Climate Change Expert Group
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Leveraging/Mobilizing Climate Finance

CDG Experience

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Pour le Maroc Avenir

CAISSE DE DÉPÔT ET DE GESTION GROUP: SNAPSHOT

***CDG Group* manages a large amount of resources, which grants it the status of largest institutional investor in Morocco**

Mobilization of long term savings

Savings

Pension funds

Deposits

Consignments

Financial markets

Infrastructures

Territorial development

Corporate financing

Real estate

Useful investments for the country's development

Key Figures (2011)

Assets under management	**€ 14bn**
Assets under custody and consignments	**€ 5,3bn**
Total Balance Sheet	**€ 7bn**

1€= 11.1 MAD

CDG climate-related instruments and projects

Environment & climate financing portfolio to date :

- **Public transport sector/sustainable infrastructures**: investment fund (InfraMed) and equity shares (Casa tramway, bus company)

- **Energy sector**: Morocco Carbon Capital Fund;

- **Industry sector**: Renault Tanger Med carbon-neutral automotive plant (biomass boiler) (CDG as a shareholder of the Tanger Med plant financed the factory construction)

- **Water supply sector**: equity shares in leading private operators

- **Sustainable forestry projects**: major shareholder of SFCDG (management company of forest assets)

- **New "sustainable green city" of Zenata** (2030): energy efficient building; sand dunes protection; sustainable water management, waste management, bus rapid transit system…

CDG climate-related instruments and projects

In this list of projects, which interventions could count as mobilizing climate finance?

- Climate-finance projects:

  - Moroccan Carbon Capital Fund
  - Infrastructures Fund: Infra Maroc/InfraMed
  - Clean Public transport: Casablanca tramway;

  CDG + Foreign Direct Investments flows

- Climate-relevant projects:
  - Water supply: Public-private Partnerships
  - Pre-feasibility study: incubator of the Rabat Tramway project

  - Renault Tanger Med carbon-neutral plant
  - Forestry management: SFCDG
  - New green city of “Zenata”

  Indirect mitigation impacts

CDG climate finance instruments

1. Carbon Finance instrument: Morocco Carbon Capital Fund (FCCM)

Set up in 2007 by CDG, followed in 2008 by CDC France and European Investment Bank (EIB), FCCM is the first carbon fund to be established in Francophone Africa.

- Size= MAD 300 (€ 27m)
- **Financing vehicles**: Emission Reduction Purchase Agreements and Certified Emissions Reductions, generated by CDM projects
- **Targeted projects**: landfill management, forestry, renewable energy, energy efficiency, energy savings in energy intensive industries (50% of the fund's portfolio to invest during the Kyoto period 1)

- The Fund selected in a competitive tendering to purchase carbon credits of the largest Moroccan CDM project: the wind Park of Tangiers (140 MW)

Challenges:

- Slow process of project registration, under CDM
- Current low carbon prices
- Short investment period of the Fund

CDG climate finance instruments

2. Equity instrument: InfraMaroc (2011)

- Infra Maroc is part of InfraMed, one of the most important infrastructure funds targeting the Southern and Eastern Mediterranean areas; sponsored by regional partners (CDG, EFG Hermes) and European investors (CDC France, CDP Italy and EIB)

- InfraMed targets a size of **€ 1bn**, with current **€ 385m** in commitments (May 2010 closing)

- InfraMaroc, sponsored by CDG is dedicated to Morocco;

  - **Target size**: **MAD 3bn (€265 m)** and current commitment of **MAD 500m (€ 45m**)
  - **Target assets**: primarily greenfield assets in renewable energies, clean energy; transportation infrastructure; urban infrastructure
  - **Nature of investments**: investment in equity and quasi-equity/mezzanine
  - **Funds term**: 14 years
  - Environmental and social performance standards; transparency and procurement rules.

"Market leverage and preferred investor status in deal sourcing, structuring, and mobilizing of additional capital from commercial sources"

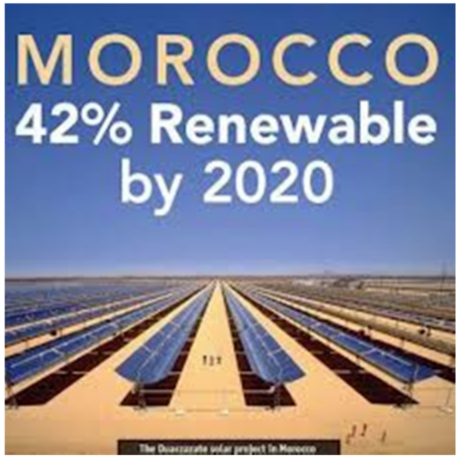
How effective can these instruments be?

Case study: Rationales for CDG to invest in Ouarzazate Concentrated Solar Power plant :

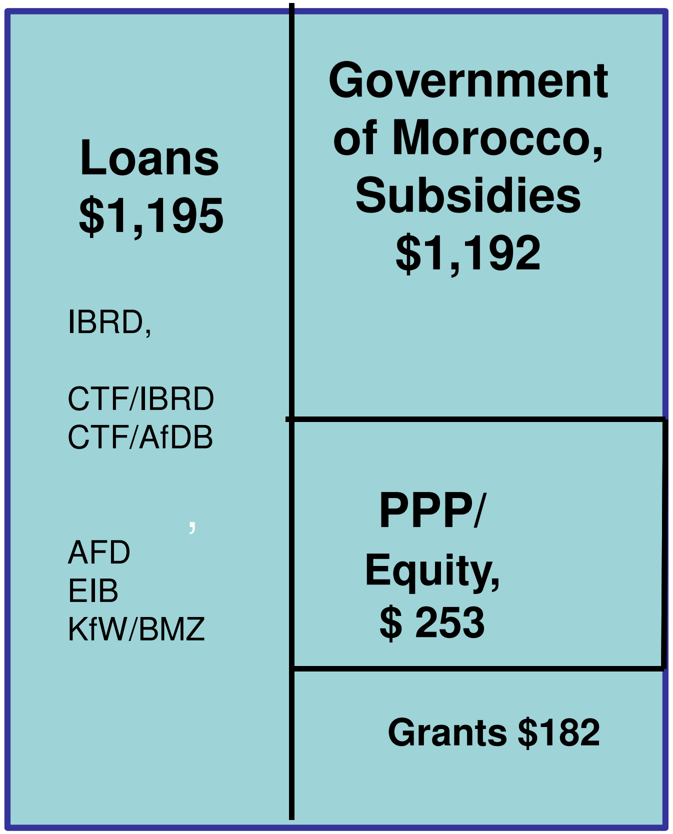
- **Strong public support**:
  - regulatory framework;
  - political leadership;
  - a specialized entity to run the project;

- **Innovative business model**:
  - PPP structured to align interests of public and private stakeholders and allocate risks;
  - Unique position of the public sector as equity provider and power purchaser;
  - Competitive tendering

- **Conducive investment model**:
  - access of private bidders to concessional funding;



Case study: OUARZAZATE I CSP- MOROCCO
Project overview



Project source and types of instruments, (million US $)

Source: San Giorgio Group Case study, Climate Policy Initiative, August 2012

What lessons can we draw on effective instruments?

- The leverage ratio will be calculated in Ouarzazate II
- But at the financial level **some evidence of leveraging**:
  - Financial additionality of International Financial Institutions: critical role of Clean Technology Fund in providing upfront investment costs and attract private consortium;
  - Incremental costs lowered: levelized cost of energy decreased (by 30%)
  - Financial risk mitigated (Concessional loans backing government subsidies)

Challenges ahead: *Avenues to explore for long-term investors*

- The need to attract private capital to scale up and replicate the project at national and MENA level : **CDG/Long term investors have a key role to play** (explore solutions such as project bonds and pension funds financing green infrastructures)
- Economic viability ensured if:
  - Lower technology costs and higher market revenues;
  - Strong political support for EU electricity exports.

Thank you for your attention