PRIVATE INVESTMENT FOR CLIMATE CONFERENCE 2019

Summary note

GREEN CLIMATE FUND

PRIVATE INVESTMENT FOR CLIMATE CONFERENCE

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Introduction

The second edition of the GCF Private Investment for Climate Conference took place from 7 to 9 October in Incheon, Republic of Korea this year. Featuring 94 speakers and 23 panel sessions, the three-day event attracted over 500 guests from more than 100 countries, providing a global marketplace and ecosystem for leading private sector actors to come together to accelerate climate action in developing countries.

The conference focused on a number of key areas seen as vital in increasing the private sector's role in addressing the increasingly urgent need to finance climate action across the globe. This included how to tap the trillions of dollars held by institutional investors, overcoming regulatory and market barriers, unlocking the potential for private investments in forestry and land use as well as e-mobility, spurring innovative participation in venture-style incubators and accelerators, expanding the reach of climate bonds and insurance products, and drawing in debt and equity to drive a green transition.

A common theme of discussion during the conference was that partnerships are key to enhancing climate action, and that investors need to be able to see a roadmap leading to a zero-carbon and climate-resilient future. GCF and other actors in the climate finance space need to move financial flows as quickly as possible to private investors with specialist knowledge of different sectors. Participants heard that GCF can help to smooth the bumps of investment as it is uniquely positioned to support financial deal flows and unlock leadership capital for climate in developing countries.

Jamaica's Prime Minister Andrew Holness, Former UN Secretary General Ban Ki-Moon, MUFG Bank's Managing Executive Officer Randall Chafetz and Danmarks Nationalbank Governor Per Callesen were among the distinguished speakers at the conference.

During the conference, GCF also engaged with top global investors and held two partnership roundtables. These sessions concluded that there is strong demand for GCF's co-investment solutions and catalytic capital to de-risk climate investments to unlock private capital at scale. There was also broad agreement about the urgent need for investment readiness to accelerate the origination of bankable climate projects in developing countries.

At the outset of a successful replenishment, that concluded with USD 9.78 billion in new pledges on the 24th of October, the GCF reiterated its commitment to step up its efforts in promoting private sector climate action in developing countries.

THE CONFERENCE IN NUMBERS

TOTAL NUMBER OF GUESTS	500
PANEL SESSIONS	23
COUNTRIES REPRESENTED	100
BANKS & INSTITUTIONAL INVESTORS	50+
TOTAL NUMBER OF SPEAKERS	94
ASSETS UNDER MANAGEMENT	USD8 trillion

Call for leadership

QUOTES FROM KEYNOTE SPEAKERS

"In the face of dire warnings and fearsome extreme events, the push to invest in climate solutions may sound to many in the private sector like a plea for charity. But the financial sector must recognise that investing in adaptation now is imperative from the perspective of risk management, but it is also perhaps the biggest investment opportunity of this generation."

the Most Hon. Andrew Holness,
Prime Minister of Jamaica

"The private sector manages more than $210 trillion in assets but invests less than 5% in climate finance. The climate crisis is too big, too serious, too urgent to use the resources of public institutions alone."

Hon. Ban Ki-Moon,
President of the Assembly and Chair of the Council of GGGI

"GCF's role is paramount in accelerating climate finance in developing countries. The time is right for the private sector to be globally and financially responsible and support climate action."

Mr. Randall Chafetz,
MUFG Bank Managing Executive Officer

"The climate challenge is so large that all players in our economies, all areas of policy, and all countries in the world will have to deliver and push in the same direction."

Mr. Per Callesen,
Governor of Danmarks Nationalbank

QUOTES FROM VIDEO MESSAGES

"The GCF's higher risk appetite and flexibility to provide capital through a range of financial instruments has the potential to unlock private capital. Risk mitigating capital can propel new investors into new markets and pioneering business models where they may not have been prepared to otherwise go."

Ms. Shemara Wikramanayake,
CEO, Macquarie

"As a leader in the efforts to scale up climate finance, the Green Climate Fund has significantly helped the private sector embrace the challenge and opportunity of increasing climate-friendly investments and facilitating capital allocation in developing economies."

Ms. Mary Schapiro,
Vice Chair for Public Policy, Bloomberg

"GCF's leadership and staff have been instrumental to shift focus on the opportunities instead of the obstacles associated with the necessary transition to a low carbon world economy. The world community has taken bold action with the Paris Agreement and as institutional investors we must play our part."

Mr. Torben Möger Pedersen,
CEO, PensionDanmark

Recap of main discussions at GPIC 2019

DAY 1

A. REGIONS IN THE SPOTLIGHT: AFRICA

Climate change has significant implications for infrastructure in Africa. In a breakout session focusing on this region, panelists discussed the role of public institutions in catalyzing private sector investments, and shared their insights on how to overcome the risks and challenges they encounter. They acknowledged that the public sector needs to create an enabling regulatory framework that would attract the private sector. Another gap is the different level of understanding on key concepts such as bankability and risks between public and private sector actors. The upscaling of projects in developing countries and making them bankable necessitates that the GCF, through engaging in developing blended finance solutions, de-risks projects and forges trust. In addition, panelists also expanded the conversation to relevant topics including managing currency risk, where they noted a lack of local currency exposure in Africa, as well as leveraging niche initiatives for Least Developed Countries (LDCs).

B. REGIONS IN THE SPOTLIGHT: LATIN AMERICA & THE CARIBBEAN

Highly susceptible to severe climate change events such as hurricanes, earthquakes and other natural disasters, the Caribbean region lends itself well to a deep dive into adaptation activities and participation of private sector actors. One of the distinguished speakers is the Minister of Tourism of Jamaica. Citing data from his own country, the minister noted the need for institutional mechanisms to build capacity for small countries in this region to be able to track the disruptions and manage, recover, and thrive afterwards. Panelists explored the barriers to private sector climate actions, including a lack of understanding of the climate risks, and inadequate granularity in climate change data. GCF has been looking at adaptation seriously, and hopes to further engage with private sector actors in the Caribbean through readiness and project preparatory support programme.

C. REGIONS IN THE SPOTLIGHT: ASIA PACIFIC

A third breakout session zeroed in on the Asia Pacific region, which hosts more than half of the global population and is home to some of the world's most climate-exposed territories. Projected population growth and energy demand offer immense opportunities for resilient infrastructure and renewable energy investment in countries like China, India, or the Philippines. By combining the expertise of development finance institutions and multilateral financial institutions, the session offered interesting examples of renewable energy projects in countries including Indonesia and Vietnam. It also delved into the importance of a top-down strategy that stresses sustainability. In terms of GCF's role to foster private sector climate action in the region, panelists stressed the importance of employing more risk mitigation instruments such as equity and guarantees to unlock innovation and the potential for financing at scale. Furthermore, more prevalent GCF presence in the form of co-financing would be useful.

D. E-MOBILITY SOLUTIONS: INVESTMENT BARRIERS IN DEVELOPING COUNTRIES

One of the eight result areas of the GCF, low emission transport represents an important solution to mitigate climate change. Despite advancement of technology and burgeoning opportunities in low carbon transport, however, developing countries face a number of challenges in e-mobility, ranging from insufficient charging and grid infrastructure, to the high cost of electric vehicle and the lack of supportive and catalytic policy frameworks. This conference brought together experts from leading motor manufacturer, dedicated carbon finance and transport consulting firm and international financial institutions to explore business models and types of investment needed to boost e-mobility deployment. Specifically, speakers mentioned GCF's leverage of private finance for e-mobility, for example, providing concessional loans, performance guarantee or equity to de-risk investments, could send a strong signal to market actors.

E. CLIMATE RESILIENT INFRASTRUCTURE: DE-RISKING AND OVERCOMING MARKET BARRIERS

Climate resilient infrastructure protects communities when disasters strike. However, there are gaps that need to be filled to crowd in private sector finance across the project cycle. Conversation from this informative session reveals that while there is more than a surplus of finance available, it remains difficult to match it with existing infrastructure needs. This necessitates a strategic framework that can guide investments into mitigation and adaptation. Meanwhile, speakers also noted the need for an intervention programming approach that moves away from a project-based approach. GCF can finance economically viable investments below the profit margin or with more patient financing than classical market participants, and hence plays an important role in funding climate resilient infrastructure.

F. NATURE CAPITAL AT THE HEART OF CATALYTIC PRIVATE INVESTMENTS

Channeling financing into natural capital and mobilizing private capital at scale toward forest conservation is an important element of climate finance. At this year's conference, representatives from financial institutions, research institute, private corporation, and organization comparable to GCF shared their perspectives and experiences in private sector investments in natural systems. Audience had the chance to hear the Global Environment Facility's private sector strategy in mobilizing private capital for market transformation in the forest and land use sector. In the meantime, the conversation also led to an exploration of pathways to realize zero deforestation value chain in commodities.

G. FINANCING THE ENERGY TRANSITION: MOBILIZING INVESTMENTS AND FINANCING FOR CLEAN ENERGY

The fact that about two thirds of the emissions are energy based speaks to the importance of financing an energy transition. In a panel discussion focused on innovative business models and strategies to support clean energy deployment, leaders from development finance institutions, international organization and utility company shared how their organizations are tackling the challenges in rolling out energy innovations. These include AfDB's efforts in helping countries develop the regulator frameworks for mini-grids, EBRD's programmatic and systemic approach to financing energy projects, as well as the World Bank's support to partner countries for them to attract private sector investments to fast track SDGs. The speakers also applauded GCF's engagement through one of the projects in Chile, where its financing mitigated risks and mobilized energy investors.

DAY 2

A. THE VOICE OF INSTITUTIONAL INVESTORS: HOW TO SHIFT THE TRILLIONS

It was noted that over $210 trillion dollars is held by institutional investors who could contribute towards climate finance, including sovereign wealth funds, pension funds, asset managers and insurance companies There is an increase in commitments made by the insurance industry towards climate change. Investments by institutional investors in infrastructure is weak due to financial risks and regulatory barriers. Regulatory streamlining; development of de-risking and risk sharing mechanisms can contribute towards addressing these barriers. Climate change is creating trends like changes in increased affluence, eco-concern and ecosystems. These will influence investment strategies by institutional investors, who are now aware of the new business opportunities present in climate change solutions. Potential low carbon sector investments being considered by some institutional investors include renewable energy and electric mobility. However, integration of smart data into business solutions is important to enable the movement of trillions of dollars held by institutional investors into low carbon sector. De-risked investments are more attractive for investors. Loans from banks and government support will be critical in providing validation and assurance to investors about risks.

B. PRIVATE EQUITY LEADERS: BUILDING PRIVATE MARKETS FOR CLIMATE

One of the key messages sent by private equity leaders during the Conference is despite ample opportunities, high perceived risks are driving private market players away from climate-friendly investments. As the flagship to achieve the goals of Paris Agreement, the GCF can play an important role in addressing this challenge, by not only building knowledge for private equity players to understand how to tackle the risks, but also supporting early stage innovations. Once the first project becomes bankable, the base of assets will be widened, and replicability and bundling can then be achieved. This insightful discussion made it clear that the GCF is uniquely positioned to de-risk investments to encourage private equity funds to step in.

C. BEYOND THE DEVELOPMENT MANDATE: THE ROLE OF DFIS IN UNLOCKING PRIVATE CAPITAL FOR CLIMATE

Development finance institutions are crucial actors in driving green investments and creating new markets for climate. At this year's conference, leaders agreed that engagement between DFIs and climate finance institutions are needed to scale investments, and a roadmap with a common goal is an essential element. It was also demonstrated that the use of blended finance helps de-risk scalable projects. All these interventions, along with capacity building at the local level and within institutions and knowledge sharing initiatives, will contribute to the unlocking of capital markets.

D. THE INTERSECTION OF CLIMATE FINANCE AND INSURANCE: FINANCIAL INNOVATIONS IN EMERGING MARKETS

The potential of insurance in building climate resilience cannot be overstated. In a panel session, executives from some of the largest insurers, reinsurers and underwriters discussed the role of insurance in complementing the value chain for climate projects. They shed light through the lens of sovereign and macro risk that is beyond the disaster risk reduction perspective. When disentangling the challenges that is currently limiting further utilization of insurance-based mechanisms, including the lack of understanding in and engagement with insurance companies, as well as the incomplete supply chain within the industry itself, leaders pointed out that GCF support in turning innovative insurance products into solutions is important. GCF as a catalyst, is also well-positioned help create the supply chain of insurers willing to take the risk.

E. THE UNDISCOVERED GOLD MINE: EARLY STAGE CLIMATE INNOVATIONS AND TECHNOLOGIES

This session reflected on the key challenges, risks and opportunities in addressing the market barriers for investing in climate innovations and technology solutions in developing countries. Panel members noted that investments into early-stage projects and companies are lower than for growth stage innovation projects due to the higher levels of uncertainty and risk associated with these investments. They noted that without the removal of market barriers and the development of innovative approaches to the acceleration of climate technologies, the most at-risk communities will face significant challenges, and much more in creating local solutions for local problems.

Panellists also stressed on the importance of patents in climate innovations and how short-term incentives cloud decision-making that can generate better environments. They also highlighted the importance of technological and business innovation in climate resilient business models, the how is the crucial role that technical assistance plays in developing climate innovations.

They also highlighted that private sector investments into innovation start-ups had proven that it was possible to have market rate returns on investments as well as impact. GCF was identified as an enabler of innovation, where GCF can act as a catalytic investor for innovations that need risk capital to crowd-in other investors. GCF can also work with countries to generate an enabling policy environment for innovations.

F. CLIMATE BONDS FOR EMERGING AND DEVELOPING COUNTRIES: MOBILIZING DEBT CAPITAL MARKETS FOR CARBON TRANSITION

The growth of climate bonds markets in emerging and developing countries also reveals challenges, including the lack of regional markets, barriers for local markets to accrue the benefits of green bonds and the distrust of investors in bond proceeds. To disentangle green bonds and inspire solutions to bridge the gap, speakers shared their perspectives in issuing bonds, and discussed potential approaches, such as considering the full capital structure and suitable investors, or making sure that an adequate credit enhancement is in place. Specifically, it was encouraged that the GCF could be instrumental in working with governments and commercial banks to ensure on the one hand, steps are taken to develop green markets, and on the other hand, catalyze investments into projects.

G. MAKING THE CASE FOR GREEN BANKS: PURPOSE-DRIVEN INSTITUTIONS TO LEVERAGE PRIVATE SECTOR

Panel members noted that there were over 36 green banks globally, which are providing an institutional model for harnessing domestic savings and investing them into green markets. Green banks are valuable to the private sector because they: can be entirely aligned with national priorities; have flexible capital and can move into emerging markets; bridge the gap between the need and the level of ambition needed to meet government targets for low carbon development; and can attract investors into green markets. Specific examples of green banks were shared detailing how they operate in different countries to promote low carbon development. Their structural flexibility makes it easier for green banks to fit into existing financial structures within their host countries and respond to market gaps on a fit for purpose basis. Discussions also touched on how GCF has supported a number of green bank initiatives like the DBSA Climate Finance Facility, in which DBSA will create a climate finance unit within its existing structure, and the Mongolia Green Finance Corporation, a potential new standalone green institution. However, establishing a green banks requires an understanding of the local market and possibly educating clients on the advantages of green investments.

Sideline events

a. **MOU Signing:** During the conference, GCF also signed a Memorandum of Understanding with the fund management company Copenhagen Infrastructure Partners (CIP) to enhance private sector-led climate finance. The agreement is designed to increase collaboration between GCF and CIP to promote co-investment opportunities, with a focus on renewable energy, and to de-risk investments in climate projects in developing countries. CIP focuses on investing in renewable energy infrastructure assets targeting fast-growing major new economies primarily in Asia, Latin America and Eastern Europe.

b. **Partnership Meetings:** GCF Executive Director Yannick Glemarec and the GCF's Private Sector Facility Director Ayaan Adam held two roundtable sessions with representatives of sovereign wealth funds, pension funds, asset managers and global banks holding more than USD 8 trillion in total assets.

The first roundtable, "Private Sector Leadership for Climate Action," identified ways in which GCF can work with major financial players to support the Climate Finance Leadership Initiative led by Michael Bloomberg, the UN Special Envoy for Climate Action. In sum, the participants discussed the barriers hindering private sector-led climate finance and the deployment of innovative business models

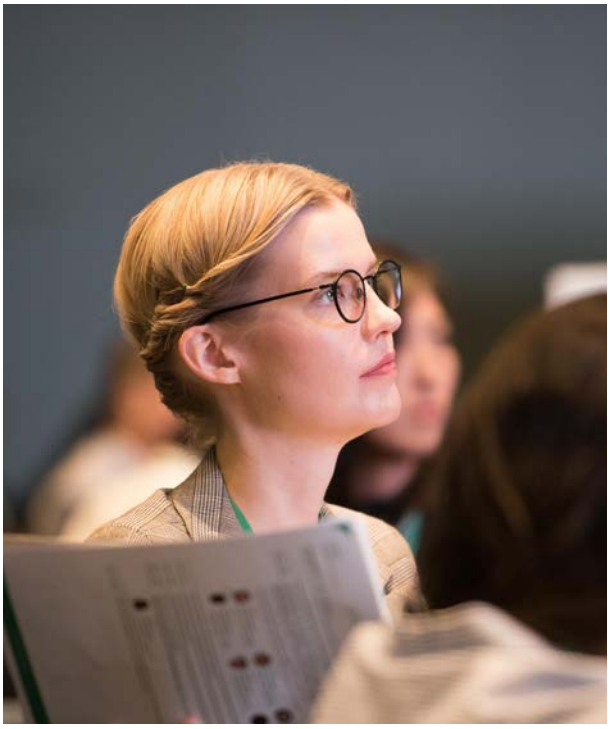
The second roundtable, "Mobilising Institutional Investors for Climate Action," progressed earlier discussions led by GCF and the Qatar Investment Authority (QIA) during last month's UN Climate Action Summit in New York to encourage institutional investors to fund climate initiatives.

The roundtable discussions concluded that there is strong demand for GCF co-investment solutions and catalytic capital to de-risk climate investments and unlock private capital at scale. There was also broad agreement about the urgent need for investment readiness to accelerate the origination of bankable climate projects in developing countries.

c. **Workshops and Roundtables:** On the last day of the conference, participants engaged with GCF and partners through a number of roundtables focusing on climate risk insurance, and natural capital respectively:

- The insurance roundtable explored ways GCF, AEs and the private sector can collaborate in designing innovative projects and programs leveraging risk and insurance instruments, capital and knowledge partnerships. Having considered the current typologies of climate insurance projects supported by GCF and climate actors, participants found a wide space for innovation in the use of insurance for mitigation and adaptation action across key GCF sectors and results areas. GCF committed to work with NDAs, DAEs and AEs to help foster and align regional and global initiatives, and support scalable and replicable insurance programs. Participants concluded that forecast-based financing is a promising area for ex-ante-risk financing that GCF can support.
- Private sector representatives acknowledged the role forests play for delivering efficient alternatives to mitigate climate change and recognized that more than a financial constraint sector, forest and land is somehow perceived as a pipeline constraint sector. GCF is willing to work with private sector partners in pipeline development at jurisdictional and biome levels bringing impact at scale.

Looking forward: GCF 2019 and beyond



Following a very successful replenishment with newly secured pledges of USD 9.77 billion, the GCF stands ready to step up its efforts in supporting private sector climate action in developing countries. We know that 2020 is an important year in taking stock of progress towards meeting the objectives of the Paris Agreement and raising ambition. The latest climate science has also reiterated that transformational climate action that radically reduces CO2 emissions and catalyses financing for adaptation is needed urgently within the next 10–15 years to meet the goals of the Paris Agreement. Building on a solid institutional capacity and a wealth of knowledge and experience gathered during the Fund's initial resource mobilization period, GCF is determined to channel its support towards:

1. **Driving transformational national planning** and programming processes in alignment with countries' NDCs by putting climate information at the core of decision-making;
2. **Catalysing climate innovation** by financing projects which demonstrate new technologies, business practices and instruments;
3. **Mobilizing financing at scale** for climate action by using its unique risk appetite and financial instruments to shift finance flows in line with low-emission climate-resilient development pathways; and
4. **Improving global knowledge** of transformational climate action

On behalf of the Conference Committee of the GCF 2019 Private Investment for Climate Conference, we would like to express our sincere appreciation for your attendance and valuable contribution to the success of the conference this year. Partnerships are key to enhancing climate action, and GPIC is a very important marketplace to discuss common grounds on how to pursue innovative partnerships to scale-up, de-risk and demonstrate the financial sustainability of climate investments. We look forward to seeing you again next year.


#GPIC2019


Sergio Pombo | Head Pr

Conference highlights video:
g.cf/2QnBvP8

GCF: Driving the transformation to a climate-resilient financial system:
g.cf/2pooGck

PSF brochure:
g.cf/2Qrw69A

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