

# IJGlobal ESG Climate Adaptation Award – Fargo-Moorhead

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Each judging session for IJGlobal Awards across the board play out in different ways... often to the surprise of the editorial teams running them. This award is a case in point as it was created by the judges who insisted we make a new category to celebrate this achievement.

Labelled early on by one judge as a “great project”, the IJGlobal ESG Climate Adaptation Award was launched and will hopefully become a mainstay on the agenda for years to come.

The winner – Fargo-Moorhead Metropolitan Area Flood Risk Management in North Dakota and Minnesota – ticks numerous ESG boxes and nailed the “resilience” element that has been touted at many conferences, but is rarely achieved in practice.

Judges were impressed by the diversion channel and associated infrastructure that will provide substantial environmental, social and economic benefits to the communities and constituents it will serve.

It involves a 30-mile diversion channel, 2 aqueducts, 2 river inlets, drainage inlets, 4 railroad bridges, 4 interstate highway bridges, and 10 county road bridges... all of which will help protect the Fargo-Moorhead-West Fargo metro area (Fargo, Cass County, in North Dakota and Moorhead, Clay County, in Minnesota) during times of flooding.

North Dakota faces the second highest inland flood risk in the US (behind Louisiana) and the Red River in Fargo has exceeded the flood stage for nearly 20 years.

Motivation behind the Fargo-Moorhead diversion project received a boost after a record flooding in 2009. Upon the project’s expected completion by 2027, it will create “permanent, reliable flood protection” for the Fargo-Moorhead Metropolitan area.

The project will feature 3x 50-foot-wide gates that will close during floods to limit how much water can flow into the Red River and through Fargo-Moorhead. The dam will hold back that water, and another gated structure will funnel water into a 30-mile channel, where it will flow around the west side of Fargo and back into the Red River.

Lauded as a first-of-its-kind project in the US infrastructure market, the project is expected to serve as a model for similar initiatives to communities across the globe.

It has also inspired the Fargo-Moorhead Metropolitan Council of Governments’ vision of recreation trails and parkways



along the 30-mile diversion channel, complete with “cultural and recreational nodes, such as campgrounds, picnic spots and ball diamonds, that could provide recreational amenities” and allow continuous public use of the area.

The DBFOM of the diversion channel and associated infrastructure was financed with \$273.4 million of tax-exempt private activity bonds (PABs) split across 2 tranches and underwritten by Citi, Morgan Stanley and SMBC Nikko Securities America

This involves a \$642,560,812 revolving credit facility provided by SMBC, CaixaBank, and Korea Development Bank, with related interest rate swaps provided by CaixaBank and SMBC Capital Markets

It also involves a \$197.8 million of privately placed secured notes purchased by MetLife Insurance, Metropolitan Tower Life Insurance Company, Swiss Reinsurance Company Limited, Swiss Re Life & Health America Inc, American Memorial Life Insurance Company, Universal-Investment-Gesellschaft mbH on behalf of and for accounts of UI-Masterfonds-Renten and HANSAfreeInvest SILC.

The proceeds will be used by Red River Valley Alliance (RRVA) – a consortium of Acciona Concesiones (42.5%), Shikun & Binui (42.5%), and NACG US Inc (15%) selected by the Metro Flood Diversion Authority – to pay a portion of the costs incurred for the project. RRVA will also provide O&M for the project following construction completion for a term of approximately 30 years after construction.

RRVA established a unique financial structure that allowed the loans, notes, and bonds to be issued as “green”, which allows for direct investment into debt that supports climate change adaptation and resilience projects – an innovative arrangement in the current P3 market.

By utilising this financial structure, the project is expected to cost \$330 million less and be completed 10 years sooner than had it been delivered through a standard design-bid-build process.

In addition to the project’s debut as serving as the first flood management project in North America to be delivered as a P3, it serves as a blueprint for communities at risk of extreme flooding to similarly establish a flood risk mitigation protocol and minimise damage to those communities in harm’s way.

The views of those involved is that should this P3 pilot programme prove successful, P3s lend a meaningful contribution to flood resilience investment.

Martin Landry, Acciona North America’s vice president of business development, described the project as “one of the most important climate mitigation projects in the United States to date”... and the judges agreed to the extent they created a new award to celebrate it.

One judge said: “It is great to see a major flood defences project get underway and all the measures to provide amenities to the local community.”

Another judge added: “This project addresses one of the most pressing climate impact issues – flooding. The flood management programme will have significant benefits for employment and broadly impacts the SDGs.”

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