

Tools and Strategies to Finance the NDCs

Webinar organized by
ICCG - International Center for Climate Governance
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Climate Policy Initiative (CPI) works to improve the most important **energy** and **land use** policies around the world, with a particular focus on **finance**. We support decision makers through in-depth analysis on what works and what does not



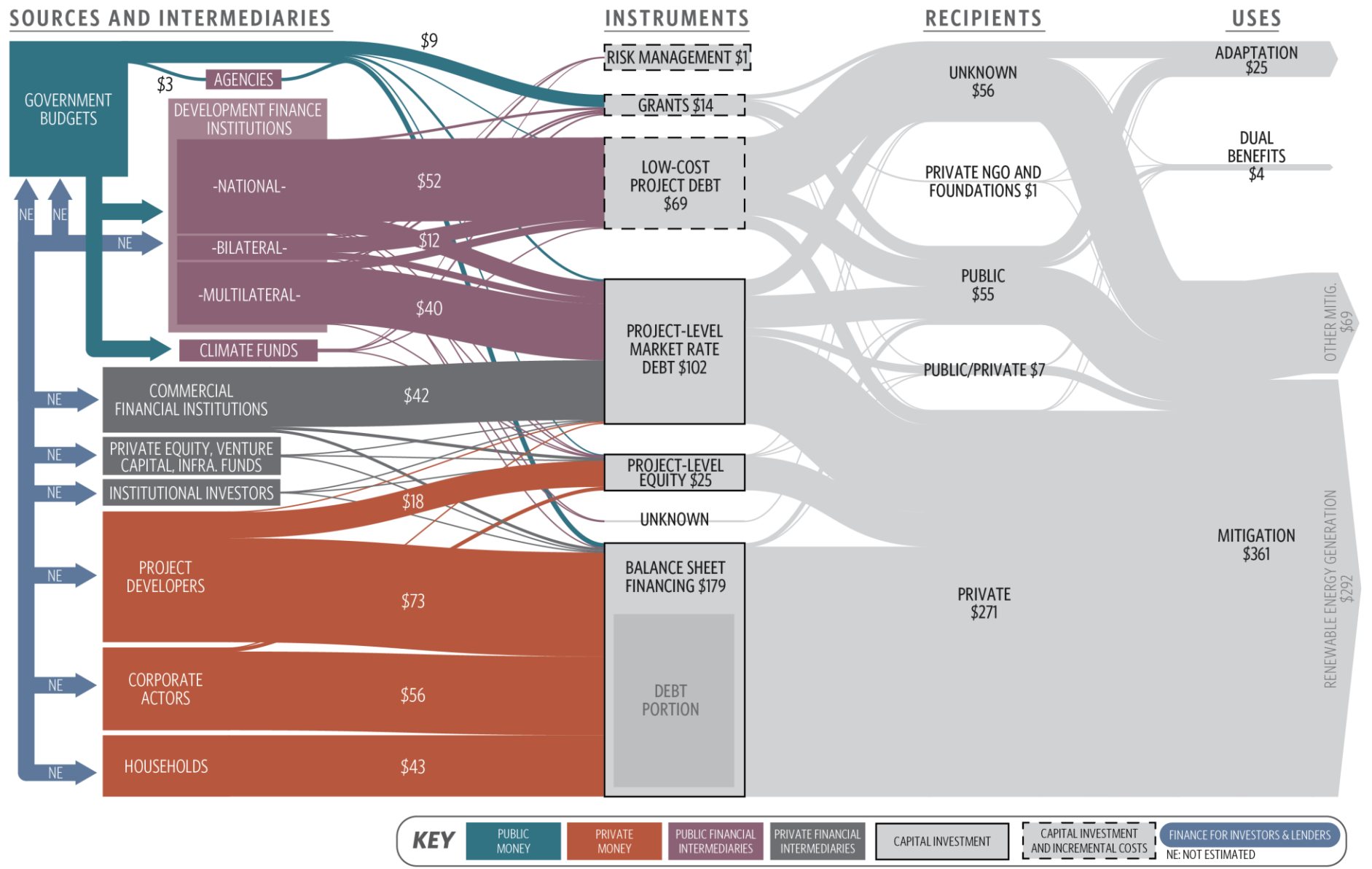
GLOBAL LANDSCAPE OF CLIMATE FINANCE 2015

Landscape of Climate Finance 2015 illustrates climate finance flows along their life cycle for the latest year available, mostly 2014, in USD billions

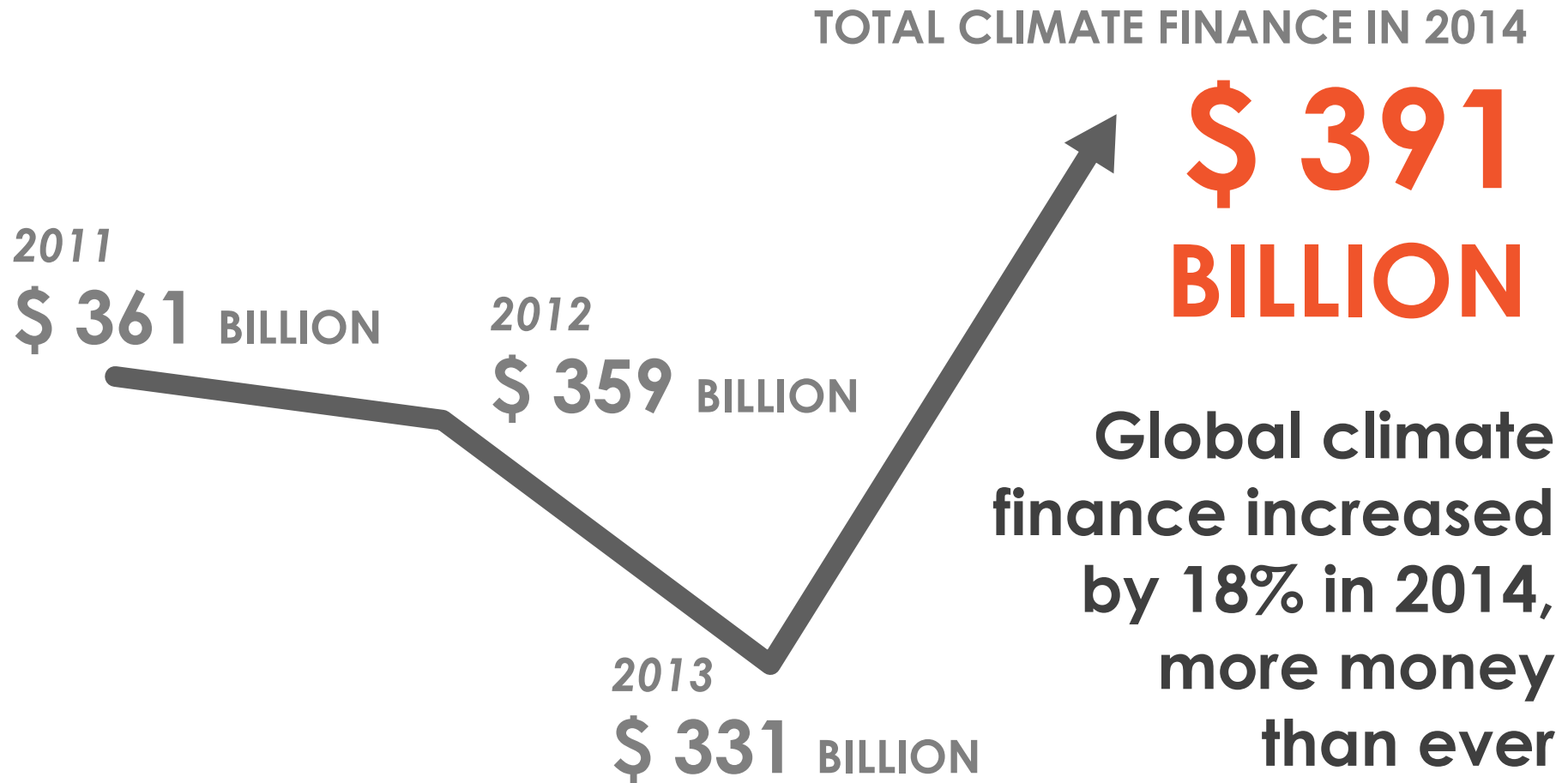
USD 391^{BN} TOTAL



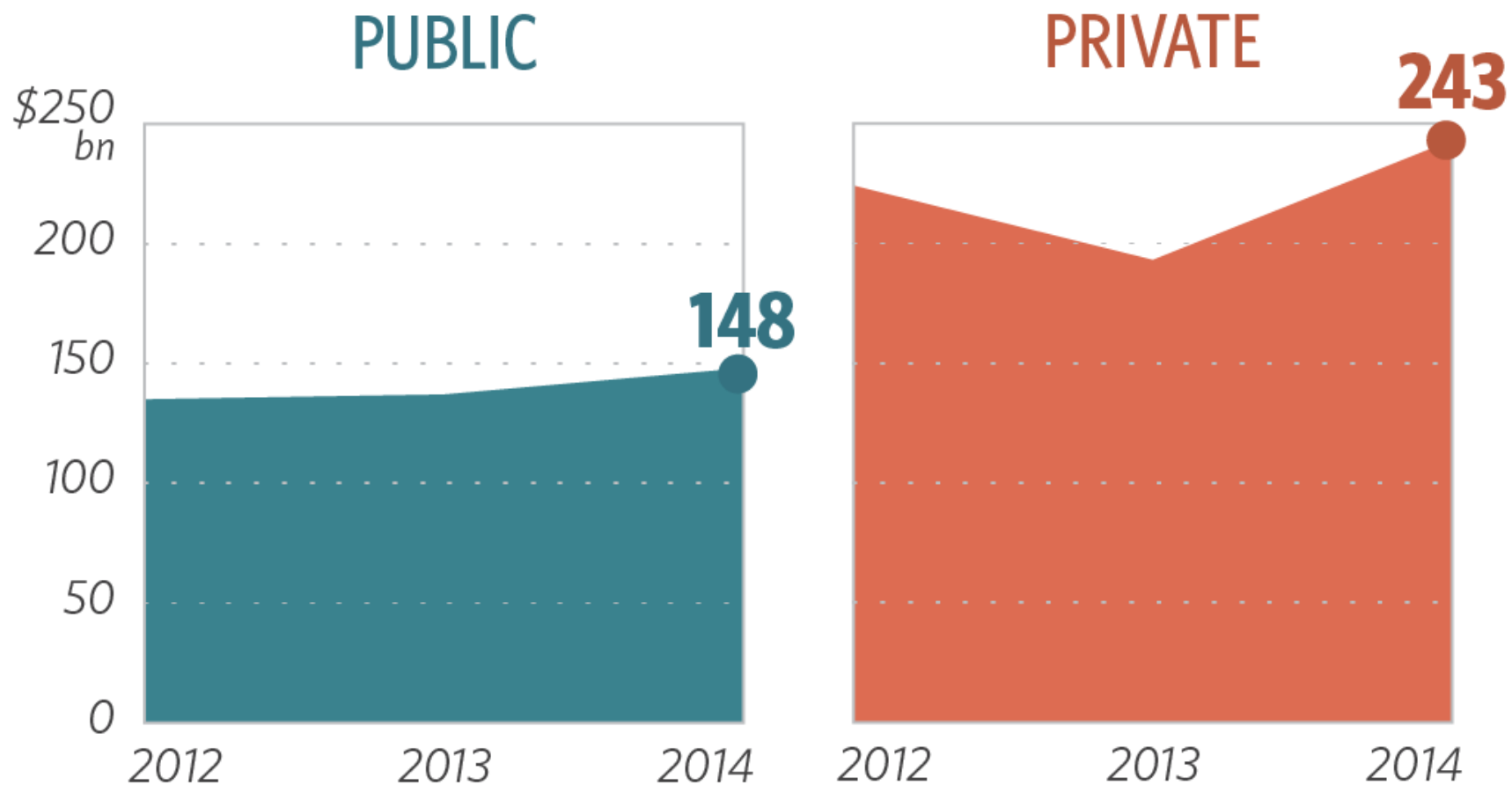
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Total climate finance reached \$391 billion in 2014



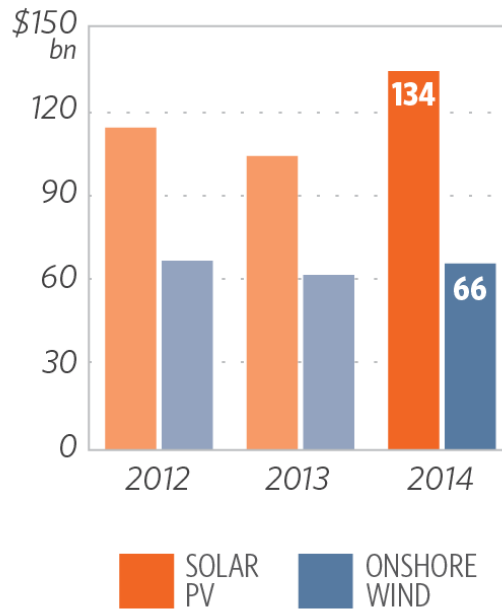
Total public and private finance increased



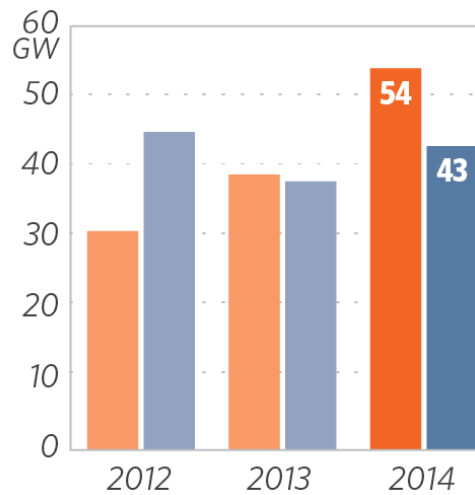
TOTAL **\$391** BILLION

Private investment in onshore wind and solar PV drove climate finance up

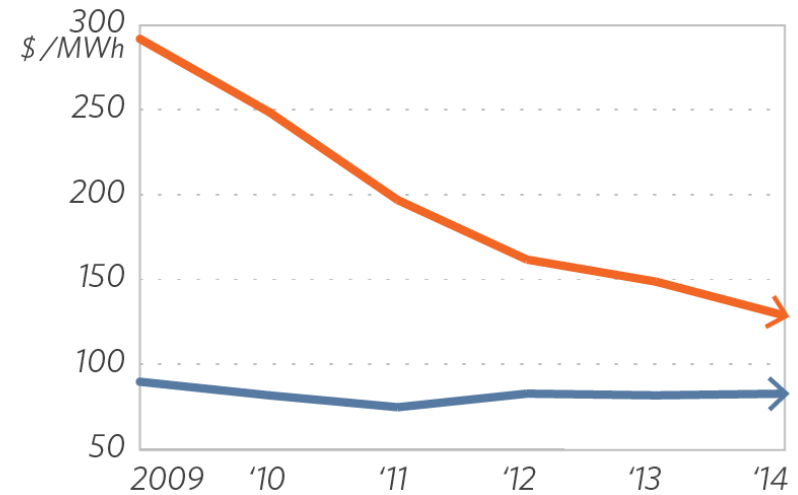
INVESTMENT



DEPLOYMENT

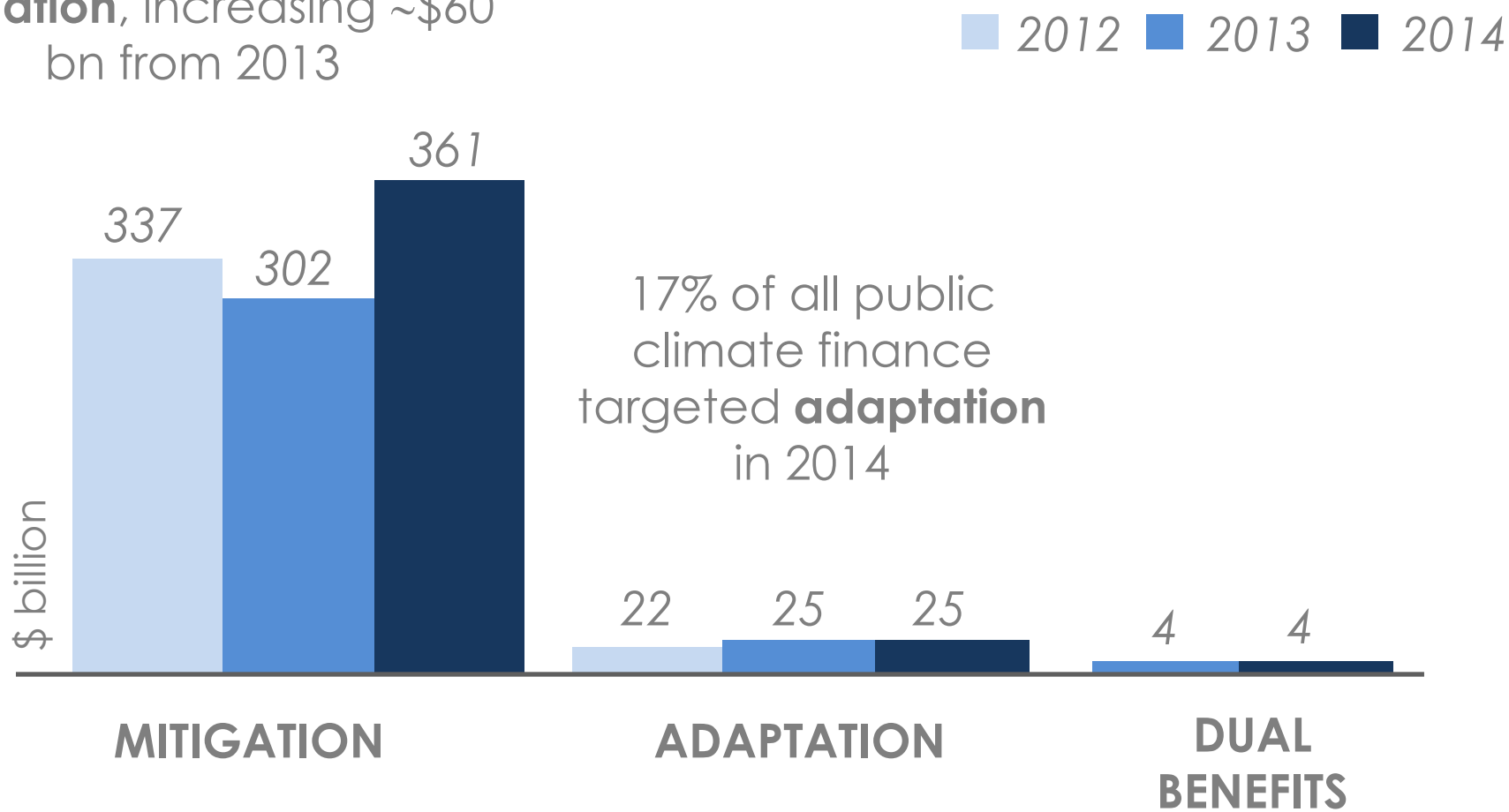


LEVELIZED COST OF ELECTRICITY



What are the final uses of climate finance?

93% of all finance targeted **mitigation**, increasing ~\$60 bn from 2013

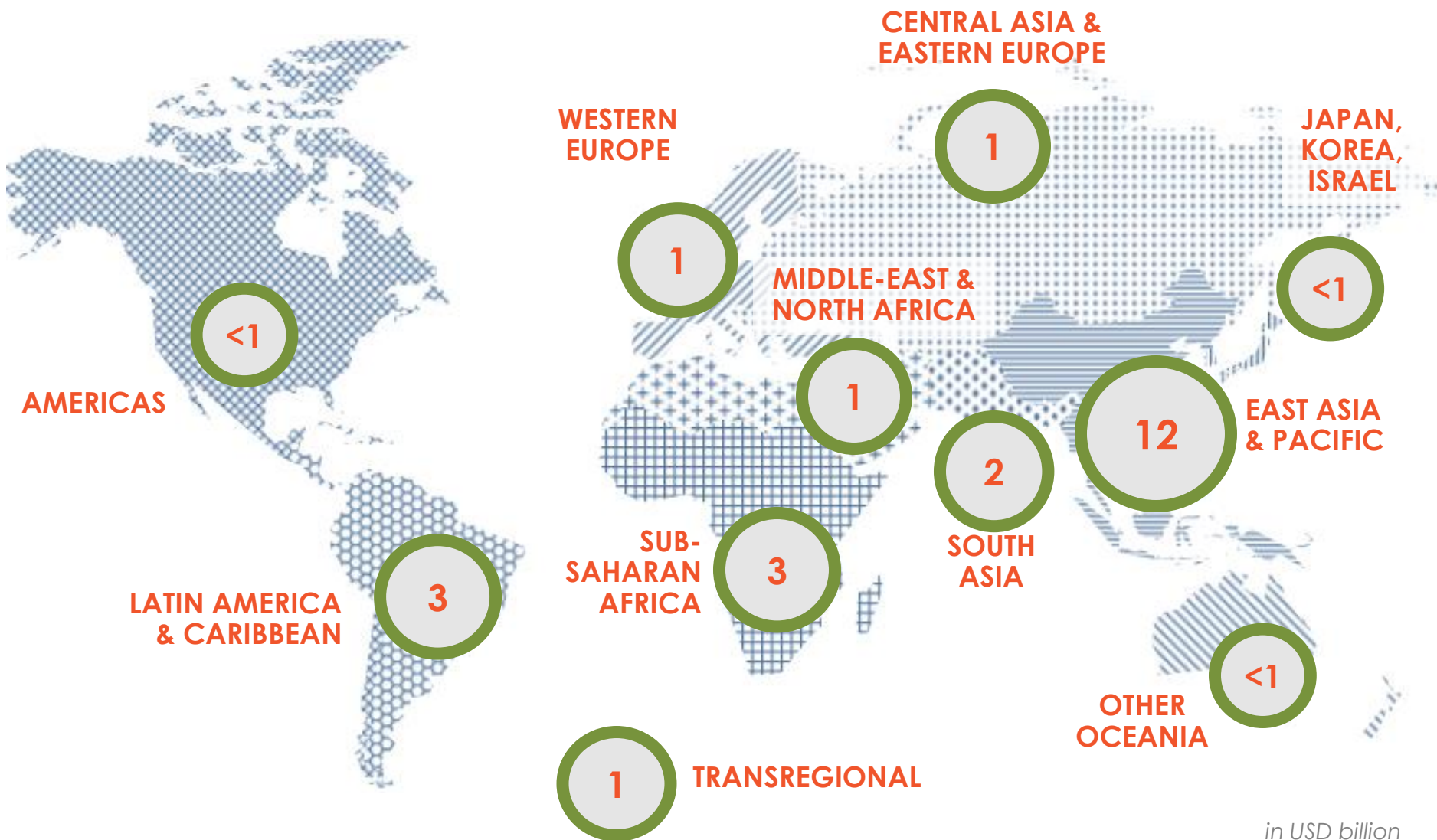


Most **mitigation finance** flowed to East Asia & the Pacific, with China accounting for 22% of the total



in USD billion

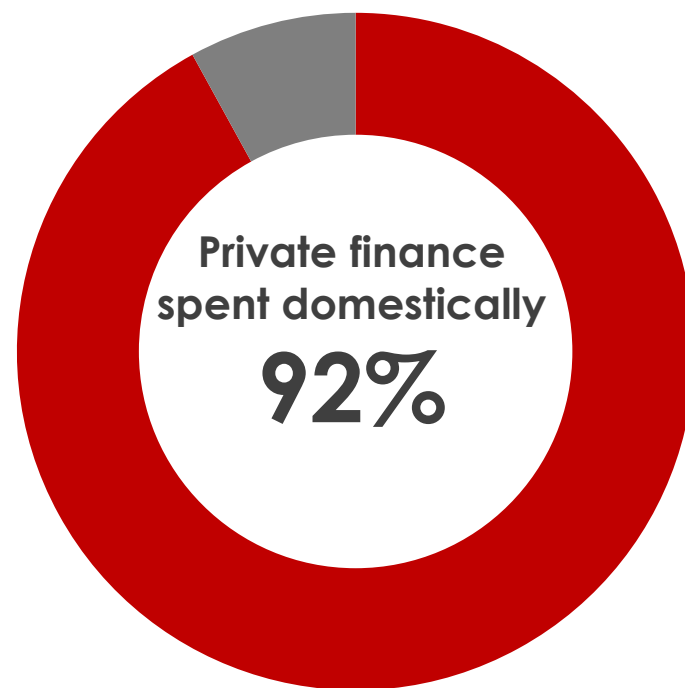
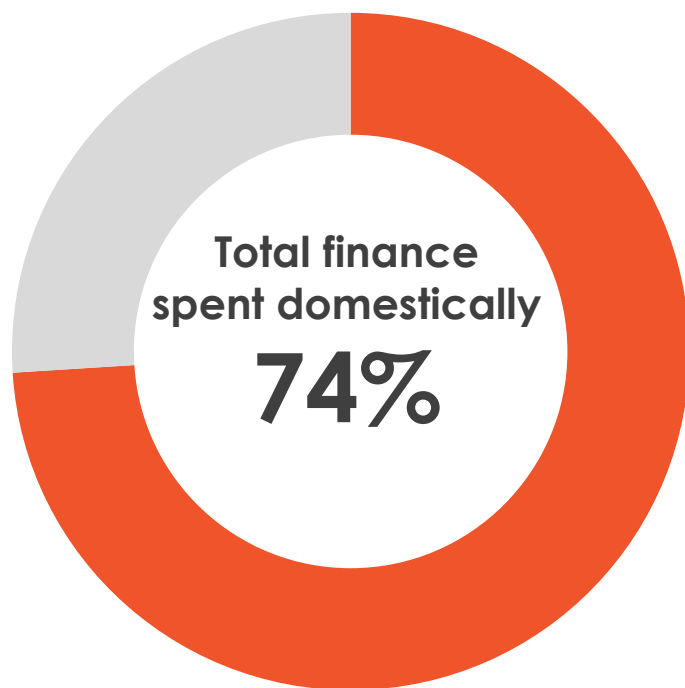
Adaptation finance reached \$25 billion and targeted key vulnerable regions



in USD billion

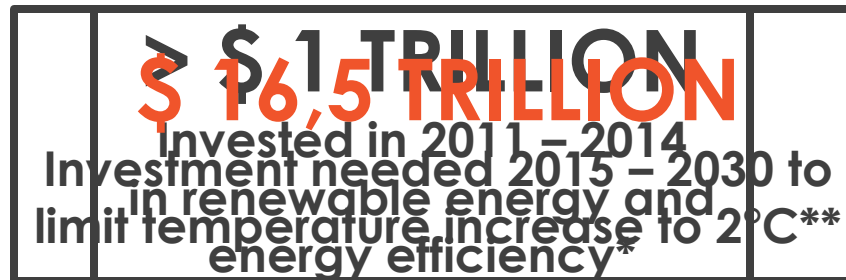
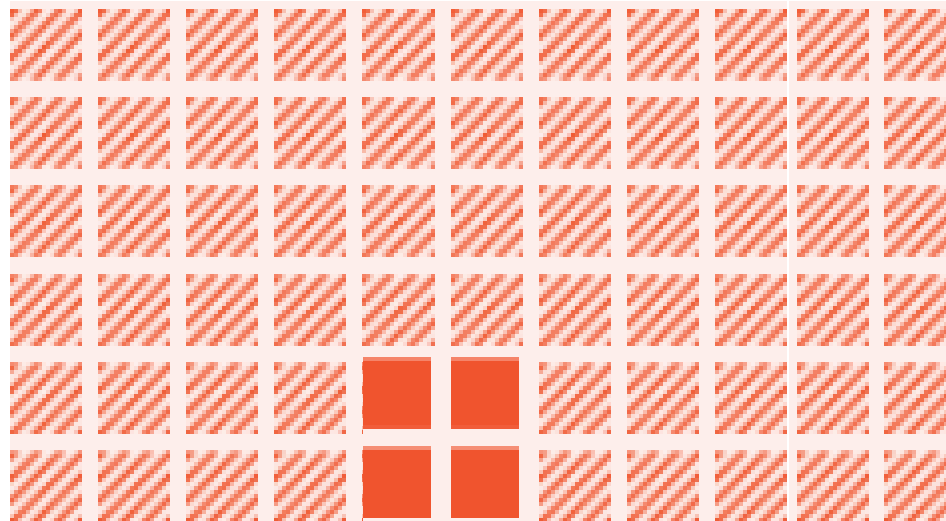
The majority of finance was raised and spent in the same country

Because domestic investment dominates, it is vital to get national policies right



The way forward

USD 391 billion is not enough....



Source: *IEA

The role of innovative finance tools: The Lab

The Global Innovation Lab for Climate Finance supports the identification and piloting of cutting edge climate finance instruments. It aims to drive billions of dollars of private investment into climate change mitigation and adaptation in developing countries.

The Lab Members and Partners



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Overarching Lab criteria

- **Actionable**

Instrument must be implementable in a few years without facing major barriers

- **Innovative**

Instrument must address risk, cost, and liquidity gaps with new or enhanced tools

- **Catalytic**

Instrument must engage and mobilize private capital at scale

- **Transformative**

Instrument must have significant impact and be sustainable and replicable

Progress on First Cycle Lab Instruments

Agricultural Supply Chain Adaptation Facility (ASCAF)

- Inter-American Development Bank and Calvert Investments
- Proof-of-concept transaction with ECOM coffee plantations closed

Climate Investor One (*CDFF)

- FMO, the Netherland Development Finance Company & Phoenix Infraworks
- GBP 50 million from UK gov.
- EUR 50 million from Dutch gov.
- USD 450 million in strong interest

Energy Savings Insurance

- Inter-American Development Bank with support from Danish government
- USD 47.5 million pilot launched in Mexico;
- Expansion is underway to replicate the pilot in Latin America

Long-term Foreign Exchange Risk Management

- EUR 30 million commitment from German government to TCX for hedging instruments in Sub-Saharan Africa
- In discussions with the Rwandan government and utility to launch a pilot

Second Cycle Lab Ideas

Category	Instrument Name	Proponent
<i>Mitigation</i>	Mobilizing Equity to Drive Energy Efficiency Investments	Multilateral Investment Fund
	Discounting & Mezzanine Facilities	IFC
<i>Adaptation</i>	Oasis Platform for Catastrophe and Climate Change Risk Assessment and Adaptation	Imperial College & Oasis LMF
	Climate Smart Finance for Smallholder Farmers	F3 Life
	Water Financing Facility	Dutch MOFA

Mobilizing Equity for Energy Efficiency Investments

Overview

Aims to mobilize private capital at scale for energy efficiency financing in emerging economies via a tiered equity fund and a parallel equity guarantee facility.

Key features

- The instrument would establish a donor-backed sub regional equity fund with a specific investment mandate to source and support energy efficiency initiatives in the buildings, and small/medium enterprise sectors.
- Proposed by the Multilateral Investment Fund (IDB)

Details

Cycle: 2015 - 2016

Type: Mitigation

Sector: Energy Efficiency

Stage: Concept

Status: In Development

Goal: To mobilize private capital at scale for energy efficiency financing in emerging economies in both private and public sector investments by providing the much needed risk (equity) capital.

Geography: Latin America & Caribbean

Implementing Entities: Small & Medium Enterprises (SMEs), Real Estate Owners/Developers

Private Finance Target: Venture Capital, Private Equity, Banks

Discounting and Mezzanine Facility

Overview

A small-scale renewable energy financing facility that would support local project developers gain access to finance.

Key features

- The Discounting Facility would be available to projects that have already been built. By collateralizing project cash flows, allowing investors to refinance under better terms, freeing up equity, and catalyzing new projects.
- The Mezzanine Facility would work with local banks to provide loans to eligible new small-scale renewable energy projects.
- Proposed by the International Finance Corporation (IFC)

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Oasis Platform for Catastrophe and Climate Change Risk Assessment and Adaptation

Overview

Open access platform that aims to increase data and analytics to enable risk assessment for investments in insurance and resilience products, and climate adaptation.

Key features

As currently proposed by idea proponents Oasis LMF and Imperial College, the platform would include:

- An open access platform that would act as an 'Amazon' for hazard and vulnerability data
- Standardized collection methodology for exposure and damage data
- Open access software for loss assessment and underwriting risk
- Developing of a sovereign risk pool for Asia

Details

Cycle: 2015 - 2016

Type: Adaptation

Sector: Other

Stage: Concept

Status: In Development

Goal: Provide an open access platform with plug and play risk and loss data to improve climate risk assessments, bolster the viability of insurance markets, and build adaptation capacity.

Geography: Asia, Global

Implementing Entities: Global and regional insurance providers

Private Finance Target: Insurance and Reinsurance Companies, Banks, Institutional Investors

Climate Smart Finance for Smallholder Farmers

Overview

Provides credit providers with an “out-of-the-box” set of tools for managing the issuance of loans to smallholders and incentivizing climate smart agricultural practices.

Key features

- If farmers adhere to the climate-smart loan terms of their loan agreements, they could access progressively higher levels of credit at progressively lower rates of interest.
- Proposed by F3 Life, the tool is currently being piloted as a demonstration project

Details

Cycle: 2015 - 2016

Type: *Adaptation, Mitigation*

Sector: *Land Use*

Stage: *Concept*

Status: *In Development*

Goal: *Help smallholder farmers to access credit and adopt climate-smart agricultural practices and technologies.*

Geography: *Global*

Implementing Entities:
Traditional and non-traditional credit & loan providers

Private Finance Target:
Crowdfunding, NGOs, Retail Investors

Water Financing Facility

Overview

The Facility would help create bankable projects to attract domestic private investors and build climate-resilient water infrastructure in at-risk regions.

Key features

- The Water Financing Facility aims to mobilize large-scale domestic private finance resources for the water sector in countries with climate-related water stress, blending this finance with public funding.
- Proposed by the Dutch Ministry of Foreign Affairs

Details

Cycle: 2015 - 2016

Type: *Adaptation*

Sector: *Water*

Stage: *Concept*

Status: *In Development*

Goal: *Mobilizing large-scale domestic private finance resources for the water sector in countries with climate-related water stress, blending this finance with public funding.*

Geography: *Africa & Asia*

Implementing Entities:
Utilities

Private Finance Target:
Venture Capital, Private Equity, Banks, Institutional Investors

How to finance NDCs?

1 Work with countries to understand their priorities and plans, and assess the national landscape of actors

Get domestic investment policy and support frameworks right, and understand technical feasibility

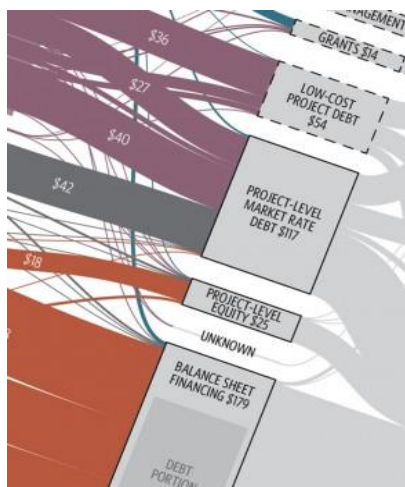
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3 Translate NDCs into investment plans, and innovate to develop or refine financial instruments that meet investors' needs, mobilizing national resources and using international resources strategically

Move from plans to action

4

Explore our work further...



DOWNLOAD THE LANDSCAPE 2015 REPORT:

<http://climatepolicyinitiative.org/publications/>



THE LANDSCAPE OF CLIMATE FINANCE

EXPLORE THE INTERACTIVE:

<http://www.climatefinancelandscape.org/>



EXPLORE The Lab & FiRe:

<http://climatefinancelab.org/>

<http://www.financeforresilience.com/>

...helping decision makers spend their money wisely



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