



CASE STUDY 34: COLOMBIA – SUSTAINABLE ENERGY FINANCE PROGRAM

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| Barriers | Lack of access to credit, lack of track record in sustainable energy |
| Instrument | Portfolio guarantee – pari passu |
| Application | Guarantee covering 50% of the potential losses of an energy efficiency/ renewable energy portfolio |
| Amount | US\$108 million equivalent (50% covered by the guarantee) |

PROJECT BACKGROUND AND OBJECTIVES

While Colombia possesses significant potential for energy efficiency savings in the industrial, commercial and residential sectors, increasing sustainable energy investments confront a number of barriers including: the absence of activities specifically targeted towards supporting sustainable energy efforts, and in particular the lack of a services market to support companies interested in using energy more efficiently such as energy service companies; lack of awareness among private enterprises as to the economic benefits of sustainable energy; and lack of available financing for such investments as a result of banks’ perceived risks and their lack of capacity and experience with this asset class.

This project aims to increase the available funding for energy efficiency projects in Colombia, through the provision of a risk sharing facility by IFC and IDB to Bancolombia, to cover a portion of the losses of a sustainable energy portfolio and encourage the development of its sustainable energy lending business. By sharing credit risk in a sustainable energy portfolio, the project will encourage Bancolombia to enter this asset class.

This is the first large commercial financing project for sustainable energy finance in Colombia, and is part of the Clean Technology Fund (CTF) Colombia Sustainable Energy Finance Program to promote sustainable energy financing among local banks. The program also includes an advisory component to help build the internal

capacity of banks and technical service providers, as well as to raise awareness of sustainable energy in the market.

INSTRUMENTS USED

The financial mechanism is an unfunded risk sharing facility (denominated in local currency). Under this mechanism, IFC and IDB will cover 50% of the losses of an up to US\$108 million portfolio of energy efficiency and renewable energy loans booked by Bancolombia.

INSTITUTIONAL ARRANGEMENTS

Under the project, IFC and IDB agree to guarantee eligible sustainable energy loans originated by Bancolombia. Eligible activities to be supported by the project include projects targeting larger SMEs and mid-sized industrial companies in energy intensive sectors of industry in Colombia.

OUTCOMES

The project will support the financing of a US\$108 million portfolio of sustainable energy projects. Moreover, being the first commercial bank entering the sustainable energy finance area in Colombia, Bancolombia is expected to have a catalytic effect on the industry and will contribute to the mainstreaming of sustainable energy lending.

Further reading

IFC, BANCOSEF: Summary of Proposed Investment – click [here](#)

Climate Investment Funds, Colombia Sustainable Energy Finance Program (C-SEF, the “Program”) – click [here](#)