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Energy and Climate Report

Afternoon Briefing - Your Preview of Today's News

The following news provides a snapshot of what Bloomberg BNA is working on today. Read the full version of all the stories in the final issue, published each night.

Methane Hot Spot in West Troubles Regulators and Industry

Posted August 03, 2017, 7:01 A.M. ET

By Alan Kovski

The Four Corners area of northwestern New Mexico and southwestern Colorado has been described as an especially prominent hot spot for methane leaking and venting—and illustrates why the Obama administration issued tougher federal regulations in 2016 to govern oil and gas operations on federal and Indian lands.

Emissions of natural gas—mostly methane—contribute to climate change. Some of the hydrocarbon molecules in the mix of gases also add to ground-level ozone, which is linked to respiratory and cardiovascular effects at high levels of exposure. From a business perspective, the emissions are a waste of natural resources.

The Bureau of Land Management's 2016 Methane and Waste Prevention Rule, commonly called the venting and flaring rule, put oil and gas companies and some state officials on the defensive. They argued that it would add significant costs; that existing regulations were adequate; and that companies already had an economic incentive to capture the gas and sell it for a profit.

Companies in the Four Corners areas produce natural gas from layers of coal and separate gas deposits. ConocoPhillips Co. was for years the the largest operator in the region but on July 31 completed the sale of its assets there to Hilcorp Energy Co. Other notable producers in the area include BP Plc and WPX Energy Inc. Chevron Corp. sold its assets in the area in the second quarter.

It's not necessarily easy to say why the Four Corners area may be worse for methane emissions than other areas. Geology, weather, local infrastructure, state regulations, and the limitations of methane detection systems all play a role.

Charged Political Issue

Some states have taken action to varying degrees and report declining emissions. More federal action awaits Interior Department decisions on how the Trump administration will change the venting and flaring regulations.

The Bureau of Land Management, an Interior Department agency, didn't criticize any state when it issued the venting and flaring rule. But the Four Corners' methane plume became a charged political issue, nevertheless.

Sens. Maria Cantwell (D-Wash.) and Michael Bennet (D-Colo.) singled out the New Mexico portion of the methane plume when they participated in a Washington press conference May 9. One day later, they helped defeat a congressional attempt to rescind the BLM rule.

In June, the Interior Department suspended compliance with those parts of the rule not already in effect and said it will either rescind or revise the rule. The suspension of the regulations pending judicial review was quickly challenged in court by the attorneys general of California and New Mexico.

"Believe me, this was not done without some serious discussions with the lawyers at the Department of Interior," attorney Vincent DeVito, counselor to the Interior secretary on energy policy, said July 27 at an annual meeting of the U.S. Energy Association.

Satellite and Airborne Detection

A 2014 NASA report turned the spotlight on the Four Corners, when satellite detection of methane plumes found the largest single plume over that area.

A later study, led by a scientist at NASA's Jet Propulsion Laboratory at the California Institute of Technology, used two airborne spectrometers in April 2015 for infrared measurements that identified 250 methane point sources in the Four Corners area.

"This finding confirms earlier assumptions that most of the enhanced methane is related to natural gas extraction, as well as coal mining but also that there is not a single source explaining most enhancements," the 2016 report said, referring to enhanced emissions. It was published in the Aug. 30, 2016, issue of the Proceedings of the National Academy of Sciences.

The most prominent identified leaks came from gas processing facilities, storage tanks, a couple of gas pipelines, and a venting coal mine. The spectrometers could detect individual plumes, but not measure volumes, which were inferred from the plume sizes.

All of which doesn't mean the states were sitting by idly while methane leaked.

Colorado Takes Action

Colorado and New Mexico have tightened their emissions regulations during the past three years, as have other states. For Colorado, 2015 was the first full year of new regulations requiring, among other things, hydrocarbon leak detection, which includes methane detection.

Although the regulations don't specify infrared cameras, in practice that has been what companies use, according to Jeremy Neustifter, a planner in the Air Pollution Control Division of the Colorado Department of Public Health and Environment.

"It's still early to tell what effects we have seen" from the relatively new regulations, especially given that 2016 results have not been fully vetted yet, Neustifter told Bloomberg BNA July 27. And the program gets good marks from an industry group.

"The leak detection and repair program has been working fairly well," according to Scott Prestidge, spokesman for the Colorado Oil & Gas Association.

Colorado has seen declines in methane and ethane emissions and ozone concentrations, but specifying the exact reasons for the declines isn't so simple, Neustifter said.

The drop in emissions of volatile organic compounds in Colorado from 2011 to the present, not just under the latest regulations, have been significant, "and the oil and gas industry is responsible for three-quarters of that reduction," Prestidge said.

Individual companies didn't respond to requests for information on methane control strategies.

New Mexico Acts

New Mexico has for several years required operators to obtain special permission for venting or flaring after 60 days of drilling operations. Starting May 1, 2016, the state also requires a gas capture plan for all new applications for permits to drill.

But the New Mexico gas capture plan doesn't require leak detection, according to Jon Goldstein, director of regulatory and legislative affairs for the conservation group Environmental Defense Fund. That leaves New Mexico behind both Colorado and Wyoming, Goldstein said.

Venting and flaring in the state have gone down, David Catanach, director of the Oil Conservation Division within the New Mexico Energy, Minerals and Natural Resources Department, said. The percentage of total gas production in New Mexico was almost 1.5 percent in January 2016 and down to 0.89 percent in January 2017, he said.

The 2016 BLM regulations would have gone beyond New Mexico's by requiring leak detection that would have resulted in infrared camera use, said Dave Mankiewicz, assistant field manager for minerals in the BLM Farmington, N.M., field office.

Why Worse in Four Corners?

Mankiewicz, a geologist with much industry and government experience, offered some details on why the Four Corners area—also known to geologists as the San Juan Basin—might appear to have more methane leakage than other areas.

First there are topography and meteorology. The area has a bowl shape where atmospheric inversions often occur, trapping gases longer near the surface of the Earth, where satellites can spot them. By contrast, oil and gas production areas like the oil-rich Permian Basin of western Texas and eastern New Mexico are in flatter lands, where gases quickly disperse via air currents, he said.

Goldstein agreed that topography and air inversions were a basic problem for the area.

Neustifter in Colorado said inversions also trouble Wyoming, where winter inversions trap volatile organic compounds (a broad category including natural gas) and nitrogen oxides. Wyoming requires quarterly leak inspections on new and existing wells.

Then there's the oil and gas companies' heavy reliance in the Four Corners area on gas-driven equipment, such as pumps and compressors, rather than electrically powered equipment—meaning

more opportunities for gas leaks.

The gas to drive the equipment comes from the leases in the San Juan Basin, amounting to 38 percent of all on-lease use of gas in the U.S., Mankiewicz said.

Another problem is the large number of gas seeps. The Four Corners area includes the Fruitland Formation, one of the most gas-rich coal outcrops, Mankiewicz said. And while gas operations appear to dominate the leaks, there also is coal mine venting and leaking.

'Market Failure'

Two industry groups, the American Petroleum Institute and Western Energy Alliance, said operators faced the prospect of significant expenditures to comply with provisions of the BLM rule that were scheduled to start operating in January 2018. Those now are suspended pending review.

Western Energy Alliance specifically noted that the requirement for leak detection and repair programs, and the standards for storage tanks and pneumatic devices would require operators to begin purchasing and installing tens of thousands of replacement parts in the near future.

Companies have an economic incentive to capture gas and sell it, but the incentive is not strong enough, especially with gas prices low, Environmental Defense Fund's Goldstein told Bloomberg BNA.

"It's just not a strong enough driver," Goldstein said. "It's a market failure."

If the BLM chooses to revise rather than simply rescind the rule, it could retain the leak detection and repair requirements while jettisoning much else, but the agency has not revealed its plan. It's very likely that whatever the agency does will be tested in court for compliance with the National Environmental Policy Act, Administrative Procedure Act, Mineral Leasing Act, and Federal Land Policy and Management Act.

Nuclear Plant Closure Quashes Tax Credit Need, Graham Says

Posted August 03, 2017, 02:05 P.M. ET

By Brian Dabbs

An early extension of a high-profile nuclear tax credit is no longer needed following the closure of a nuclear plant in South Carolina, Sen. Lindsey Graham (R-S.C.) told Bloomberg BNA Aug. 3.

The statement marks a reversal of the senator's position on the production tax credit, which currently sunsets at the beginning of 2021. Graham previously spearheaded the early extension effort in the Senate.

But the July 31 decision by Scana Corp. to abandon an expansion project at the V.C. Summer plant in South Carolina shows that a tax credit won't prop up the industry, Graham said.

"That's probably the end of a nuclear renaissance," he told Bloomberg BNA. "Why do you need production tax credits if you're not building reactors?"

Scana said the move would save utility customers $7 billion.

Brouillette Heads to Energy Department Following Heller Sign-Off

Posted August 03, 2017, 12:42 P.M. ET

By Brian Dabbs

The Energy Department is set to add a deputy for Secretary Rick Perry following the Senate's confirmation of Dan Brouillette Aug. 3.

The chamber, on a vote of 79-17, approved Brouillette after Sen. Dean Heller (R-Nev.) lifted a hold on his nomination. Brouillette formerly served at the Energy Department during the George W. Bush administration.

As recently as Aug. 1, Heller said he was blocking the nomination because Brouillette hadn't responded to his inquiry over the nominee's position on the Yucca Mountain nuclear waste repository. A spokeswoman for Heller said the senator made "progress" on resolving the standoff with Brouillette.

Heller sent the inquiry, which focused on the nominee's support for consent-based siting of a waste repository, nearly two months ago. The spokeswoman didn't respond to a followup request by Bloomberg BNA to obtain more details. Heller was the lone Republican to vote no on the nomination.

A hold is an informal Senate tactic that typically signals a senator will force full debate on a nomination or legislation. The Brouillette nomination received only 15 minutes of debate prior to the vote, an indication that the hold had been lifted.

The Nevada congressional delegation largely opposes the permanent repository at Yucca Mountain, arguing the project presents risks to the environment and surrounding communities. A bill sponsored by Heller (S. 95) would require any such facility to first receive consent from the state's governor, Indian tribes and local governments. Gov. Brian Sandoval (R-Nev.) opposes a repository at Yucca.

Brouillette has been senior vice president of the United Services Automobile Association, an organization providing financial services to military personnel, veterans, and their families. Before that he was a vice president at Ford Motor Co. He served as an assistant secretary of energy for congressional and intergovernmental affairs from 2001 to 2003.

Brouillette previously worked in Congress for the House Energy and Commerce Committee and for lobbying firms, including FleishmanHillard Inc. His clients at that firm included Entergy Corp., Allegheny Energy Inc., and Peabody Energy Corp., according to OpenSecrets.org, a project of the Center for Responsive Politics that tracks money in politics.

Electric-Car Revolution Shakes Up Biggest Metals Markets

Posted August 03, 2017, 7:35 A.M. ET

By Mark Burton and Eddie van der Walt

The revolution in electric vehicles set to upturn industries from energy to infrastructure also is

creating winners and losers within the world's biggest metals markets.

While some of the largest diversified miners like Glencore Plc argue that fossil fuels such as coal and oil still play a crucial role supplying energy needs, they also will benefit the most from a move to electric cars, requiring more cobalt, lithium, copper, aluminum, and nickel.

The outlook for greener transportation got a boost this year as the U.K. joined France and Norway in saying it would ban fossil-fuel car sales in coming decades. That's as Volvo AB announced plans to abandon the combustion engine and Tesla Inc. unveiled its latest, cheaper Model 3. Such vehicles will outsell their petroleum-driven equivalents within two decades, Bloomberg New Energy Finance estimates.

"For some of the metals, it's a complete game-changer," said Simona Gambarini, a commodities economist at Capital Economics Ltd. in London. "We've already seen a big impact on some metals like cobalt and lithium, which have soared over the past couple of years."

Electric cars contain about three times more copper than a regular vehicle, according to Glencore. Even more is needed for charging stations, with Exane BNP Paribas seeing such infrastructure adding about 5 percent to demand by 2025. Lithium, cobalt, graphite, and manganese used in batteries also will see more demand.

Copper and Cobalt

Glencore will get a boost as rising electric-vehicle sales lend support to copper prices, as well as from its position as the world's largest cobalt producer, according to Jefferies Group LLC. Freeport-McMoRan Inc. and First Quantum Minerals Ltd. are also top picks for long-term investors looking to benefit from the trend, the brokerage said in a note Aug. 2.

Markets are responding. Cobalt has surged 70 percent on the London Metal Exchange this year, after jumping 37 percent in 2016. Lithium prices have extended gains in recent years. Copper is also up 14 percent in 2017 on signs of resurgent economic growth, particularly in China.

On the flip side, lead producers such as Recylex SA and Campine SA may have to adapt operations to the new era. The main end-use for lead is in starter batteries for petrol and diesel engines. Electric vehicles, by contrast, are powered by lithium-ion units.

"It's a serious risk for lead demand, unless you find different applications to make up for the decline," said Michael Widmer, head of metals market research at Bank of America Merrill Lynch in London.

Lithium vs. Lead

Yet with lead prices up 17 percent this year, the best of any major industrial metal traded in London, investors see only distant risks. "I'm not so sure things will turn out" so badly for lead, as cheap oil prices will help keep conventional cars competitive, said Herwig Schmidt, head of sales at metals brokerage Triland Metals Ltd. If demand for lead does drop, it will do so gradually, he said. "Maybe that will be the case in 10 years or so."

In the meantime, stricter emissions rules could raise demand for hybrid cars that rely on advanced lead-intensive batteries to cope with frequent engine stops and starts, according to the International Lead and Zinc Study Group.

It's not just shifts in use of batteries and wires that are forcing change.

Lightweight metals like aluminum are replacing steel to allow cars to travel further on less power. That already expanded demand by about 1.6 million metric tons, or 2.7 percent of global output, from 2013 to 2016 in a trend that's likely to accelerate, Widmer said.

Aluminum vs Steel

Aluminum is up 14 percent this year as rising use by automakers has run into supply curbs in China, pushing the market into deficit.

Steelmakers are fighting back. AK Steel Holding Corp. has teamed up with General Motors Co. to try to use nanotechnology to make lightweight vehicle bodies. ArcelorMittal and Tata Steel Europe also are among those developing lighter, stronger alloys to fend off the competition.

"The development of ultra-high–strength steel is meant to address that," said Sylvain Brunet, an analyst at Exane BNP Paribas. There's been "some success in Europe."

Platinum also could struggle to cope with the end of petroleum.

Almost half the precious metal used last year was sold to the auto industry for use in catalytic converters to curb diesel pollution, according to research from Johnson Matthey Plc, one of its top refiners.

"A lot of commodities that are in demand right now, like oil and platinum, may not be in demand in the future," said Bernard Dahdah, a commodities analyst at Natixis SA in London. "It's not that commodities overall will become less relevant, but we will see a reshuffling in terms of what is important in the next 15 years."

The platinum industry sees a continued need for converters in diesel-hybrid engines. Umicore SA, a maker of raw materials for batteries and engine catalysts, expects hybrids to still outnumber full-electric cars in 2025, Chief Executive Officer Marc Grynberg said Aug. 1.

"Given the expected evolution of battery costs, there may still be an advantage to buying a hybrid," he said.

Fuel-cell vehicles being developed by Toyota Motor Corp. and Hyundai Motor Co. that rely on platinum as a catalyst to generate energy from hydrogen promise the greatest opportunity for demand growth in the next 10 years, according to the World Platinum Investment Council lobby.

Yet, until such technology has been proven commercially, the industry is at risk from the shift away from fossil fuels.

"Diesel looks set to be the clear loser out of this substitution towards electric vehicles," said Brunet at Exane BNP Paribas.

German automakers, fighting for diesel's future, faced a setback last month after a Stuttgart court ruled in favor of banning the technology in the home city of Mercedes-Benz and Porsche.

Perhaps the most immediate danger from electric vehicles, though, is to analysts' predictions. Given

the tectonic shift away from oil and the competing technologies to replace the fossil fuel, the outlook for demand from the auto industry has never been so clouded.

"What it comes down to is the extent to which electric vehicles gain popularity," said Bank of America's Widmer. "For metals like copper and nickel, if you underestimate electric vehicle sales by one percentage point, you can add one percentage point to global demand."

U.K. Policy Change Seen Too Frequent for Smooth Energy Shift

Posted August 03, 2017, 8:51 A.M. ET

By Mathew Carr

The U.K.'s energy policies are confusing markets and limiting investment needed to spur a transition away from fossil fuels, according to a pro-business environmental group.

The government's willingness to move by itself in Europe to set a carbon-price floor and its threat to cap household energy tariffs is undermining the country's ability to win spending on clean energy and smart networks, said Volker Beckers, former chief executive officer of RWE AG's U.K. unit. Beckers was speaking in an interview before a report Aug. 3 by Forum for the Future, a pro-business environmental group, for which he was consulted.

"It's absolutely paramount we get this sorted," Beckers said by telephone. "The more political intervention we have in the markets, it'll undermine the ability of markets to deliver a true wholesale price of electricity—governments need to decide whether they believe in a fully competitive and free market, or they want to intervene more, as they're already doing."

The report concludes that governments, including Britain's, have been caught off guard by the pace and scale of the transition away from fossil fuels. European utilities have lost more than 100 billion euros ($119 billion) of value since 2008 and new companies are beginning to gain traction, it said.

The Department for Business, Energy and Industrial Strategy didn't immediately comment on the criticism contained in the report, when contacted by email.

The report draws on interviews with six former executives and policy makers: Beckers, Ed Davey, energy secretary in 2012–2015; Charles Hendry, U.K. energy secretary in 2010–2012, Steve Holliday, CEO of National Grid Plc in 2007–2016; Joan MacNaughton, director general of energy at the former Department of Trade and Industry in 2002–2006; and Ian Marchant, CEO of SSE Plc in 2002–2013.

The U.K. carbon price floor has made both coal and cleaner natural gas generation less profitable. With doubt about future carbon and wholesale power prices, there's a risk that free markets may not recover to levels high enough to sustain a cleaner system, Beckers said. Two gas plants commissioned by him before 2010 were needing prices of 70 pounds per megawatt-hour to break even, he said. That's about 56 percent more than average prices since then.

"You can easily work out that the economics of these power stations do not stack up," Beckers said. "Hence, we've seen massive impairments of generation assets across Europe."

Governments need to boost the EU carbon price, which will help lift power contracts, and they probably will do so after about a decade of trying, Beckers forecast. European policy makers are seeking to install a market reserve in 2019 to deal with a glut in their emissions program, while the U.K. is consulting how to price or tax its emissions after it exits the European Union.

Plunging costs for wind and solar technology have complicated policy making, MacNaughton said by phone. Still, the U.K. government had made it more difficult to meet its emissions targets cheaply by having an aversion to onshore windfarms and by favoring the EDF SA nuclear project at Hinkley Point, which was encouraged in an "expensive" fashion, she said. EDF is guaranteed to earn 92.50 pounds a megawatt-hour for the power it generates at the nuclear site over 35 years.

"We've had a very strong signal from the Climate Change Act and the carbon budgets, but it's not quite strong enough," she said.

Arsenal Soccer Club Tackles Climate Change With Clean Energy

Posted August 03, 2017, 12:15 P.M. ET

By Jessica Shankleman

Arsenal Football Club plans to power its stadium with renewable energy produced from wasted food and solar panels in a bid to reduce greenhouse gas pollution.

The North London club signed a contract with Octopus Energy Ltd. to source energy from anaerobic digestion plants and solar farms. It will offset carbon dioxide emissions from fossil fuels.

The contract was signed Aug. 3 for an undisclosed value followed a yearlong trial by Arsenal, a spokeswoman for the utility said by phone. Wasted food from the club will be sent to the plants that break down organic waste to create biogas and electricity.

Octopus was started in April 2016, backed by renewable energy investors at Octopus Capital Ltd. In the first year the switch helped Arsenal save 2.32 million kilograms (5.1 million pounds) of carbon dioxide, according to the statement.

Arsenal isn't the only soccer club to use green energy. Forest Green Rovers, a vegan team based in Gloucestershire that's owned by the clean-energy supplier Ecotricity Group Ltd. Chairman Dale Vince, already uses a solar-powered robot lawnmower. Vince also wants his club to be the greenest in the world and is building a new stadium made almost entirely of wood.

Other companies like Apple Inc., Facebook Inc. and Google parent company Alphabet Inc. all plan to run only on green energy over the next few years, marking a growing drive by corporations to buy renewable energy.

Germany Giving Gigafactory a Home in Latest Challenge to Tesla

Posted August 03, 2017, 8:34 A.M. ET

By Brian Parkin

German executives are preparing to announce a new home for a lithium-ion battery plant designed to rival the output at Tesla Inc.'s Gigafactory.

Terra E Holding GmbH will choose one of five candidate sites in Germany or a neighboring country next month to build its 34 gigawatt-hour battery factory, Frankfurt-based Chief Executive Officer Holger Gritzka said in an interview. The former ThyssenKrupp AG manager has helped to assemble a consortium of 17 German companies and won government support for the project, which will break ground in the fourth quarter of 2019 and reach full capacity in 2028, he said.

The battery factory is the latest sign that German industry, the motor behind the world's fourth-biggest economy, is gearing up for a new stage in the energy revolution. Lithium-ion batteries can help stabilize intermittent flows of wind and solar power on electricity networks. They're also projected to power millions of plug-in cars expected to roll off German production lines beginning early next decade.

"We have to be better in process technology than competitors, a constant step ahead," said Gritzka, who emphasized that Terra E will be counting on Germany's competitive edge in manufacturing robotics and automated production to make money.

Global battery-making capacity is set to more than double by 2021, reaching 278 gigawatt-hours, up from about 103 gigawatt-hours in the second quarter, according to Bloomberg New Energy Finance. Asia electronics makers including South Korea's LG Ltd. and Samsung SDI Co. currently control the market. Tesla will become the world's No. 2 battery maker once it finishes building its $5 billion, 35 gigawatt-hour Gigafactory in Nevada, according to the London-based researcher.

Merkel's Endorsement

Some of Terra E's consortium members also may become its clients, according to Gritzka, who declined to name companies participating. The project, which won 5.2 million euros ($6.2 million) in subsidies from Germany's Ministry of Education and Research, expects to need upwards of a billion euros before completion, the CEO said.

Terra E will be seeking strategic investors that are attracted by the government-paid research embedded in Terra's technology and German Chancellor Angela Merkel's endorsement of the company, said Gritzka. In May, Merkel broke ground at another 500 million-euro plant to assemble lithium-ion energy-storage units for Daimler AG, which produces Mercedes-Benz and Maybach luxury cars.

The company will focus its batteries on stationary units, according to Gritzka. The project aims to tap an emerging market for mobile and non-automotive power and storage, he said. The bet rests on projected faster demand for lithium storage in the next decade.

Turkey Awards First Wind-Power Contract to Siemens Gamesa

Posted August 03, 2017, 01:24 P.M. ET

By Onur Ant and Anna Hirtenstein

A consortium led by Siemens Gamesa Renewable Energy SA won the right to build 1 gigawatt of wind power in Turkey, outbidding competitors from China to the U.S. in the country's first wind auction.

The group won with a low bid of 3.48 U.S. cents a kilowatt-hour to sell electricity to Turkey's government, according results distributed Aug. 3 at the auction in Ankara. Siemens Gamesa partnered with Turkey's Turkerler and Kalyon at the auction, which needed 29 rounds to find a price.

"The aggressive bidding at 50 percent below the ceiling price shows that Siemens Gamesa really wanted to get into this market," said Keegan Kruger, wind analyst at Bloomberg New Energy Finance. "This tender also shows there's a shift in mentality among the turbine makers away from just being suppliers."

Eight groups participated in the auction, which set out rules requiring the winning bidder to build a turbine factory in Turkey and agree to employ a mostly local workforce. Energy Minister Berat Albayrak estimated that development costs for the wind projects will be more than $1 billion.

Capacity will be spread throughout Turkey. Before the auction, the government had selected seven regions for developers to choose from, including Eastern Thrace near Bulgaria, an area close to Ankara, and the city of Sivas in central Turkey.

German Investors

The participation of Siemens Gamesa, a Vizcaya, Spain-based company majority owned by Germany's Siemens AG, should improve ties with Berlin's government, Albayrak said after the tender, an apparent reference to months of diplomatic discord between Turkey and Europe's biggest economy.

The win by a German firm is "really important in showing bilateral problems between the Turkish and German governments is not getting in the way of German business interests in Turkey," Tim Ash, an emerging-market strategist at BlueBay Asset Management in London, said in an e-mailed note. "The Turkish government has been really keen to demonstrate this and re-assure German business."

Invenergy Issues Green Bond to Finance Wind Park in Uruguay

Posted August 03, 2017, 01:01 P.M. ET

By Vanessa Dezem

Invenergy Wind LLC, a Chicago-based energy company, issued a $137 million green bond to finance a wind park in Uruguay.

It is the first green bond in Uruguay, according to Emilio Fabbrizzi, head of project finance Latin America at DNB Markets, who structured the transaction. The deal was backed by the Inter-American Investment Corporation, known as IIC.

"It is an innovative way to issue a bond," said Fabbrizzi. "Issuing it together with a multilateral bank

is more comfortable for investors as a country such as Uruguay is not big for the capital market. It is an investment grade country, attractive for this type of transaction."

The 70-megawatt Campo Palomas Wind Farm in the Salto Department of Uruguay was acquired by Invenergy last year from an Uruguayan subsidiary of Abengoa SA. Project financing was provided by the IIC, with DNB acting as the mandated lead arranger.

The goal of the bond issuance is to refinance the wind park, which is already operating. The state-owned utility Administracion Nacional de Usinas & Trasmisiones Electricas, known as UTE, will buy the plant's output under a long-term lease agreement.

"You can get more interest from investors when the bond is certified as green," said Salvatore Santoro, head of investment banking Sweden at DNB. "Demand for green bonds is increasing as insurance companies, asset managements, pension funds, among other players, are chasing opportunities to comply with requirements of allocating a portion of the money for sustainable activities."

Invenergy and its affiliates have more than 12,000 megawatts of projects in operation, construction or advanced development, including wind, solar, natural gas fueled power generation and energy storage.