BBVA Banco Continental

In 2007, BBVA Banco Continental (Peru), a signatory Bank of the Equator Principles and the second largest commercial bank in Peru - set out to become a financial sector leader in energy efficiency (EE) and natural gas conversion (NGC) projects. In less than two years the Bank disbursed US$34.7 million in 69 projects, primarily to small and medium enterprises for clean energy projects.

The opportunity for BBVA to develop a clean energy product line arose from:

- A partnership with the International Finance Corporation, IFC, a member of the World Bank Group, helped the Bank build its capacity and project pipeline as well as create viable and sustainable credit product for small and medium enterprises (SMEs) seeking financing for energy efficiency and small-scale hydropower projects.

- The launch of national programs to promote natural gas conversion throughout the industrial sector, in particular CAMISEA. CAMISEA promoted the expansion of access to cleaner and less expensive natural gas, which created immediate opportunities for companies to upgrade / replace equipment and invest in broader energy efficiency production equipment.

This case study demonstrates the steps taken by BBVA to develop a financial product targeted at energy efficiency upgrades for existing and new clients.

Loan Product Development
The Bank hired a consultant to help in the analysis of projects in the areas of energy efficiency, renewable energy and natural gas and the development of the Bank's clean energy lending. Recognizing the opportunity, the Bank focused financing in the industrial sector, where the need for clean energy loans is highest. The Bank realized that identifying clean energy projects, within the existing client portfolio, would require financing for energy audits, which on average cost between US$3,000 - US$8,000 for an SME. To avoid these costs, due to the uncertainty as to whether the audits would result in a viable project for financing, the Bank decided to promote 'simpler' clean energy projects such as proven technology changes or upgrades including: boiler/ burner replacements, high efficiency motors or drives, lighting improvements and conversion to natural gas.

Marketing & Training
To get the attention of the account executives, the Bank established an incentive program for departments that lend against the green credit line. Training sessions on clean energy were carried out for account executives to ensure the promotion and identification of projects both large and small. The Bank's Environmental Risk Analysis Unit was involved in the project review process and eventually managed the project qualification process. Account executives were armed with the clean energy financing promotional brochure to market and facilitate discussions with clients. The Bank's best marketing was done in-house with training and meetings with account executives.

Eligibility Criteria for Clean Energy Projects

Eligibility criteria for determining whether projects qualified was based on energy savings. The project had to reduce energy consumption while delivering the same or an increased level of productive output through by way of technology changes or upgrades. The Bank used its own credit analysis methodology based on company credit worthiness and project financials, rather than on greenhouse gas savings to determine which projects to finance.

BBVA's Future in Clean Energy Financing

The Bank continues to be active in the clean energy financing and is now investigating wind energy financing. The Bank has raised its awareness and capacity related to clean energy projects, and has brought an industrial engineer onboard to develop a methodology for calculating green house gas savings. The Bank is pursuing vendor alliances with lighting and appliance companies whereby the service company provides technical assistance or a replacement program, while the Bank provides the needed financing.