

Enhancing the climate science basis of the climate rationale in GCF funded activities GCF – WMO partnership

2018 GCF Global NDA Conference



WORLD
METEOROLOGICAL
ORGANIZATION

Markus Repnik, Director
WMO Development Partnerships, 9 October 2018

Content



*Enhancing the climate
science basis of the
climate rationale in
GCF funded activities*

- 1 Climate rationale - what is it?
- 2 Climate rationale - why is it so important?
- 3 What is WMO role in enhancing the climate rationale
- 4 What is the methodology?
- 5 How to ensure easy access?
- 6 What support will be provided?
- 7 What is the process?

1. Climate rationale - what is it?

Provides the **evidence** for climate investment and policy decision making

Assess the causal **links** between climate action and climate impacts

The impact an investment or policy is expected to have in the climate

The impact that climate is expected to have in an investment or policy

Needs to be based on **best available science**

2. Climate rationale - why is it so important?

Necessity

1

Most effective use of scarce public resources

- Climate risk- proofing: how to best invest
- Trade-off decision: what to invest in

Global Commitment

2

Paris agreement Article 7:
Strengthening scientific knowledge
that supports decision making

3

GCF policy

Major building block of GCF policy
framework

3. What is WMO role in enhancing the climate rationale

Provide best available data and science

UN's authoritative voice on weather, climate, water

Tap WMO institutional network

regional climate centers,
global climate observing system,
world climate research program

Strengthening national hydro-met offices

WMO members &
backbone of WMO network

4. What is the methodology?

Indicators

Headline indicators used to assess global state of climate – past/current & projected future state
example: temperature

Catalogue of weather and climate related indices of relevance to GCF results areas

example: wind speed

Catalogue of high impact events

example: flash flood

Data sets

Methods and tools

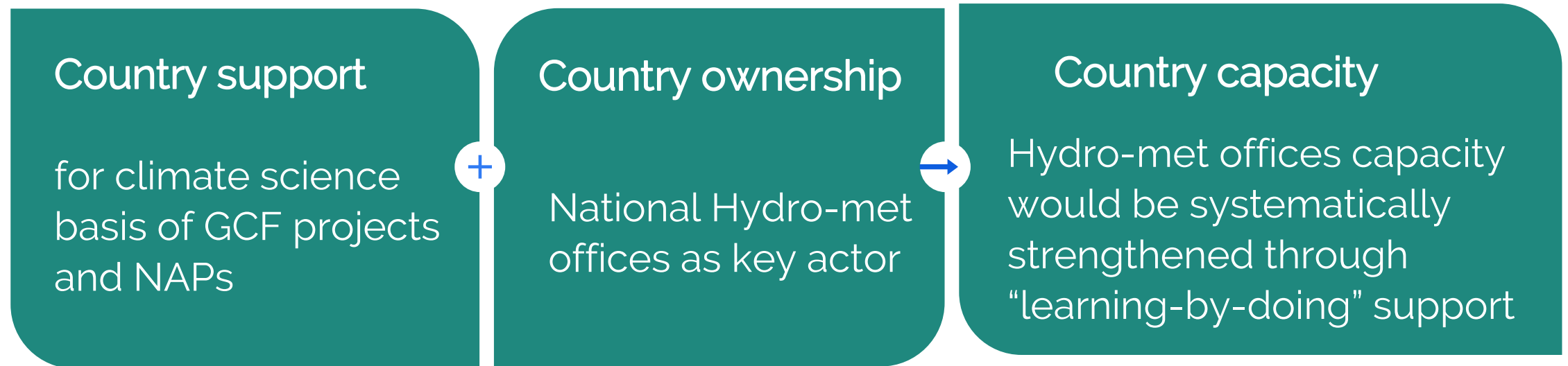
5. How to ensure easy access?

Unique structured
access platform

Indicators, data,
tools and
methods

“one-stop-shop”
easy access

6. What support will be provided?



7. What is the process?

Methodology field testing and regional consultations - 5 countries deep dive

2019 - Q1

2019 - Q2

Integration in GCF guidelines and policy documents

Platform for structured access to data and other technical resources

2019 - Q3

2019 - Q4

Implementation and capacity development support mechanism operational

SESSION 10

THE CASE FOR CLIMATE RATIONALE

Mr Pa Ousman Jarju, Director, Division of Country Programming, GCF
Mr Markus Repnik, Director, Office of Development Partnerships,
World Meteorological Organization



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SESSION 11

INTRODUCTION TO PRIVATE SECTOR FINANCE

Chair

Ms Sujala Pant, Country Dialogue Specialist for Eastern Europe & Central Asia, GCF

Panelists

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

Mr Hoang Mai Pham, Director General, Department of Science, Education,
Natural Resources and Environment, Ministry of Planning and Investment,
Socialist Republic of Vietnam

Mr Hans André Lohayo Djamba, Coordinator, National Coordination of the GCF,
Democratic Republic of Congo

Mr Ignacio Lorenzo, Director of Climate Change, Ministry of Housing,
Use of the Land and Environment, Department of Climate Change,
Oriental Republic of the Uruguay



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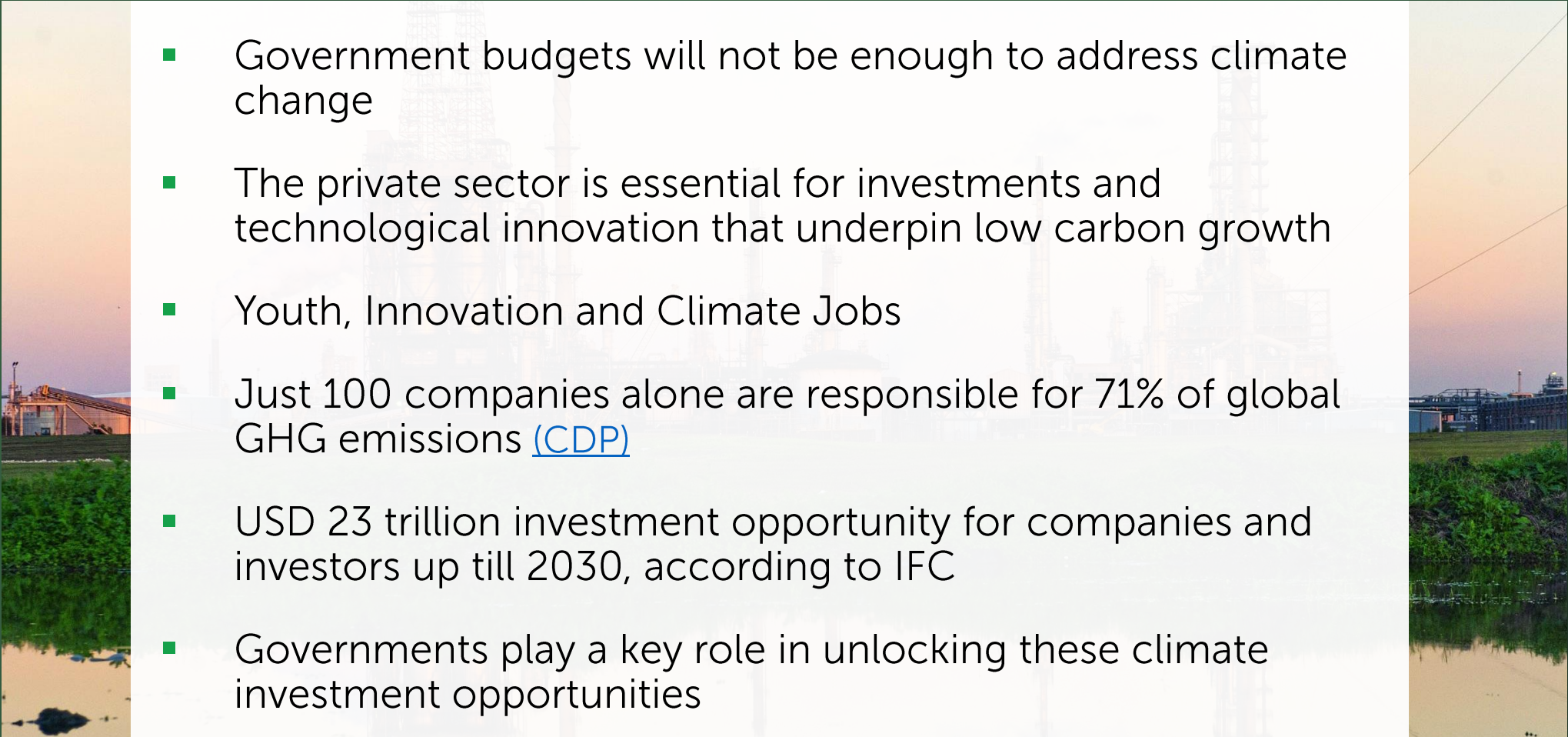
SESSION 11

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?

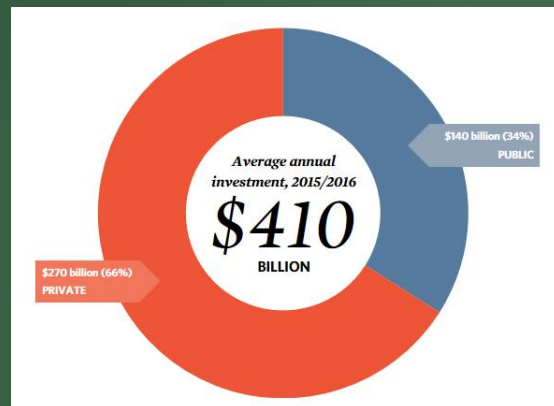
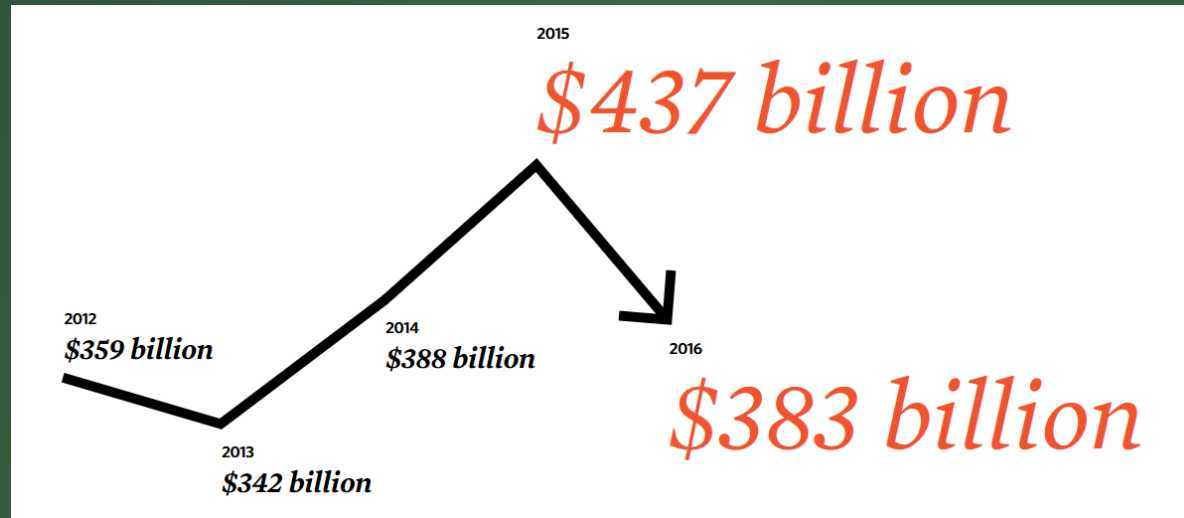
\$ 7 TRILLION PER ANNUM

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.						

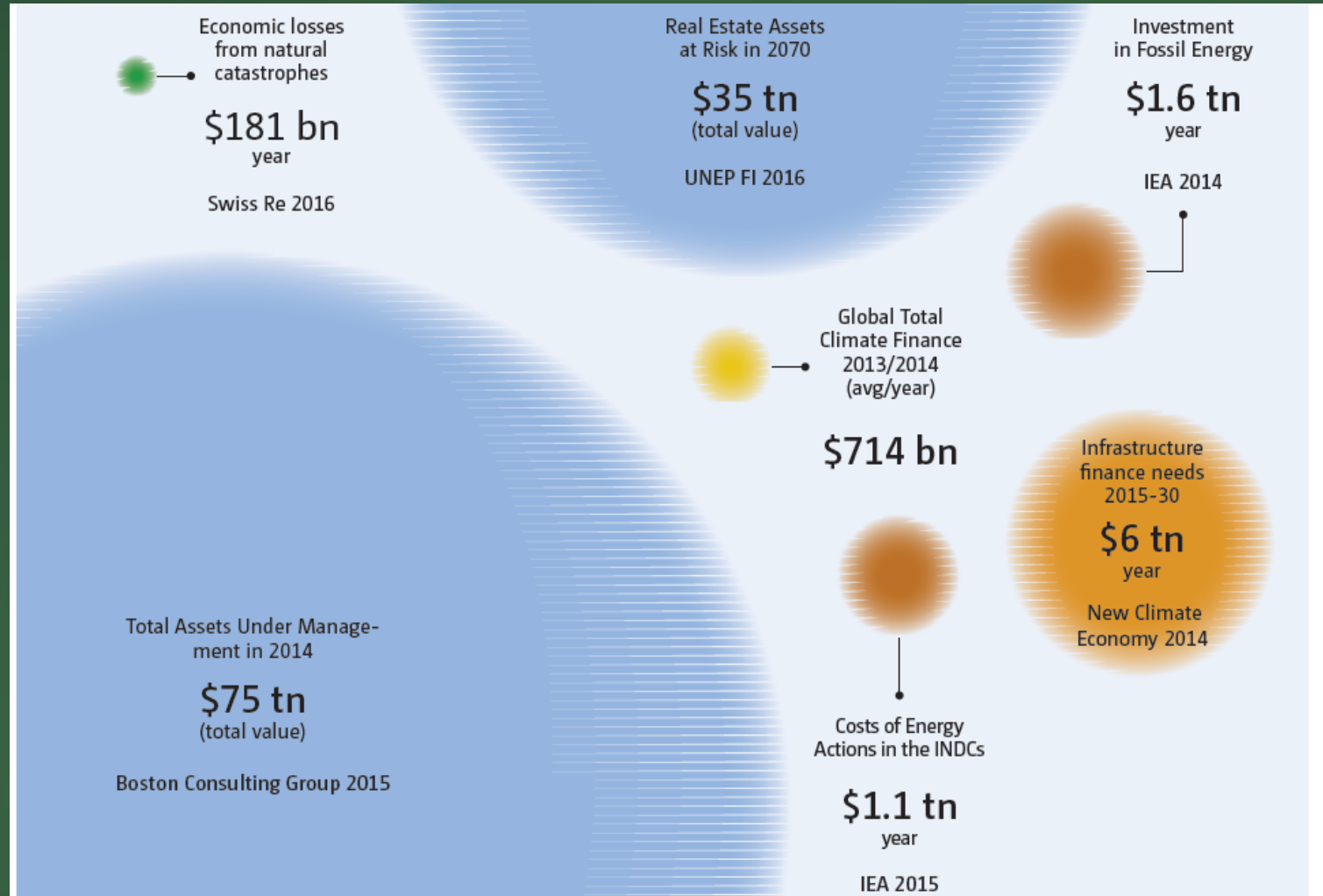
➤ The growth in GHG is expected to come mainly from emerging markets – which require \$4 trillion per year to build and maintain infrastructure.

THE GAP CLIMATE FINANCE AS OF TODAY



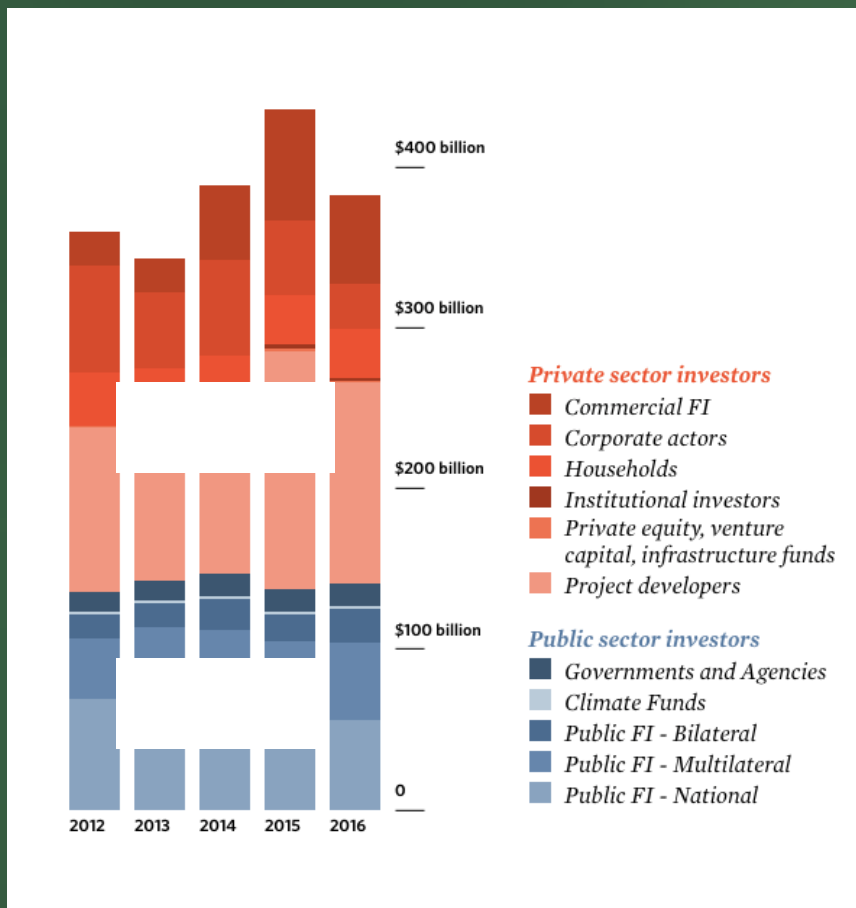
- Record in 2015 driven by surge in RE investments in China, U.S., Japan
- Decrease in 2016 due to falling technology costs and lower deployment in some countries

GLOBAL CLIMATE FINANCE STILL RELATIVELY SMALL!

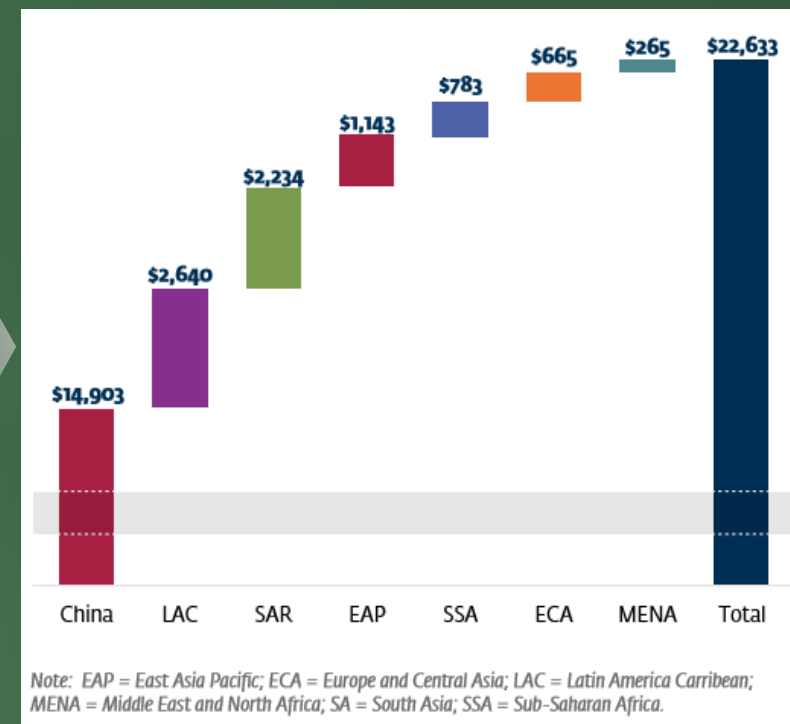


...66 PERCENT OF GLOBAL CLIMATE FINANCE ORIGINATES FROM THE PRIVATE SECTOR

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)

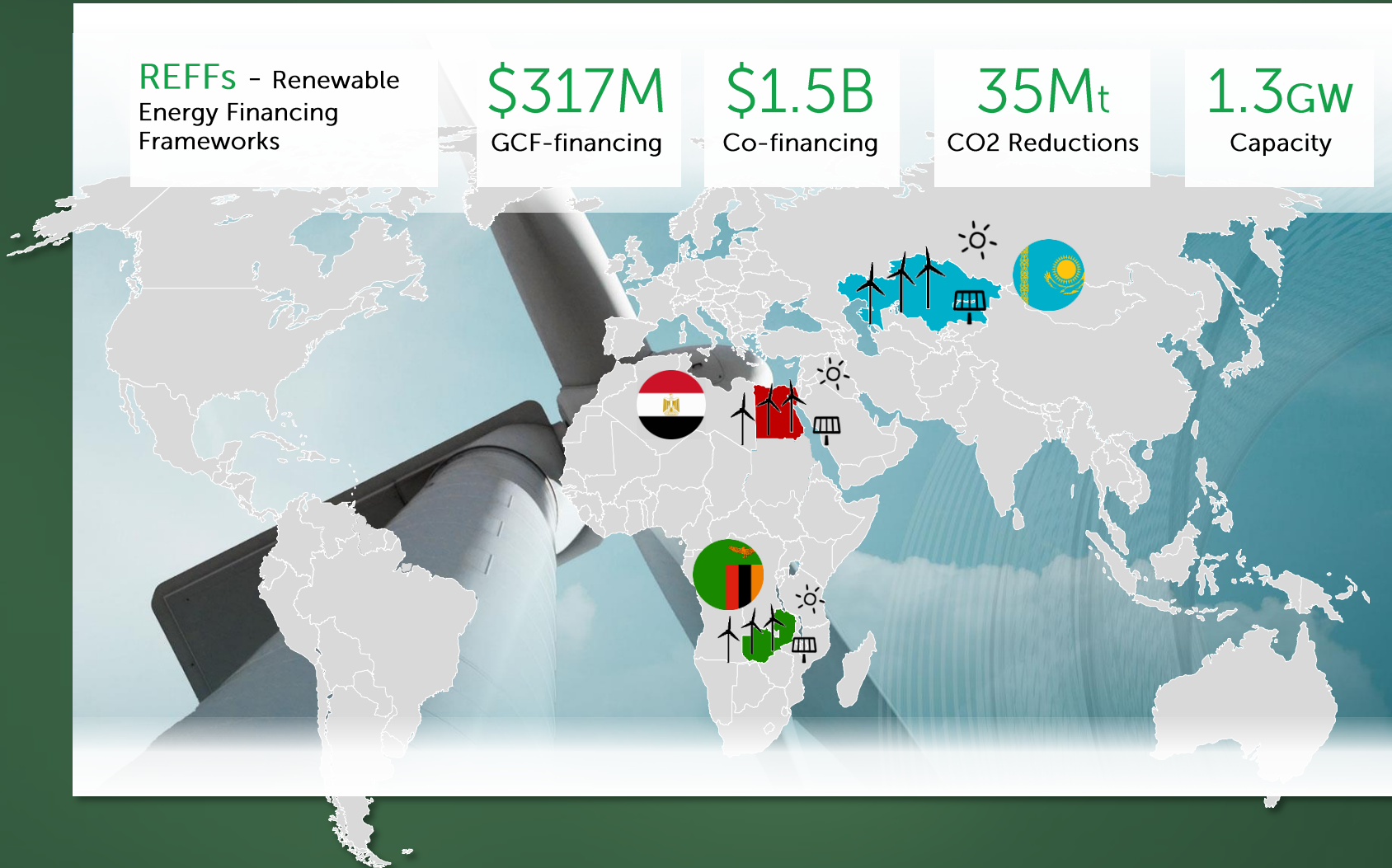
REFFs – Renewable
Energy Financing
Frameworks

\$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

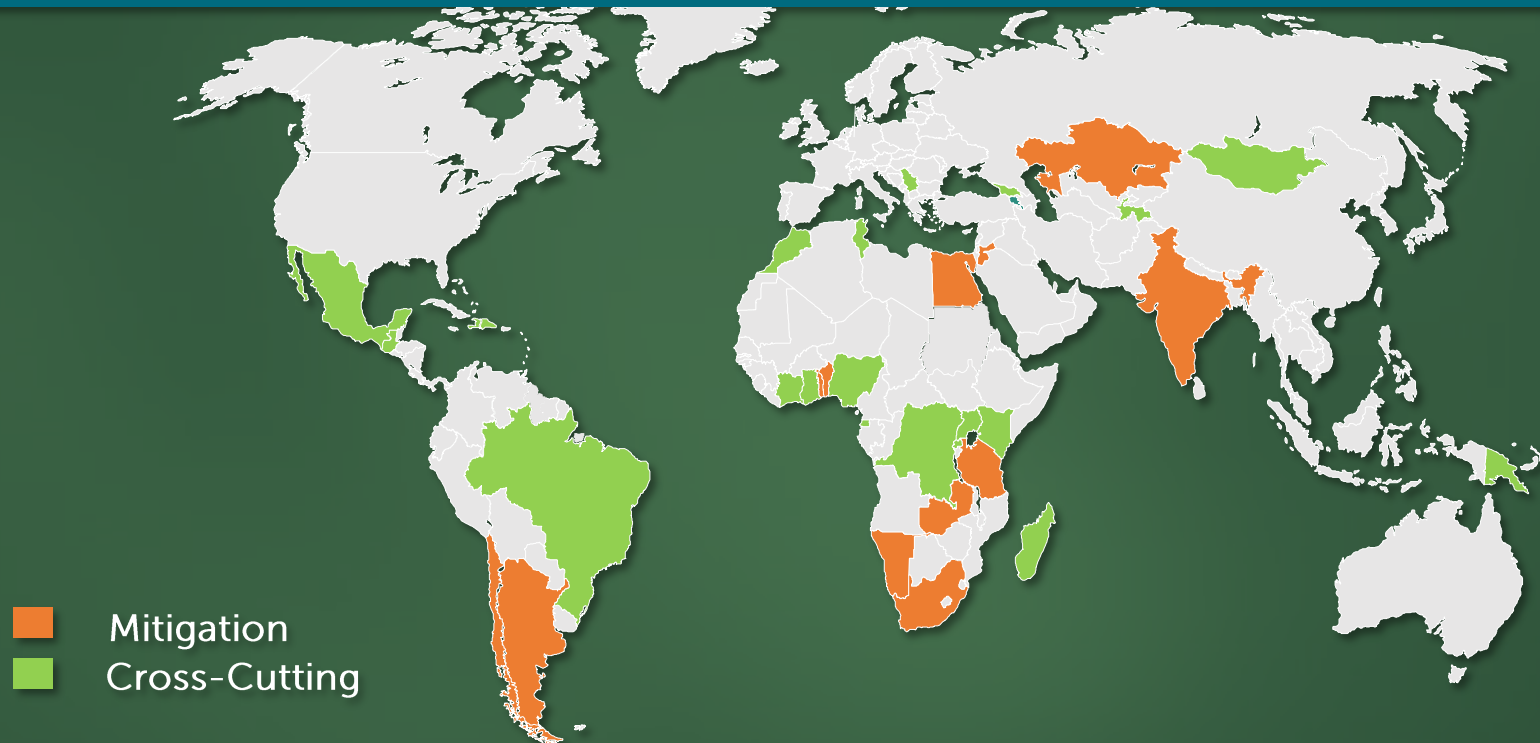
- Supporting the construction of **100 MW** [Est. ER 4 million tCO₂e]
- Reduce dependence on climate afflicted hydro
- Structure facilitates local bank and national pension fund participation in financing projects



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ROLE OF THE GCF

OUR IMPACT & GLOBAL FOOTPRINT





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COFFEE BREAK

15 MINUTES



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SESSION 12

ENABLING PRIVATE SECTOR INVOLVEMENT IN CLIMATE FINANCE

Chair

Mr Urvaksh D. Patel, Entity Relations Specialist, GCF

Panelists

Mr Sergio Pombo, Head of Private Equity Funds, GCF

Ms Carolina de Azevedo, Senior Manager, responsAbility Investments AG

Ms Chika Fukuyama, Manager, MUFG Bank

Mr Joshua Yellin, Head of Global Strategy and Operations, Launchpad, Google



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SESSION 12

ENABLING PRIVATE SECTOR INVOLVEMENT IN CLIMATE FINANCE

Mr Sergio Pombo
Head of Private Equity Funds, GCF

CLIMATE CHANGE

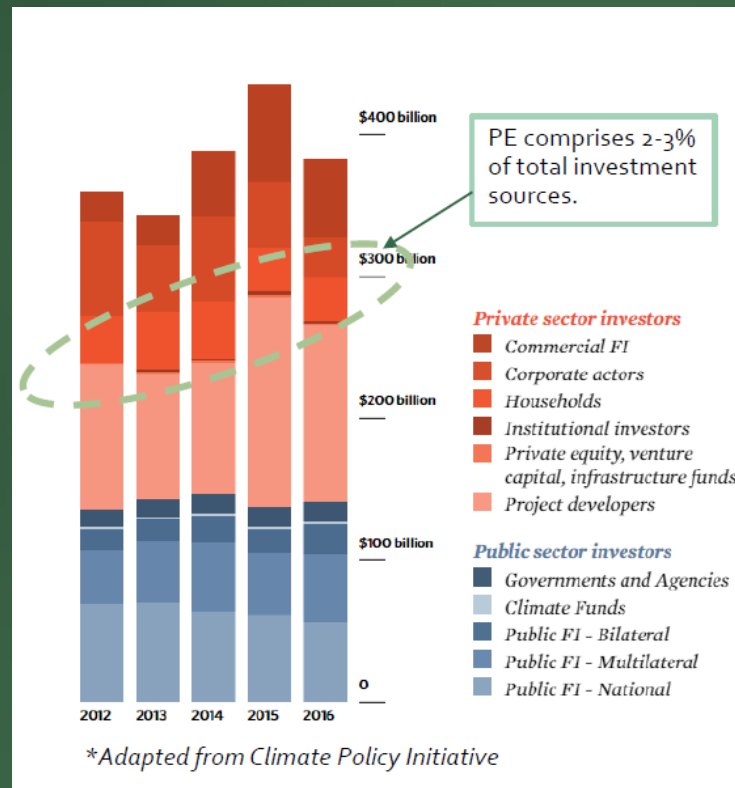
THE INCONVENIENT REALITY

1	\$\$\$	✓ Annual investment required to meet Paris: \$ 7 T (until 2030) But only 6% p.a. is currently met
2	GAP?	✓ Why aren't private and public sector investing more? Do we care?
3		✓ Who can invest and fill the GAP?

*Source Bloomberg New Energy Finance – Mapping the Gap: The Road from Paris, 2016. Recent studies estimate that the global annual infrastructure investment required from 2016 to 2030 to remain below 2 degrees Celsius is estimated between USD 6.9 (OECD) and 7.0 (NCE) trillion. These figures indicate that developing countries account for about US\$4 trillion per year, representing roughly two-thirds of global infrastructure investment, while the associated annual incremental up-front cost of future infrastructure investments consistent with the below 2 degrees Celsius' scenario is estimated to less than 9%.

WHO INVESTS IN CLIMATE CHANGE?

CPI 2015/2016 (\$410 B)



1. **50%: Project developers/financial intermediaries** are climate-financing segments that have matured and decreasing its share
2. **10%: Households** are an important source of capital for climate finance, but they need specialized products and education
3. **2-3%: Institutional Investors and PE funds'** investment in climate are growing rapidly, though still small. They show biggest potential for new investment in climate finance
4. **63% came from the private sector**

FUNDS FOR CLIMATE ACTION

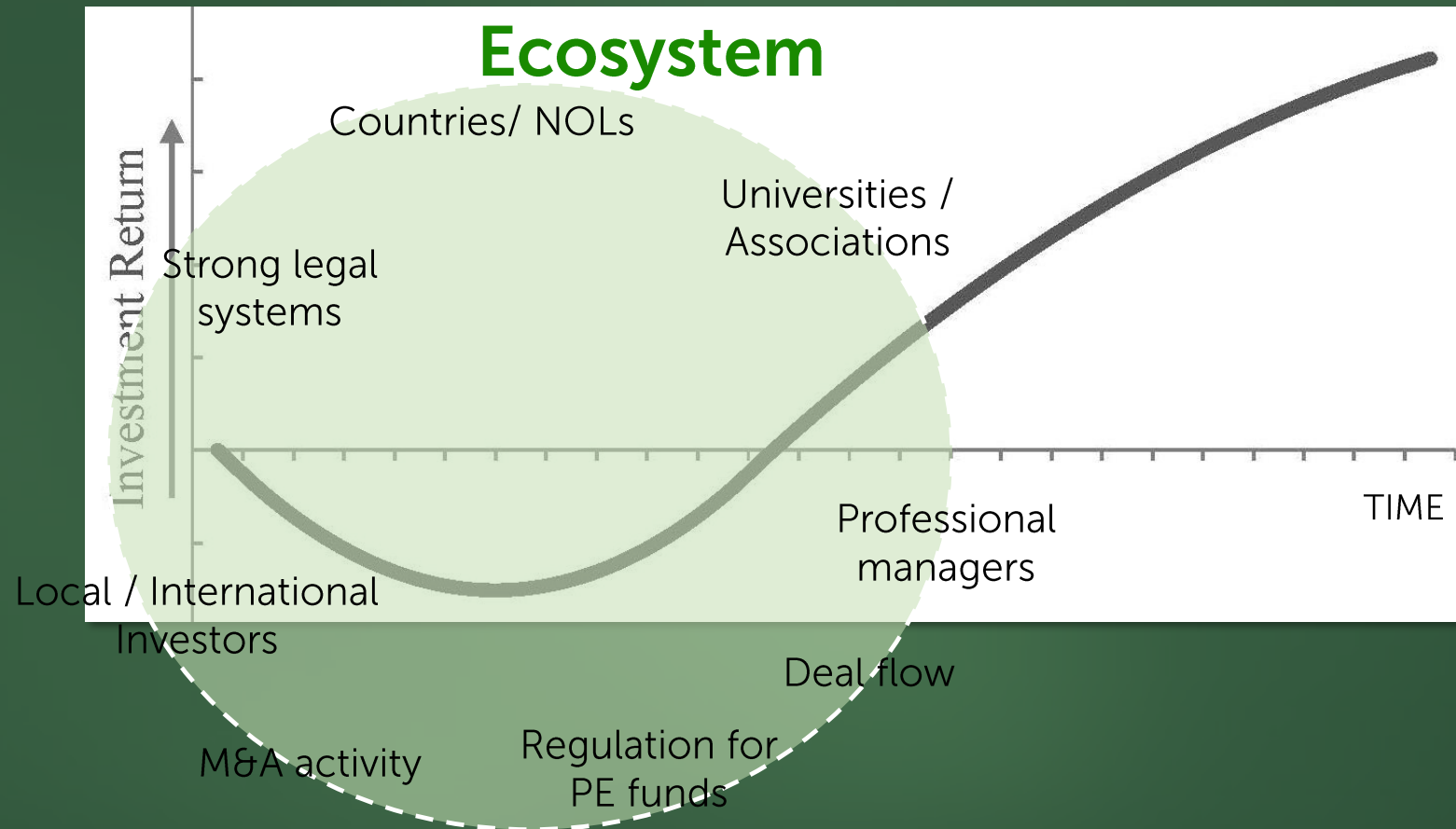
WHAT ARE THEY?

Fund raising

Investment Period

Harvest Period

Investments are realized, cash is returned to investors



HOW CAN PE FUNDS BE IMPACTFUL?

1. High Mobilization
2. Investing in and supporting technology transfer (from developed to developing countries)
3. Investing in Early Stage Climate-related Innovation



PRIVATE EQUITY AT THE GCF

WHAT'S CRITICAL?

NOL / Country Support



Ask for Good Governance But let Investors Govern
(Advisory Committee / GP Committee)



Trust Fund Managers deployment



Consider Co-investment in the Fund
or individual deals



GCF as anchor investor will support Market-base
Structures and Fees



PRIVATE EQUITY AT THE GCF

DO's & DON'Ts



DON'TS

- › Don't force country allocations
- › Don't be rigid about fund strategies
- › Don't exert political controls over the funds' operations



DO'S

- › Ask for indicative pipeline
- › Encourage on regional funds
- › Support other local investors buy-in
- › Understand that Fund raising takes time



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GCF HAS BARRIERS FOR PE FUNDS

...WE ARE WORKING ON IT!

- › **We don't have a modality to invest in small & medium sized funds (\$50 M - \$250 M) – working on it!**
- › **Accreditation is too long and expensive**
(Project Specific Assessment Approach is uncertain!)
- › **Mobilizing third party capital at GCF – may be difficult!**
- › **MFS brought 30+ PE projects – but we are constraint**

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SESSION 13

THE GCF PRIVATE SECTOR FACILITY – A FORWARD-LOOKING STRATEGY

Chair

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

Panelist

Mr Laurence Blandford, Director, International Policy Analysis,
Center for Clean Air Policy



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SESSION 14

SUMMARY OF OUTCOMES

Mr Pa Ousman Jarju, Director, Division of Country Programming, GCF



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SESSION 14

SUMMARY OF OUTCOMES

Mr Pa Ousman Jarju
Director, Division of Country Programming, GCF

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OBJECTIVES

- Invite your insights on the international mobilization of financial resources for climate
- Hear your priorities to partner with the GCF
- Exchange about the future steps of the GCF
- Facilitate networking and sharing of experiences across regions
- Report back on findings of consultations with NDAs on the Readiness Programme and the strategic roadmap of PSF

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KEY MESSAGES

- Climate vulnerability
 - Considering projected climate impacts to indigenous people, local communities, ecosystems, economies and countries, there is a need to limit global warming to 1.5 degrees.
- Bolstering national capacity and ownership.
 - Strengthen national institutional capacity for LECR development (incl. DAEs, NGOs, communities, private sector...).
 - Technical capacity. Climate information, data-sharing underpinning decision-making process and supporting the climate rationale for projects design.
 - Countries are not starting from scratch and there is a role for national governments in this context.

GLOBAL NDA CONFERENCE

KEY MESSAGES

- Catalytic role of GCF financing
 - GCF funding can raise interest and leverage further climate finance from bilateral and multi-lateral sources.
 - Enhancing synergies in the climate – development nexus.
 - Promote stronger coherence between funds:
 - GCF can help implement existing plans and strategic frameworks, and further promote coherence across climate funds (GEF, CIFs, AF).
 - Countries are not starting from scratch and there is a role for national governments in this context.

GLOBAL NDA CONFERENCE

KEY MESSAGES

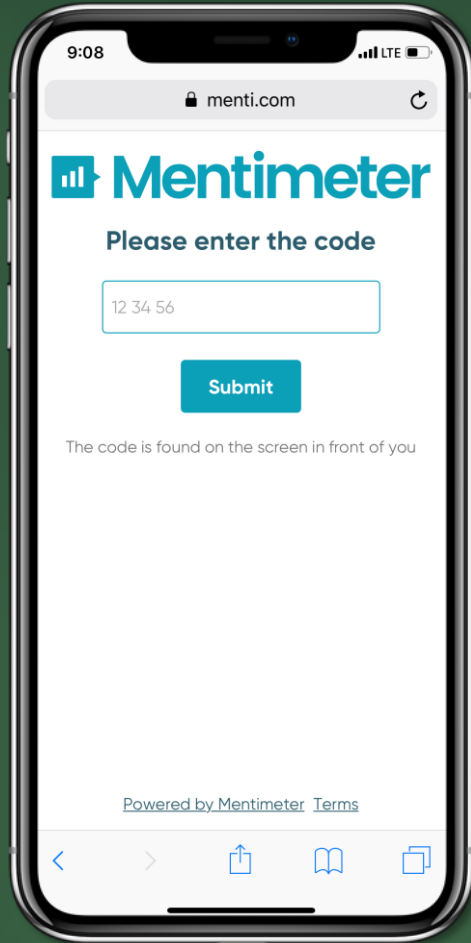
- **Readiness and Country Programming**
 - Strategic role of NDAs in planning for stakeholder engagement.
 - Put countries in the drivers seat.
 - Building long-term capacity and creating an enabling environment for broader climate finance
- **Private Sector engagement:**
 - Translating the GCF language that is relevant to private sector

NEXT STEPS

- We will continue engagement with you this week:
 - Private Investment for Climate Conference and
 - Friday, 12 October at the GCF Headquarters, located at the G-Tower
- Collation of Conference Report
- Consideration of potential actions that the GCF could follow in the context of its current mandate
- Bilateral follow-up with countries on such actions



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