

FP006 Mexico Energy Efficiency Bonds in Latin America and the Caribbean (IDB), Mexico

CSO comments on the project given as intervention during the 11th GCF Board Meeting, November 2015

We see the value in this proposal, however, there are elements that require further clarification and improvement to ensure a real contribution to paradigm shift, including a clear and environmentally sound definition of what constitutes “green bonds,” the inclusion of third party verification and certification, and robust transparency.

- The definition of what constitutes energy efficiency is flawed and must be revised. Fossil fuel-based activities must be excluded from energy efficiency green bonds, including natural gas. Biomass should also be excluded as it can contribute to increased carbon emissions and thus exacerbate climate change. Climate finance is precious and finite and there are better and more transformative uses for it.
- Additionally 15% energy saving is too low for buildings and many other industrial applications. We urge greater ambition here. For example, the minimum for LEED credits for existing buildings is 25%.
- We also believe this project could benefit from adopting the best available standards rather than rely on the Green Bonds Principles. The latter are voluntary process guidelines that provide only broad recommendations with no obligatory standards. These principles don’t provide a definition of what is meant by “green,” nor do they require independent verification of green bonds. Therefore we recommend the use of the best available energy efficiency standards, which is currently found in the Climate Bonds Initiative, a far more robust standard that includes a certification system to attain “Climate Bond” status.
The CBI has a comprehensive and detailed taxonomy of the types of projects and activities eligible for funding through climate-related green bonds. This clarity of what exactly is funded can help build trust and public support for these financial instruments. See: <http://www.climatebonds.net/standards/taxonomy>
- We also have concerns about how the GCF’s gender policy will be adhered to. Information on how environmental and social safeguards will apply to this project is limited, and there appears to have been no effort to engage stakeholders in the design of the project.
- All said, it is very difficult to provide an adequate assessment of this proposal using only the summary document, which contains limited information. This lack of information is the opposite of constructive and goes beyond what may have been held back for the sake of commercial sensitivity.
The lack of detailed information, if it continues into further approvals and implementation phase, will also limit the project's ability to share knowledge and lessons learned with the international community.
- Finally, there is a request for a further “funding allocation” of US\$195 million for subsequent phases of the program. We believe that such decision should be considered once there is greater detail on the program and activities, including co-financing, beneficiaries and others, prior to consideration of final approval. We therefore suggest that the further allocation is approved at a later stage.
- In summary we believe the project should be approved but some conditions should be met – we would like to see much greater transparency and information, the use of best available standards with clear determination of what types of projects are permitted.