

COLOMBIA

Clean Energy Development

GIF FUNDING & LEVERAGE

GIF Project Definition
Support:

\$400,000

Anticipated GIF Project
Preparation and Structuring
Activity:

\$2.5 million

Potential Private Investment
Mobilized:

\$1 billion

Colombia is embarking on an ambitious credit enhancement project to mobilize investment for renewable energy and energy efficiency projects. The GIF is providing support for technical assistance for designing the program, building a pipeline of projects, and strengthening the country's capital markets.

EXPECTED PROJECT OUTCOMES

- ◆ Contributes to Colombia's energy security with renewable energy, particularly in regard to diversification and climate risk
- ◆ Is transformative to the small-scale renewable energy and energy efficiency market by breaking down barriers for commercial financing
- ◆ Supports over \$1 billion of investments in renewables and energy efficiency
- ◆ Provides a new financial instrument to facilitate long-term sources of capital in renewable energy and energy efficiency
- ◆ Provides a framework for a complex array of players in the sector, including multiple entities within government, private sector investors, multilateral development banks, and others

TECHNICAL PARTNERS



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

* Based on World Bank Group classification by income

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BACKGROUND

Colombia has a mature wholesale electricity market with an installed capacity of 16,595 megawatts, two-thirds of which is generated by hydro power. The government plans to increase capacity to 23,000 megawatts by 2029 to meet expected demand.

The power sector was reformed in 1994, thereby introducing greater competition in a new, wholesale electricity market throughout the entire value chain, including in transmission and retail. Private investment is permitted in all segments of the sector.

Nevertheless, several structural issues limit the potential of Colombia's power sector. These include vulnerability to weather events, limited availability of natural gas, an insufficiently development policy and regulatory environment, and a lack of incentives to develop renewable energy.

As a result, the government seeks to develop sources of renewable energy with support from private sector investors. This effort involves regulatory, technical, and economic initiatives.

The World Bank is preparing a credit enhancement project to assist the government of Colombia and Financiera de Desarrollo Nacional S.A. (FDN), a financial development institution that works with the private sector to develop infrastructure, in mobilizing private sector investments to support a renewable energy and energy efficiency development program. The program will provide a \$81 million credit enhancement to support \$1 billion in private investment.

PROJECT FEATURES

The GIF will provide \$400 thousand in funding for the technical assistance required to support the program.

The GIF's contribution will support:

- ◆ Private investment into small-scale renewable energy projects, including self-generation and co-generation
- ◆ Energy efficiency investments for industrial and commercial businesses
- ◆ Utilizing Colombia's energy potential with utility-scale renewable energy, such as solar and wind

Technical assistance will be conducted in partnership with the World Bank's Public-Private Infrastructure Advisory Facility (PPIAF), the Clean Technology Fund, the NDC Partnership Support Facility, and Switzerland's State Secretariat for Economic Affairs (SECO).

WHY GIF

Colombia's Minister of Energy and FDN requested support from the GIF to provide programmatic support for the development of the credit enhancement program. The GIF is providing a grant of \$400 thousand to:

- ◆ Support FDN in the selection, design and implementation of a pipeline of large and small-scale wind and solar projects as well as energy efficiency initiatives
- ◆ Develop a financing vehicle by aggregating small-scale projects and identifying investment vehicles
- ◆ Conduct legal, financial and economic analyses to support FDN's due diligence of financing
- ◆ Design standard power purchase agreements for utility-scale renewable energy projects
- ◆ GIF's involvement will help to kick-start the market for renewable energy and energy efficiency in Colombia. The GIF support provides investors and lenders greater confidence with new financial products, thereby diversifying potential sources of long-term debt financing for clean energy projects in Colombia. The GIF support will also help to coordinate and reduce institutional complexity and helps integrate donor support.

The Global Infrastructure Facility, or GIF, is a partnership of governments, multilateral development banks and private sector financiers that facilitates private-sector investment in complex infrastructure projects in emerging economies. We serve as a platform through which governments collaborate with international financial institutions and private sector investors to design, structure and implement these complex projects.

The comprehensive project-preparation support provided by the GIF draws on the expertise of its advisory partners which includes commercial banks and institutional investors. The broad partnership ensures that well-structured and bankable infrastructure projects are brought to market in a way that meets the needs of governments and service users in a sustainable way.