

EIB: CLIMATE ACTION IN LATIN AMERICA

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The European Investment Bank (EIB) has been active in Latin America since 1993.

Today, climate action and economic development are the main focus of EIB's activities in the region. Climate action projects can cover a wide range of sectors: from renewable energy, energy efficiency, and sustainable transport to water efficiency, sustainable industry processes and forest conservation.

While the EIB has traditionally co-financed large infrastructure projects through long-term loans, we are now mobilizing a wide array of innovative financial products to reach crucial sectors such as energy efficiency and conservation.

Low carbon infrastructure

In Latin America, the majority of EIB's lending supports energy investment.

These include construction, extension and rehabilitation of renewable energy power plants (hydropower, wind, and geothermal) but also the extension and upgrading of transmission networks to reduce energy losses in the grid as well as other energy efficiency schemes.

Many countries in Latin America see the benefit of diversifying their energy mix and reducing their dependence to fossil fuels. In Costa Rica, a country aiming to become carbon neutral by 2021, the EIB is financing the construction of a hydropower and a geothermal plant.

Others, such as Brazil, Mexico and Nicaragua, are also increasing their renewable energy production capacity.

Over the years, the EIB has also partnered with a number of national or regional banks to support climate change mitigation projects through "framework loans".

The most recent framework loan, approved this year, was signed with Banco de Santander in Chile, for the amount of EUR 150 million to be on-lent for renewable energy and energy efficiency projects in Chile.

In the area of sustainable transport, the EIB is financing the ambitious construction of Quito's first metro with a loan of EUR 200 million to the Republic of Ecuador.

The new metro line, which will benefit around 400,000 people, will not only ease traffic congestion in Quito and its suburbs, it will also do its share for climate change mitigation.

Fuel consumption and greenhouse gas emissions are expected to decline thanks to an expected shift from private vehicles to metro.

This switch in transport modes in the city will contribute to a significant improvement in air quality, with savings of a remarkable 30,000 tonnes of CO2 emissions that would otherwise be produced by motorised vehicles.

The financing was undertaken alongside the International Bank for Reconstruction and Development, the Inter-American



Development Bank, the Corporación Andina de Fomento as well as local government resources.

Innovative finance

Investments in funds are a different innovative vehicle to support climate action. Although they represent a smaller share of EIB's climate action activities, they are charting a path for new ways of financing a low-carbon and climate resilient economies.

The Global Energy Efficiency and Renewable Energy Fund (GEEREF), for example, is a fund of funds advised by the EIB which invests in private equity funds focusing on renewable energy and energy efficiency projects in emerging markets.

The fund has raised EUR 112 million in funding from the European Commission, Germany and Norway and is currently raising additional funds with amongst others the EIB having contributed EUR 10 million.

In Latin America, GEEREF has already invested in two



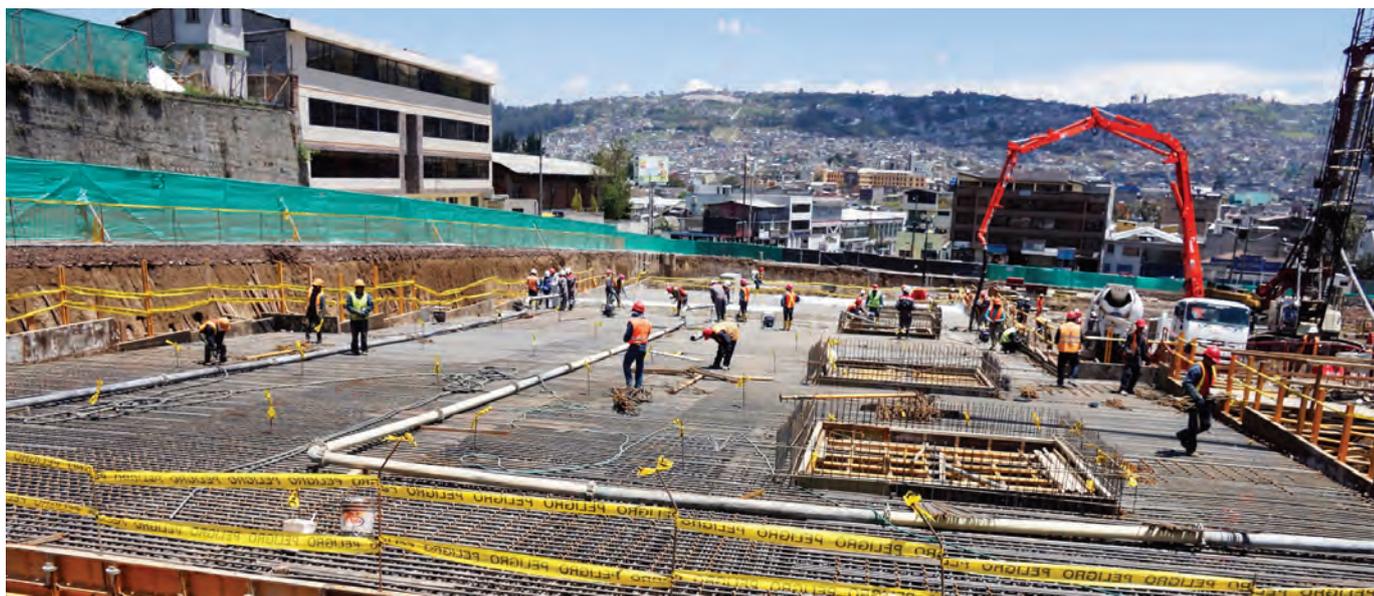
La Venta windfarm, Mexico.

Photo: © Iberdrola.

Founded in 1958 under the Treaty of Rome, the European Investment Bank is a key instrument of EU public policy and operates in more than 150 countries. The EIB is a leader in the financing of projects tackling climate change.

In 2013, we invested EUR 19bn in climate action projects, and this figure reaches EUR 88bn for the period 2009-2013. We complement our financing instruments with a range of technical assistance tools to provide rounded solutions for commercially promising climate initiatives.

From 1993 to 2013, the Bank has supported 80 projects with a signed total of about EUR 6 billion in 13 Latin American countries.



Construction site of the Quito Metro, Ecuador. Photo: © Metro de Quito.

funds: the Emerging Energy Latin America Fund II, mainly active in Brazil, Mexico and Peru; and MGM Sustainable Energy Fund investing in Colombia, Mexico, Central America and the Caribbean region.

One of the most pioneering aspects of these equity funds is their investment in energy efficiency projects.

Thanks to their detailed expertise and the provision of capital for the purchase of equipment, the funds and their management teams are helping hotel chains, municipalities, shopping malls, and other public and private entities save both energy and money.

In return, the fund receives an agreed percentage of the savings in energy expenses. It's a true win-win solution for the fund and the business or public entity.

Protecting ecosystems

Despite the clear importance of investing in sustainable infrastructure and energy efficiency, the UN's Intergovernmental Panel on Climate Change (IPCC) estimates that in Latin America it is the trends in land-use and continued deforestation that have the potential to alter the global carbon balance.

It thus becomes crucial to protect the region's diverse and extensive natural ecosystems. Funds such as the Althelia Climate Fund or the Eco-

Enterprises Fund are aiming to do just that.

Launched in 2013, Althelia meets REDD+ criteria and will invest in about 20 projects around the world in the area of sustainable agriculture and environmental services, including carbon sequestration and biodiversity, with a particular focus on Africa and Latin America.

To protect standing forests and in accordance with REDD+, a financial value is given to the carbon stored in these forests, in the form of carbon credits sold in part to companies to facilitate their corporate and environmental responsibility objectives.

Moreover, additional revenues are generated by associated projects such as the sale of environmentally certified commodities.

In September 2014, Althelia made its first investment of EUR 9.15 million in Latin America in Peru to finance the long-term conservation of 570,000 hectares of natural forest of the National Reserve of Tambopata and National Park Bahuaja-Sonene, areas regarded as "biodiversity hotspots".

The Eco-Enterprises fund also works to protect vital ecosystems and provide alternative livelihoods for local people, and does so by providing loans or equity to businesses operating in the field of sustainable agriculture, sustainable forestry and eco-tourism in Latin America.

Eco-Enterprises not only measures the financial performance of the companies it finances but also their environmental and social performance through a comprehensive

evaluation system. To date, Eco-Enterprises estimates that 860,000 hectares of land have been conserved thanks to the businesses it supports.

Holding the COP meetings in Peru this year is a way of reflecting the importance of climate finance for the region and local engagement on the issue of climate change. The EIB's firm commitment to Latin America, for its part, will remain strong in the coming years, especially in the area of climate.

The EU recently approved a new mandate for EIB's overall activities outside the EU for 2014-2020, with a budget for Latin America of EUR 2.3 billion. In addition, a dedicated EUR 1.5 billion facility for projects outside of the EU was also set up this year to finance projects contributing to climate change mitigation and adaptation, biodiversity and environmental protection.

With its extensive experience in appraising and financing projects, its in-house sector expertise, high environmental and social standards, the EIB is well placed to support Latin America in meeting its climate action goals.

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