

## PROJECT ABTRACT

<b>Country:</b>	Mexico
<b>Sector:</b>	Financial Markets
<b>Project Name:</b>	ECON- PEMEX Green Bond Securitization Program
<b>Project Number:</b>	ME-L1181
<b>Borrower:</b>	<i>Mexican SPV</i>
<b>Sponsors:</b>	<i>ECON Servicios Energéticos Integrales S.A.P.I., S.A. de C.V. (“ECON”)</i>
<b>Proposed IDB Loan:</b>	US\$ 100 million
<b>Proposed China Fund Co-Loan</b>	US\$ 50 million
<b>Proposed Guarantee:</b>	US\$ 100 million

### PROJECT OVERVIEW

This is the first Project under the Regional Green Bond Facility (RG-X1250). The Project will support a US\$400 million green asset-backed securities program that will provide financing to a pool of Energy Efficiency (EE) projects developed by ECON, a Mexican Energy Service Company (ESCO), in different PEMEX facilities. The EE projects will target the replacement of 30-year old and inefficient equipment, and will improve operational efficiency in terms of energy use (including the reduction use of heavy fuels), reliability and security of electricity supply, and reduction of greenhouse gas (GHG) emissions.

### PROJECT DESCRIPTION

IDB’s contribution to the Project consists of a 6 year warehousing loan of up to US\$100 million IDB loan and an up to US\$50 Co-Loan from the China Co-Financing Fund to accumulate and standardize energy efficiency projects for their further securitization, and up to US\$ 100 million in Partial Credit Guarantees (“PCG”) to provide credit enhancement to the green asset-backed securities (ABS).

### DEVELOPMENT IMPACT

The IDB Green Bond Facility is an innovative financing mechanism in two steps that has been recognized by the G-20 Climate Finance Study Group in Turkey (September 2015) as best practice to unlock the EE market through capital markets securities. The IDB is also contributing to the development of Mexico’s debt capital markets, by introducing green asset-backed securities under the highest available standards (Green Bond Principles), and fostering social and environmental responsible investments among local institutional investors. Finally, the GHG emission reductions for the Project are expected to be at least 17,000 tCO<sub>2</sub>e per million of US\$ invested, which results in an aggregate expected GHG emissions reduction of 2.5 million tCO<sub>2</sub>e

during the lifetime of the projects. The Project will generate 1,716 new employments (660 direct employments) and approximately 40% will be female employees.

### **IDB'S ADDITIONALITY**

The IDB's financial additionality will serve to develop 44 EE projects that would otherwise not be funded with adequate financing in terms of tenor, pricing and type of collateral required (hence preventing their development). The IDB was instrumental in mobilizing additional financing from the China Fund. Furthermore, the IDB PCGs will support the green ABS providing necessary credit comfort to local institutional investors investing in these debt securities. Furthermore, PCGs will be offered in local currency helping mitigate foreign currency risk.

### **PROJECT CONTRIBUTION TO IDB OBJECTIVES**

The Project adheres to the main tenets of the Ninth General Capital Increase ("GCI-9"). More specifically, the Project supports the Bank's mission to foster: (i) development through the private sector and (ii) protect the environment, respond to climate change and promote clean and efficient energy. In addition, the Project, through its support to green investments, specifically addresses and complements IDB's Climate Change Strategy. The Project is consistent with the country strategy, for which the Bank's Non-Sovereign Guarantee (NSG) windows will support financing of investments that reduce climate impacts and foster renewable energy, and energy efficiency initiatives. The Project will clearly contribute to Structured and Corporate Financing Department (SCF) vision targets of supporting climate friendly investments of US\$12 billion. The project also contributes to the objectives of SCF beyondBanking program under the planetBanking pillar by promoting green initiatives across financial intermediaries in Latin America and the Caribbean.