Scaling up climate finance: priorities ahead

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3rd Annual Meeting of San Giorgio Group (BFC), Venice, 3-4 October 2013

Bank of America Merrill Lynch

Reflections

- Low-emission, climate resilient investments face policy, risk, cost, and liquidity impediments

- Different approaches required given diverse nature of gaps and investor preferences

- Importance of illustration via closed transactions

- What's the role of UNFCCC in all of this?

- Where is Alessandro Pirlo?

Taxonomy of blended finance approaches

- *directly fund* the outcome of an investment by increasing the return on equity or debt
- *reduce risk in the financing cycle* by increasing the likelihood of a project reaching financial close and/or decreasing the cost of capital
- *provide seed capital* for low-carbon business having strong social impacts on top of the underlying emission mitigation

Menu of potential new approaches

Category→ Sector	*Increasing Returns*	*Reducing Risks*	*Providing Seed Capital*
Large-scale clean energy	1. Bankable Power Purchase-Like Agreement for Energy Efficiency	2. Policy Insurance for Renewable Feed-in Tariff 3. Credit Enhancement of Project Debt 4. Clean Energy Loan Guarantee 5. Mono-Line Insurance for First Loss	
Energy access	6. Emission Reducing Under-writing Mechanism to Purchase CERs from LDCs	7. Public-private fund to absorb potential first loss from high-risk investments in LDCs	8. Revolving fund for low-carbon social enterprise focusing on energy access 9. Pooled fund for small-scale VC to promote low-carbon social enterprises in LDCs
Bio-carbon	10. Advanced Market Commitment for REDD+		

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