

# Case Studies for Climate Finance in Asset Recycling

## Full Description

### **Box 11: Case Study 1: 500 kVMantaro-Nueva Yanango-Carapongo Interconnection and Associated Substations**

**Financial Instrument(s):** Green Bond

**Country:** Peru

**Project Title:** “500 kV Mantaro-Nueva Yanango-Carapongo Interconnection and Associated Substations”

**Sector:** Renewable energy – Transmission

**Issuer:** ISA CTM – Consorcio Transmantaro S.A. (Non-Financial Corporate)

**Invested Amount:** USD 164.4 million and 58% co-financing

**Project Highlights:** First non-financial corporate international green bond issuance from Peru in 2019. It is also the first to specifically finance energy transmission projects in Peru to increase the use and reliability of renewable energy sources.

**Project Description:** Thanks to abundant water resources, the central zone of Peru is a large nucleus of hydroelectric power generation. The projects financed by this green bond issuance will help connect several renewable energy sources to the National Interconnected Electric System, in order to meet the expected increase in demand for electric power, as well as strengthening the electric transmission capacity in the central zone of Peru in a timely and effective manner. This will reinforce the transmission system in the central zone of the country and improve the evacuation of surplus generation from the Mantaro zone towards Lima. To support the issuance of the green bonds, the project company procured third-party assessments from Moody’s Investors Service (“Green Bond Assessment”) and S&P Global Ratings (“Green Evaluation”), which evaluated the transparency, governance, and anticipated mitigation impacts related to the use of proceeds. Both assessments scored the bond issuance towards the high end of their respective ratings systems, which score, inter alia, alignment with ICMA’s Green Bond Principles.

**Use of Proceeds:** The net proceeds of the green financing instruments will be exclusively used to finance and/or refinance eligible green projects in three (3) main categories:

1. Renewable Energy: Investments in the installation of electricity transmission lines that facilitate increased development and connection of renewable electricity generation sources
2. Energy Efficiency: Investments related to energy efficiency improvements to transmission infrastructure
3. Energy Storage: Investments into energy storage systems to allow renewable energy sources to deliver energy needs on a timely basis.

### **Case Study 2: Indonesia Geothermal Resource Risk Mitigation Project**

**Financial Instrument(s):** Grants, Equity and Loans

**Country:** Indonesia

**Project Title:** Indonesia Geothermal Resource Risk Mitigation Project

**Sector:** Energy sector

**Invested Amount:** USD 410M

**Sources of Finance:** International Bank for Reconstruction and Development (USD 325 million loan), Green Climate Fund (GCF) (USD 25 million soft loan, USD 150 million reimbursable grant, and USD 10 million grant), and the private sector (expected to provide USD 100 million in leveraged equity financing).

**Project Highlights:** The project is expected to enable reduction of 112 MtCO<sub>2</sub>e over the generating assets' lifetime, through an additional electric power generation capacity of 1 – 1.5 GW from geothermal resources.

**Project Description:** The national electricity grid in Indonesia has been dominated by fossil-fuelled generation. This project aims to support a scale-up of investment in geothermal energy development and is expected to contribute to: (i) displacing highly-polluting power supply alternatives and diversifying the nation's generation portfolio; (ii) reducing reliance on fossil fuels and exposure to commodity price volatilities; and (iii) ultimately lowering the energy sector's emissions compared to the business-as-usual scenario.

**Use of Proceeds:** Sarana Multi Infrastruktur (SMI – a nationally-owned DFI), through the Geothermal Facility, will provide geothermal developers with debt financing for their resource exploration and confirmation drilling, through: (i) the extension of soft loans to public sector developers, and (ii) the extension of loans to private developers and the subscription of convertible bonds issued by private sector developers, to be used alongside the private developer's equity. By providing these additional financing options for the expensive and risky geothermal exploration activities, the project aims to help unlock Indonesia's vast geothermal energy resources.

### **Case study 3: Microfinance Risk Participation and Guarantee Program**

**Financial Instrument(s):** Partial Guarantees, Loans

**Country:** Regional – East Asia and Pacific

**Project Title:** Microfinance Risk Participation and Guarantee Program

**Sector:** Financial sector

**Invested Amount:** \$1.48 billion total loans supported

**Project Highlights:** 37 microfinance institutions (MFIs) approved and 7.73 million borrowers supported, 10 Partner Financial Institutions (PFIs)

**Project Description:** The Asian Development Bank's (ADB) Microfinance Risk Participation and Guarantee Program is a credit enhancement and a risk-allocation tool, designed to address a market gap and promote local currency lending to MFIs. ADB partners with MFIs to increase their access to local currency funding and address the financial needs of millions of individuals, families, entrepreneurs, and small businesses that lack access to finance, which is a key challenge for economic development. Across Asia and the Pacific, many MFIs struggle to obtain the commercial funding they need to grow and meet the demands of their micro-borrowing clients, a vast majority of which are women.

Given its risk-sharing structure, the program encourages private sector participation on market-determined terms.

**Use of Proceeds:** Term Loans: Cover payment default risk on loans made by PFIs to MFIs in ADB DMCs.

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