



Most Innovative Trade Finance Solution

**US\$48 million prepayment financing
structure for carbon credits**
**Clients: Noble Group, Gujarat
Flourochemicals Limited**
Bank: HSBC

Who said that economics and energy conservation cannot go hand-in-hand? In a perfect display of how preserving the environment could translate into significant revenue dollars, HSBC undertook the world's first carbon credit prepayment deal. This US\$ 48 million prepayment financing structure for Noble Group has been chosen as the trade finance deal of the year as much for the groundbreaking structure of the deal as for the pioneering efforts made by HSBC towards enabling a lower carbon economy.

The trade finance deal structured between Noble Group and HSBC's structured trade finance team in Hong Kong, made it possible for the company to secure a source of tradeable Certified Emission Reductions (CERs) issued under the Kyoto Protocol Clean Development Mechanism for the next five years. Noble Group is a leading global supply chain manager of agricultural, industrial and energy products and the leading suppliers of CERs.

The underlying deal between the Noble Group and Gujarat Fluorochemicals Limited (GFL) in India is the first time a prepayment structure has been applied to carbon credits, certified by the UN Framework Convention on Climate Change and under the Kyoto Protocol. It is also the first time that carbon credits, rather than traditional physical commodities, have been used in a prepayment structure.

Under the terms of the deal, a purchase contract was signed between Noble and the Indian producer and a facility agreement drawn up between HSBC and Noble. After each CER delivery, Noble makes the payment to HSBC who in turn collects sales proceeds and settles the producer. The ancillary benefits surrounding the financing structure make it even more remarkable. The use of carbon credits is a signal to the rest of the industry that there is a mature market for CERs.

Incidentally, GFL is using the proceeds of the sales of carbon credits to develop other environmentally friendly projects in the renewable energy sector, investing US\$35 million for a wind farm in Maharashtra, India. By securing the cooperation of Calyon Credit Agricole CIB who has participated up to 50% of the transaction as co-mandated lead arranger, HSBC has more than just secured a good deal. It has provided a new direction to the industry in its quest to encourage companies to manage "green" projects. ■