



Technical Session 6

Clinic 2: Private Sector Facility

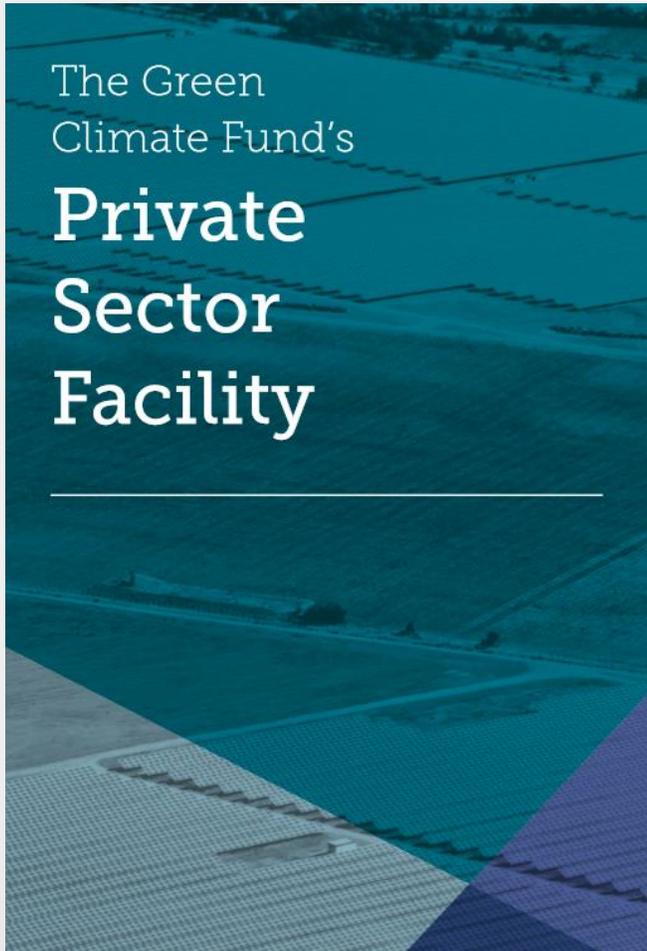
Andreas Lunding

Senior Structured Finance Specialist
Private Sector Facility, Green Climate Fund

GCF Structured Dialogue with the Pacific
Pohnpei, FSM , 31 July 2018



GCF's Private Sector Facility Offers Innovative Financing...



PSF mission

- Dedicated, but fully-integrated, facility in GCF
- Support private-led projects that would not take place without GCF intervention
- Drive paradigm shift by de-risking and scaling up private capital to address climate challenges/barriers
- Engage new private actors involved in climate action

What we offer

- Tailored, lifecycle, concessional/blended financing for high impact climate projects
- Ability to engage with a broad range of local/global private sector actors
- Support for capacity building, innovation and creation of public-private partnerships
- Expertise to help structure project ideas across GCF's strategic impact areas



Transport



Infrastructure



Ecosystems



Forests and land use



Buildings, Cities, Industries



Health, food and water security



Livelihoods of people & comm.



Energy

...Through the Use of Tailored 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
- ✓ Fit for purpose grants to foster future climate action

➤ **Minimum concessionality 'principle' to optimize investments**



 GCF provides a range of financing instruments: **concessional debt, equity, guarantees, and grants**

 We can invest through different financing structures, such as: **project-based, funds, on-lending facilities and structured finance vehicles**



...to Deliver Impact on the Ground Through Partners

16

Projects



\$1.5B

GCF-financing

\$4.5B

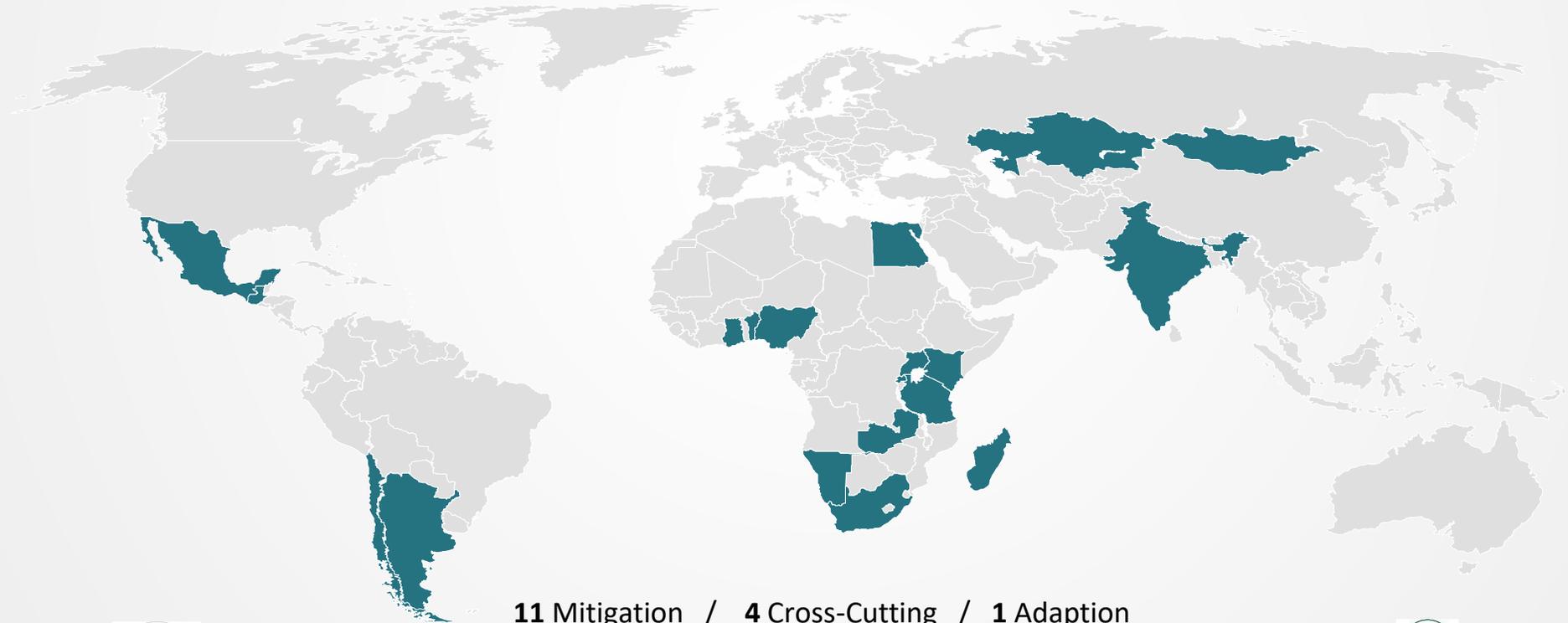
Co-financing

913Mt

CO₂ Reductions

~27M

Beneficiaries

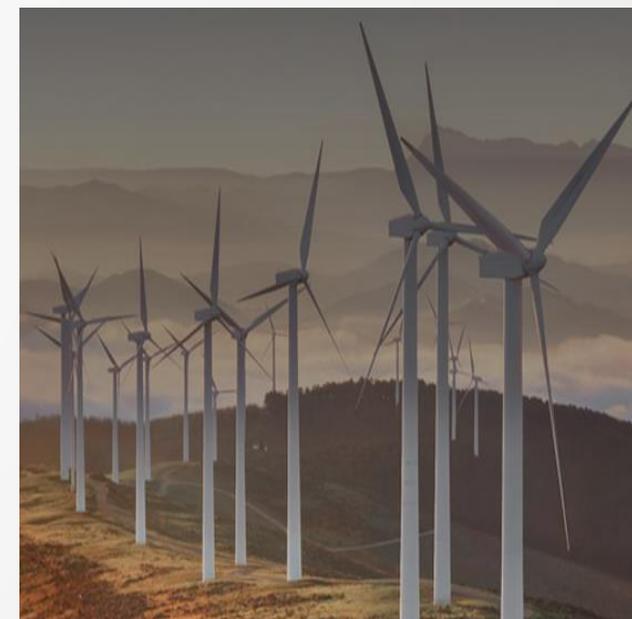


11 Mitigation / 4 Cross-Cutting / 1 Adaption



Countries	GCF financing	Accredited entity	Financial instrument
Multiple Countries (Asia, Africa, Pacific/PNG)	USD 265 million	EIB	Equity and Grant

- ✓ USD 250M in equity and USD 15M in grant
- ✓ Innovative fund-of-funds vehicle with the aim of being the first investor in renewables/EE investment funds in target countries
- ✓ Investee funds will provide early/growth equity capital to strong renewables/EE companies in developing markets
- ✓ Channeling institutional investors into renewable energy and energy efficiency investments in developing countries
- ✓ Significant climate impact due to the elevated multiplier effect
- ✓ Emissions reduction of 769 million tCO₂e





Mobilizing Private Capital (Request For Proposal) [Greencclimate.fund/500m](https://greencclimate.fund/500m)

GCF INVESTMENT:

- ✓ Up to USD 500M funding window

TARGET COUNTRIES:

- ✓ Developing countries

DESCRIPTION:

- ✓ Call for mitigation and adaptation projects and bold ideas that mobilize private sector capital at scale
- ✓ Funding for activities across a wide range of mitigation or adaptation areas – open to both AEs and non-AEs

OUTCOME/STATUS:

- ✓ 350 Concept Notes received for projects in 70+ countries
- ✓ 30 CNs shortlisted for development into funding proposals
- ✓ Includes proposal from Frontier Fund for RE in PICs



Pitch for the Planet.

Addressing Existing Barriers to Investment...

Policy & regulatory

- Appropriate strategic and regulatory framework
- Consistent policy support and incentive systems

Access to climate finance and local market

- Limited market capabilities
- Limited range of financial instruments
- Demand-supply mismatch

Affordability & technology

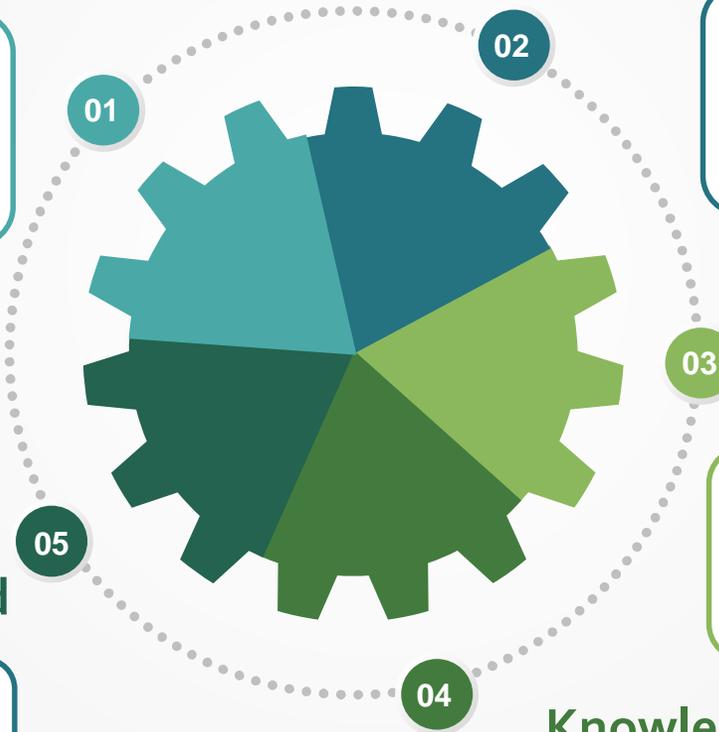
- High technology and upfront costs
- High cost of capital
- Access to technology

Knowledge & education

- Lack of awareness and training
- Local financial institutions' lack of capacity

Region & country related

- Different barriers across regions and countries (e.g. fragmented local PS)





...Will be Key to Scaling Up Private Sector Climate Finance

 Given the **significant projected investment needs** (\$450-775m p.a. through to 2050, or 1.5-2.5% of regional GDP) to build climate resilience and reduce emissions in the Pacific region, innovative public-private partnerships that leverage the funding capacity and know how of the private sector are needed.

 **Climate finance could be scaled up** in a number of different areas of mitigation and adaptation to support improved climate resilience and reduced carbon emissions across countries in the Pacific region.

Mitigation		Adaptation	
Area of Intervention	Potential Scope	Area of Intervention	Potential Scope
 Switch to renewable energy power	Solar, biomass (incl. off-grid/decentralized)	 Climate-proof key physical infrastructure	Airports, ports
 Electrification of transport	Public/private, road/sea – integrating w/ RE supply	 Enhance adaptive capacity	Strengthen green infra (reefs, mangroves) and, where relevant, grey infra (e.g. seawalls)
 Reduce usage key resources (power, water) through efficiency measures	Energy retrofits of hotels and other key building stock		



What GCF Is Doing

- ✓ GCF is strongly committed to helping PICs transition to a low-carbon and climate resilient development pathway.
- ✓ Approved GCF funding to date of USD 300m+ for projects across 9 PICs, as well as USD 6m in Readiness support.
 - ❖ Only 1 private sector project to date (EIB GEEREF NeXT)
- ✓ We are actively working to help (i) strengthen the engagement between NDAs, private sector and AEs and (ii) create a enabling environment to catalyze potential investment opportunities:
 - ❖ Regional dialogues targeting private sector engagement
 - ❖ Analysis of private sector barriers in SIDS
 - ❖ Country Programming to show private sector opportunities
 - ❖ Support for private sector mapping and options papers
- ✓ The desired outcome of this will be the **delivery of fully fledged private sector GCF projects** that benefit people in the Pacific.





REACH OUT



Andreas Lunding

Senior Structured Finance Specialist
GCF, Private Sector Facility
Email: alunding@gcfund.org



EMAIL:

privatesector@gcfund.org



WEBSITE:

Greenclimate.fund