

# Green Bonds – Solution or Labelling ?

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Fourth Annual Meeting of the San Giorgio Group:  
Expanding Green, Low-Emissions Finance  
Venice, 17 October 2014

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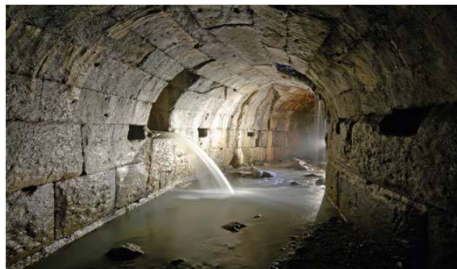
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A long history of long term investments  
since early civilisation



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

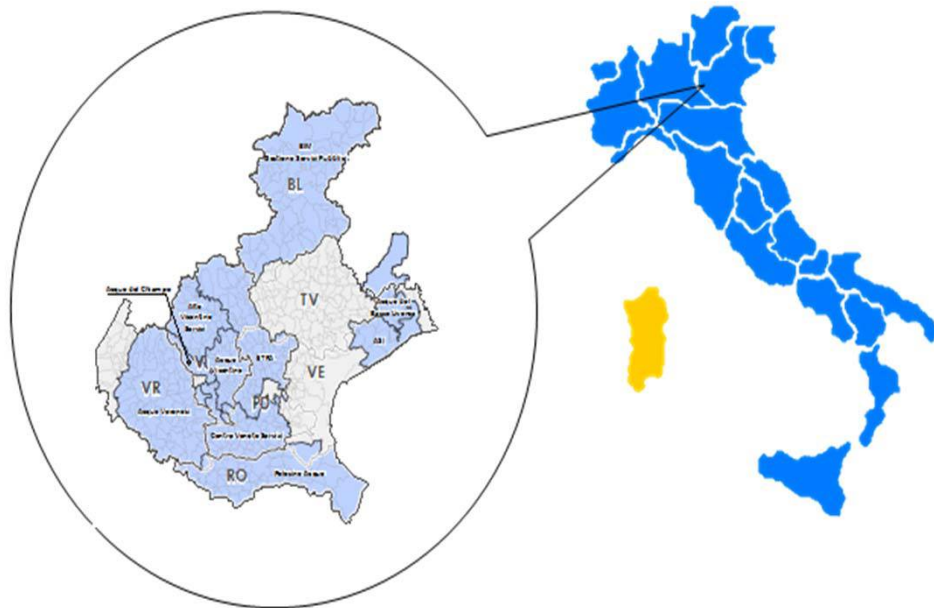


UV Disinfection for safe, potable water



Wastewater treatment plant

# The companies in the portfolio



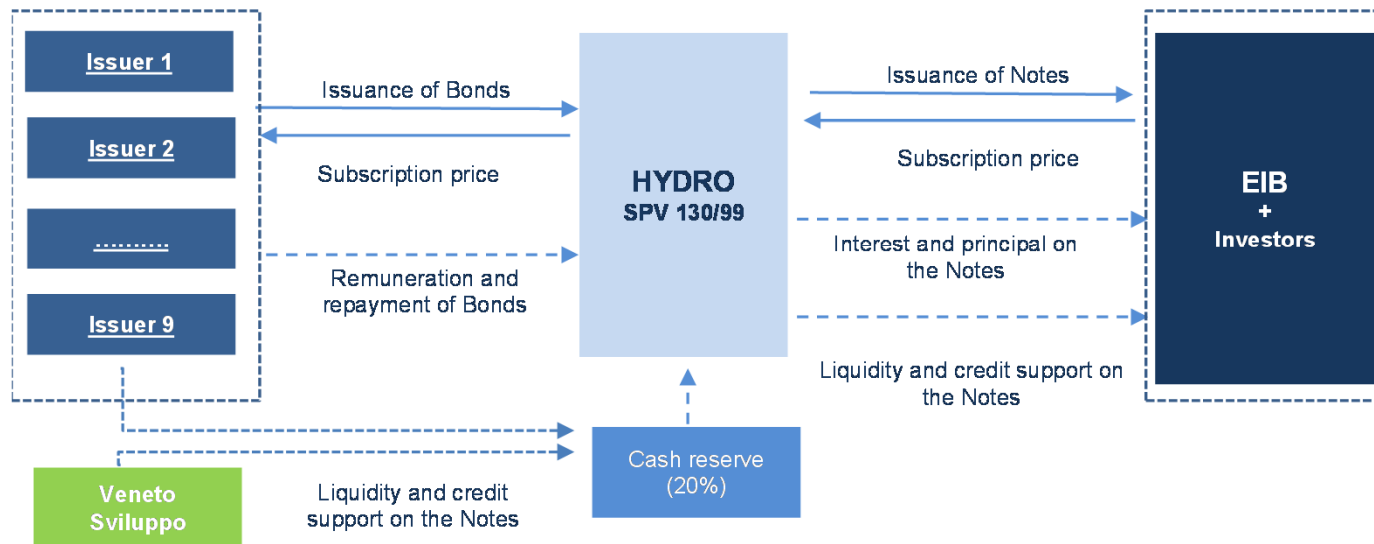
- Acque Vicentine
- Acque Veronesi
- Acque del Chiampo
- Alto Vicentino Servizi
- Centro Veneto Servizi
- ETRA
- Azienda Servizi Integrati
- BIM Belluno
- Basso Livenza

- 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

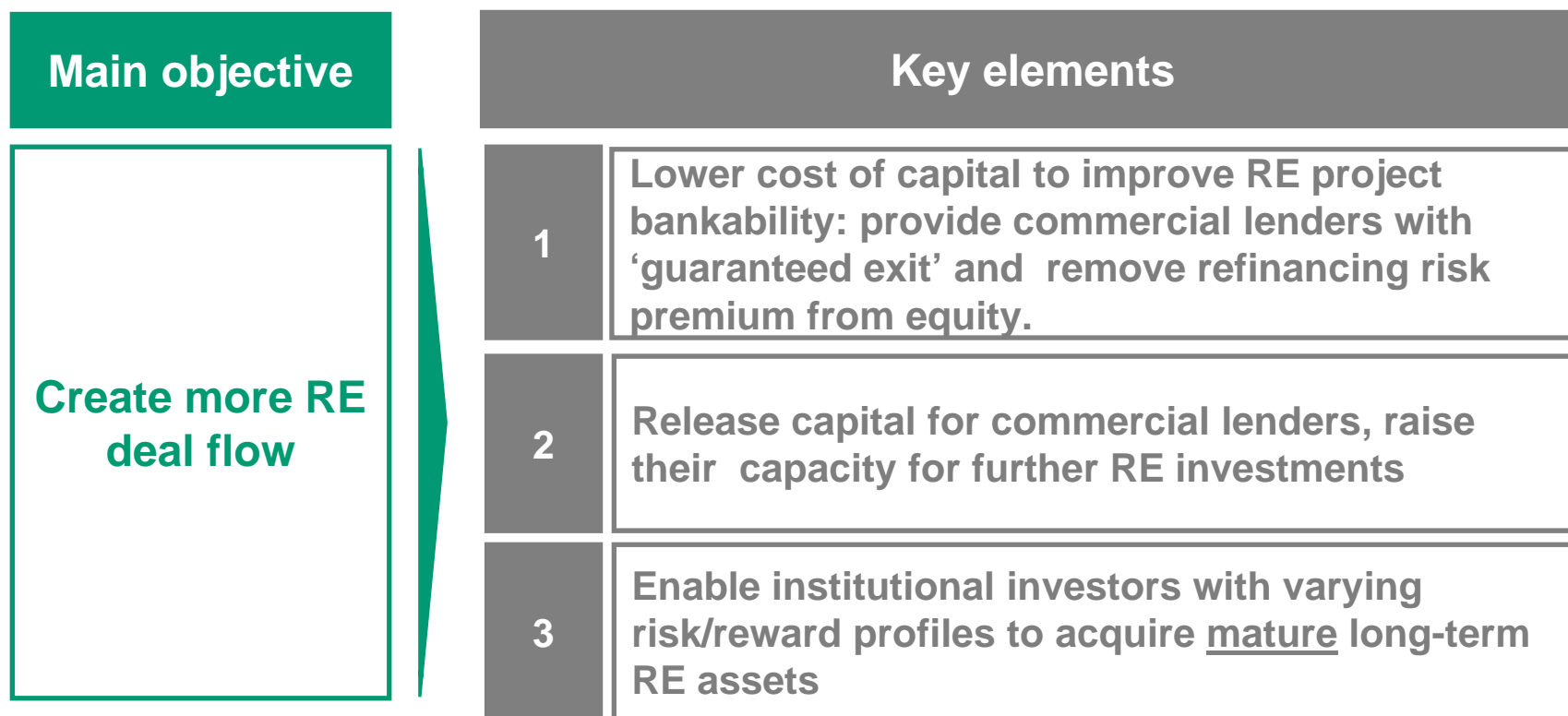
# Structure: a novelty bundle for EIB



## Credit Risk - highlights

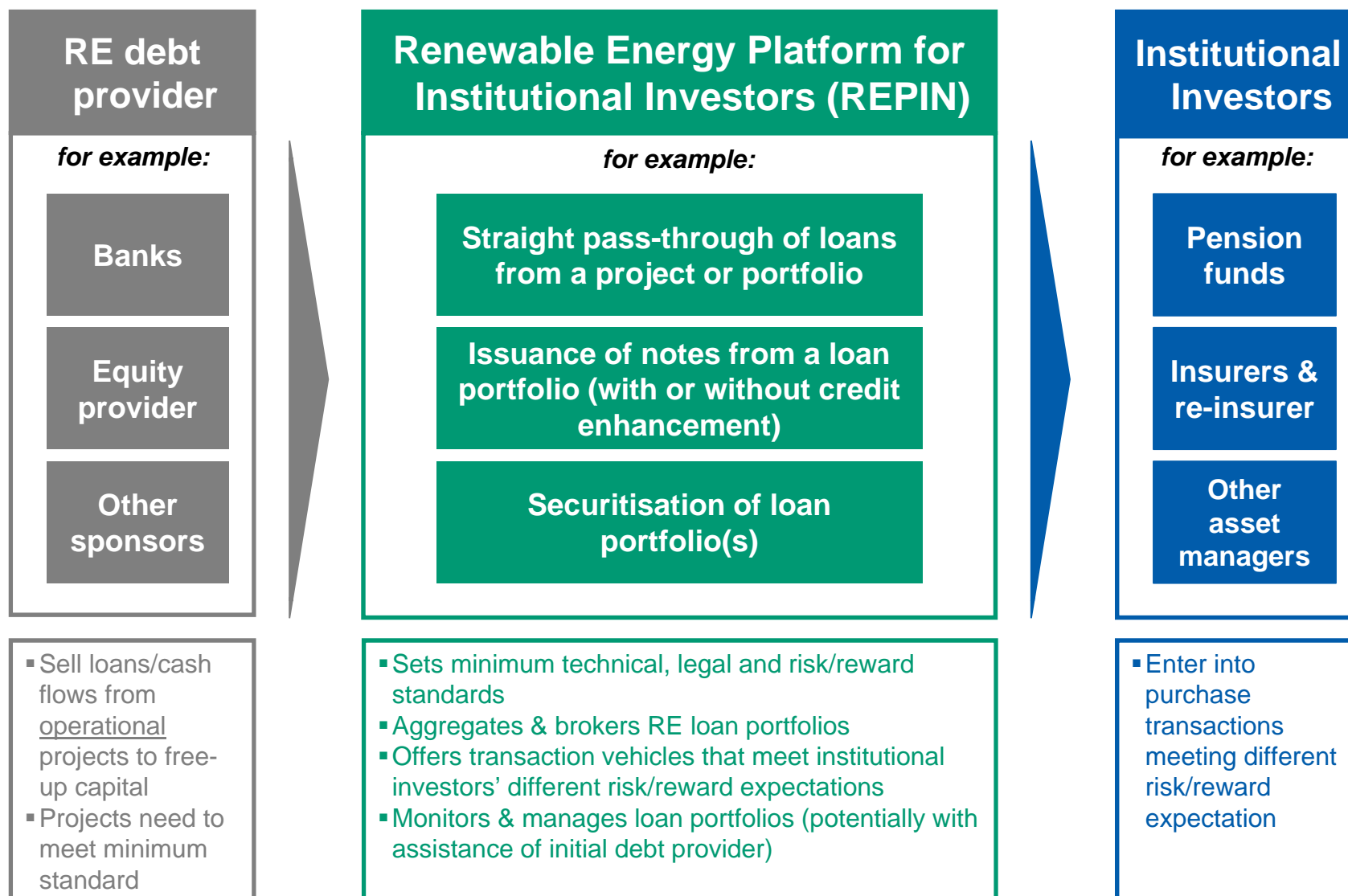
- Local municipality-owned companies, providing regulated water services under concession agreements
- Internal ratings ranging from 4/Baa2 to 6+/B1 (4/Baa2: 1 case; 4-/Baa3: 2 cases; 5+/Ba1: 4 cases; 6+/B1: 1 case)
- EIB underlying documentation to include typical corporate clauses for operations with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

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

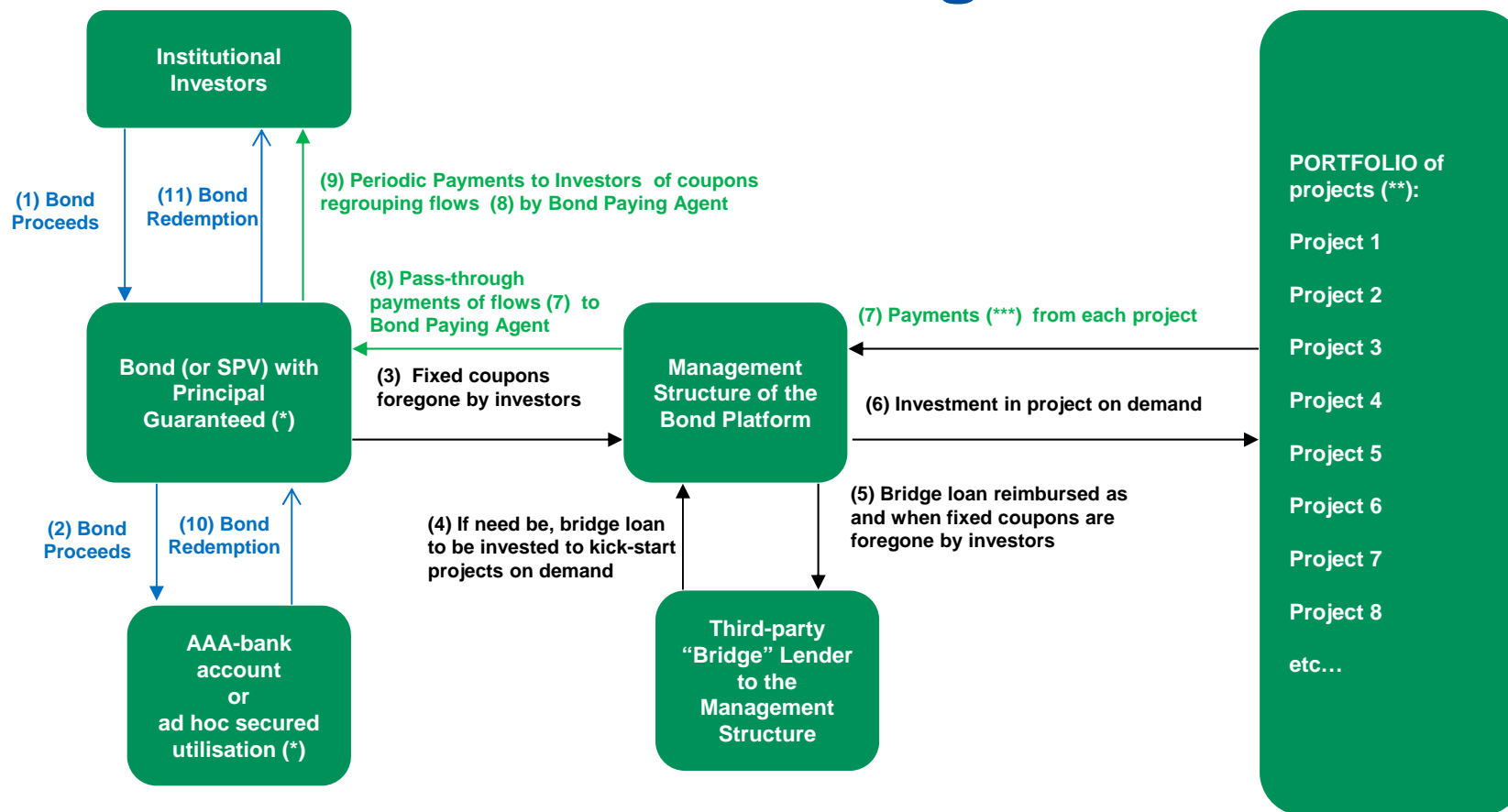


**Ultimate goal: simultaneously stimulate deal flow and engage institutional investors to increase overall RE financing**

# 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

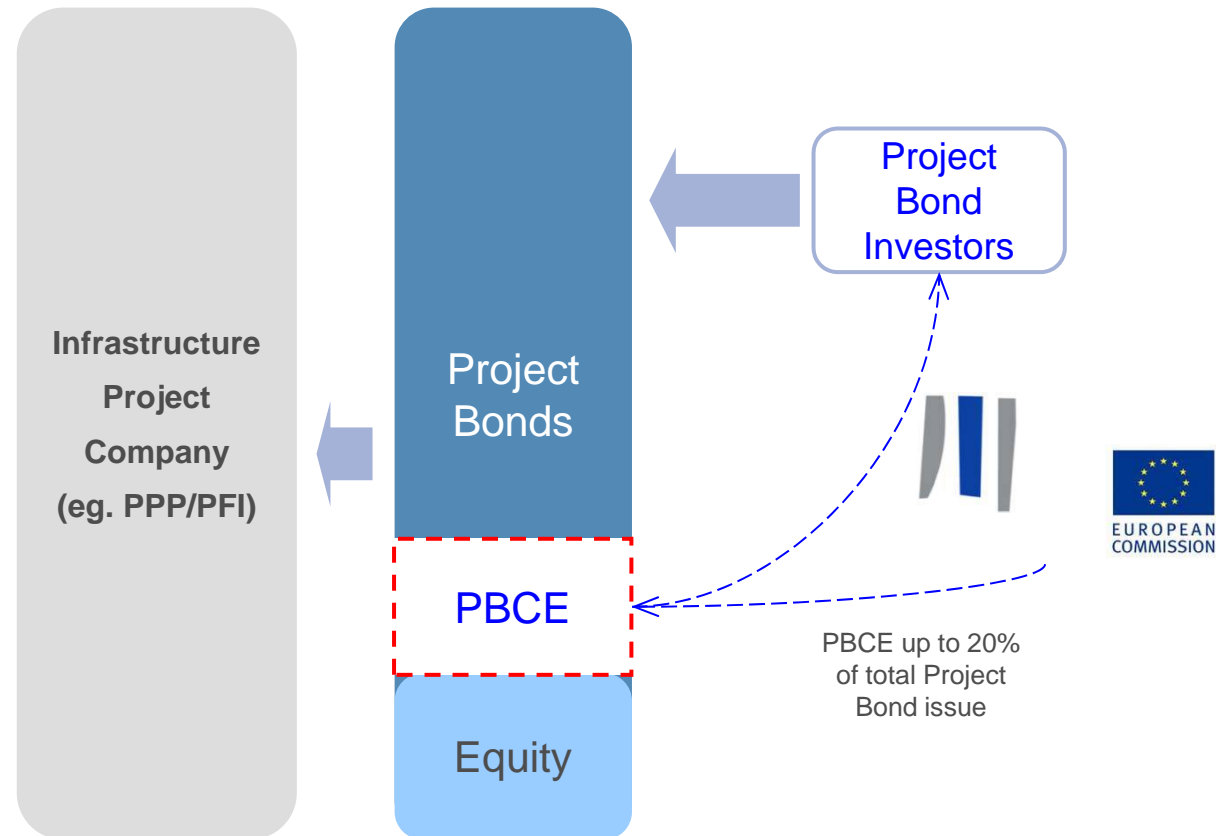
(\*\*) : each project may already be mothered or sponsored or looking for co-financing by (SRI / voluntary) corporations or by foundations

(\*\*\*) : 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

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

