

From Climate Talk to Climate Action: Financing NDCs CPI insights

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London, UK
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Nations Unies

Conférence sur les Changements Climatiques 2015

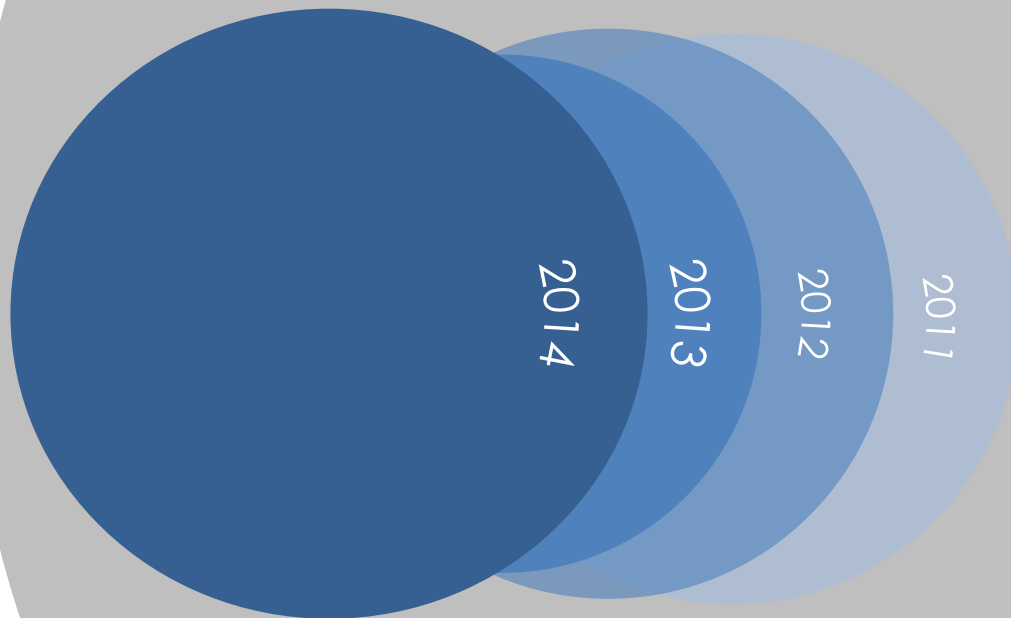
COP21/CMP11

Paris France



The investment gap

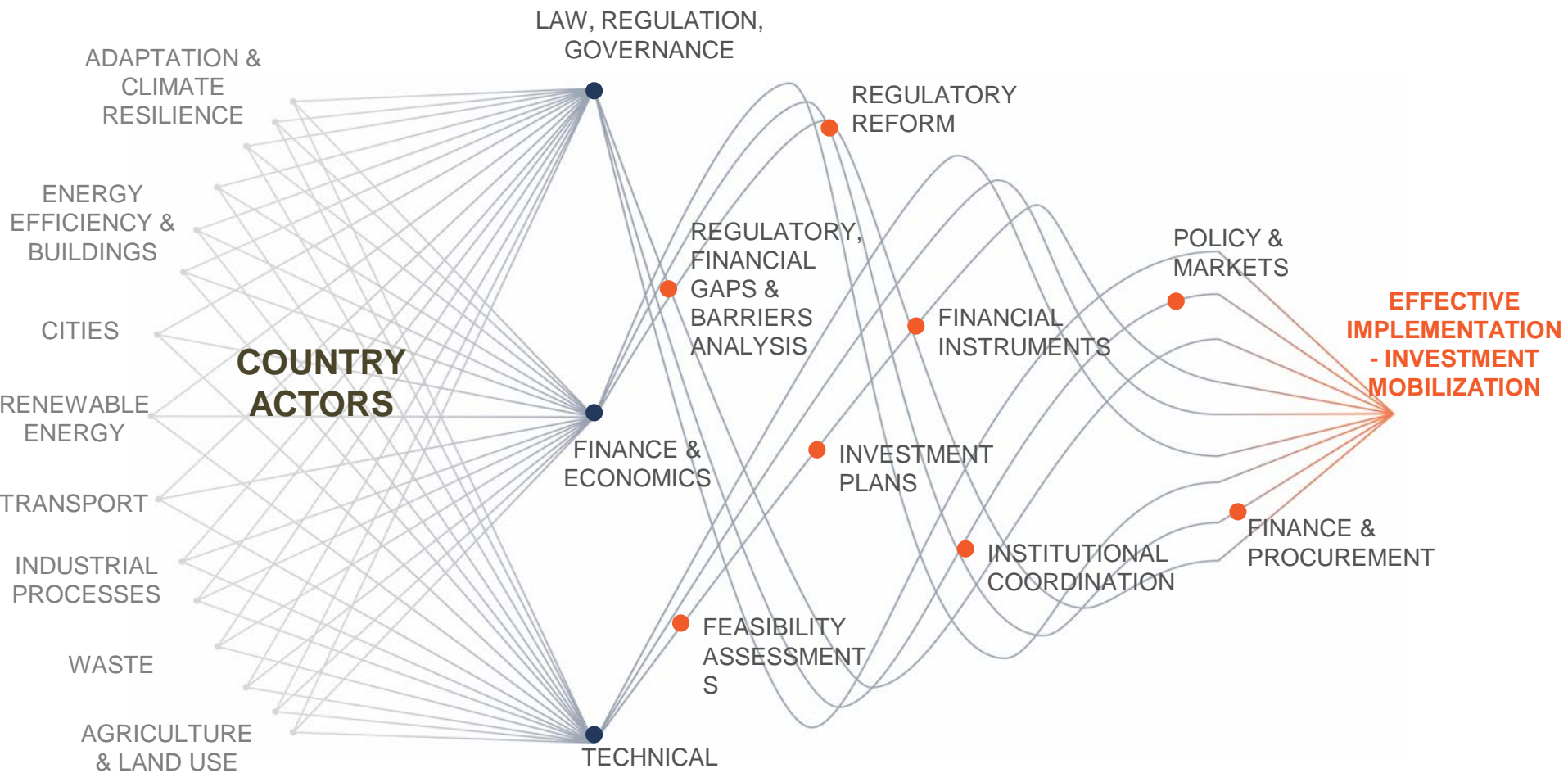
Total climate investment equaled **\$391 billion** in 2014...



840 billion
needed annually
through 2030 for NDC
implementation of only
energy efficiency and low-
carbon technologies (IEA,
2015) – overall investment
needs much higher

10.2 billion pledged so far ● GCF can only do so much....

Investment mobilization requires integrated approaches: **Finance is only one part of the story**



Webinar overview

- What are the sources of finance for NDCs?
- What are the most effective policies and instruments to stimulate investments?
- How can the public and private sector align to achieve NDC investment goals?

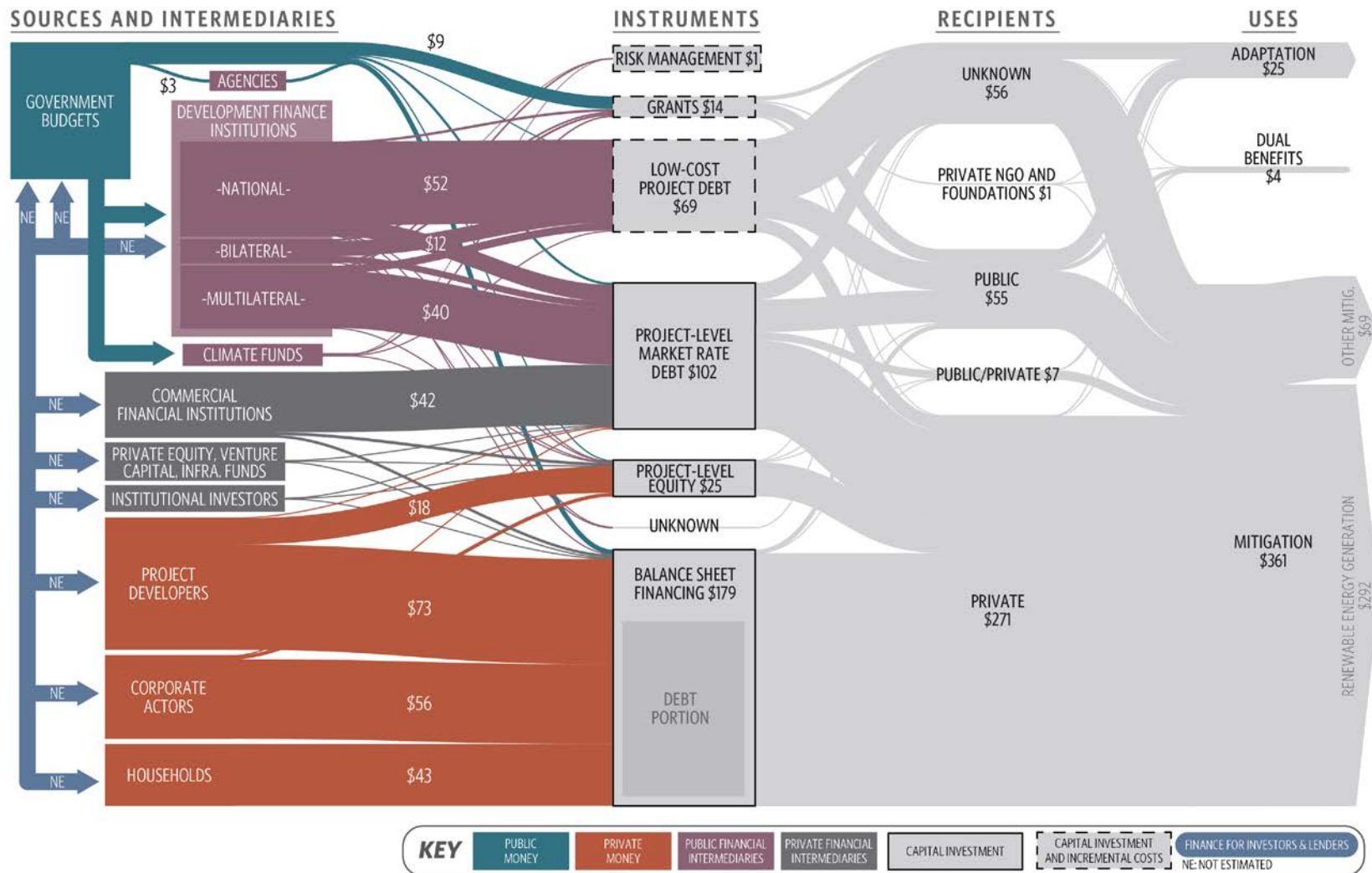
What are the sources of finance for NDCs?

To identify sources of finance, need to understand the climate finance landscape

GLOBAL LANDSCAPE OF CLIMATE FINANCE 2015

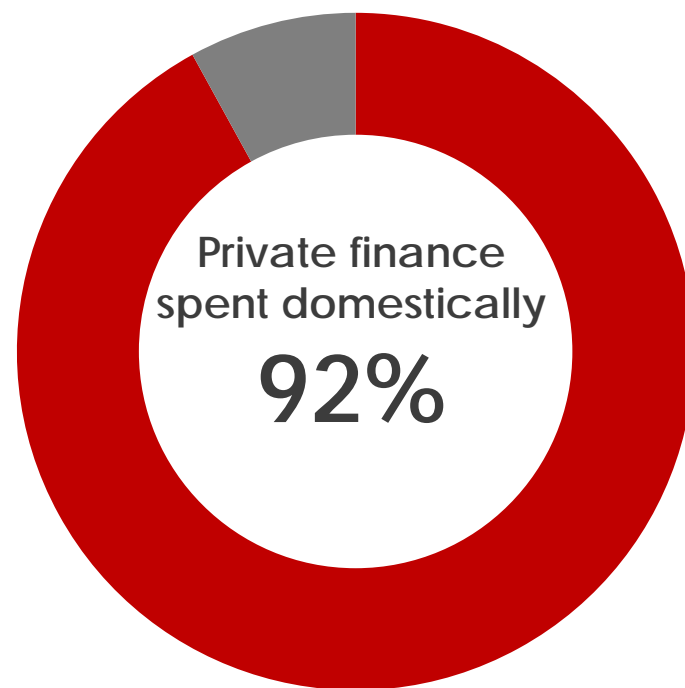
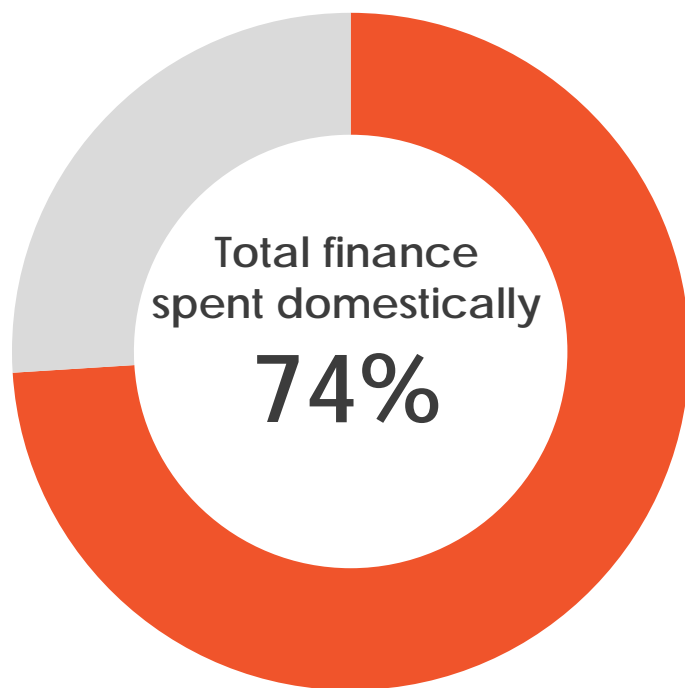
Landscape of Climate Finance 2015 illustrates climate finance flows along their life cycle for the latest year available, mostly 2014, in USD billions

USD 391 BN TOTAL



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

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

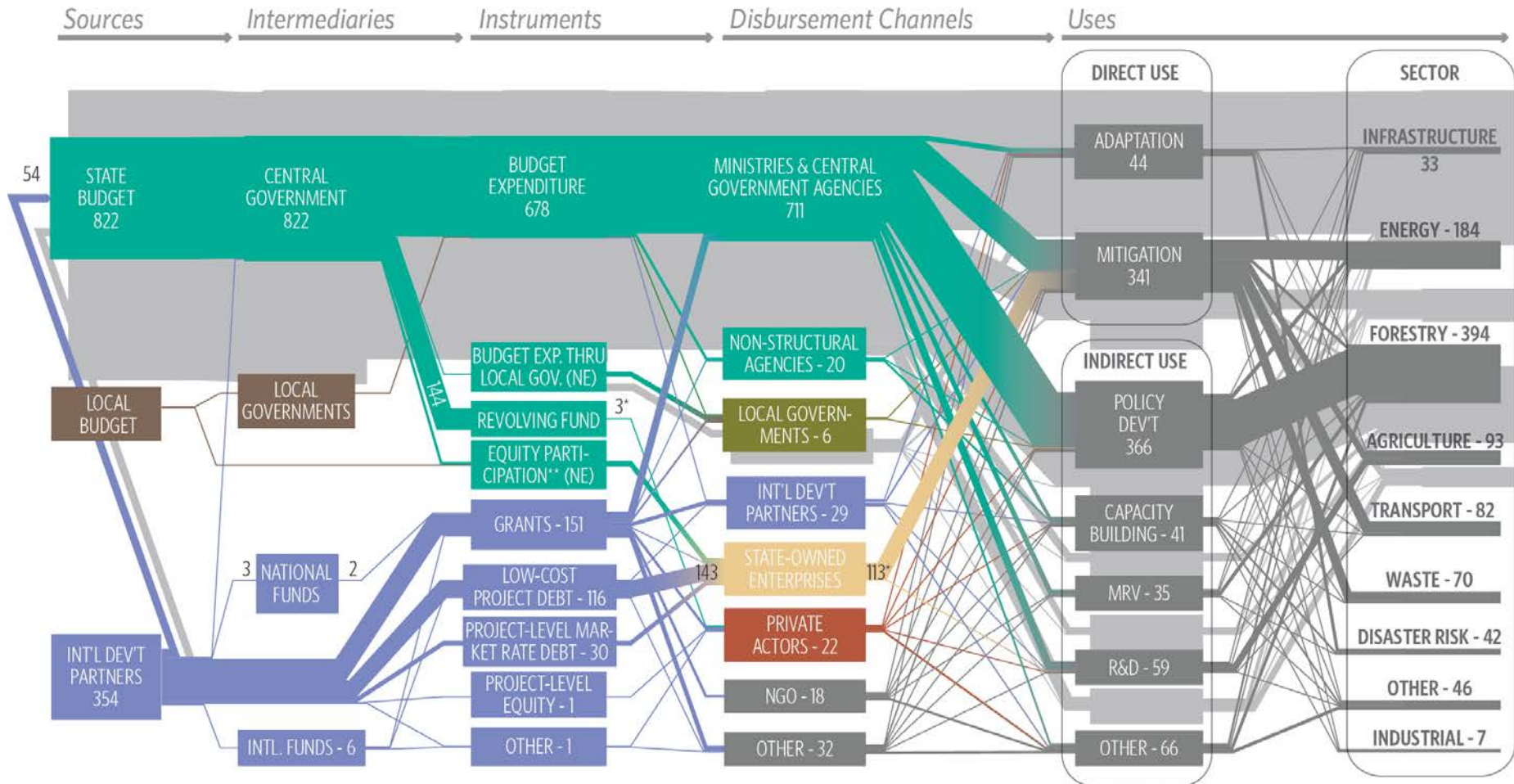


At the national level, understanding finance flows is a useful first-step to strategic planning

THE LANDSCAPE OF PUBLIC CLIMATE FINANCE IN INDONESIA IN 2011 - USD 951 MN TOTAL



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Cote d'Ivoire REDD+ strategy development: Sector level tracking

- REDD+ is an important part of Cote d'Ivoire's NDC, where they target a 28% reduction in emissions compared to BAU by 2030
- Currently preparing a landscape of finance flows in 2015 to support the development of an investment plan as part of Cote D'Ivoire's REDD+ strategy
- The landscape will support co-ordinating land-use finance flows amongst Ministries, donors, and private sector, identifying additional potential sources, and developing a baseline against which to measure progress

RÉPUBLIQUE DE CÔTE D'IVOIRE



UN-REDD
PROGRAMME

EU-REDD
Facility



What are the sources of finance for NDCs?

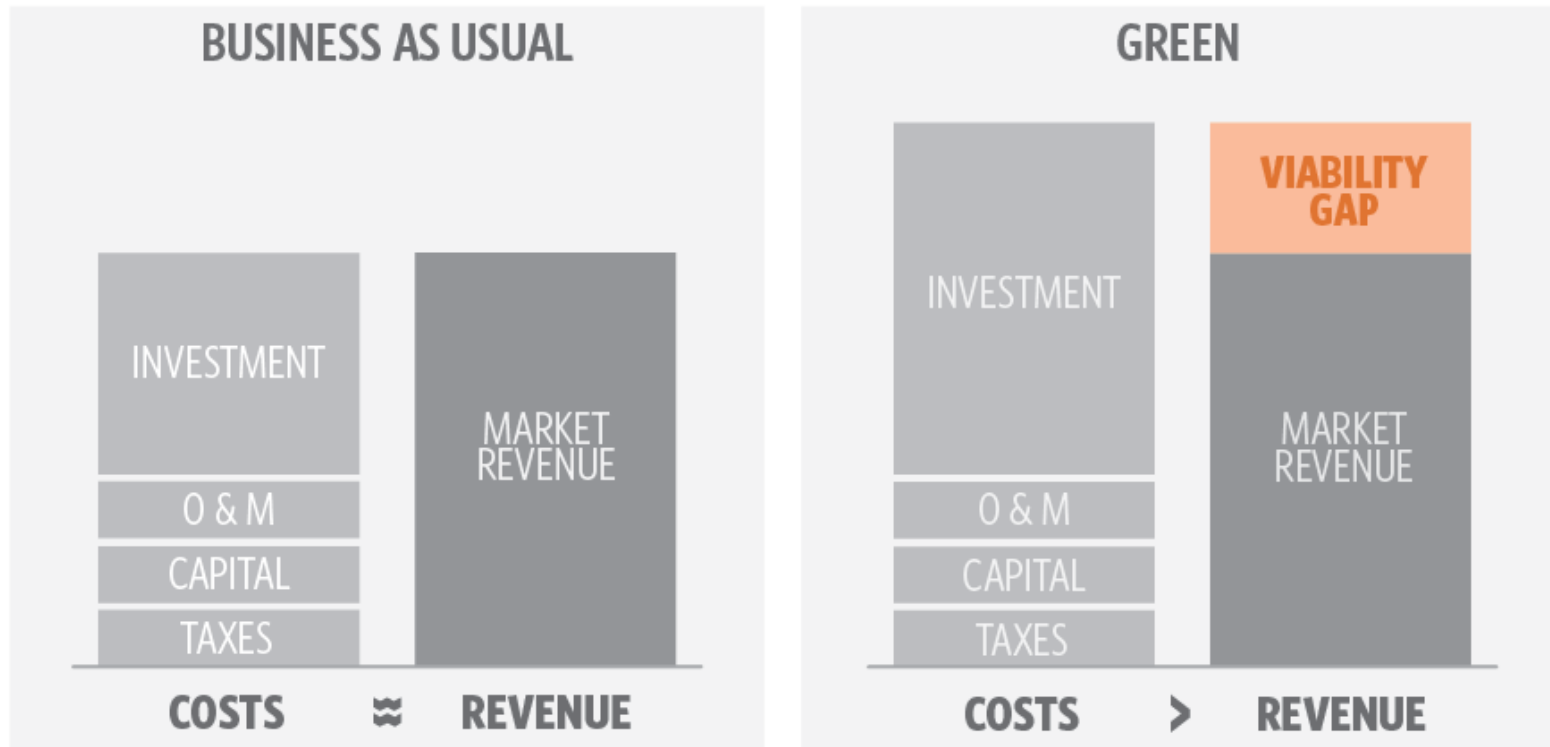
- There are a variety of different sources, however domestic sources will be key.
- Given that every context is different, mapping the current financing landscape at the national level is a useful step for investment mobilization strategy development.

What policies and instruments are needed to mobilize investment?

What is holding back private investment?

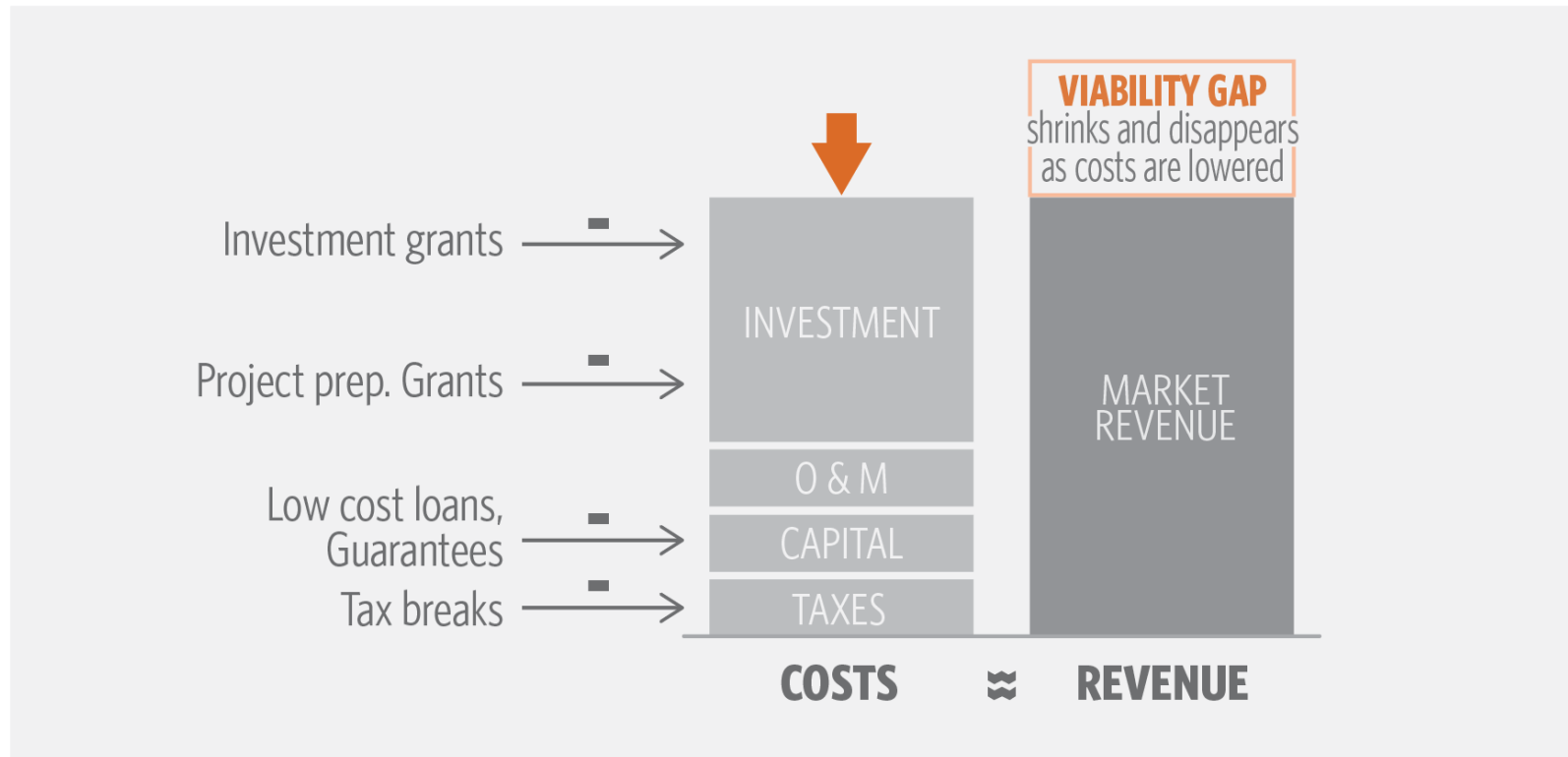
- **Viability gaps** such as including the relatively higher cost of investments;
- **Risk gaps** such as currency risk, or risk of political unrest; and
- **Knowledge gaps** such as lack of familiarity with new technologies.

To mobilize investment, 'viability gaps' between business as usual and green investments may exist

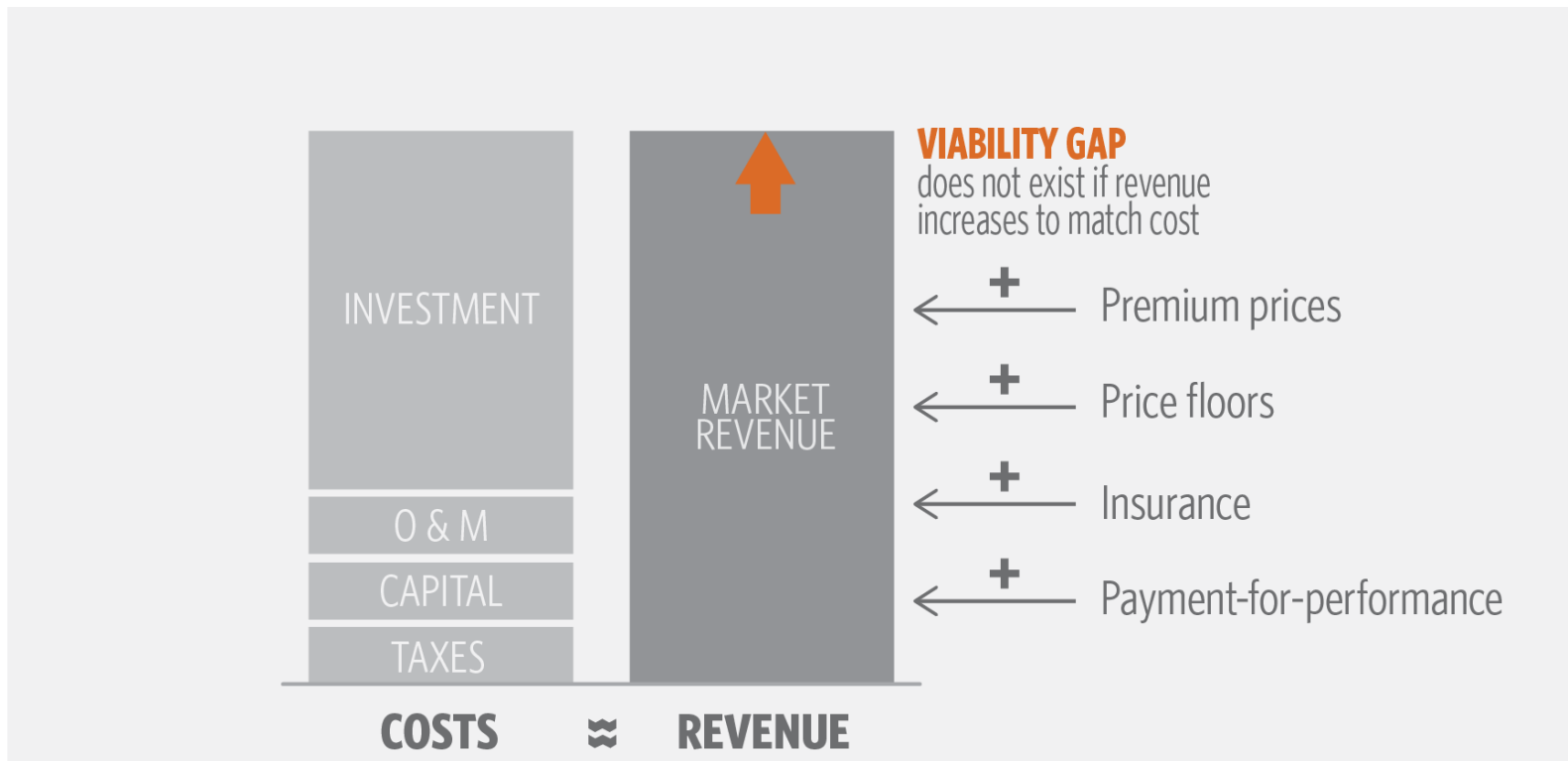


Viability gaps arise where costs of an activity are greater than available revenues

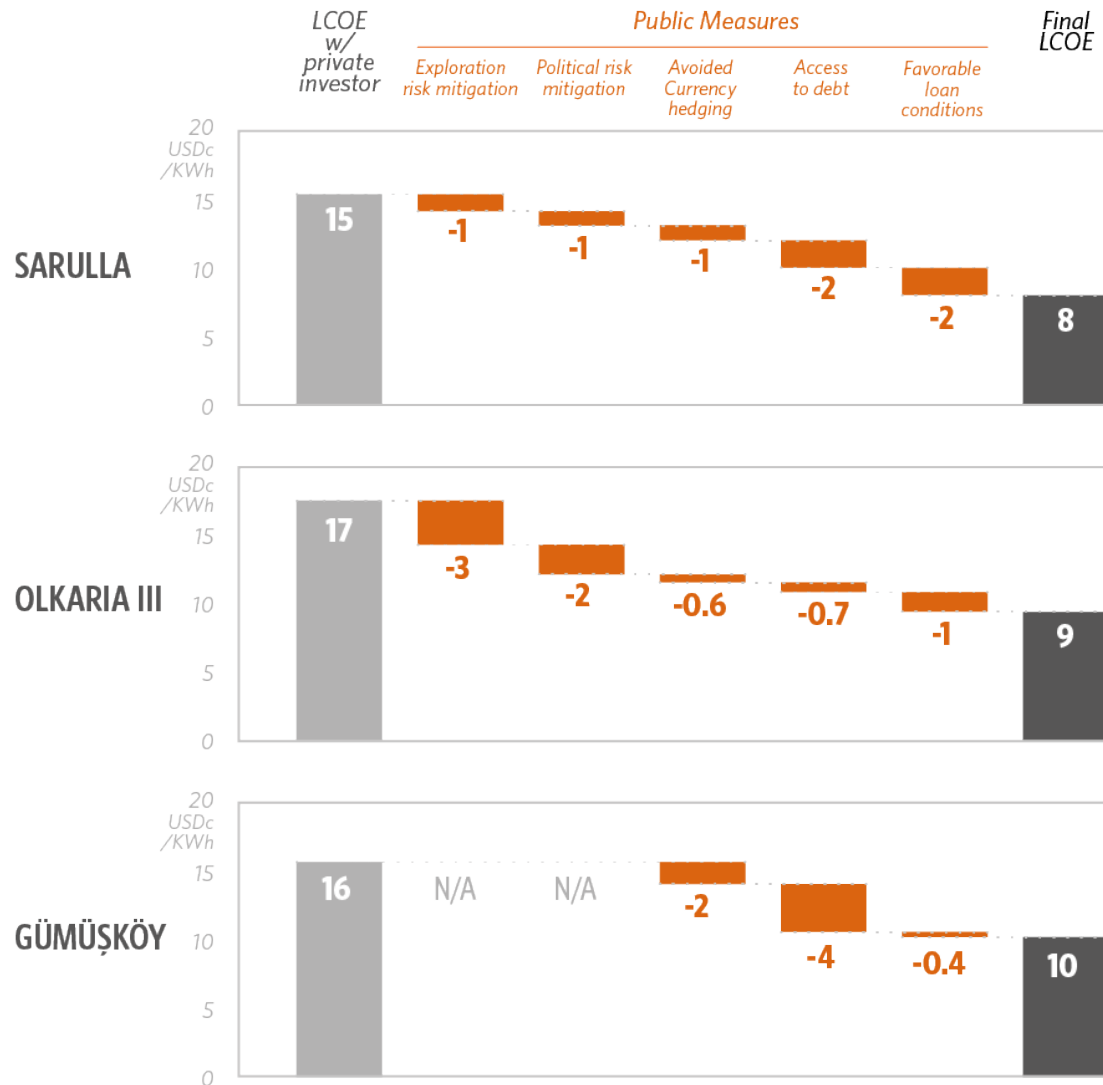
There are financial instruments that can reduce costs...



...and instruments that can increase revenue.



Mitigating risks is key to make private investments cost-competitive



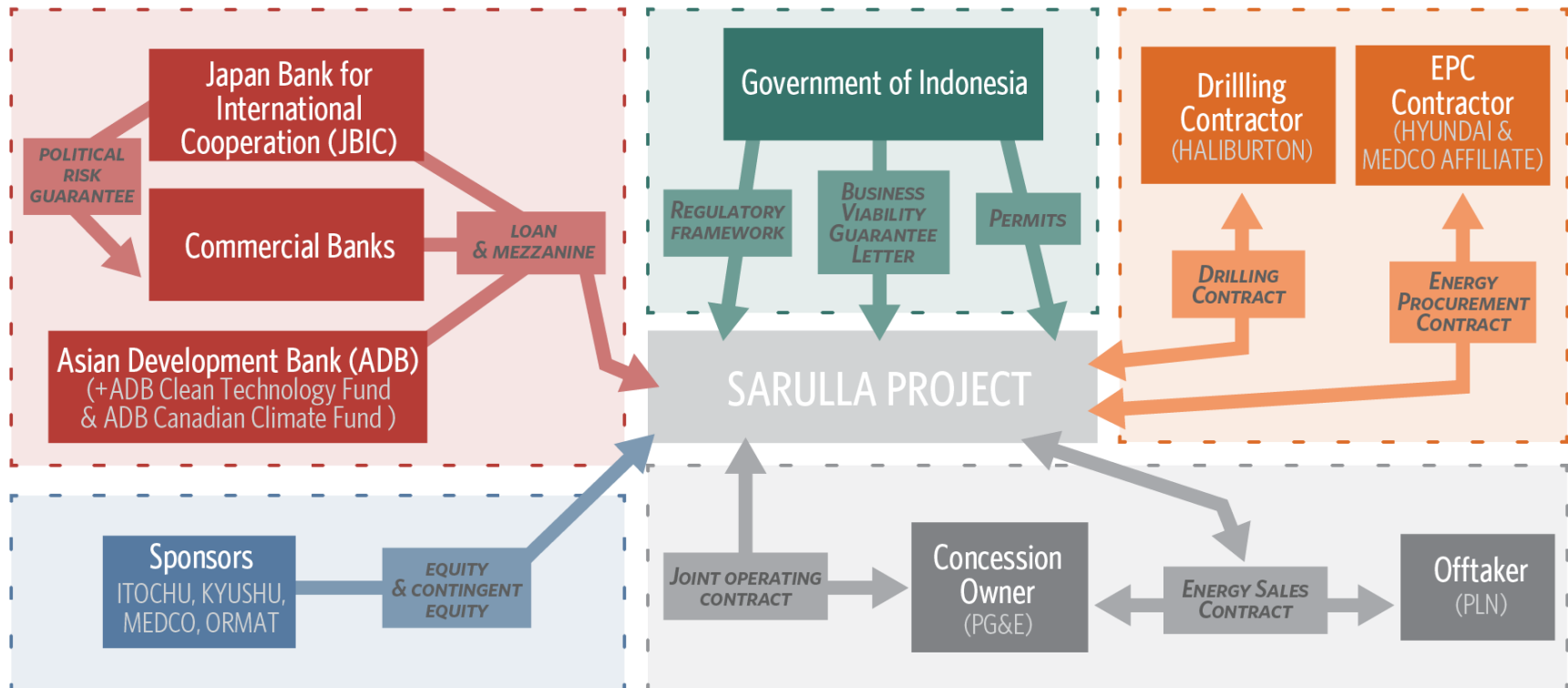
What policies and instruments are needed to mobilize investment?

- Viability, risk and knowledge gaps are holding back private investments.
- Different approaches are available to overcome these gaps.
- The right combination of approaches can increase the impact of public finance by mobilizing more private investment for less cost.

How can the public and private sector align interests to achieve NDC investment goals?

Private finance and public finance are closely interdependent

Project development model and stakeholder map



Good alignment between public and private interests is a key success factor to scaling investments

- Public-private cooperation can take many forms:
 - Formalized public-private partnerships (i.e. Joint investments in infrastructure)
 - Developing enabling environments (i.e. Favorable Laws and Regulations)
 - Supporting new and innovative approaches to solving complex challenges



Bringing public and private actors together can help promote innovation



- By convening public and private actors, these initiatives facilitate development of innovative instruments that are overcoming persistent barriers such as currency risks, high-up-front costs, lack of access to capital, amongst others.
- The Global Innovation Lab has resulted in funding commitments of USD 500 million, with billions of dollars in likely leveraged investments.

Climate-Smart Lending Platform



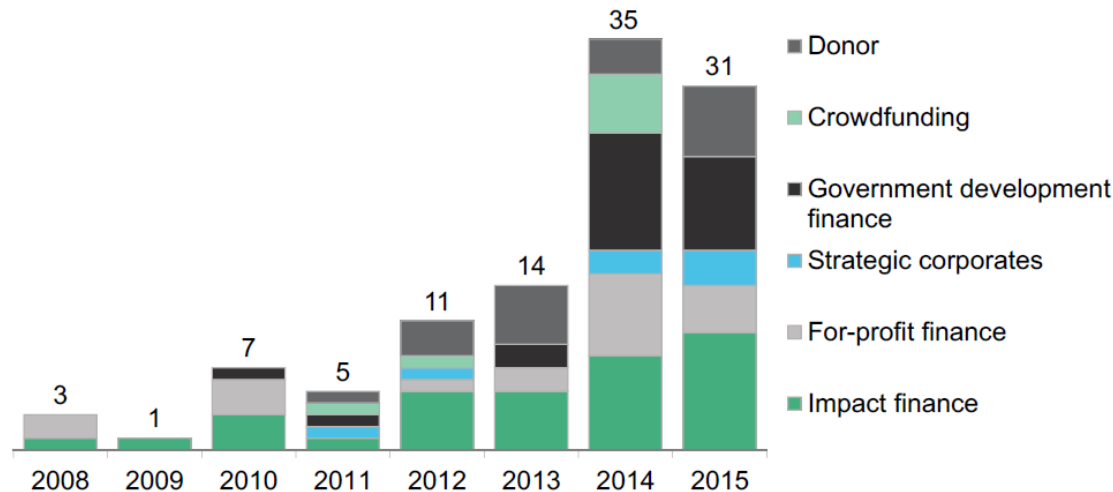
Many of the world's 450 million smallholder farmers are highly vulnerable to climate change. At the same time, credit providers with smallholder lending portfolios – currently estimated at 50 billion dollars globally – are also exposed to climate risk.

The CSLP brings together the tools, actors, and finance necessary to help lenders incorporate climate risk in their loan portfolios while incentivizing the adoption of climate-smart farming methods by smallholders.



DEVELOPING HARMONIZED METRICS FOR PAY AS YOU GO SOLAR

- A billion people lack access to electricity
- Pay As You Go (PAYG) distributed solar has emerged as a leading business model to address this need, and commercial debt finance is required to reach scale – but at the moment it is lacking
- WBG is trying to introduce harmonized portfolio performance metrics to help facilitate securitisation of consumer debt and crowd-in commercial lending



Source: Bloomberg New Energy Finance. “Donor” financing refers to non-profit private organisations such as foundations or other grant-giving institutions. Public/government-sponsored international donor capital is listed as “Government development finance”

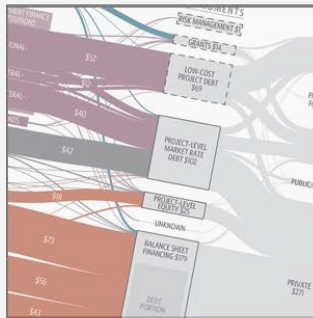
How can the public and private sector align interests to achieve NDC investment goals?

- Mobilizing investment requires alignment between public and private actors.
- Looking beyond traditional public private interaction and using **new tools** and **new partnerships** can be effective to go from 'talk to action'.

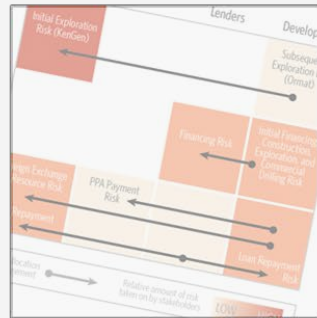
Thank you for your attention!

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

TRACKING



EFFECTIVENESS



INNOVATION



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