Renewable Energy and Energy Efficiency Finance through Private Sector FIs

Asian Clean Energy Forum
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“One ADB” for Development Finance

- **Bankable projects**
  - Private Sector Operations Dept. (PSOD) Finance
    - Debt and equity finance from ADB
      - Directly
      - Indirectly through FIs or funds
    - Maximize cofinancing
  - Blended Finance
    - Blending concessional finance with commercial (market rate) finance
  - Project Development
    - Technical assistance for project preparation and capacity development
    - Upstream market development
    - Policy dialogue
  - Policy dialogue and market development

- **Partially commercially viable projects**

- **Un-bankable Projects**
  - Public Sector Finance
    - Sovereign finance processed by ADB’s sector group and regional department
## ADB PSOD PRODUCTS

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Size</th>
<th>Typical terms</th>
<th>When is it relevant?</th>
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</thead>
</table>
| Debt       | $5-$200M with average size of $40-50M | • 3-5 years  
  • SOFR / ADB cost of funds in local currency + credit spread  
  • Secured or unsecured | • Established company with healthy balance sheet, strong cash flow  
  • Possibility to mobilize co-financing under B-loan or risk participation |
| Equity     | $5-75M with average size of $15-30M | • 25% ownership maximum  
  • Board seat  
  • Minority protection rights  
  • Put or other exit arrangements | • Growing company in a pre-IPO or pre-trade sale situation or strategic investment in a listed company |
| Guarantees | Typical $0.5-10M | • Partial credit guarantees (PCG): market-based, fees based off lenders’ margin  
  • Political risk guarantees (PRG): market-based, fees based off re-insurance market | • Where other lenders are more efficient than ADB in mobilizing local currency, or reaching target customers (PCG)  
  • In frontier markets (PRG) |
| Technical Assistance | Typical $0.1 - $1M | • For capacity development, done on a cost sharing basis | • To help FIs comply with ADB’s environmental and social guidelines, meet gender targets, accelerate the development of new products, enhance digital finance strategies |
## Scaling Up Climate Finance: A Roadmap for Sustainable Growth

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
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<tbody>
<tr>
<td>Support climate smart products</td>
<td>• Support projects that specifically support the transition to a low-carbon economy, such as green or blue bonds, renewable energy loans, green mortgages, climate smart agriculture finance and other financial instruments that support climate mitigation and adaptation</td>
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<td>Build Capacity</td>
<td>• Work with sovereign team and arrange technical assistance and capacity building to private sector financial institutions to help them understand and invest in climate-related opportunities</td>
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<tr>
<td>Partnerships</td>
<td>• Partner with other organizations that promote climate finance at financial institutions to leverage resources and expertise</td>
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<tr>
<td>Climate Finance Funds for Capital Markets Development</td>
<td>• Establish a dedicated fund for FIs, to support the development of climate-smart projects, and to provide a vehicle to raise additional donor funds for capacity building</td>
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<td>Encourage Disclosure</td>
<td>• Encourage our partner banks to disclose information about their climate risks and opportunities and develop products to provide support based on their needs</td>
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<td>Understand and incorporate climate risk in deal appraisal</td>
<td>• Training / upskilling on climate risk so that we can measure and manage the risks and offer solutions to mitigate those risks</td>
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## Selection criteria for PSOD projects

<table>
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<tr>
<th>Sector and Location</th>
<th>Commercial Viability</th>
<th>Development Impact</th>
<th>ADB Value Addition</th>
<th>Client Commitment</th>
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</thead>
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<tr>
<td>Is the project consistent with ADB’s sector and regional focus?</td>
<td>Is the project bankable? Is the risk allocation appropriate?</td>
<td>What is the project’s development output, outcome and impact? Is the project replicable?</td>
<td>What value addition can ADB bring to the project?</td>
<td>Can the client commit to improve safeguards standard and ESG standard?</td>
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</table>
Solar Energy Lease Finance Project
Loan to Citic Financial Leasing

Project Design:
• To promote the leasing modality for financing renewable energy project
• $70 million (in CNY equivalent) of ADB Loan to Citic Financial Leasing
• Longer tenor ADB finance to support CFL’s long term lease finance product
• Support CFL to develop its environmental and social management system (ESMS)

Development Results:
• 9 solar energy sub-projects financed
• 475,000 MW of solar energy generation per annum
• Total GHG emission reduction of 370,000 tCO2 per annum

OP3
Approval: Feb 2020
Signing: Aug 2020
Tenor: 5 years
Product type: CNY
Loan amount: $70 million
MSME Decarbonization Project
Loan to Bank of Huzhou

**Project Design:**
- To support MSMEs decarbonization through industrial and building energy efficiency enhancement
- $50 million (in CNY equivalent) of ADB Loan to Bank of Huzhou
- Technical Assistance to help Bank of Huzhou enhance its ESG standards and green finance impact assessment capacity
- Support Bank of Huzhou to develop its ESMS, gender action plan and green loan products targeting women-led MSMEs

**Development Results:**
- 15 MSME energy efficiency sub-projects financed
- Total GHG emission reduction of 136,000 tCO2 per annum
- green loans disbursed to 78 women-led MSMEs in 2023
Energy Efficient Equipment Leasing for Micro and Small Enterprises
Loan to Ping An International Financial Leasing

Project Design:
- To promote energy efficiency improvement for micro and small enterprises using leasing and fintech
- $100 million (in CNY equivalent) of ADB Loan to Ping An Leasing
- Technical Assistance to help improve Ping An Leasing’s climate impact assessment capacity
- Gender action plan to enhance women’s access to green leasing products

Development Results:
- Over 1,300 lease contracts for energy efficient equipment leasing financed
- Average 12% energy saving and GHG emission reduction from equipment leased
Thank You