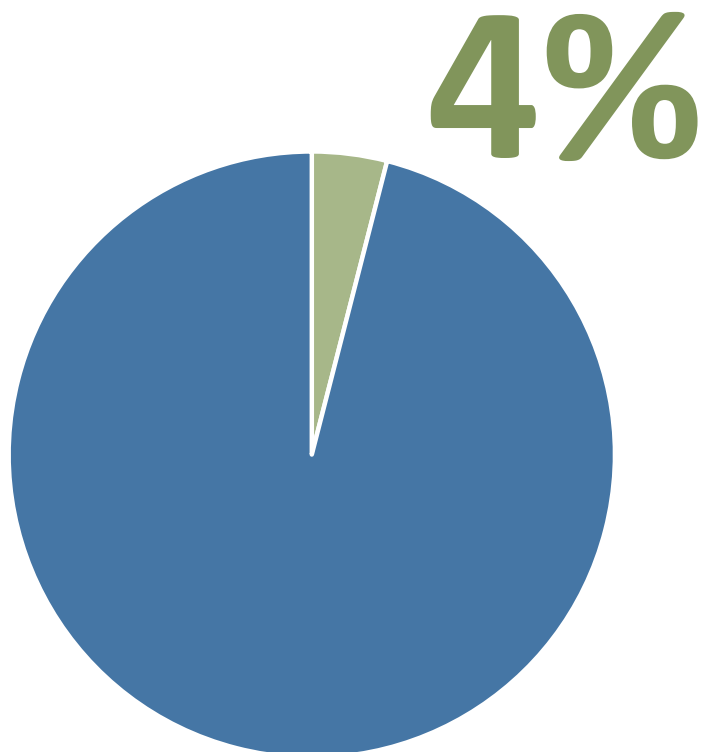




iEEFF
International
Energy Efficiency
Financing Facility

World Bank Group
June 2015

Cities keen to invest in EE but lack access to private capital

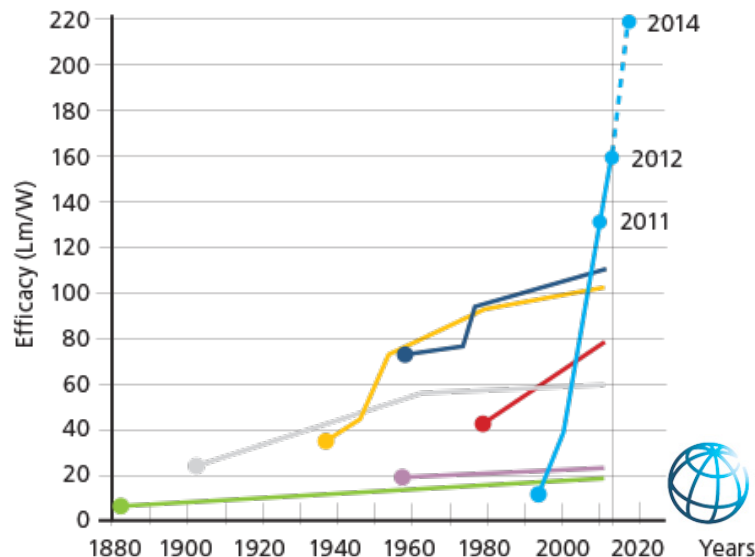
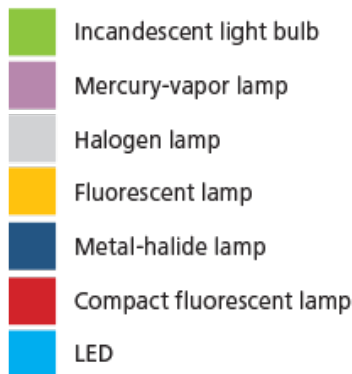


of the world's
500 largest cities in
developing countries are
investment grade by
international standards

Every \$1 invested in
creditworthiness can help
mobilize \$100

Example of Energy Efficiency Investment: LED street lighting

- Buenos Aires (91,000 LEDs installed by end 2015)
- Bogota (20,000 installed 2010)
- New York City (250,000 LEDs installed by 2017): projected savings: \$6m in energy/a & \$8m in maintenance/a for a total of \$14 million per year
- Los Angeles (140,000 LEDs installed as of June 2013); 63% savings over BAU reported
- Boston (41,000 LEDs under installation)
- Sao Paulo city-wide LED program design underway



WORLD BANK GROUP

International Energy Efficiency Financing Facility

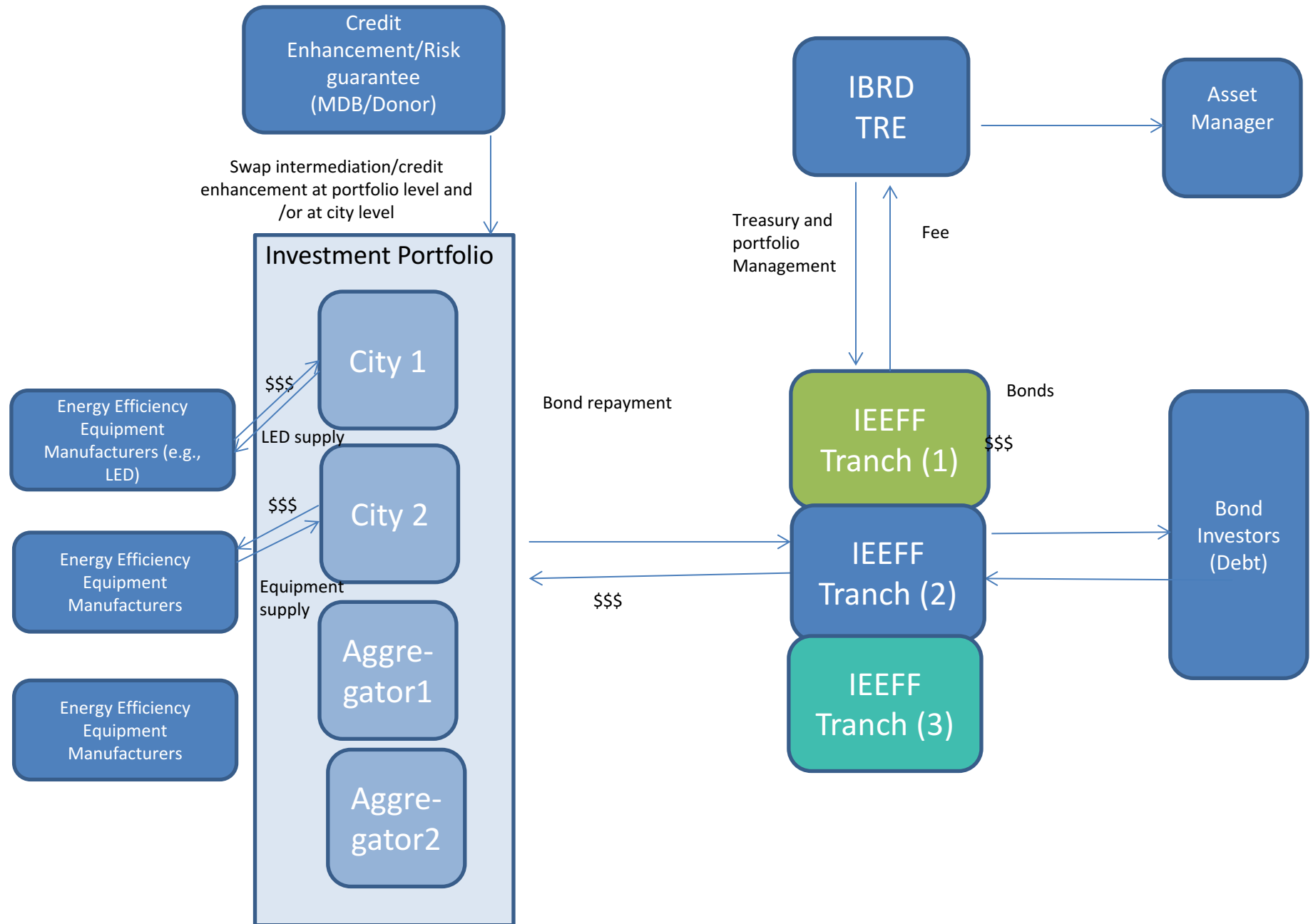
IEEFF is a single-purpose facility financing urban energy efficiency investment. IEEFF will commence operations through, for example, conversion of traditional lighting technologies to more efficient LEDs.

- Aggregating financing of EE investments of multiple cities will enable IEEFF to issue large-scale, liquid, investment-grade bonds, thus accessing the lowest-cost source of funding in domestic and international financial markets.
- The objective of the facility is to provide financing for participating cities/entities on terms as good or better than they could achieve on their own and enable them to access financing at scale for energy-efficiency installations and retrofits in the lighting, building, heating/cooling and transport sectors.

Rational of IEEFF

- Using savings from the avoid energy cost, for example:
 - Retrofits can be paid for, and cities' debt to IEEFF repaid through energy saving, with little or no additional use of cities' current budget resources
 - At the end of a short payback period, cities can expect electricity costs for these facilities to drop, often by 50% or more

IEEFF Indicative Structure Diagram



Next Steps

- A Consultative Group will be established to facilitate IEEFF portfolio development and investment. The participants include:
 - Eligible cities/entities that are interested in accessing IEEFF financing;
 - Qualified investors; and
 - Sovereign and subnational political sponsors for IEEFF
- Portfolio for specific tranche of IEEFF investment will be organized through identifying common interest generated through the Consultative Group.
- The Consultative Group will also serve as a key forum for learning and networking for cities and investors.
- The Consultative Group and IEEFF operation will be managed by the WBG IEEFF Delivery Team which consists of WB operation units, IFC, WB-Treasury and Market Risk.

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Annex

Eligible Participants

Cities/entities in both developing and developed countries meeting threshold standards in three areas:

- **Scale** – Cities/entities interested in comprehensive EE programs of USD [20 to 50] million or more, unless participating through a government agency or project aggregator
- **Financial capacity** – Cities/entities with finances strong enough, alone or together with third-party credit support, such that including the city in IEEFF's diversified portfolio of loans to other eligible cities, would allow IEEFF to achieve and maintain an investment-grade credit rating
- **Implementation capacity** – Cities/entities with the capacity to organize and execute an EE investment program and capture the energy savings

Portfolio for the First Tranch of IEEFF

The first tranche of IEEFF may focus on municipal street lighting replacement projects that:

- Reduce electricity consumption for municipal street lighting
- Achieve reductions sufficiently large in relation to the cost of the eligible program that the **value of the energy saved offsets the cost of a financing**
- Meet technical requirements adequate to qualify for long-term performance warranty

Sponsorship, Organization

- IEEFF will be organized in a form of special investment vehicle (SPV) with multiple tranches; each tranche operates independently with its own portfolio, investment and liability.
- IEEFF would be established under the laws of a jurisdiction that is well-accepted by institutional investors due to the robustness of its legal and regulatory arrangements with respect to finance and markets
- IEEFF will outsource management of its finances and operations to the World Bank Group / a multilateral service provider. In addition, the World Bank Group and/or other partners will provide technical assistance on project implementation upon request

Capital Structure

- Debt:

IEEFF will issue bonds to fund its lending to participating cities. Borrowings will supplement B-share equity investments, enabling IEEFF to maintain an amount of liquid reserves adequate to meet current expenses as well as other required disbursements

- Crediting Rating:

The tranches of IEEFF will obtain credit ratings for its bonds from at least two of the three major ratings agencies (Moody's, S&P and Fitch), aiming to qualify for single-A or equivalent rating for its medium- and long-term bonds

Financing

Bond issuance

Successive bullet-maturity issues of USDeq 500 million or more for the first tranche; medium-term goal is for IEEFF instruments to be included in major bond-market indices

Investors

Institutional and retail investors globally

Underwriting and distribution

Industry standard for high-grade, fixed-income instruments

EE loans

IEEFF's principal business will be making loans to eligible borrowers to provide financing for cities' EE investment. Loan terms could vary, but would be broadly consistent in maturity and amortization with the energy cost savings associated with the EE retrofit. Loans could be at fixed or floating interest rates at the option of the borrower. Pricing would be consistent with or slightly better than borrowers could achieve borrowing directly in the market. IEEFF's goal is to make available loans in USD and other major currencies for which there exist reasonably liquid currency swap and foreign exchange markets