

Project Summary

Project Overview	
Project Name	Financing of Renewable Energy Projects and Associated Transmission (BNDES)
Country	Brazil
Sector	Renewable Energy; Sustainable Development
Approval Date (by the Board)	26 April 2016
Total Project Cost	USD 600 Million
Loan Amount	USD 300 Million
Borrower	Banco Nacional de Desenvolvimento Econômico e Social
Implementation Agency	Banco Nacional de Desenvolvimento Econômico e Social

I. Introduction

Brazil is the largest economy in South America. Brazil's share of GDP in South America accounts for more than 55%. In recent years, Brazil's economic development has been volatile. Domestic demand has been contracting and investments are falling. Brazil is also experiencing a significant drop of investment in infrastructure. This negatively impacts the energy sector, which is a critical part of the country's overall infrastructure. Current energy structure heavily depends on hydel power, with 61% of the country's total energy power generated by hydel capacity. Volatility in hydel generation has an amplifying effect on the country's entire energy capacity, due to the excessive reliance on hydel. Alternative renewable energy resources haven't been fully explored, constrained by financing. In this context, the project is designed with financing facility provided by New Development Bank (NDB), to enhance the capacity of Brazil's alternative renewable energy. The project is in alignment with NDB's objective to accelerate green financing and promote renewable energy development.

II. Project Description

The NDB will support the Banco Nacional de Desenvolvimento Econômico e Social (BNDES) with a two-step loan to on-lend to renewable energy projects and associated transmission projects. The objective of NDB's financing is to provide an alternative financing source for BNDES to facilitate development of infrastructure. BNDES is a 100% state owned national bank for economic and social development. BNDES is the main financier for infrastructure projects.

BNDES will finance at least 5 sub-projects under the proposed loan. The proposal for sub-loans will be subject to eligibility criteria and NDB's appraisal, where the sub-loan financing is in excess of USD 70 million or assessed as an Environmental or Social Category A. The aggregate exposure for projects in any one of alternative renewable energy areas will not exceed 60% of the total loan amount, to diversify the development. Sub-loan for any single sub-project will be limited to maximum 25% of the total loan.

III. Environmental and Social Aspects

The project contributes to a diversified renewable energy portfolio for Brazil's energy sector, to reduce reliance on hydel and increase the country's resilience in energy supply. It aligns with NDB's focus to support projects that aim at developing renewable energy sources. BNDES will ensure compliance with the country's legislative requirements and NDB's environmental and social framework.

IV. Financials

The total amount of the loan is USD 300 million. For each project, BNDES will finance from its other sources an amount equal to or higher than the sub-loan disbursed by NDB. Up to 20% of the loan amount can be used by BNDES for financing debentures or bonds for the renewable energy projects.

Financier	Amount (\$ million)
New Development Bank	300
BNDES	300 (Minimum)

V. Implementation

The BNDES will be responsible for assessment of the sub-loans for each renewable energy project. Where the NDB's approval is required, BNDES will submit due diligence documents, procurement terms, environmental and social assessment, economic and financial analysis and other relevant project reports.