



UNEP Finance Initiative
Innovative financing for sustainability

UNITED NATIONS ENVIRONMENT PROGRAMME FINANCE INITIATIVE (UNEP FI)

ESRA WORKSHOP NAIROBI

FIRSTRAND LIMITED – ESRA IMPLEMENTATION CHALLENGES



www.unepfi.org

Current Challenges

Non-complying/risky clients

- Non-complying coal mine
- Petrochemical acquisitions
- No formal process of escalating

Reputational considerations

- Projects on BankTrack website

National Environmental Management Act: Waste Act

- Liable for contamination remediation
- Due Diligence Process
- Exception through Bankers Association of South Africa



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Current Challenges

Indemnities

- Against Equator Principles
- General liability vs. National Environmental Management Act

International Financiers' lending requirements

In addition to the above, the financing of projects is excluded, when the following activities-form a substantial⁹ part of a project sponsor's primary operations or those of the project:

11. Production or trade in¹⁰
 - a) weapons and munitions
 - b) tobacco
 - c) hard liquor
- 12) Gambling, casinos and equivalent enterprises¹⁰



Current Challenges

Africa/Australia ESRA roll-out

- High risk deals
- Equity stake in mining projects
- Availability of environmental legislation
- Process not well formalised

ESRA Training

- Identification of appropriate staff and appropriate level of training
- Classroom style training vs. online training

Monitoring of Transactions

- Emphasis on monitoring of existing deals
- Use of technical agents



Current Challenges

Project Finance Definition

“Project finance may take the form of financing of the construction of a new capital installation, or refinancing of an existing installation, with or without improvements. In such transactions, the lender is usually paid solely or almost exclusively out of the money generated by the contracts for the facility’s output, such as the electricity sold by a power plant. The borrower is usually an SPE (Special Purpose Entity) that is not permitted to perform any function other than developing, owning, and operating the installation. The consequence is that repayment depends primarily on the project’s cash flow and on the collateral value of the project’s assets.”



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