Response to a question from Germany on the Amendment of Chile Concentrated Solar Power Project (CSPP)

Prepared by the Inter-American Development Bank (IDB)

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We would like to thank the members of the CTF Trust-Fund Committee for their review of the amendment proposal. Please find below our response to the question submitted by Germany, as well as some additional information on the financing vehicle for the project.

> ***Q: I could not make out from the proposal what pricing of the (now 100%) subordinated facility is foreseen. Given the fact that the CTF takes on additional risk when granting 100% of the facility as a subordinated loan, the loan should be priced adequately. It would therefore be interesting to learn more about the pricing you have in mind for the transaction.***

A: Required CTF pricing has not been fully determined yet, as a few important elements of the structuring (debt service coverage ratio—DSCR—, amortization profile, etc.) are still under discussion with the sponsor and other lenders. As we receive an updated financial model for the operation, we will analyze the implications of both senior and subordinated pricing on the viability of the transaction.

The approach we will follow when these elements are available will be to propose and negotiate with the sponsor pricing terms for the subordinated tranches that respond to both the project needs and the pricing principles required by subordinated lenders. Consistent with these principles, in the case of the CTF, the pricing will not necessarily be commensurate with commercial standards for the level of risk undertaken, but will rather be based on the conditions that would make the operation financially viable. In this case, DSCR requirements will likely be a key determinant of the terms required from the CTF.

Update on the financing vehicle

We would like to take this opportunity to give the CTF Trust Fund Committee an update on the financing vehicle for the project, stemming from developments last week during our due diligence mission.

The project sponsor is developing a Solar PV project concurrently with the CSP plant, where both plants share certain facilities and contractual obligations. This joint development results in cost savings and a combined energy offer that—given market demand characteristics—enhances the commercial and financial viability of the projects. While these projects were originally planned to be financed separately, it has become increasingly clear that joint financing by a single group of lenders would result in a more efficient structure, both from the legal and financial point of view. As a result, while the use of proceeds from the CTF and some other lenders' financing will be targeted to the CSP plant, the source of repayment will be the revenues of the combined CSP and PV facilities.

We see positive value in this approach, as we expect it to result in a more efficient structure that will reduce the risks associated with the multiple interdependencies between projects, including shared infrastructure, off-take agreements, and a diverse lending group with potential conflictive goals. A joint financing will also allow for a more efficient and quicker structuring of the facilities.