

Green Bonds – Solution or Labelling ?

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A long history of long term investments
since early civilisation



Acqueduct: Aqua Claudia



Sewers/drains: Cloaca Maxima



Public latrines: Ostia Antica

Water/Wastewater:

Today: same needs but
higher standards and norms



Water reservoir for security of supply

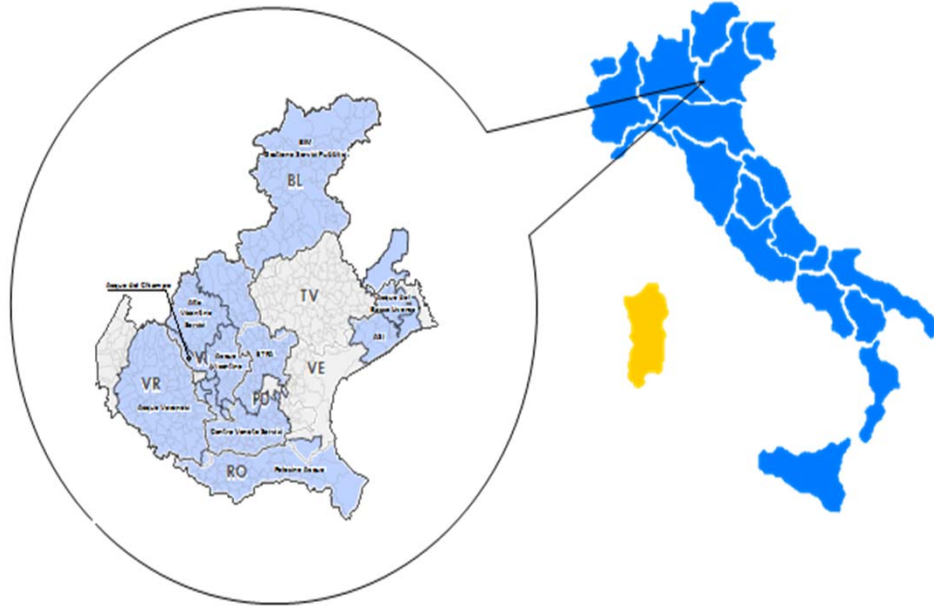


UV Disinfection for safe, potable water



Wastewater treatment plant

The companies in the portfolio



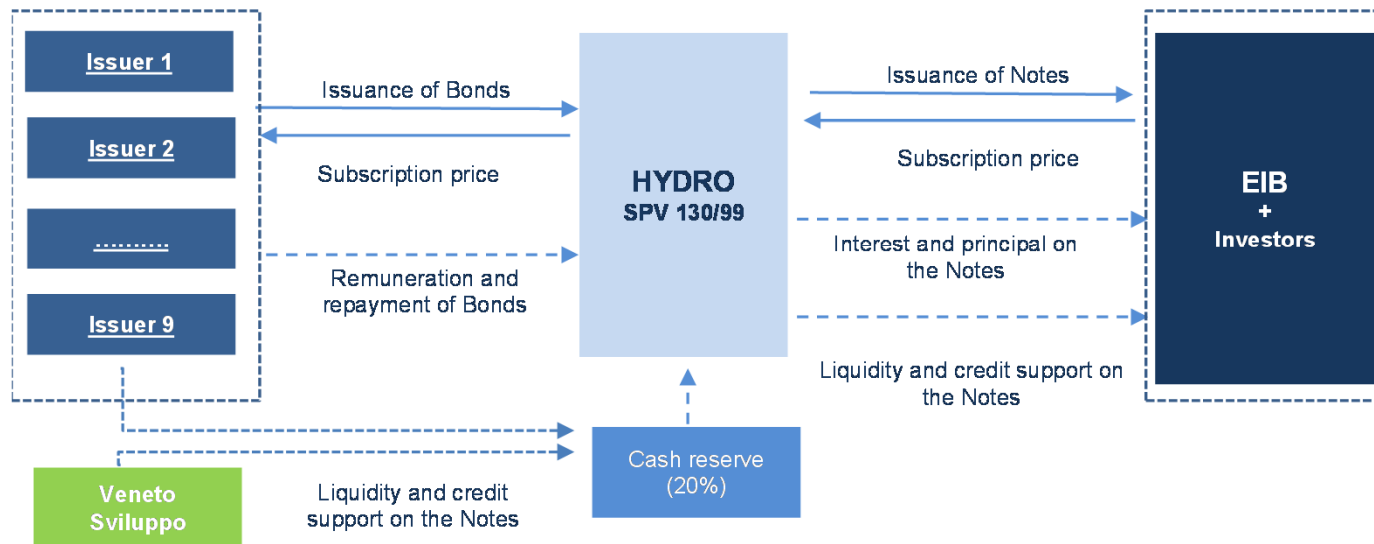
Acque Vicentine
 Acque Veronesi
 Acque del Chiampo
 Alto Vicentino Servizi
 Centro Veneto Servizi
 ETRA
 Azienda Servizi Integrati
 BIM Belluno
 Basso Livenza

- Region of Veneto
- 437 municipalities
- 3m residents

Problem:

- ❖ No access to capital markets
- ❖ Difficult to access bank financing for long maturities
- ❖ No access to EIB direct lending given the small size and low rating

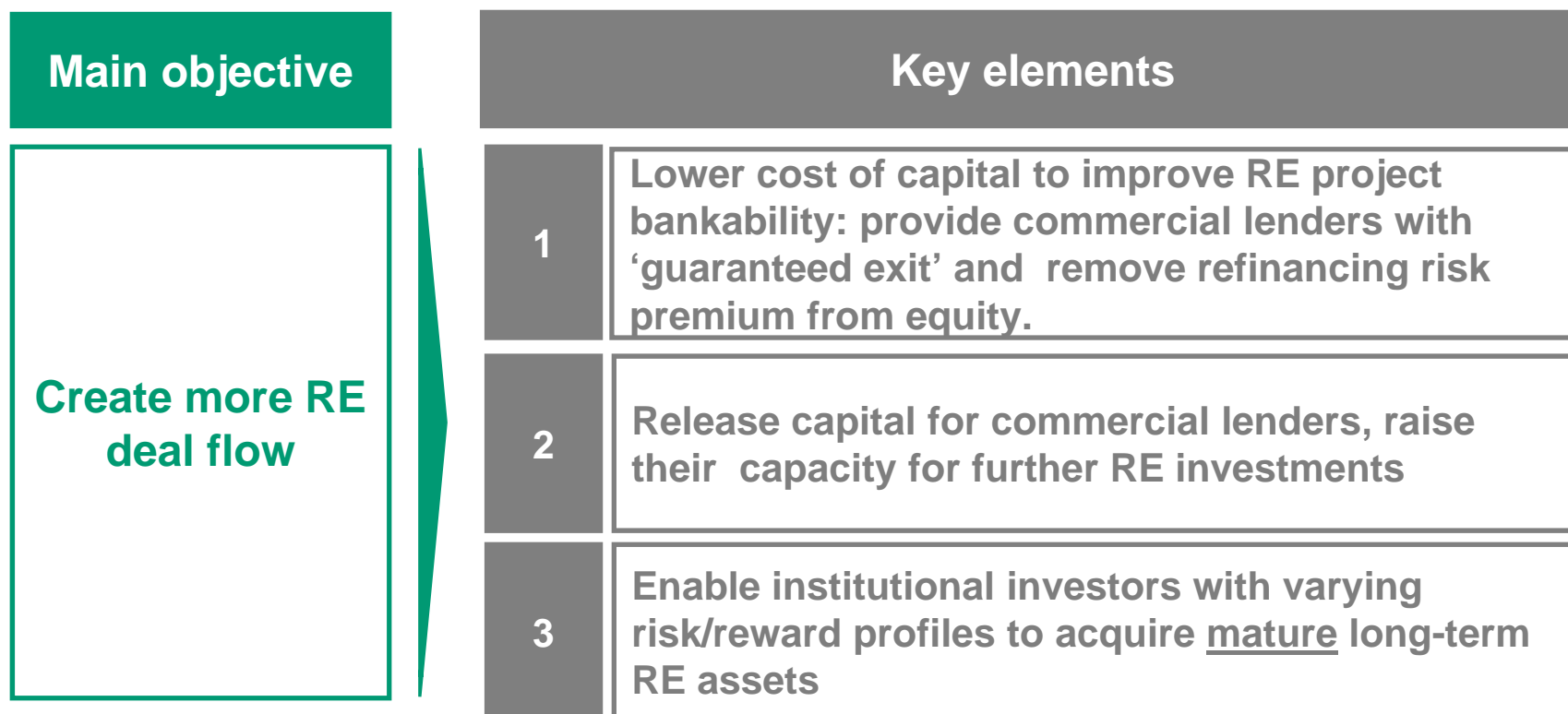
Structure: a novelty bundle for EIB



Credit Risk - highlights

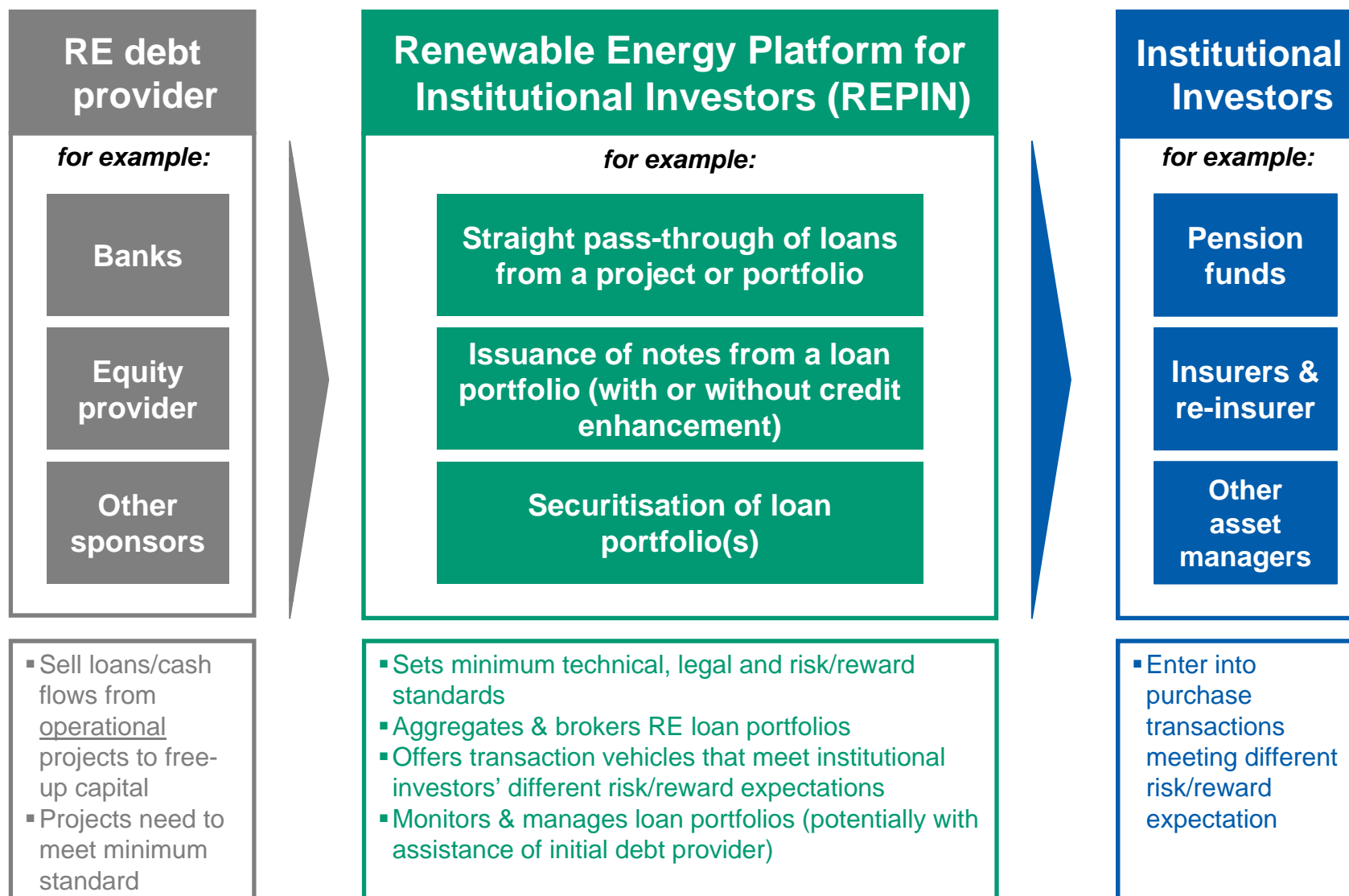
- Local municipality-owned companies, providing regulated water services under concession agreements
- Internal ratings ranging from 4/Baa2 to 6+/B1 (4/Baa2: 1 case; 4-/Baa3: 2 cases; 5+/Ba1: 4 cases; 6+/B1: 1 case)
- EIB underlying documentation to include typical corporate clauses for operations with Italian water companies

Renewable Energy Platform for Institutional Investors Stimulate RE deal flow and institutional finance

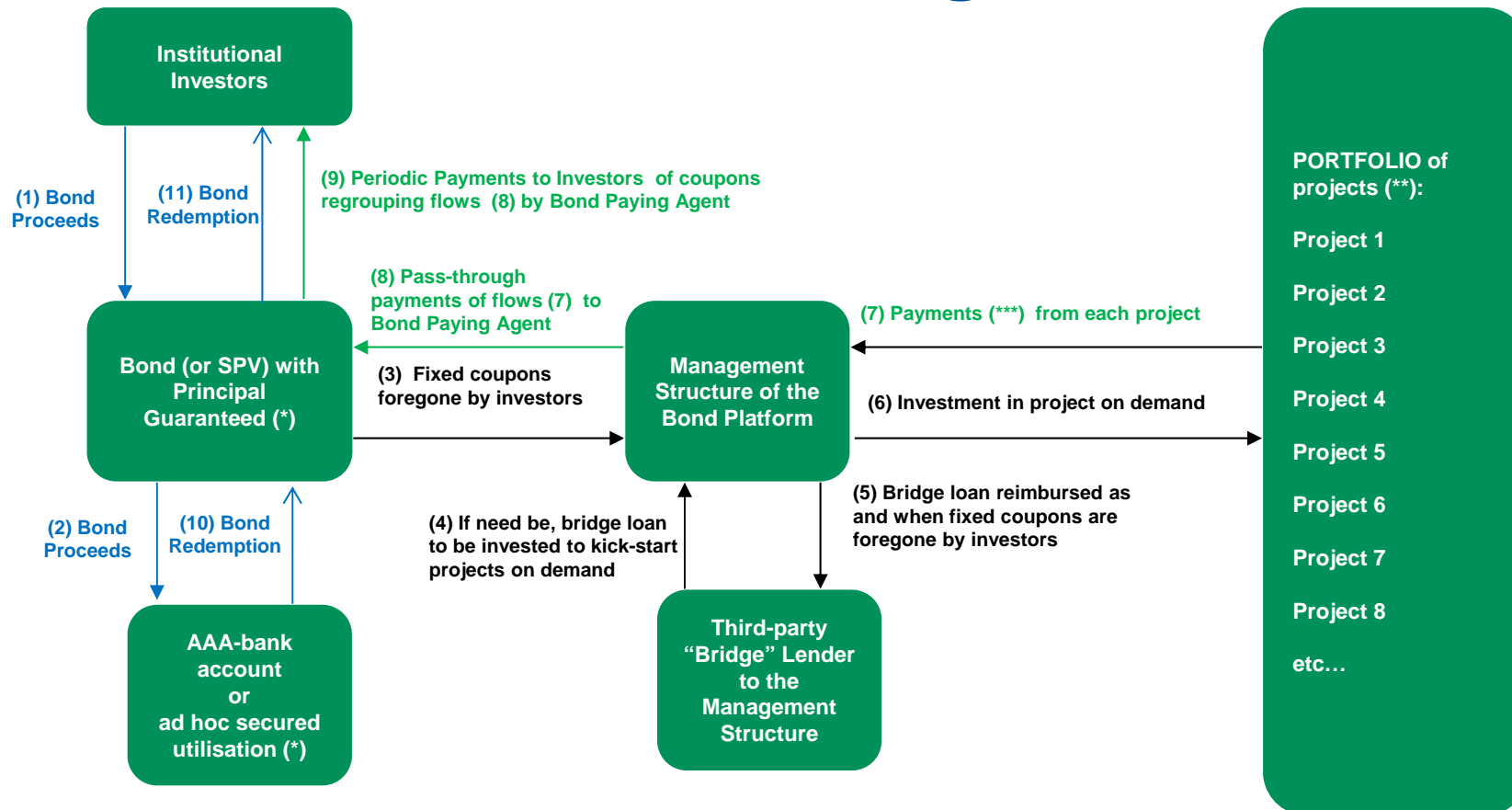


Ultimate goal: simultaneously stimulate deal flow and engage institutional investors to increase overall RE financing

Concept: REPIN



Environmental Performance Indexed Bonds (e.g. REDD credits) – generic structure



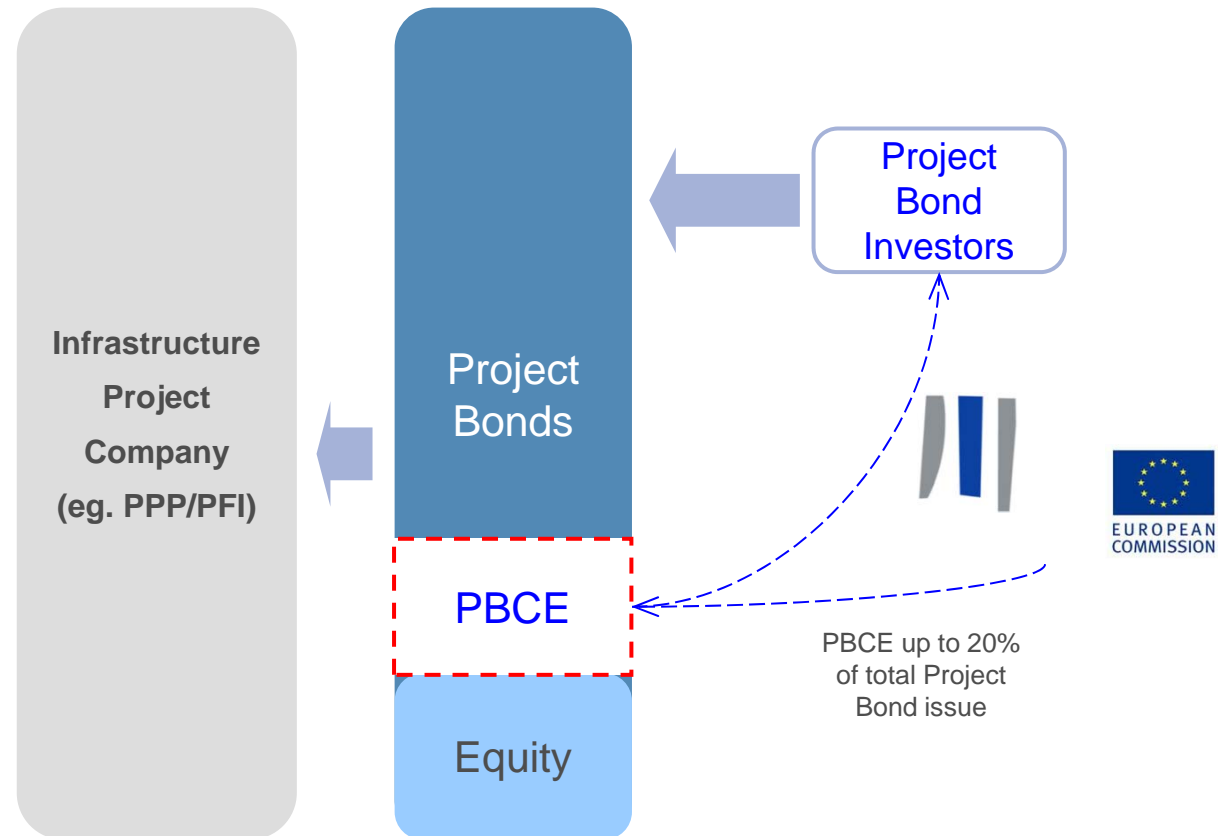
(*) : if EIB is the bond issuer, it would invest the proceeds in identified "green" projects

(**) : each project may already be mothered or sponsored or looking for co-financing by (SRI / voluntary) corporations or by foundations

(***) : a project could pay cash the proceeds of carbon credit, clean water certificate, or agricultural commodity / timber sales

Under PBI, EIB provides Project Bond Credit Enhancement (PBCE) to:

- ❖ Ensure debt service for Project Bond Investors up to the total size of the instrument
- ❖ Credit enhance project bonds from a typical BBB- rating by up to 3 notches to A-
- ❖ As either a funded (subordinated loan) or unfunded (letter of credit) guarantee instrument



Sample PBCE Transaction – Greater Gabbard OFTO

Project Overview

Project Type	<ul style="list-style-type: none"> Electricity transmission assets connecting the 140 wind turbines of the 504MW Greater Gabbard offshore wind farm to the UK onshore grid
Status	<ul style="list-style-type: none"> Construction completed and part of the UK regulated transmission system
Project details	<ul style="list-style-type: none"> PBCE of GBP 45.8m 125bps over the benchmark UK Gilt rate or 4.317%, 3x oversubscribed Use of EU budget (EUR 10m from TEN-E budget)
Concession Term	<ul style="list-style-type: none"> 20 years
Bond	<ul style="list-style-type: none"> GBP 305.1m, publicly listed, long term, amortising senior debt with a tenor of 19 years
Bond Rating	<ul style="list-style-type: none"> A3 (with the PBCE)
PBCE Letter of Credit	<ul style="list-style-type: none"> GBP 45.8m initially, amortising with bond EUR 10m USE OF TEN-E PBI FUNDS

