

# IFC'S ROLE IN FINANCING INDUSTRIAL DECARBONIZATION

**International Climate Change Forum  
Sri Lanka**

NOVEMBER 2023



# IFC'S OFFERING TO SUPPORT CLIENT'S DECARBONIZATION JOURNEY

*Providing advisory and investment services to support decarbonization of portfolio of assets in emerging markets*



## Advisory

- Advice on developing bankable green projects for best ROI
- Zero-carbon/ Low-carbon 'Transition Pathways' for companies
- Supporting/ structuring climate-finance deals
- KPIs setting for accessing Sustainability-linked Financing
- Compliance with financial instruments such as green bonds



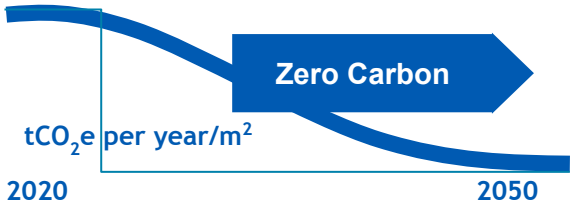
## Investment

- Sustainability Coordinator in structuring green financing sources for implementing sustainability roadmap and providing governance support
- Equity, debt, guarantees and risk-sharing facilities, structured finance, green bonds, SLL/B and in some cases, blended concessional finance



## Global Standard and Market Transformation

- An easy way to design and build green, or to retrofit existing assets, to a globally recognized standard
- Awareness raising and technical assistance for policy makers, financial intermediaries, developers, advisors, and occupants.



- IFC will utilize globally recognized standard for green finance and public policy
- IFC will help leaders map a path to zero carbon and track their progress on it.




**Investment operations in clean energy, sustainable cities, industrial efficiency, climate-smart agribusiness, green buildings, and green finance**

**In FY23, IFC committed \$14.4 billion in climate finance, mobilizing additional \$6.8 billion along with \$7.6 billion own investment**

# 'SUSTAINABLE FINANCE' TO SUPPORT OUR CLIENT'S DECARBONIZATION JOURNEY

- Sustainable finance typically refers to “**labelled**” financial products that follow recognized standards/principles
- They fall in two main categories: (i) use of proceeds instruments; and (ii) KPI driven instruments.

Item	“Use of Proceeds” - Green / Social / Blue / Sustainable	“Target Driven” - Sustainability-Linked Financings
Description	<ul style="list-style-type: none"> <li>▪ Financial instruments with a dedicated <b>use of proceeds</b> focused on eligible categories, including:               <ul style="list-style-type: none"> <li>✓ Climate adaptation</li> <li>✓ Climate mitigation</li> <li>✓ Social</li> <li>✓ Ocean conservation</li> </ul> </li> </ul> 	<ul style="list-style-type: none"> <li>▪ <b>Pricing linked to achievement of ambitious targets</b> – Sustainability Performance Targets (“SPTs”)</li> <li>▪ SPT <b>compliance is verified at an agreed point in time</b> and generally <b>no rebates</b> apply</li> <li>▪ SPTs are normally <b>SDGs</b> or <b>corporate ESG targets</b></li> <li>▪ SPTs need to be <b>material</b> – i.e., relevant to the business; and <b>ambitious</b> compared to “business as usual” and peers</li> </ul>
Pricing	<ul style="list-style-type: none"> <li>▪ Instruments priced in same way as conventional instruments although market demand is leading to a “<b>greenium</b>” for borrowers/issuers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interest rate and fees <b>indexed to performance on SPTs</b></li> <li>▪ For <b>bonds</b>, at least 25 bps step-up if targets are missed</li> <li>▪ For <b>loans</b>, up to 25 bps step-down step down if targets are met</li> </ul>
Verification	<ul style="list-style-type: none"> <li>▪ Implementation and validation methodology laid out in a <b>Sustainable Financing Framework</b></li> <li>▪ <b>Second Party Opinion</b> usually required</li> </ul>	<ul style="list-style-type: none"> <li>▪ SPTs rationale, ambitiousness and validation methodology laid out in a <b>Sustainability-Linked Financing Framework</b></li> <li>▪ <b>Second Party Opinion</b> usually required</li> </ul>
Standards	<ul style="list-style-type: none"> <li>▪ Aligned with ICMA or LMA’s Green Loan Principles and Green, Social and Sustainability Bond Principles.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Aligned with ICMA’s Sustainability-Linked Loan / Bond Principles</li> </ul>

# STRATEGIC ADVISORY SUPPORT – CORPORATE DECARBONIZATION STRATEGY

## What can IFC help out with?

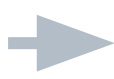
- Carbon footprint assessment (Scopes 1, 2 and where feasible 3)
- GHG reduction target setting: SBTi (or equivalent)
- Identify options for decarbonization (e.g. direct emissions reduction via energy and resource efficiency, renewable energy, explore circular economy solutions, carbon credits)
- Develop 'pilot' projects with GHG mitigating impact
- Design decarbonization roadmap
- Facilitate setting internal carbon pricing
- Work with local Governments to remove barriers and adopt supportive policies and regulations

## Two types of decarbonization advisory and upstream services



Help a client understand what it takes to decarbonize / develop a plan

2-4 months



Help develop and start implementing long-term decarbonization strategies

4-8 months

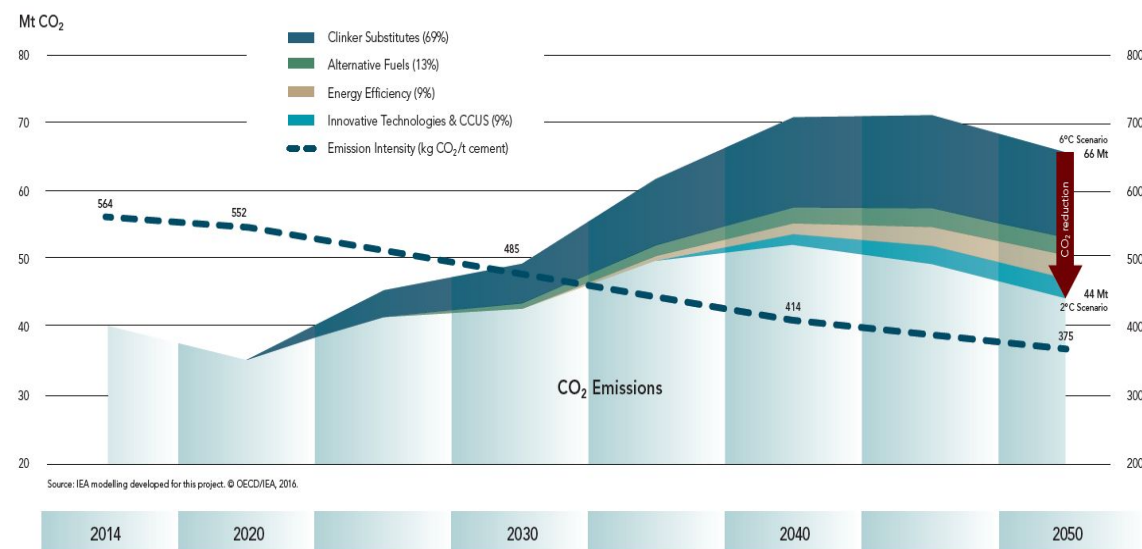


Develop a financeable investment program compatible with Sustainable Finance

## IFC is ideally positioned to support your company in decarbonization via:

- A strong in-house industry expertise in climate technologies and renewables
- Convening power of World Bank Group
- Independence from equipment manufacturers and technology providers
- Expertise in bankable project development with climate impact
- Facilitating climate finance deals

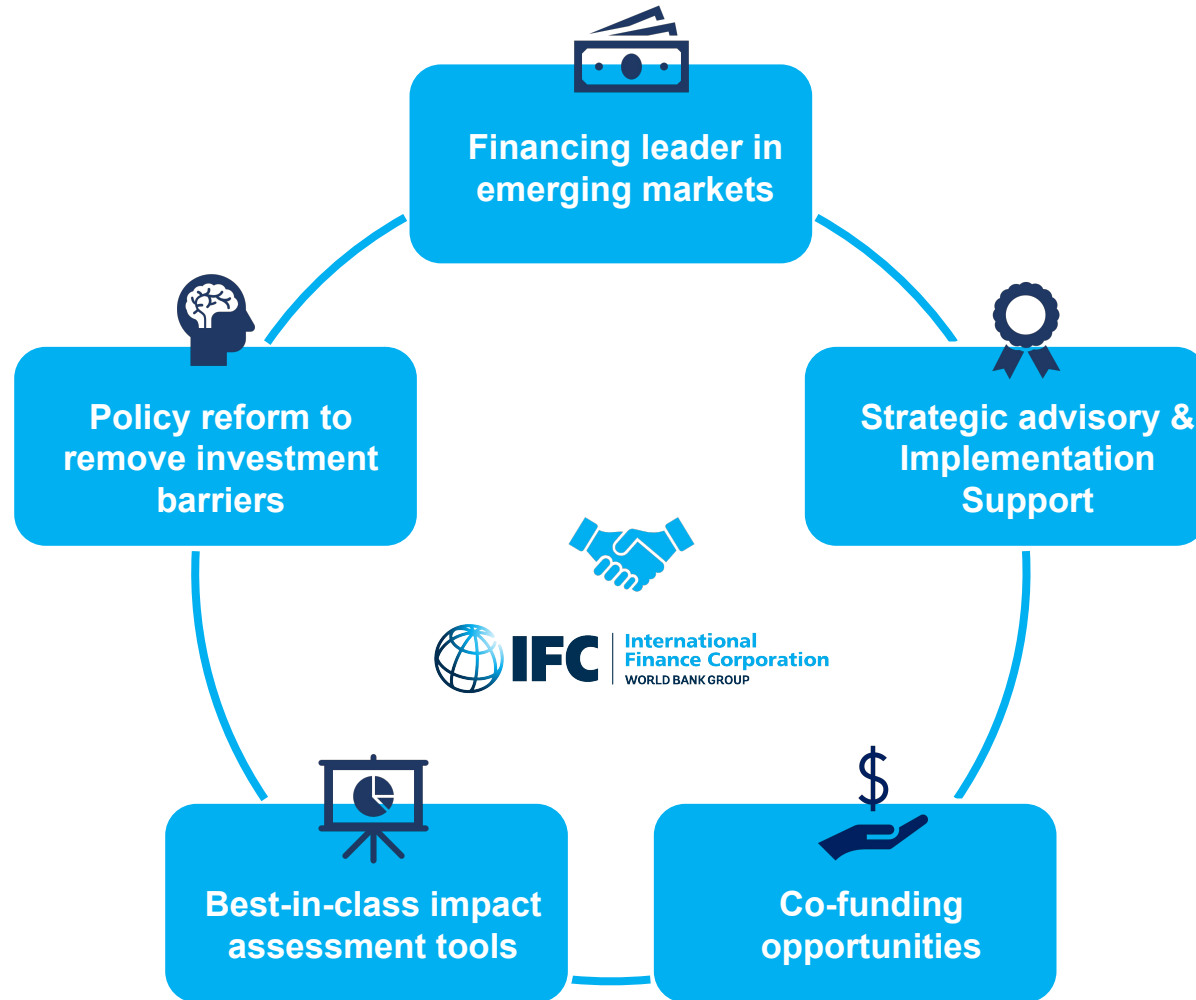
## Example: Brazil Low Carbon Technology Roadmap Cement Sector\*



\* supported by IFC and presented by Brazil at COP 26

# SUMMARY – IFC VALUE ADD BEYOND FINANCING

*Leveraging a suite of services to create a strategic sustainability partnership that goes well beyond financing*



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## A FEW EXAMPLES OF IFC'S ENGAGEMENT IN DECARBONIZATION & RESOURCE EFFICIENCY

# Levi Strauss & Co: Textile & Apparel

IFC Disbursement: \$2.87B Cumulative from the GTSF Program

Client since: 2014

## Client Needs:

- Affordable working capital financing for emerging market suppliers that financially incentivizes improvements to supplier sustainability performance
- Decarbonize supply chain to help meet approved science-based corporate target. Specifically, investigate cleaner production, water saving and renewable energy opportunities, facilitate the purchase of technologies and implementation of methods that enable suppliers to evolve to more sustainable production while remaining profitable.
- Improve well-being and develop metrics to measure achievement on labor conditions.

## IFC Solutions:

- **Global Trade Supplier Finance (GTSF) Program with PACT+ Tier:** Provides affordable working capital finance to Levi suppliers in 11 countries by purchasing and discounting invoices accepted for payment. IFC financially incentivizes suppliers to improve compliance with the Levi's Terms of Engagement. PACT+ pricing tier provides additional incentive to accelerate the adoption of energy and water saving measures and renewable energy through differentiated pricing based on implementation progress of .
- **Partnership for Cleaner Textiles (PaCT):** provides multi-year expert advisory on energy and water saving, chemical reduction, cleaner production methods, renewable energy procurement and implementation support for the same.
- **Better Work:** The joint IFC-ILO Better Work Program works with suppliers in several countries to improve labor and working conditions. Better Work has also provided Gender Equality and Returns (GEAR) training in Bangladesh to several Levis suppliers.



## Expected Results:

### Global PaCT Program

- Energy saving— 343,685 MWh/yr
- Water savings – 3,370,361 M3/yr
- GHG Emissions reduction - 162,723 tCO2/yr
- Investment - 28,113,452 US \$

### GTSF+

- \$4M in annual disbursements

### Better Work:

- Regular labor standard assessments and steady improvement towards full compliance with national and ILO core labor standards

*"Reducing global Supply Chain emissions by 40 percent by 2025 is the scope 3/supply chain commitment that we made towards our Science Based Target on Greenhouse gas emissions. IFC programs will be a key to achieving this."*

*- Michael Koboori, Vice President, Sustainability, Levi Strauss & Co.*

**Levi's**

# DCM Sugar Mill & Distillery: Decarbonization Roadmap

Client since: 2005

## Client Needs:

- Baseline assessment, Resource efficiency and development of low carbon projects to create decarbonization roadmap for the sugar mill and distillery unit.
- Decarbonize supply chain to help meet approved science-based corporate target. Specifically, investigate cleaner production, water saving to become 100% self reliant and renewable energy opportunities, facilitate the purchase of technologies and implementation of methods that enable suppliers to evolve to more sustainable production while remaining profitable.
- Identify new product line from waste

## IFC Solutions:

- Mapping of current state and baseline assessment to understand gap
- Development of low carbon strategy and roadmap: Short term/mid-term/long term targets towards emission reduction strategies
- Decarbonization and co-development of potential projects to prioritize in a phase wise manner.
- Pathway investment strategy, carbon financing
- ESG KPIs, monitoring and verifying framework
- Implementation area- vendor/pilot project development and Knowledge support

## Expected Results\*:

- **Energy saving: 2,973,423 KWh/year**
- **Water savings :496,512 KI/year**
- **New Products from waste and overall yearly monetary savings: INR 72.60 cr/year**
- **GHG Emissions reduction : 198,000 CO2/year**
- **Investment with payback period 3 years**
- **Transforming towards sustainability**

\* Provisional numbers



Aspire to follow best ESG practices which eventually lead to a better bottom line as well as improved social and economic outcomes

**Main Goals** “Conserve all resources (specifically water and energy consumption ) to ensure long term sustainability



**DCM SHIRIRAM**

Growing with trust



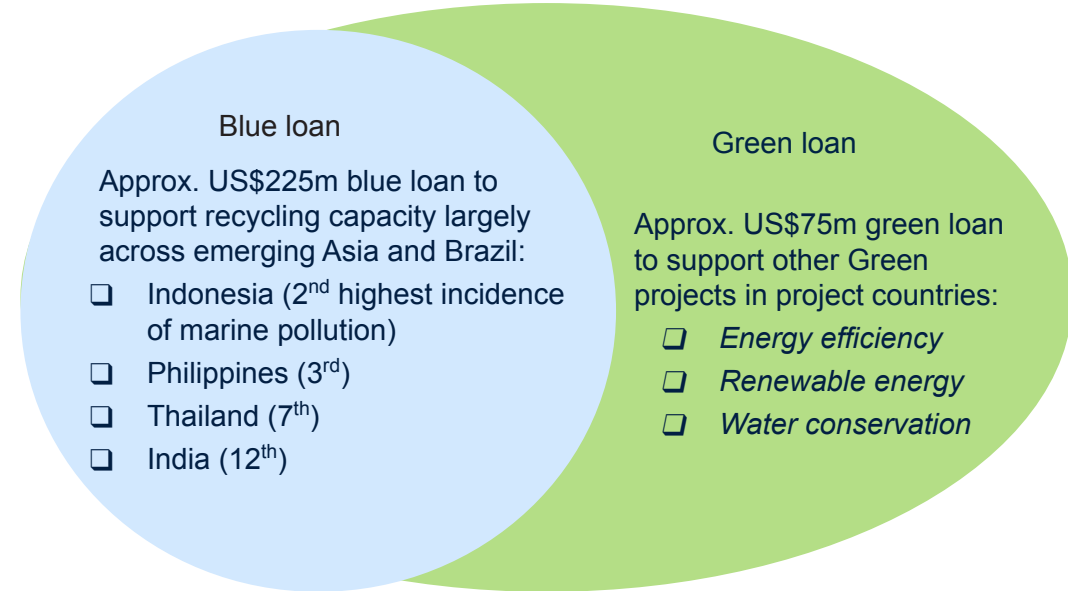
# CASE STUDY: BLUE LOAN TO INDORAMA VENTURES PCL

Select investments in circular economy & decarbonization

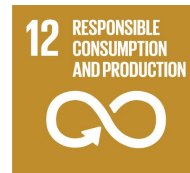
## About Indorama Ventures PCL (IVL)

- Major global intermediate petrochemicals producer and one of the largest vertically integrated resin producers in the world:
  - 1 in 5 PET bottles in the world made from IVL's resins
  - 1 in 2 premium baby diapers in the world made from IVL's fibers
  - 1 in 4 airbags in the world made from IVL's yarns
- Global footprint with 120 manufacturing facilities in 33 countries across five continents and over 24,000 employees.
- One of the early entrants in recycling space- started producing PET flakes from discarded PET bottles at flake processing facilities in the Netherlands and France. Grew mainly through M&As in developed markets.

## IFC mobilized US\$300m green/blue loan for Indorama Ventures



- ✓ The first IFC Blue loan in real sector
- ✓ The first IFC Green loan in the chemicals sector in the region following international Green Loan Principles
- ✓ Project labeled 100% climate with an AIMM rating of excellent
- ✓ Contribution to several UN Sustainable Development Goals



Recycling PET to displace fossil-fuel based virgin resin reduces energy consumption and GHG emissions. GHG emission reductions for IVL project calculated to be at least 150,000 tCO<sub>2</sub>e/year.

# IFC'S SUPPORT TO DECARBONIZATION & CIRCULAR ECONOMY: CASE STUDIES

## Case study: Decarbonization roadmap in the Chemicals industry

**Sector:** Chemicals – Plastics

Asia



**Project size:** US\$100+ million or investment potential identified

### Background & Objective

- The client is a manufacturer of plastic resins and various chemical products in Asia
- The client sought IFC expertise in developing its energy related GHG emissions reduction pathways

### Approach (under a Joint Development Agreement)

- On Existing plant
  - Resource efficiency assessment,
  - Carbon footprint assessment and GHG emissions reduction pathways,
- Decarbonization of 1.6-1.8 bln. greenfield investment: assess the carbon and water footprint in parallel, as well as identify offsetting opportunities for the greenfield plant.

### Value-add

- IFC's engagement resulted in US\$100+ million or investment potential identified, including:
  - Efficiency/ Modernization/ upgrade projects
  - Resource efficiency measures
  - On-site PV
  - Off-site PV and wind
  - Process, product and distribution changes
- With a CO<sub>2</sub> reduction potential of up to 189,000 t/year of CO<sub>2</sub> equivalent

## Case study: Green Hydrogen project development

**Sector:** Chemicals

Latin America



**Project size:** \$70M (Pilot) - \$2bn (Industrial Scale)

### Background & Objective

- Chemical and multi-utility company (the Partners) are contemplating a pilot project in Latin America to explore using Solar Energy as feed stock to produce Hydrogen for transport applications, and ammonia production
- Following successful operations of a small-scale pilot, the Partners intend to develop an integrated power to ammonia plant

### Approach (under a Joint Development Agreement)

- **Stage 1:** Conduct a joint feasibility study to establish the viability and scalability of available technology options
- **Stage 2:** Develop a pilot scale plant based on the outcomes of the feasibility study optimizing cost, scale and scale-up risk as well as mitigating operational risks from integrating renewable energy and chemicals production processes. Leverage lessons to develop the technical studies for the industrial scale plant
- **Stage 3:** Finance the developed industrial scale project

### Value-add

- Co-finance the feasibility studies for the pilot and world scale project
- Co-finance the development of the pilot project (18KTPA) and subsequently the industrial scale (700KTPA) project
- Provide [up to 25%] of the total project cost and mobilize the full balance of debt / equity funding when the industrial scale project reaches financing stage
- Support E&S compliance with WB/IFC Performance Standards, Structuring and Financing Support

# RECENT TRANSACTIONS IN SUSTAINABLE FINANCE

Recent transactions with clients in real economy sectors

Thailand



**Precious Shipping**  
**\$85M sustainability linked financing**

Finance four specialized cement carriers and one bulk carrier. Targets linked to reducing onshore-sourced freshwater usage and consumption on board the company's vessels.

2021

Singapore



**Sembcorp Industries**  
**\$111M sustainability linked bond**

Interest rate of SLB will be subject to a step-up margin of 0.25% if the stated SPT of greenhouse gas emissions intensity reduction to 0.40 tons of carbon dioxide equivalent per megawatt hour (tCO<sub>2</sub>e/MWh) or lower is not achieved by December 31, 2025.

2021

Thailand



**Indorama Ventures**  
**\$150M blue / green loan + \$150m mobilization**

Expansion of PET recycling capacity and other sustainability projects will be implemented across IVL's existing and planned manufacturing facilities in Thailand, Philippines, Indonesia, India, and Brazil.

2020

China




**Shandong Weigao Group**  
**\$142M green bond**

First healthcare company in China to issue a green bond. Use of proceeds to finance the increase of production capacity of affordable/safe quality medical consumables with improved resource and energy efficiencies.

2020

Thailand




**AWC**  
**\$143M green loan**

Financing to be used to finance new green projects and decarbonize AWC's existing assets. IFC will work with AWC on EDGE certification of at least 5 of its hotels.

2020

Indonesia



**LOGOS**  
**\$120M green debt**

To support the development of LOGOS Cikarang Logistics Park and LOGOS KLOG Cibitung Logistics Hub targeting a Green Mark award certification and are designed to comply with IFC's green building standards.

2020

Romania



**WDP Romania**  
**EUR 90m green loan and EUR 115m mobilization**

First green financing in Europe's property sector to fund EDGE certified warehouses. To support construction of around one million square meters of resource-efficient semi-industrial and logistics properties across Romania.

2019

Argentina



**Adecoagro**  
**\$17.8M green loan and \$42.75M loan**

IFC's first real sector Green Loan in Argentina and in animal protein for energy & water efficiency improvements, processing of animal waste to use as biofertilizer.

2019

Latin America



**GWFP Mercon Coffee**  
**\$40M green loan and sustainability linked loan**

The only coffee-specific sustainability facility in the world to date. Support climate smart activities in coffee value chain in Nicaragua, Honduras, Brazil, Guatemala, Vietnam.

2019

## Loan / Bond format

Blue Green

SLL/SLB\*