



PRESS RELEASE

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Climate finance must be socially and financially sustainable - BMU invests EUR 50 mln in TCX

The Currency Exchange Fund (TCX) is happy to announce that the German Federal Ministry of Environment, Nature Conservation and Nuclear Safety (BMU) has invested EUR 50 million in TCX up to 2045. EUR 20 mln is a new investment and EUR 30 mln is an extension of 20 years of an existing investment. The new long-term capital will strengthen the capacity of TCX to provide medium to long-term currency hedges for loans and bonds which finance Sub Saharan Africa projects in energy efficiency, water, and on-grid and off-grid renewable energy.

Currently, these projects are primarily financed in hard currencies, such as the US dollar or the euro. However, they typically earn their revenues in local currencies. Hard currency financing thus renders the projects vulnerable to currency depreciations. Currency fluctuations have been a major risk and impediment for new investments in emerging and frontier markets as they can impose heavy costs and burdens on the local population and utilities.

BMU, with its focus on sustainable environmental action is aware that infrastructure projects tackling climate change, such as renewable energy projects, are capital intensive, have long lifecycles, and earn revenues or tariffs in local currencies. They therefore require a long-term financing structure and long-term risk management instruments in the same local currencies to improve their financial sustainability and resilience.

TCX provides local currency swaps with no tenor limitations for 80+ emerging and frontier markets. The BMU investment will allow the fund to hedge climate investments of more than US\$2 billion with significant knock-on effects to be expected. TCX CEO Ruurd Brouwer said "Again, the German Government and the BMU show great leadership in scaling up an effective solution. TCX takes the currency risk off the shoulders of the poor and improves access to clean and affordable clean energy and transport."

Background information:

The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) is responsible for a range of government policies that are reflected in the name of the ministry itself. The ministry has been working over 30 years to protect the public from environmental toxins and radiation and to establish an intelligent and efficient use of raw materials, to advance climate action and to promote a use of natural resources that conserves biodiversity and secures habitats. The Ministry's international involvement focuses on sustainable development, where it commits to an intelligent and efficient use of raw materials.

TCX is a global development finance initiative that offers currency swaps and forwards in financial markets where such products are not available or poorly accessible. The Fund started operations in 2007 and has since then provided hedging instruments in about 3000 transactions with a total volume of more than USD 6 billion. TCX acts as market-maker in currencies and maturities which are not covered by banks or other financial entities.

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