



GREEN
CLIMATE
FUND

GLOBAL
NDA 
CONFERENCE

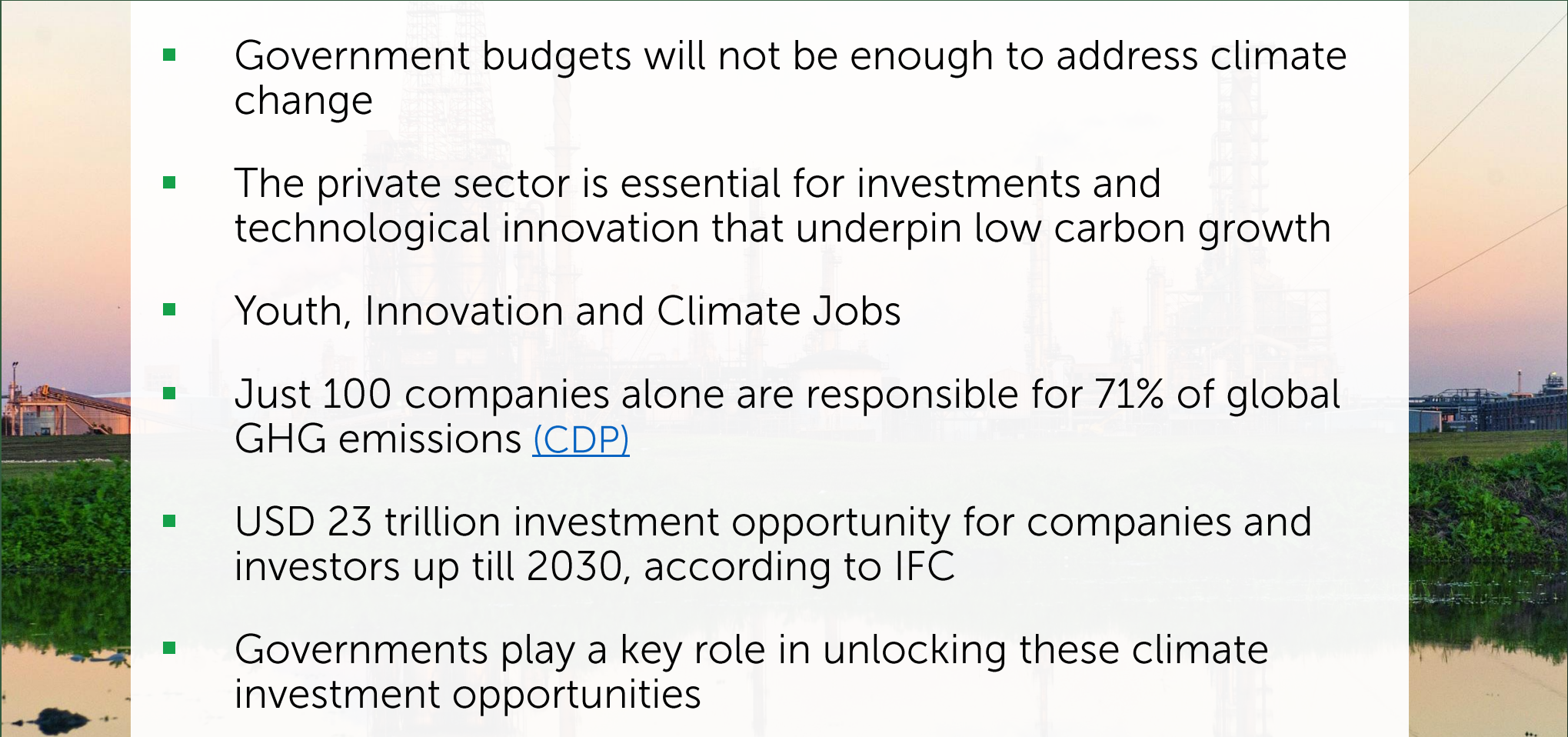
SESSION 11

INTRODUCTION TO PRIVATE SECTOR FINANCE

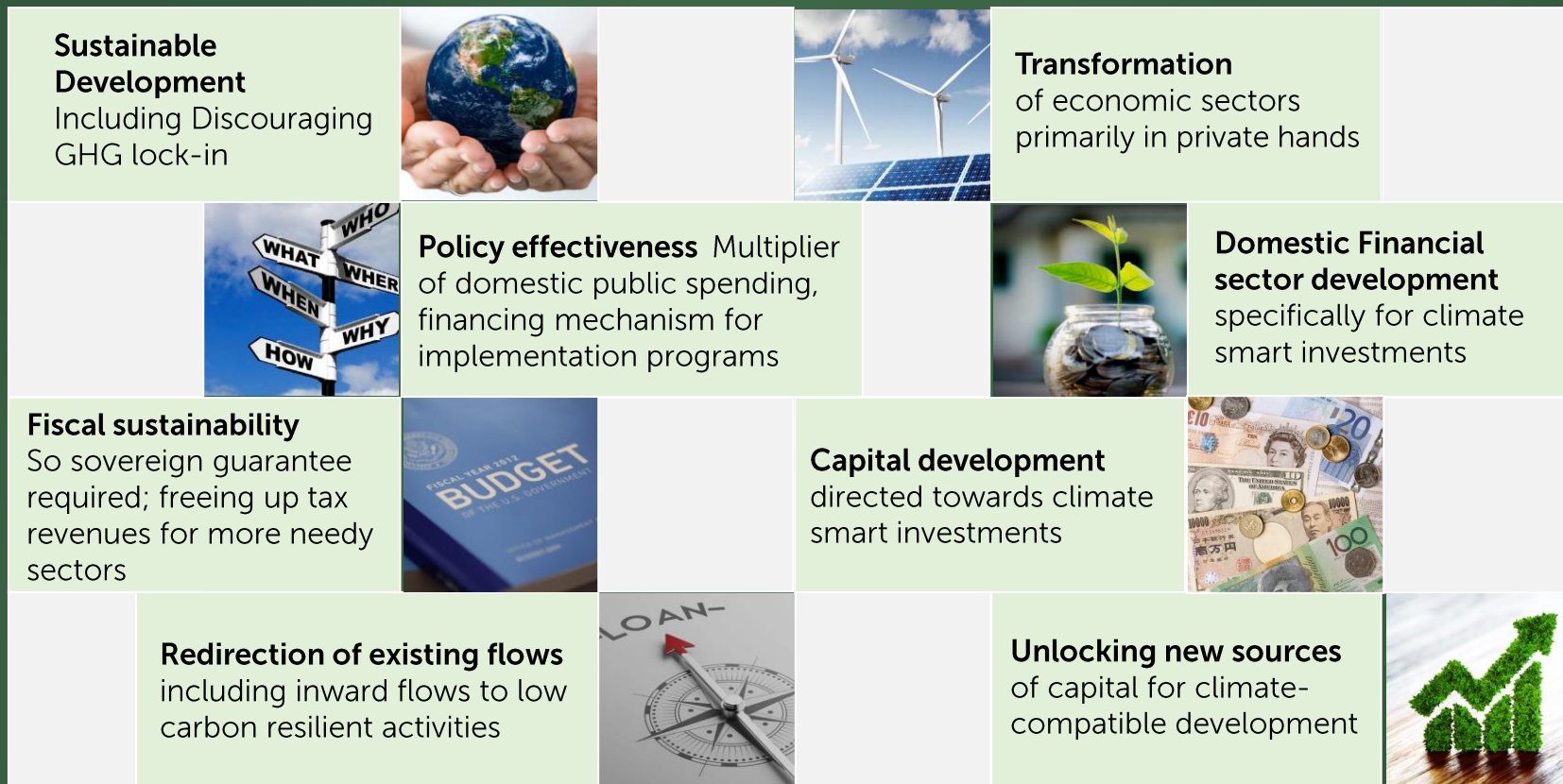
Ms Ayaan Adam
Director, Division of Private Sector Facility, GCF

PRIVATE SECTOR

RELEVANCE OF CLIMATE ACTION

- 
- Government budgets will not be enough to address climate change
 - The private sector is essential for investments and technological innovation that underpin low carbon growth
 - Youth, Innovation and Climate Jobs
 - Just 100 companies alone are responsible for 71% of global GHG emissions ([CDP](#))
 - USD 23 trillion investment opportunity for companies and investors up till 2030, according to IFC
 - Governments play a key role in unlocking these climate investment opportunities

THE MOBILIZATION OF PRIVATE CAPITAL CAN PROMOTE



WHAT IS THE NEED?

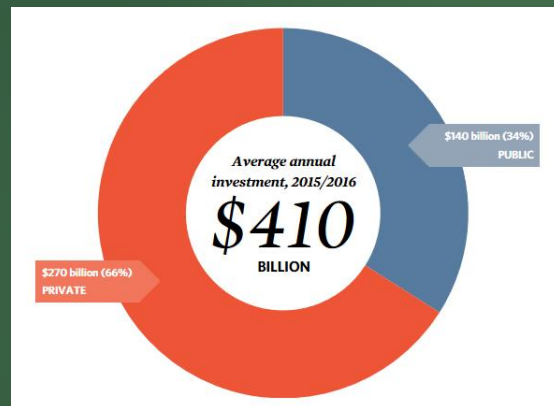
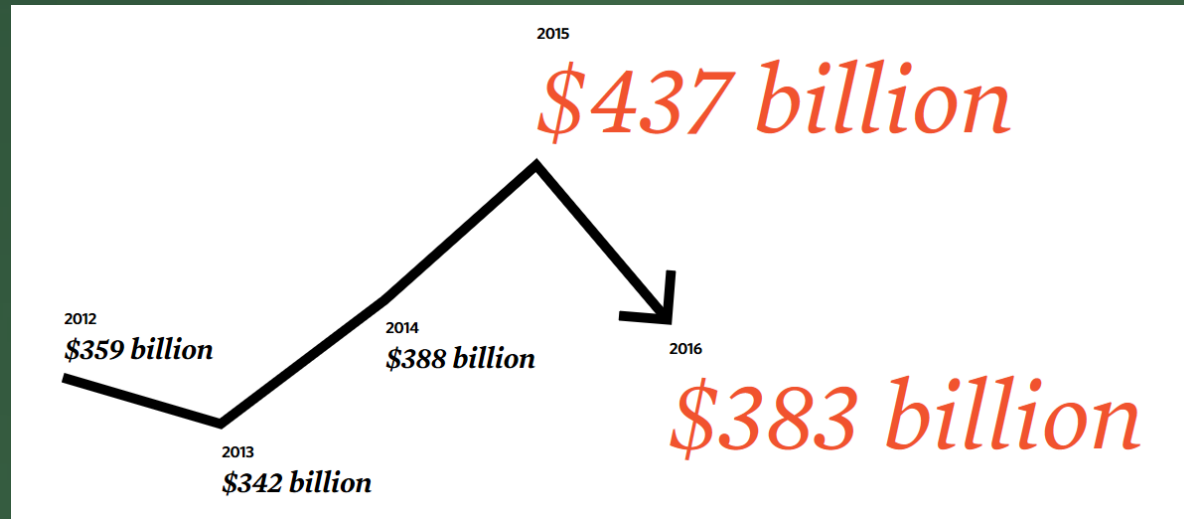
\$ 7 TRILLION PER ANNUM

2015 - 2035 Annual Average Global Investment Needs in Low Carbon Scenarios

Trillions of USD (2017)	Energy	Transport	Other infrastructures	Total	Ratio to GDP, E only	Ratio to GDP, Total
Minimum, ^a 2°C	2.00	2.78 ^b	1.55 ^b	6.33	1.5%	4.7%
Minimum, 1.5°C	2.15				1.6%	
Average, 2°C	2.45	2.78	1.55	6.78	2.1%	5.7%
Average, 1.5°C	2.69				2.3%	
Maximum, 2°C	3.10	2.78	1.55	7.43	2.7%	6.5%
Maximum, 1.5°C	3.41				3.0%	
^a Minimum, average and maximum values computed over 6 modelling outlooks.						
^b Only available estimate is from the OECD. The analysis assumes that this estimate adds up indifferently to all energy investment estimates.						

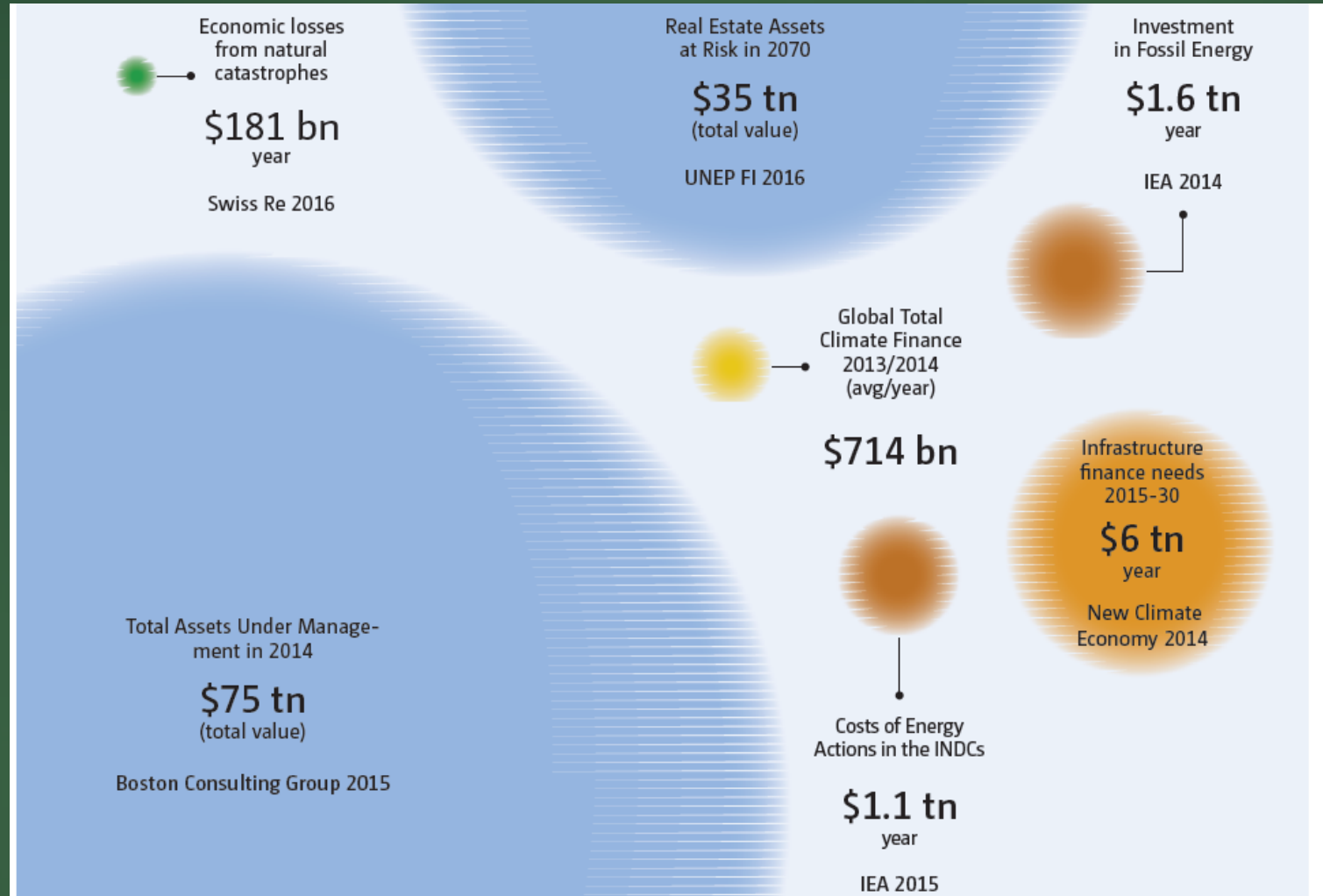
➤ The growth in GHG is expected to come mainly from emerging markets – which require \$4 trillion per year to build and maintain infrastructure.

THE GAP CLIMATE FINANCE AS OF TODAY



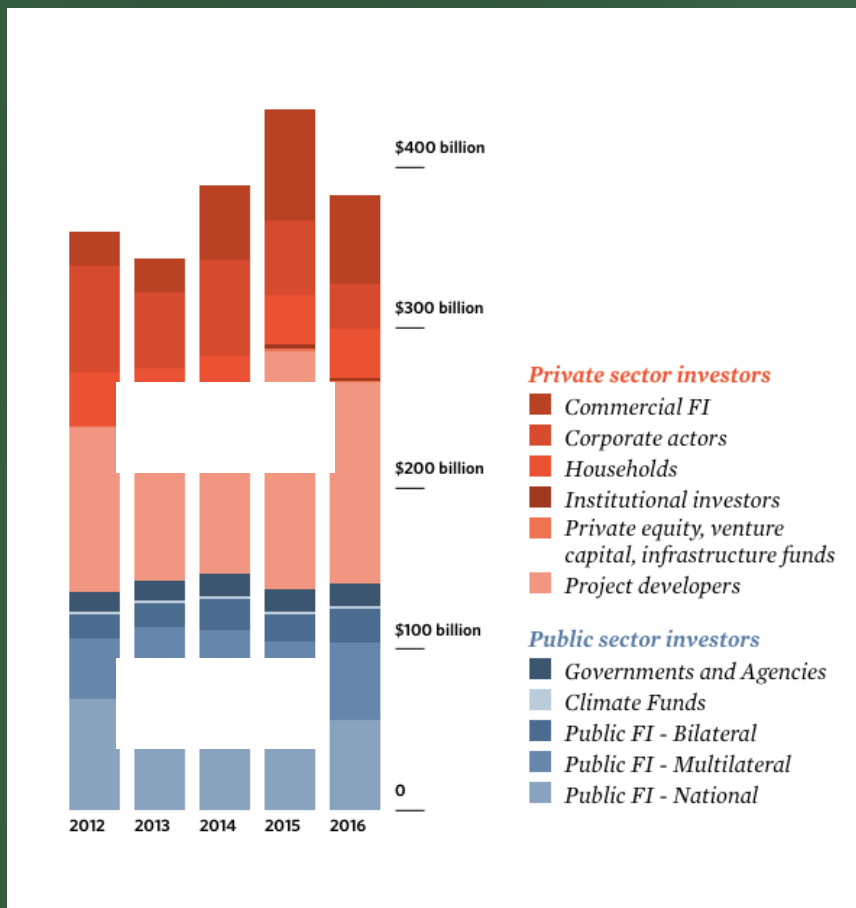
- Record in 2015 driven by surge in RE investments in China, U.S., Japan
- Decrease in 2016 due to falling technology costs and lower deployment in some countries

GLOBAL CLIMATE FINANCE STILL RELATIVELY SMALL!

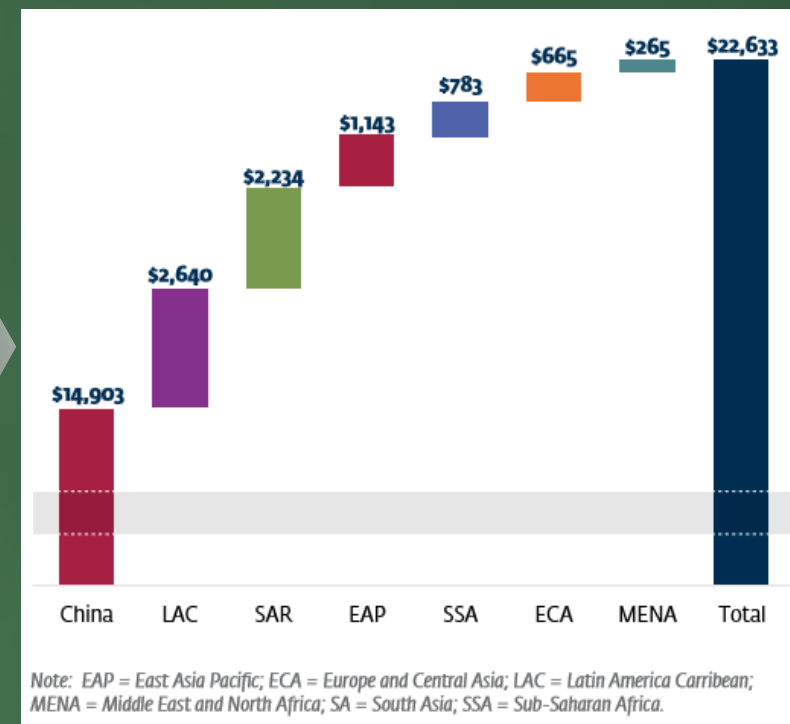


...66 PERCENT OF GLOBAL CLIMATE FINANCE ORIGINATES FROM THE PRIVATE SECTOR

Climate Finance flow 2012-2016 (\$ billion)



Climate-Smart Investment Potential 2016 – 2030 (\$ billion)



Source: IFC – Investment opportunities in 21 EM (2016)

ROLE OF GOVERNMENTS IN UNLOCKING CLIMATE INVESTMENTS

1. Achieve NDC Goals

- › Increase the transparency of spending against climate objectives.
- › Put in place clear and consistent policies
- › Ensure that climate considerations are integrated into other sector policies (e.g. energy and agriculture)

2. Strengthen the PS Investment Climate

- › Creating a robust enabling environment for private investment
- › E.g. Reducing transaction costs associated with public-private partnerships

3. Strategically use limited budget

- › Public funds should be used to mobilize much larger sums of private capital,
- › e.g., by reducing risk, project preparation support.

INSTRUMENTS IN UNLOCKING CLIMATE INVESTMENTS

1. Policy Incentives:

- Feed-in tariffs
- Tax incentives
- Clean energy subsidies

2. Risk Management:

- Guarantees
- Insurance policies
- Contract-based instruments

3. Grants:

- Cash transfers
- In-kind support

4. Low-cost project debt:

- Concessional loans

5. Capital Instruments at commercial terms:

- Project-level market rate debt
- Project-level equity
- Balance sheet financing



Address investor-specific needs

Align public and private interests

Enable scaled-up investments

ROLE OF THE GCF

DE-RISKING & CONCESSIONALITY

Need for concessionality

- › Reducing risk in a transaction;
- › Anchoring role for co-investors to participate;
- › Fostering behavioral changes conducive to stronger climate impacts;
- › Creating demand by making climate solutions affordable.

Instruments of concessionality

- › Pricing concessionality
- › Subordinated position;
- › Flexible term & tenor
- › Flexible guarantees
- › Fit for purpose grants to foster future climate action



Leveraging private sector, institutional investors and DFIs funding to **support green growth in Developing Countries**

GCF SUCCESS STORIES

SUPPORTING COUNTRY'S ENERGY TRANSFORMATION (1/2)

REFFs – Renewable
Energy Financing
Frameworks

\$317M
GCF-financing

\$1.5B
Co-financing

35M_t
CO₂ Reductions

1.3GW
Capacity



GCF SUCCESS STORIES

SUPPORTING COUNTRY'S ENERGY TRANSFORMATION (2/2)

The Green Climate Fund's Private Sector Facility



Egypt

USD 154.7 M

- Supporting the construction of **600 MW** [Est. ER 19 million tCO₂e]
- Encourage private sector investment in an environment with negligible installed RE capacities
- Facilitated transition to auction-based procurement within a year of approval (Tariff reduction from 8.5cents/kWh to < 3 cents/kWh)



Kazakhstan

USD 110 M

- Supporting the construction of **330 MW** [Est. ER 12 million tCO₂e]
- Providing country with a credible roadmap to reduce domestic fossil fuel intensity
- Debottlenecking RE investments through targeted transmission interventions



Zambia

USD 52.5 M

- Supporting the construction of **100 MW** [Est. ER 4 million tCO₂e]
- Reduce dependence on climate afflicted hydro
- Structure facilitates local bank and national pension fund participation in financing projects



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