Interact Climate Change Facility

ICCF

Unlocking climate finance in emerging markets

Private capital has an important role to play in accelerating the transition to a sustainable and inclusive global economy. European DFIs are determined to build on their strong track record in climate finance and mobilise private sector climate finance. By closing the climate finance gap in emerging markets, European DFIs aim to boost these countries' resilience, generate jobs and accelerate their inclusive and sustainable economic growth.

A co-financing facility for EIB and European DFIs

The Interact Climate Change Facility (ICCF) is a co-financing vehicle providing long-term financing from EUR 10 million to EUR 45 million per project to climate investments in countries included in the OECD DAC list. The facility offers a fast-track procedure to syndicate large amounts in an efficient two-step process while sharing the risk of the operation with EIB and European DFIs.

The funding capacity of ICCF is provided by the French Development Agency (AFD), the European Investment Bank (EIB) and 11 EDFI members. This co-ownership structure allows to support larger investments by pooling resources and expertise. This initiative today stands out as a best practice instrument in terms of financial and technical climate cooperation among development institutions.

Institutions which have committed funds to ICCF may present project proposals using the same documentation provided for internal approval. The Investment Committee (IC) of ICCF, composed of representatives from the institutions that have committed funds to the co-financing facility, evaluates the project proposals and grants approval in a two-step process: Clearance in Principle and Final Approval. Once approved, the IC delegates authority to the institution that presented the project (Promoting Partner) to undertake the due diligence, establish the legal contracts and monitor the project company on behalf of ICCF.

Terms and conditions that apply to the loan or investment are back-to-back and have full risk sharing between all involved parties. Moreover, the end clients also benefit from the involvement of ICCF in the transaction as only one contract is signed, between the fronting institution and the project company. The client will have only one counterpart and report to one single institution.

ICCF at a glance:

- Financing: min EUR 10 million - max EUR 45 million.
- Instrument: senior loans, mezzanine debt and guarantees
- Maximum tenor: 18 years
- Geographical scope: OECD DAC list
- ICCF shareholders: AFD, BIO, CDC, Cofides, DEG, EIB, Finnfund, FMO, Norfund, OeEB, Proparco, Sifem and Swedfund.

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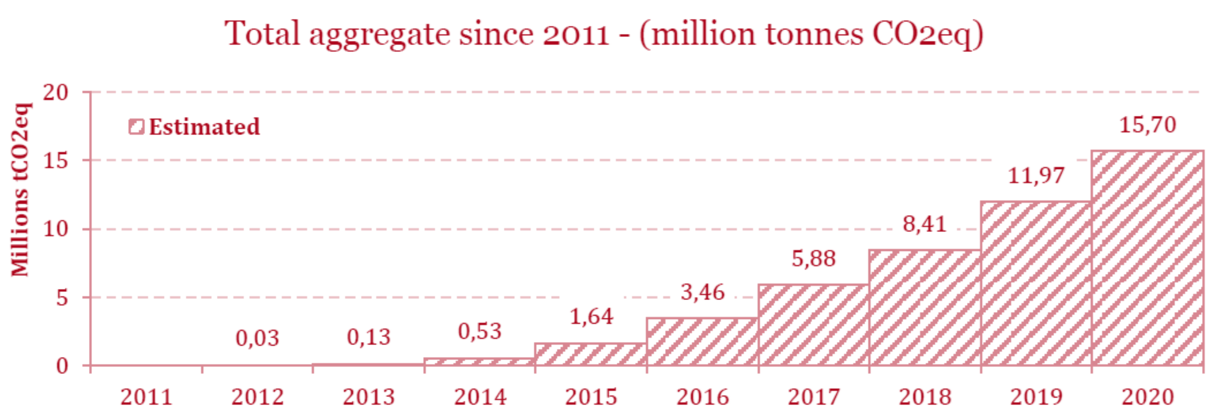
"The continued efforts under ICCF play an important role in Team Europe's investment in private sector projects that scale up climate change mitigation and energy access.
By pooling financing and expertise with EIB and AFD, European DFIs have increased their capacity to support developing countries' transition to the low carbon economy, which is a top priority."

Peter Thimme, DEG, Chair of the Board of Directors of ICCF

Impact

Since its inception in 2011, ICCF has financed 33 projects across 18 countries for EUR 502 million. Half of the projects financed are supporting wind power solutions (e.g.: Lake Turkana in Kenia), a quarter are focused on solar power (e.g. Mecer in Honduras) and the rest is supporting other renewable energies (geothermal, energy efficiency and hydropower).

The ICCF has contributed to reducing CO_2 emissions by almost two million per year and supported the installation of 1.147MW of additional renewable energy capacity in developing countries.



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Case study
Lake Turkana - Africa's largest wind power project

Electricity shortages and chronic outages in Kenya were harming the country's competitiveness and growth. In response, the Kenyan government launched a large-scale investment programme in 2013, with the goal of increasing installed capacity from 1664 MW to 6664 MW over a four-year period.

ICCF supported EIB and European DFIs to provide a long-term credit facility to Lake Turkana Wind Power, a 300MW windfarm. At the time of investment in 2014, the Lake Turkana wind project was the largest wind farm in sub-Saharan Africa. The project comprises 365 wind turbine generators, generating each 850kW capacity, which increased the availability and affordability of electricity in the country.

The windfarm created 2,500 jobs for the construction and 480 permanent jobs for the operation while generating additional tax revenues for the government. The environmental effects of the project are also remarkable as it contributed to the reduction of greenhouse gas emissions by 380,000 tons of CO_2 a year. Finally, the 200 kilometer long road built for the project enabled to cut travel time to the nearest town from days to hours.

In 2018, Africa's largest wind farm was connected to the national grid. This allowed the country to produce electricity 60% cheaper than the existing thermal power plants. The project enhanced inclusive development, through significant energy generation for a country affected by power shortages.

75% of the 2500 workers employed during the construction were local residents.

380,000 tonnes of CO_2
will be avoided per year, the equivalent to the emissions of over 100,000 cars