

Sustainable Deals

Export finance

H1 2019



The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), a member of the Islamic Development (IsDB) Group, is a multilateral export credit and political risk insurer rated Aa3 by Moody's with a stable outlook. The driving ambition behind the creation of ICIEC was to strengthen the economic relations between member countries of the Organization of Islamic

Cooperation (OIC) on the basis of Islamic Shari'ah. ICIEC's vision is to be recognized as the preferred enabler of trade and investment for sustainable economic development in Member Countries. Its mission is to facilitate trade and investment between member countries and the world through Shari'ah-Compliant export credit and investment insurance/reinsurance solutions.

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THE GEBZE-IZMIR MOTORWAY



UAE

WASTE-TO-ENERGY



EGYPT

THE BENBAN SOLAR
COMPLEX





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Sustainability has grown as one of the most important core values for every institution in the export finance community in recent years, and as such TXF Data is committed to report all the key stats and metrics for sustainable deals. One of the main challenges is the lack of standards and methodology in terms of deal classification, so we decided to find an expert partner in the market to help us: **Acre Impact Capital**.

We have considered deals that have a positive impact for the environment or significantly improve the lives of communities globally. The aggregation of green and social deals shape what we consider sustainable deals. Please read page 4 for additional information about our criteria and methodology within this report.

Lack of information has been one of the main challenges in classifying sustainable deals, and we want to encourage the market to help us to identify these deals which would otherwise not be categorised as such. Please contact us if you want to find out the classification of your deals, and if you want to submit further sustainable information on any deal.

About Acre Impact Capital

Acre Impact Capital is an impact focused venture aspiring to help fill the growing financing gap for socially and environmentally friendly infrastructure in the developing world. Acre believes that the most attractive investment opportunities exist in spaces where attention and capital are scarce. By identifying opportunities where our ability to add value is truly transformational, Acre Impact Capital can deliver sustainable returns for our investors while fulfilling our vision of achieving measurable impact. Acre is launching an impact credit fund focused on down-payment financing for impactful transactions in the Export Credit market.

Acre is a proud grantee of The Rockefeller Foundation's Innovative Finance Zero Gap Program. The Foundation's Zero Gap Program aims to create the next generation of innovative finance vehicles capable of mobilizing capital from the private sector to fund the United Nations Sustainable Development Goals (SDGs), and to create large-scale blended finance funds to accelerate investment toward achieving the SDGs.

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TXF/Acre sustainable classification methodology

About the Sustainability League Tables

Acre is proud to partner with TXF, in our mutual commitment to bring increased focus towards the financing of the SDGs in the Export Credit Agency (ECA) market. We believe that the ECA market is already active in the financing of projects that contribute positively to the SDGs and has the potential to significantly scale its contribution towards financing projects that deliver environmental and social benefits. As such, Acre is collaborating with TXF to establish a methodology to identify “Sustainable” transactions, in order to size and track the development of the “Sustainable” ECA market.

Methodology

The methodology used by Acre/TXF to identify Green, Social and Sustainable transactions is closely aligned with ICMA's (International Capital Markets Association) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainable Bond Guidelines (SBG). These principles and guidelines are the most widely accepted set of voluntary governance structures that bring a level of transparency and disclosure into this fast-evolving space. These governance structures are underpinned by four main pillars: (i) use of proceeds, (ii) project selection, (iii) management of proceeds and (iv) impact reporting. We have classified transactions in TXF's TagMyDeals database as being Green, Social or Sustainable where the “Use of Proceeds” can be clearly identified as such as per ICMA's GBP, SBP or SBG. For simplicity, we have classified as ‘sustainable’ any transaction that fits the above categories.

As the data available for such a market sizing exercise is self-submitted by market participants, the choice of classification methodology was largely driven by the need to drive a common approach across the ECA industry. A large number of Arranging Banks active in the ECA market are already Green Bond issuers and, in some cases, Social and Sustainability Bonds issuers. In addition, ECAs such as EDC and the Exim-Import Bank of Korea (KEXIM) are also Green Bond issuers. As issuers, these institutions have in place the expertise and governance mechanisms to classify ECA transactions as Green, Social or Sustainable in line with the Principles and Guidelines. Likewise, it is hoped that as more ECA assets are earmarked against Green, Social or Sustainable bonds, it will encourage institutions to increase sustainable bond issuance, thus creating a virtuous cycle which will increase the size of sustainable debt capital markets.

The Sustainability League Tables have been developed using a methodology which is consistent with market practice in the Sustainable Finance universe. We believe this approach will help harmonize sustainability classifications across various sustainability products/markets within banking and finance.

Methodological caveats

The classification of transactions as Green, Social or Sustainable was largely driven by the information available in the TagMyDeals database. Acre/TXF looks forward to engaging with the industry to improve the quality and accuracy of these league tables. TXF will be updating its database to include new fields that allow market participants to self-certify transactions as Green, Social or Sustainable. Submitters are also encouraged to provide more detailed information on the use of proceeds to justify the classification.

Evolving the sustainability league tables

Acre/TXF recognises that as the sustainable finance market matures further and taxonomies are refined and updated, these guidelines and principles may evolve over time. Acre/TXF will closely follow these developments and ensure that the league tables reflect the latest taxonomies and market consensus.

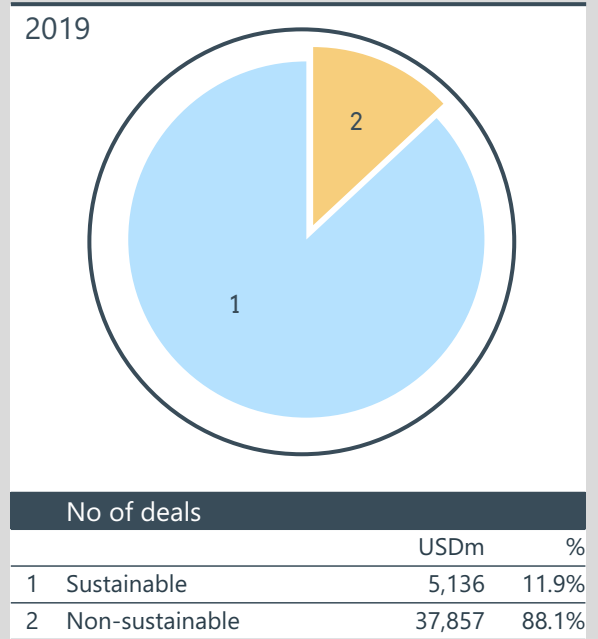
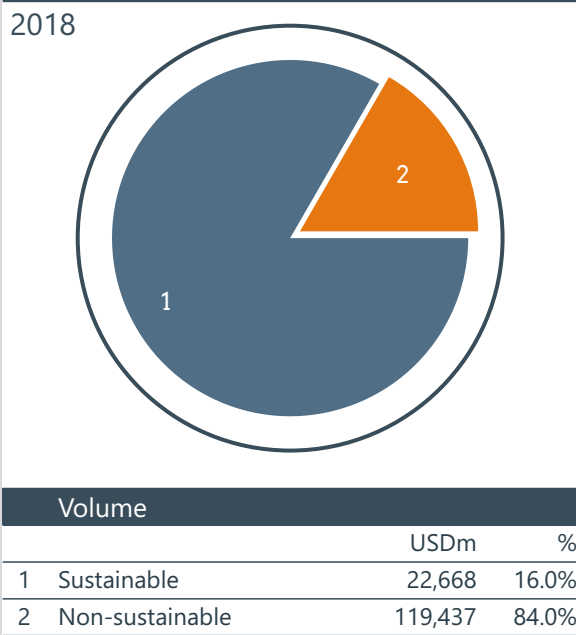


Highlights

Sustainable deals



The market share of sustainable deals remained stable in H1 2019 with approximately 12% of the market compared to 2018. The majority of the sustainable deals were green, led by the largest deal, the YunNeng wind farm project in Taiwan (\$2.6bn).



Green deals



Green transactions are relatively straightforward to classify, as they broadly fit within the renewable power space. This market is expected to grow, as renewable power becomes increasingly competitive relative to traditional technologies and restrictions imposed on coal-fired plants reduce the opportunity set.

This segment could grow further if an evolution of the OECD agreement providing preferential conditions to green projects were to be adopted. By improving further conditions for 'Green' transactions, the arrangement could further speed-up the energy transition towards a more sustainable future.

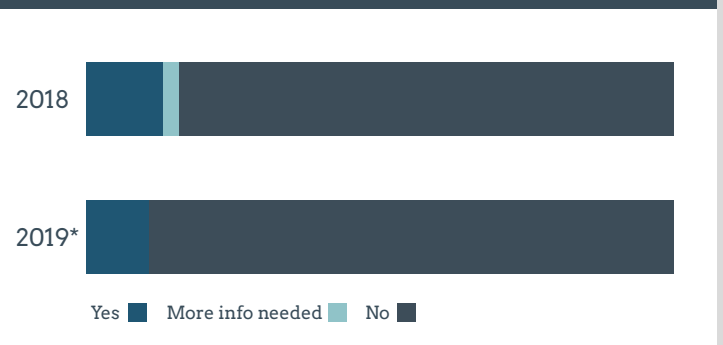
Social deals



According to the SBP, social projects aim to achieve positive social outcomes for a specified target population. Examples of projects include affordable basic infrastructure (e.g. clean drinking water, sanitation, energy), access to essential services (e.g. health, education), affordable housing, etc.

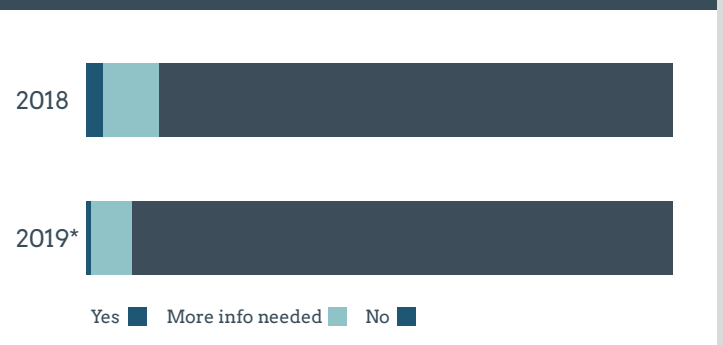
Projects also need to benefit a specific target population (e.g. living below the poverty line, underserved, excluded and/or marginalised populations, etc.). Some transactions fit this criteria, in particular those where a Development Institution is involved. For many others, more information on the deal is required for accurate classification.

Green deals 2018 vs. 2019



*Information for H1 2019 only

Social deals 2018 vs. 2019

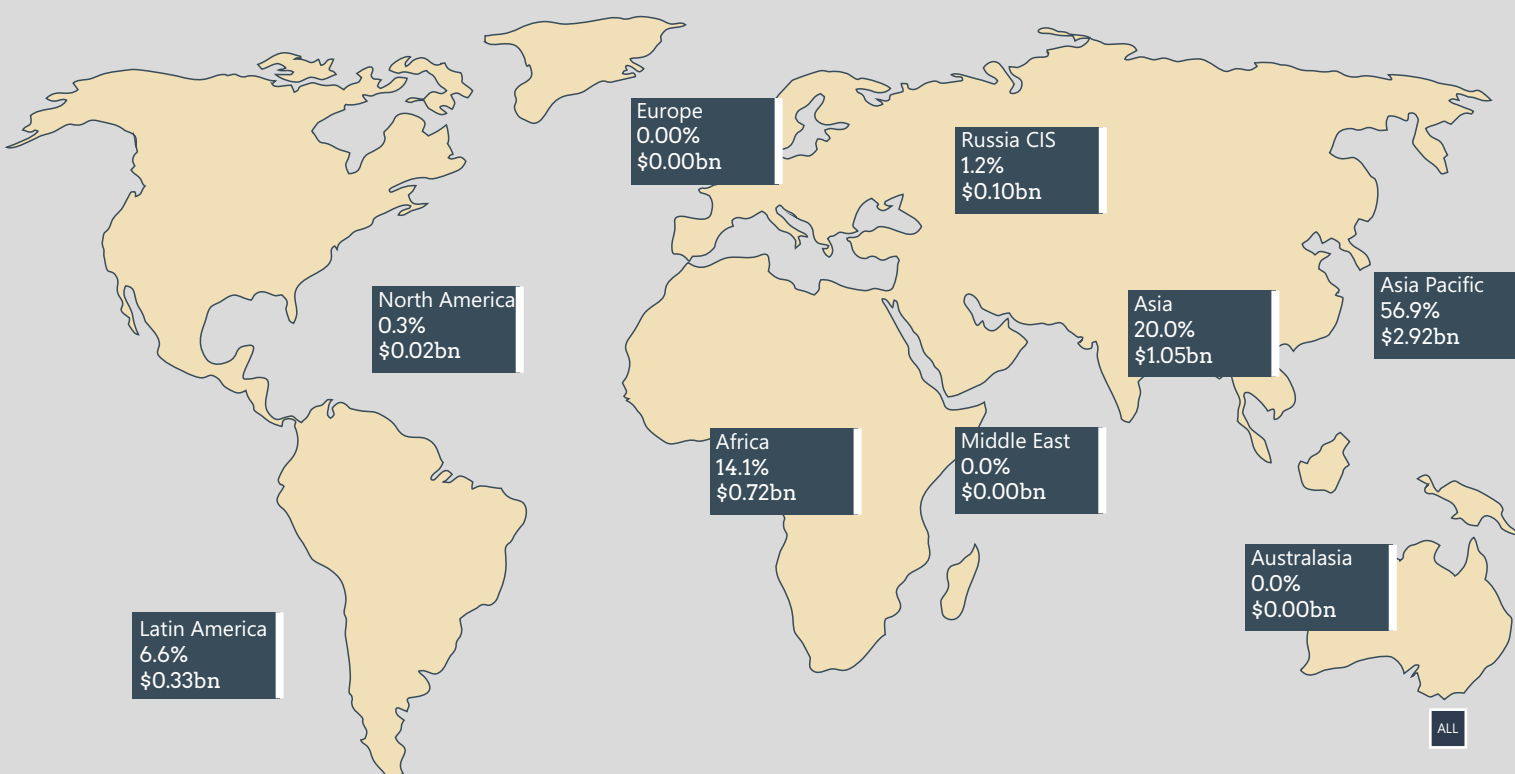


*Information for H1 2019 only



Sustainable deals by region

Asia-Pacific was the most active region for deals in 2019, accounting for 57% of the total sustainable deal volume globally. This is a significant change compared to 2018, where an exceptionally active wind sector propelled the market share of Europe to 43%. Asia Pacific was boosted by the YunNeng deal, and the \$800m India Exim Loan to the government of Maldives boosted Asia to the second place.



Sustainable deals by sector

Most of the sustainable transactions activity was concentrated on the power and infrastructure sectors, given the underlying nature of these projects. In 2018, the power sector accounted for 75% of the total volume of sustainable deals, while infrastructure represented 23%, at a distant second place.

The balance shifts significantly when it comes to the number of deals, with power and infrastructure much closer to each other. There were 45 power deals in 2018 vs. 39 Infrastructure deals that could be classified as sustainable. This is largely driven by a significantly larger deal sizes for power projects, compared to infrastructure projects, which were smaller and more focused in nature.

Sector breakdown							
		2018			2019		
		\$m	%	No	\$m	%	No
1	Power	17,010	75.0%	45	3,518	68.5%	10
2	Infrastructure	5,370	23.7%	39	1,546	30.1%	9
3	Capital equipment	-	0.0%	-	72	1.4%	1
3	Telecoms and communications	138	0.6%	1	-	0.0%	-
5	Agri/soft commodities	100	0.4%	1	-	0.0%	-
6	Other	50	0.2%	2	-	0.0%	-



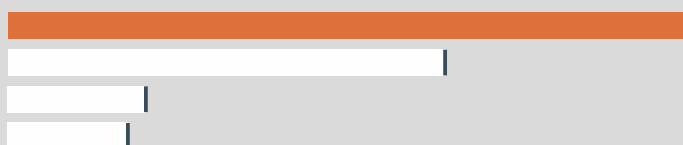
Infrastructure



Waste and water marked the largest share of infrastructure deal flow in 2018. But this was in part due to India Exim's \$800 million loan to the government of Maldives for such a project. Healthcare followed with 3 deals worth \$510 million, where we can find the MOH Angola \$427m deal among others.

Sub-industries

		\$m	No	%
1	Waste and water	933	5	60.4%
2	Healthcare facility	460	2	29.8%
3	Bridge	79	1	5.1%
4	Road	74	1	4.8%



Power

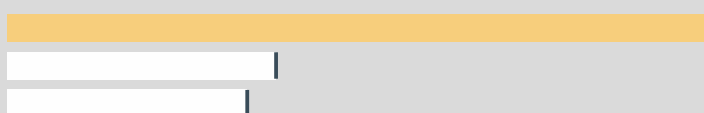


Wind projects represented 57% of the sustainable power market, but in terms of number of deals, solar registered higher activity with seven deals.

In terms of the regional demographic of renewable project financings in 2018, schemes were located in countries as diverse as Ukraine, Vietnam, Argentina and Congo. For such projects, country risk seems to be a bigger concern than the underlying asset class. Offshore projects seem to be an exception. Given the nature of construction and operational risks, such project tend to be located in developed countries.

Sub-industries

		\$m	No	%
1	Wind	2,959	5	57.4%
2	Solar	1,125	7	26.3%
3	Hydro	1,073	2	20.8%



Sustainable deals by lender type

The market share of ECA direct lending for sustainable deals was around 25% in H1 2019, 15% lower than the overall market according to our previously published TXF data report. That is surprising considering the risk profile of most of the deals that qualify as sustainable. In addition, the levels of DFI/MFI support were very similar to the overall market in the same period.

Speaking to different banks recently, TXF has noticed that supporting sustainable deals is becoming a higher priority in their business model, so we are expecting to see more banks not only interested but pushing for these types of deals.

Sector breakdown		2018		2019	
		\$m	%	\$m	%
1	Financial institution	10,835	47.8%	3,643	70.9%
2	ECA*	5,800	25.6%	1,316	25.6%
3	DFI/MFI	1,155	5.1%	104	2.0%
4	Investment Manager	4,878	21.5%	73	1.4%

*Direct loans

Sustainable deals H1 2019

Regions and countries



League tables

Finally, we would like share the sustainable league tables for 2018 and 2019, to give some indication of which institutions are the most active in sustainable deals. These tables are based on the deals that were easily classified as sustainable. We have not been able to classify all the deals, and it is likely that we will receive more deal information, which will lead to subsequent changes to the leagues tables.

2019

Financial Institutions				
		\$m	No	Share (%)
1	Standard Chartered	238	2	7.1%
2	Deutsche Bank	228	2	6.8%
3	Société Générale	225	2	6.7%
4	Mizuho	204	2	6.1%
5	Mitsubishi UFJ Financial Group	201	3	6.0%
6	ING Bank	196	2	5.8%
7	Sumitomo Mitsui Banking Corp.	193	1	5.8%
8	Taipei Fubon Bank	183	1	5.5%
9	Credit Agricole	164	1	4.9%
10	KfW IPEX	162	3	4.8%
11	Cathay United Bank	161	1	4.8%
11	Oversea-Chinese Banking Corp	161	1	4.8%
12	CTBC Bank	154	1	4.6%
12	E Sun Commercial Bank	154	1	4.6%
13	BNP Paribas	140	1	4.2%

ECAs				
		\$m	No	Share (%)
1	India Exim	951	54	27.9%
2	Euler Hermes	660	3	19.4%
3	EKF	552	2	16.2%
4	UK Export Finance	530	3	15.5%
5	Atradius	293	4	8.6%
6	Bpifrance	129	1	3.8%
7	JBIC	100	1	2.9%
7	Thai Eximbank	100	2	2.9%
8	Sinosure	72	1	2.1%
9	Export Development Canada	24	1	0.7%

2018

Financial Institutions				
		\$m	No	Share (%)
1	KfW IPEX	999	10	7.2%
2	Société Générale	869	9	6.2%
3	Banco Santander	792	18	5.7%
4	ING Bank	729	10	5.2%
5	Rabobank	606	5	4.3%
6	Mitsubishi UFJ Financial Group	578	9	4.1%
7	Credit Agricole	472	5	3.4%
8	CaixaBank	454	3	3.2%
9	Nord/LB	429	1	3.1%
10	Sumitomo Mitsui Banking Corp.	408	7	2.9%
11	Sumitomo Mitsui Trust Bank	376	4	2.7%
12	Natixis	358	3	2.6%
13	Commerzbank	338	3	2.4%
14	The Norinchuckin Bank	319	2	2.3%
15	Mizuho	298	5	2.1%

ECAs				
		\$m	No	Share (%)
1	EKF	5,135	20	37.5%
2	China Exim	2,720	2	19.8%
3	JBIC	1,487	5	10.9%
4	Euler Hermes	806	6	5.9%
5	India Exim	728	5	5.3%
6	Bpifrance	567	5	4.1%
7	Sinosure	406	3	3.0%
8	Atradius	261	4	1.9%
9	NEXI	260	3	1.9%
10	KEXIM	256	2	1.9%
11	Bancomext	174	3	1.3%
12	Sace	169	4	1.2%
13	ICIEC	152	1	1.1%
14	Miga	174	3	1.1%
15	CESCE	127	14	0.9%