Typical Project Finance

2 Degree pathway – implications for renewable energy:
• Innovation in how renewable energy is financed & refinanced in emerging markets
• Greater involvement of major pension funds through direct investment
• Likely innovation in aggregation to form asset-backed and project-back securities
Typical Project Finance

- **PPA Counterparty**
  - Makes Payments
  - Delivers Electricity in accordance with PPA

- **Project SPV**
  - Operates project in long term

- **Sponsors**
  - Invest equity into project

- **Lenders**
  - Provide debt to project
Paris Climate Bond Concept

PPA Counterparty
- Operates project in long term
- Delivers electricity in accordance with PPA
- Payments (secured by guarantor)

Guarantor
- Provides credit enhancement supported by climate finance

Sponsors
- Retains role in project operation

Lenders
- Discharged debt re-invested
- Debt discharged
- Uses part margin from refinancing to co-fund development costs of new projects

Investment Vehicle
- Refinances project debt – raises funds by issuing debt or equity based securities
- Distributes cash flows

Institutional Investors
- Retains a long term interest
- Purchases the securities

Recycle capital and reinvest into new projects

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Paris Climate Bond Concept
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