging market climate adaptation and mitigation projects, unlocking access to global investors by de-risking green bonds and loans.

INNOVATION

The Green Guarantee Company (GGC) is unique in institutionalizing credit enhancement to attract global green bond investors into quality climate projects across the Global South, spanning a wide range of infrastructure sectors and transaction structures, resolving information asymmetries over time.

GGC provides credible borrowers with a full guarantee anchored in hard currency and aligned with the international Climate Bond Standard to support bonds and loans of up to 20 years.

A linked technical assistance facility addresses barriers to uptake of green bonds and loans in emerging markets through raising market awareness, building issuer capabilities, and preparing pipeline for certification and financial close.

IMPACT

GGC is expected to unlock access to USD 10 billion in climate capital over ten years, accelerating sustainable infrastructure development. As a guarantee facility, the GGC does not make direct project investments, but rather enables such projects. Many of these projects would otherwise have been delayed or even cancelled due to lack of financing.

Initial estimates suggest that GGC guarantees have the capacity to avoid approximately 75 Mt carbon dioxide equivalent over the lifecycle of projects supported during the pilot phase. Whilst mitigation projects are expected to comprise the bulk of GGC's portfolio, it is targeting a minimum of 20% adaptation investment.



DESIGN

The GGC is capitalized by paid-in equity and callable capital facilities arranged in advance of new business to ensure adequate capital provisioning. Surplus capital will be invested by an investment manager in low to moderate risk strategies targeting capital preservation and generating additional income.

This set of institutional arrangements will ensure the GGC has an investment grade rating from a highly regarded rating agency from day one, leveraging an initial capitalization of USD 100 million in equity from public investors.

Separately, the TA facility will be capitalized with USD 10 million of grant funding from donors. The TA facility accelerates market readiness through building local knowledge and capabilities while developing a pipeline through offering borrowers structuring and certification support

Drawing on considerable experience, the Development Guarantee Group (DGG) – the manager of the GGC – will work with defaulting borrowers to restructure non-performing debt, eventually recovering a large portion.

TEAM



LASITHA PERERA
MANAGING PARTNER AND CO-FOUNDER, DEVELOPMENT GUARANTEE GROUP



DALE PETRIE
CHIEF FINANCIAL OFFICER AND CO-FOUNDER, DEVELOPMENT GUARANTEE GROUP

INVESTMENT OPPORTUNITIES

TYPE	ROLE OF CAPITAL	AMOUNT
CONCESSIONAL EQUITY	Act as first loss capital, proving concept	USD 250M
CALLABLE DEBT	Support credit rating by maintaining leverage multiple as portfolio scales	USD 350M
GRANTS	Fund technical assistance facility operations	USD 10M

The Global Innovation Lab for Climate Finance identifies, develops, and launches innovative finance instruments that can drive billions in private investment to action on climate change and sustainable development. The Lab is funded by the Australian Department of Foreign Affairs and Trade, Bloomberg Philanthropies, the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety (BMU), GIZ, the International Fund for Agricultural Development (IFAD), the Netherlands Ministry for Foreign Affairs, The Rockefeller Foundation, Shakti Sustainable Energy Foundation, and the UK Department for Business, Energy & Industrial Strategy. Climate Policy Initiative serves as Secretariat.