



CABEF
FUNDING SUSTAINABILITY



ICAO "CAPACITY BUILDING SEMINAR ON LOW EMISSIONS AVIATION MEASURES

24 -26 April 2018

NORMAN MANLEY INTERNATIONAL AIRPORT (NMIA), KINGSTON, JAMAICA

CABEF PRESENTATION

OBJECTIVE

Promote energy security and environmental sustainability in the Caribbean Basin

CABEF serves as a catalyst for investment and entrepreneurship in clean energy, renewables, and energy efficiency projects



INTENDED IMPACT

ENVIRONMENTAL IMPACT

Reduction of greenhouse
gas emissions

An increase in the number
of companies utilizing
clean energy practices

SOCIO-ECONOMIC IMPACT

Direct and Indirect beneficiaries of the project:

30 - 40

Energy efficiency and renewable energy projects &
companies

250 – 300 MW

Of clean energy in the Caribbean Basin generating almost
800 GWh/year and offsetting 550k – 600k TCO₂e

420,000

Households that will receive power from clean energy
generation

RATIONALE

Caribbean Basin countries are experiencing high oil volatility and **high electricity prices** of up to US\$0.37/kWh; clean energy only represents 6% of total energy in the Caribbean; energy efficiency projects could represent savings from 0.14 to 0.28 \$/kWh

In alignment with national policies in the region

- Many Caribbean Basin countries are changing their energy policies to further promote renewable energy

In alignment with financing gaps

- SME developers lack project finance capital
- Equity and quasi-equity is needed to leverage bank debt

In alignment with MIF/IDB strategies

- Consistent with IDB's energy objectives for the region and its Updated Institutional Strategy 2016-2019 regarding inclusive infrastructure
- Complement IDB and MIF interventions to support venture capital as well as renewable energy and energy efficiency

FUNDING AND INSTRUMENTS

CABEF **US\$50** million

H-REFF **US\$50** million

Co-investment:
US\$45 million

Co-investment:
US\$46 million



INSTRUMENTS

- Subordinated debt (convertibles), preferred and common share investments
- Financial or Operating Leasing for Energy Efficiency projects; performance-based payments
- Revolving debt facilities for ESCO (could be partly converted to equity)
- Limited Technical Cooperation funds available

INVESTMENT STRATEGY AND INSTRUMENTS

Size Of Investments

- Minimum: US\$1,000,000 per project
- Maximum: Currently, US\$6.3 million per project (10% of total capitalization)

Investment Focus

- Renewable and Clean energy projects and companies either grid connected or off-grid
- Energy Efficiency and other energy savings applications (i.e. CCHP)
- Strong initial pipeline of more than 50 prospective renewable energy and energy efficiency projects (immediate pipeline of 16 projects demanding \$43.8m of investment)

Instruments

- Equity and mezzanine financing for project implementation
- Financial and Operating Leasing for Energy Efficiency projects; performance-based payments
- No senior debt, CABEF intends to strengthen projects' financial structures



ELIGIBLE TECHNOLOGIES



Biomass



Hydropower



Biogas



LPG/LNG



Solar PV,
Solar Thermal



Wind



Energy Efficiency /
CCHP



Biogas

AN APPROACH TO SMALLER PROJECTS

ESCO AS AGGREGATOR

- **CABEF to sign investment agreements with each client**
- Similar technologies
- Same technical and implementation risk
- Similar terms for client
- Streamlined approval and investment

ESCO AS CLIENT

- ESCO to present pipeline of projects
- Technical, Managerial, Financial capacity
- CABEF to invest in ESCO
- ESCO manages contracts with clients

PROJECTS IN THE PIPELINE

Dist. Gen. Solar PV

- Group of 12 rooftop projects 100-500kW
- Business/technical partnership
- Fund comes with **equity** to complete first projects
- Banks approached when projects are built
- Fund stays 10-12 years

Regional ESCO

- Revolving **debt** facility for implementation of energy efficiency projects
- ESCO gets 10-year facility to allow it to roll it over
- Based on solid track record and proven pipeline
- ESCO guarantees 15% savings

CCHP (hotels, etc.)

- Tailored financial lease with 10% or less down payment from client
- Savings shall cover lease payments
- Lease term is pre-agreed as well as share of savings
- Solid companies
- Turnkey project, reputable EPC or suppliers

SUMMARY OF INVESTMENT TERMS AND CRITERIA

- Clean Energy VC/PF Fund for Caribbean basin
- Grid-Connected R.E./Dist. Generation/E. Efficiency
- \$1m – 6.3m (currently)
- Sub. Debt/Pref. Shares/Common Shares/leasing
- Subordinated to Sr. Lenders
- Preference for No controlling interest
- Up to 13 years, investment period
- Flexible repayment schedules
- US \$ denominated
- No pre-investment/project development

Projects must be bankable:

- Land rights, permits, contracts
- Solid Fundamentals
- Experienced sponsors
- Social & Environmental Risk Mgt. System
- IFC Performance Standards
- IDB S&E Guidelines

FINANCING RENEWABLE ENERGY PROJECTS AT AIRPORTS

- **CABEF IS KEEN TO BE A PARTNER IN THE FINANCING OF RENEWABLE ENERGY PROJECTS AT AIRPORTS IN THE REGION**
- **WE HAVE LOOKED AT THE SIGNIFICANT SAVINGS IN ENERGY COSTS ACHIEVED FOLLOWING THE UPGRADING TO CLEAN ENERGY AT THE V.C. BIRD INTERNATIONAL AIRPORT IN ANTIGUA AND THE REGIONAL AIRPORT IN GEORGE, SOUTH AFRICA WHICH IS REGARDED AS THE FIRST “GREEN” AIRPORT ON THE AFRICAN CONTINENT.**
- **WE LOOK FORWARD TO RECEIVING BANKABLE PROPOSALS FROM PROMOTERS TO REPLICATE RENEWABLE ENERGY PROJECTS AT AIRPORTS AS HAS BEEN ACHIEVED IN ANTIGUA AND GEORGE, SOUTH AFRICA.**

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THANK YOU!