

Geothermal Development Facility (GDF) for Latin America - Launch at COP20 in Lima, Peru
Monday, December 8th 2014 10:30am-12:30pm EU-Pavilion

Over USD 1 billion for Geothermal Projects (350 MW) in Latin America

- *Launch of the first multi-donor climate initiative to promote geothermal energy in Latin America*
- *Estimated emission reductions of 50 million t CO₂*
- *Provision of affordable, clean, base-load electricity to 2 million people*

Lima, December 8th 2014 – Dr. Gerd Müller – German Federal Minister for Economic Cooperation and Development, Miguel Arias Cañete –EU Commissioner for Climate Action and Vice-Minister for Energy Edwin Quintanilla of Peru together with representatives of 12 other donors and development financiers jointly launched today the Geothermal Development Facility (GDF) for Latin America in the framework of COP 20. The GDF seeks to catalyze the development of geothermal energy as an affordable, low-carbon and base-load technology that could help limit the growth of the region's greenhouse gas emissions. The GDF constitutes the first multi-donor initiative to promote geothermal energy on a continental scale. It will provide at least USD 75 million in grant-based risk mitigation instruments and USD 1 billion in tailored financing to geothermal projects in a range of Latin American countries. The GDF seeks to incentivize at least 350 MW of geothermal generation capacity, help to save 50 Mio. tCO₂ in total and provide clean electricity to 2 million people.

Initiated by Germany and the EU, the GDF was developed by KfW with the support of the Development Bank of Latin America (CAF), the World Bank / ESMAP, the Inter-American Development Bank (IDB), the Central American Bank for Economic Integration (CABEI), the European Investment Bank (EIB), the *Agence Française de Développement* (Afd), the Japan International Cooperation Agency (JICA), the Nordic Development Fund (NDF), the *Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH* (GIZ) and the German Federal Institute for Geosciences and Natural Resources (BGR).

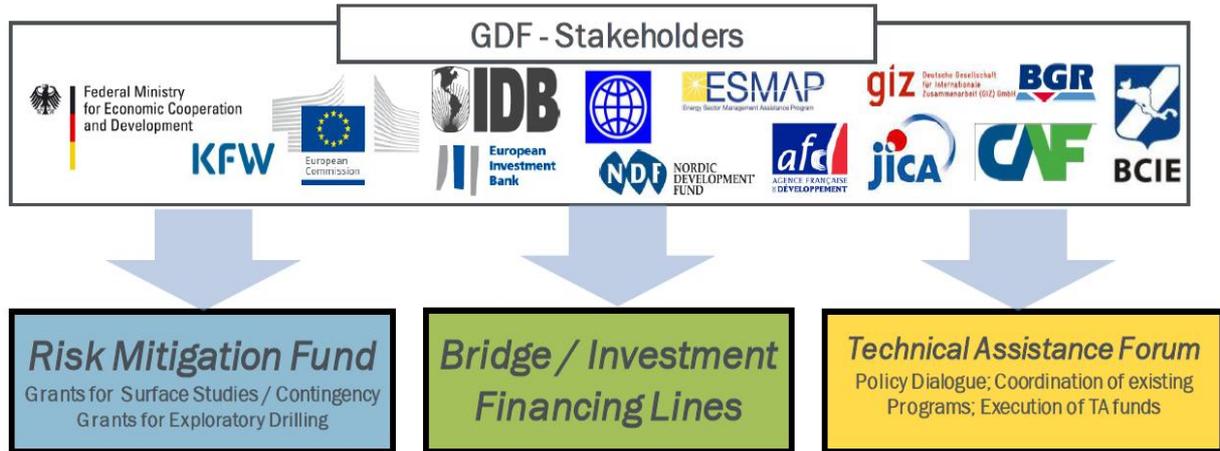
Sustained economic growth has steadily increased electricity demand in the region. Going forward, even modest GDP growth assumptions would double the demand for electricity in Latin America by 2030. As traditionally prevalent options like hydropower become ever more challenging to exploit, geothermal energy provides a viable low-carbon alternative to fossil fuel-based generation capacity.

Miguel Arias Cañete, EU Commissioner for Energy and Climate Action, stated that *“the facility is a fantastic example of how donors can help to create markets for and leverage substantial financing into renewables by providing tailored grant-based incentives”*.

“KfW has already had significant success in incentivizing geothermal development with a similar cost-sharing approach through its Geothermal Risk Mitigation Facility for East Africa”, said Stephan Opitz, Member of the Management Committee of KfW, *“and we are happy to have been able to build on this experience when structuring the GDF in close cooperation with our partners”*.

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The Geothermal Development Facility will provide a (i) Risk Mitigation Fund for early stage exploration drilling, (ii) tailored Bridge and Investment Financing Lines for subsequent investments and a (iii) Technical Assistance Forum in order to incentivize geothermal development in the targeted countries.



Under the Risk Mitigation Fund public and private developers will be able to apply from early 2016 onwards for a Contingency Grant that will cover up to 40% of the cost of up to three early exploration wells. Grants received will only have to be repaid in case of a successful exploration. Developers will further be able to refinance grant repayments through the provided Bridge and Investment Financing Lines for geothermal power plants. Financing Lines for the production drilling and construction stages would, as of now, consist in two programs between KfW on behalf of the German Federal Government and CAF and BCIE respectively, as well as on programs from both the private and the public sector windows of the IDB and financing lines of Afd and EIB. In addition, CAF, BMZ through GIZ and BGR, IDB, World Bank, ESMAP, JICA and NDF will coordinate their existing and planned Technical Assistance Programs in the framework of the GDF's Technical Assistance Forum in order to create a maximum of synergies in assisting partner governments in designing and implementing favourable regulatory and legal framework conditions.

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