

Purcell and Rousell in *Infrastructure Investor*: How ESG Considerations are Shaping Project Finance

October 3, 2024 Conrad Purcell, Kayley Rousell

PRACTICES Environmental, Social and Governance, Energy, Power and Natural Resources, Finance

Haynes Boone Partner [Conrad Purcell](#) and Associate [Kayley Rousell](#) authored an article in the October Edition of *Infrastructure Investor* on how ESG considerations are shaping project finance.

Read an excerpt below:

ESG continues to play an important role in project finance owing to the long-term tenor of the investments and accompanying sustainable financing packages relating to such investments. Despite a slight decline from the peak of ESG popularity in 2021, it is estimated that issuance of sustainable debt globally reached \$800 billion in the first half of 2024, equating to almost the same levels as the first half of 2023. In the project finance space investors and lenders are increasingly looking for projects that generate both a return on investment and those that are incorporating ESG into their physical project-level design and wider corporate/financing structure. Here we explore examples of metrics that are often included in project finance loan facility agreements and the use of sustainability-linked loans as a specific type of project finance instrument.

SPVs' special challenge in project finance

One of the challenges of ESG in a project finance context is that the borrower is generally a special purpose vehicle with no trading history and no assets other than the project or land which is the subject of the financing. In this instance, the ESG model of the borrower should focus on the project being financed, although it is also typical for the key performance indicators or metrics to be linked to the group level which also may include the borrower. In accordance with the Sustainability Linked Loan Principles, which were launched in March 2019 to provide a framework to articulate the fundamental characteristics of a sustainability-linked loan, the KPIs should be "material" to the borrower's core sustainability and business strategy, should address the relevant ESG challenges of the industry sectors and should be measurable or capable of being benchmarked.

To read the full article in the October 2024 issue of *Infrastructure Investor*, click [here](#).