Scaling private finance to achieve Paris climate goals

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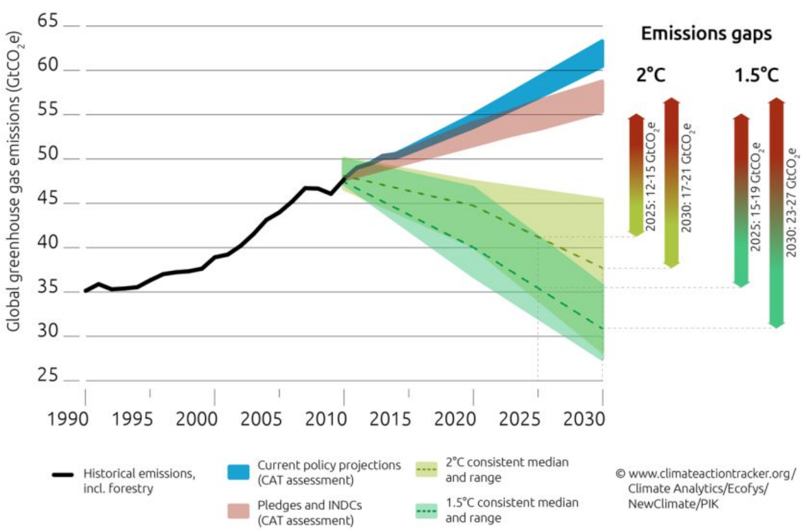
Key challenges of the 21st century

Climate Change
→Meeting the Paris Agreement goals for Mitigation & Adaptation

Sustainable Development
→ Meeting Sustainable Development Goals

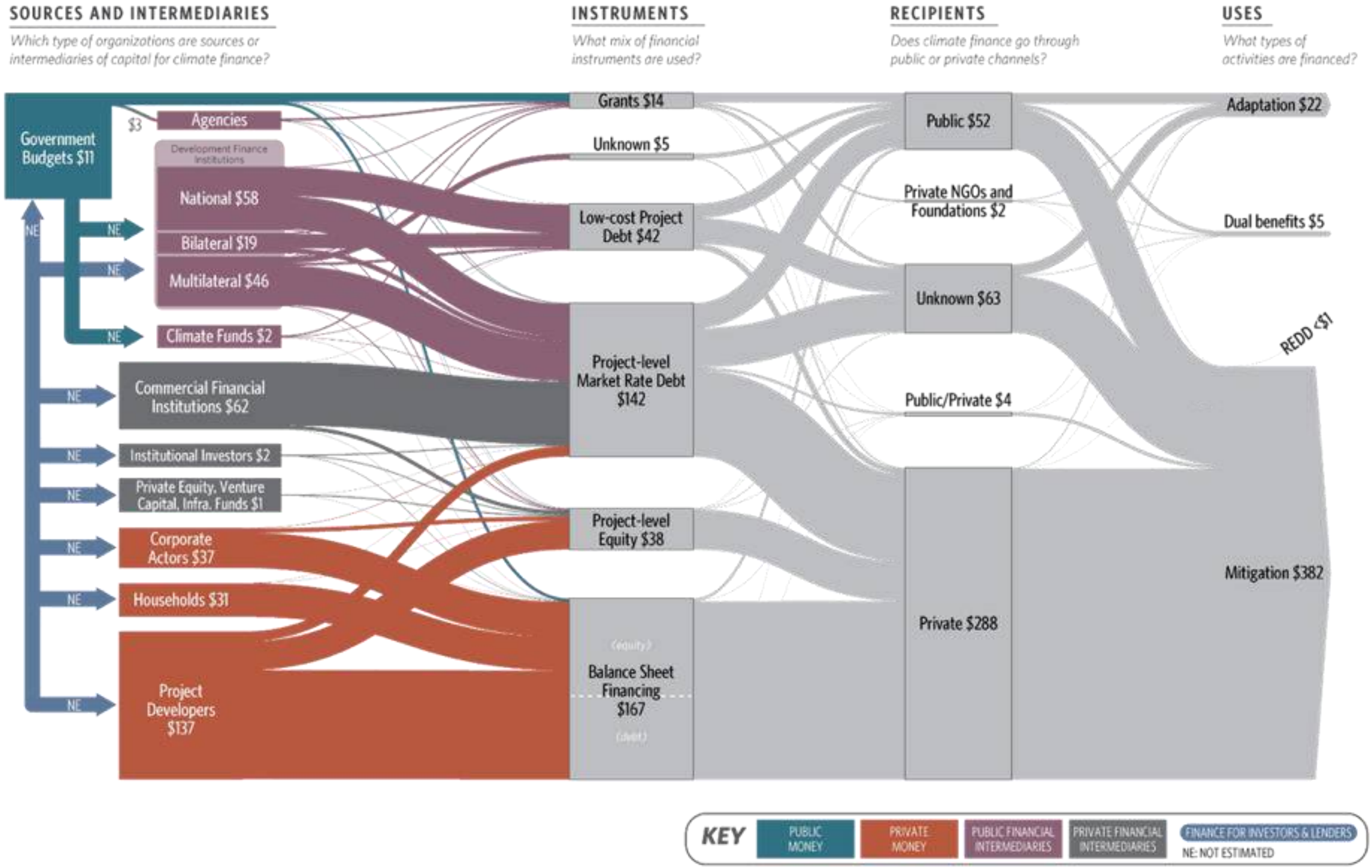


Global Landscape of Climate Finance

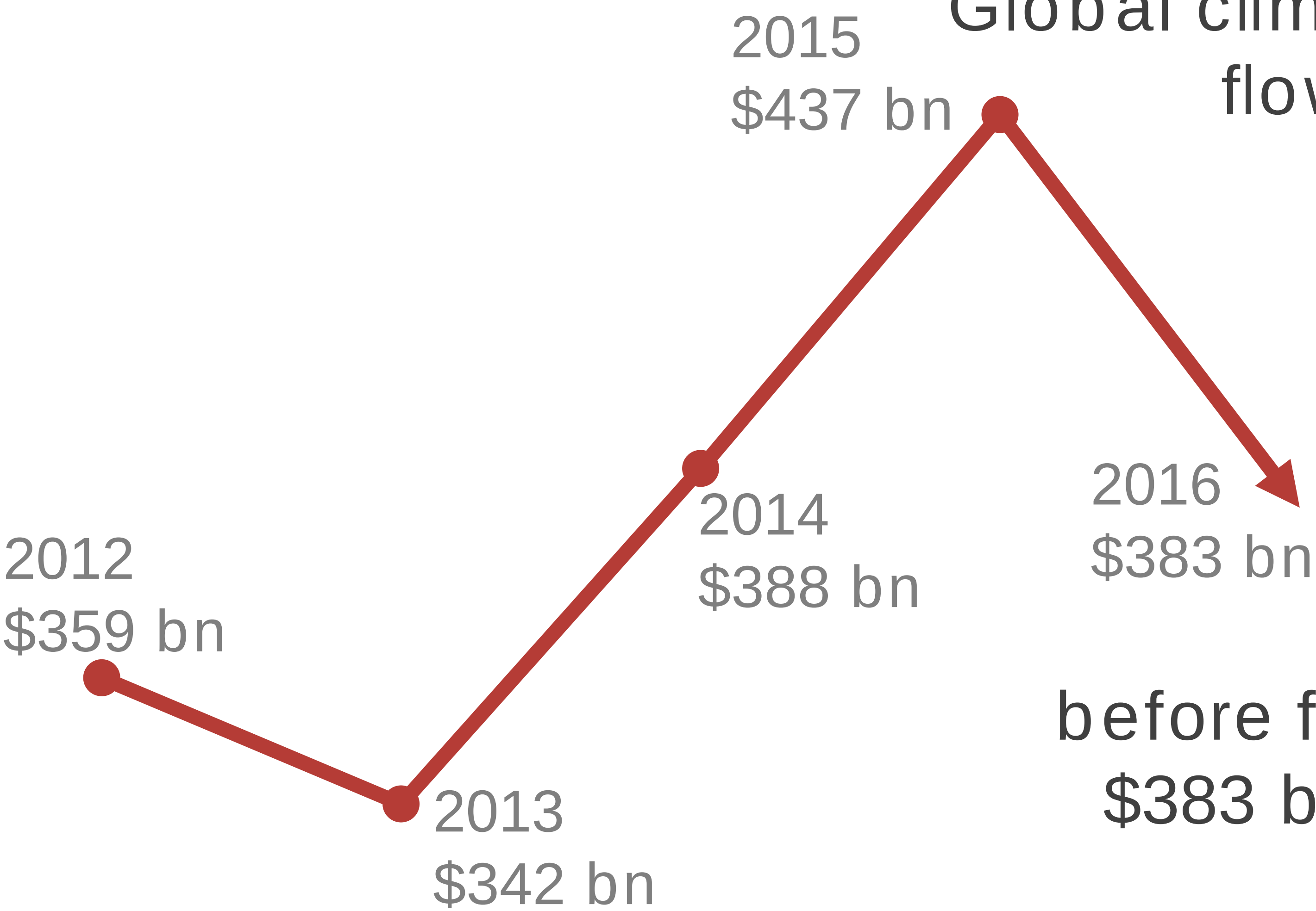
LANDSCAPE OF CLIMATE FINANCE IN 2015/2016

Global climate finance flows along their life cycle in 2015 and 2016. Values are average of two years' data, in USD billions.

410 BN USD ANNUAL AVERAGE



Where do we stand?

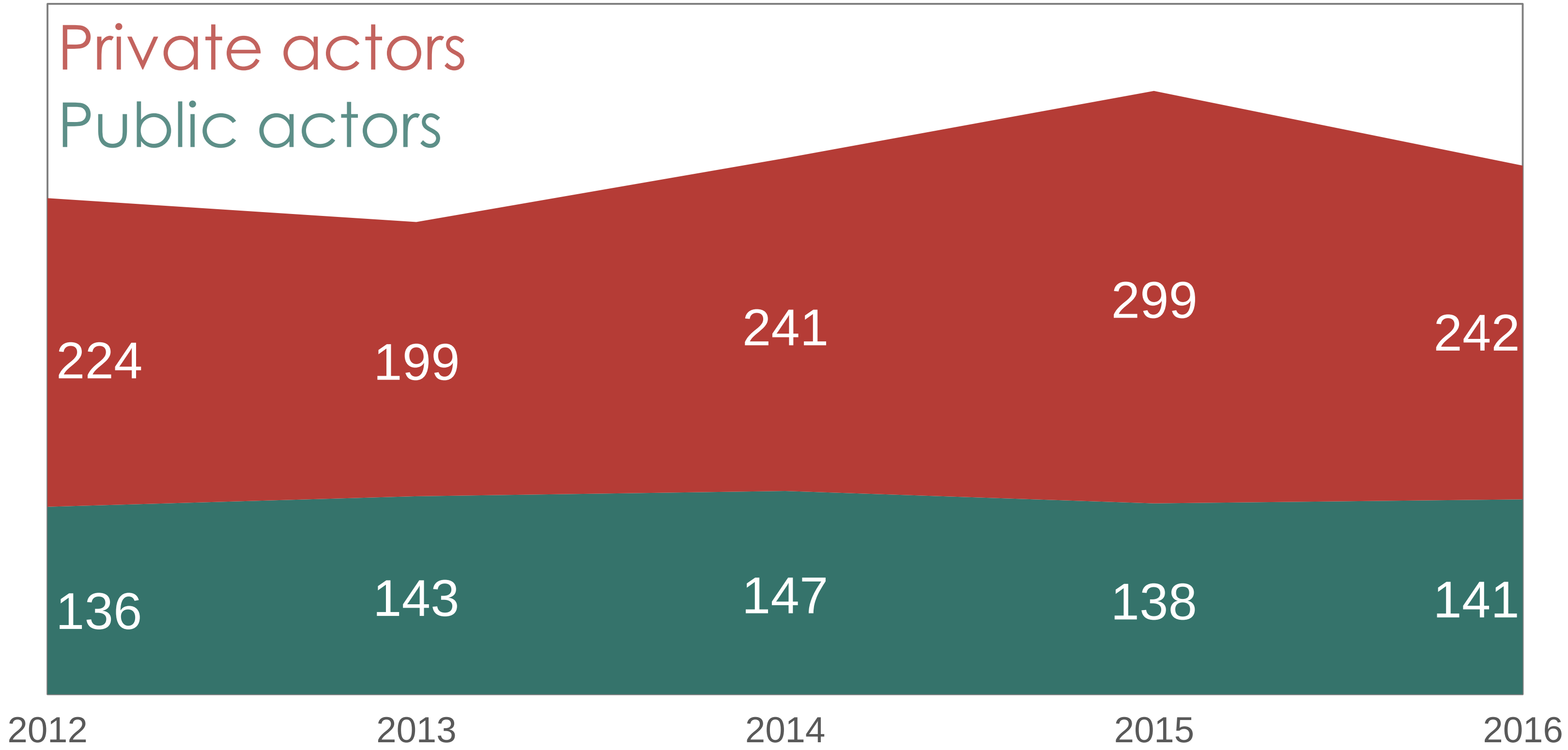


Global climate finance flows surged to

$437 billion

in 2015, before falling 12% to $383 billion in 2016.

The private sector is doing more than ever, while the overall share of public investment remains steady



Was there a Paris effect?

Are we on track?

Renewable energy is a bright spot...

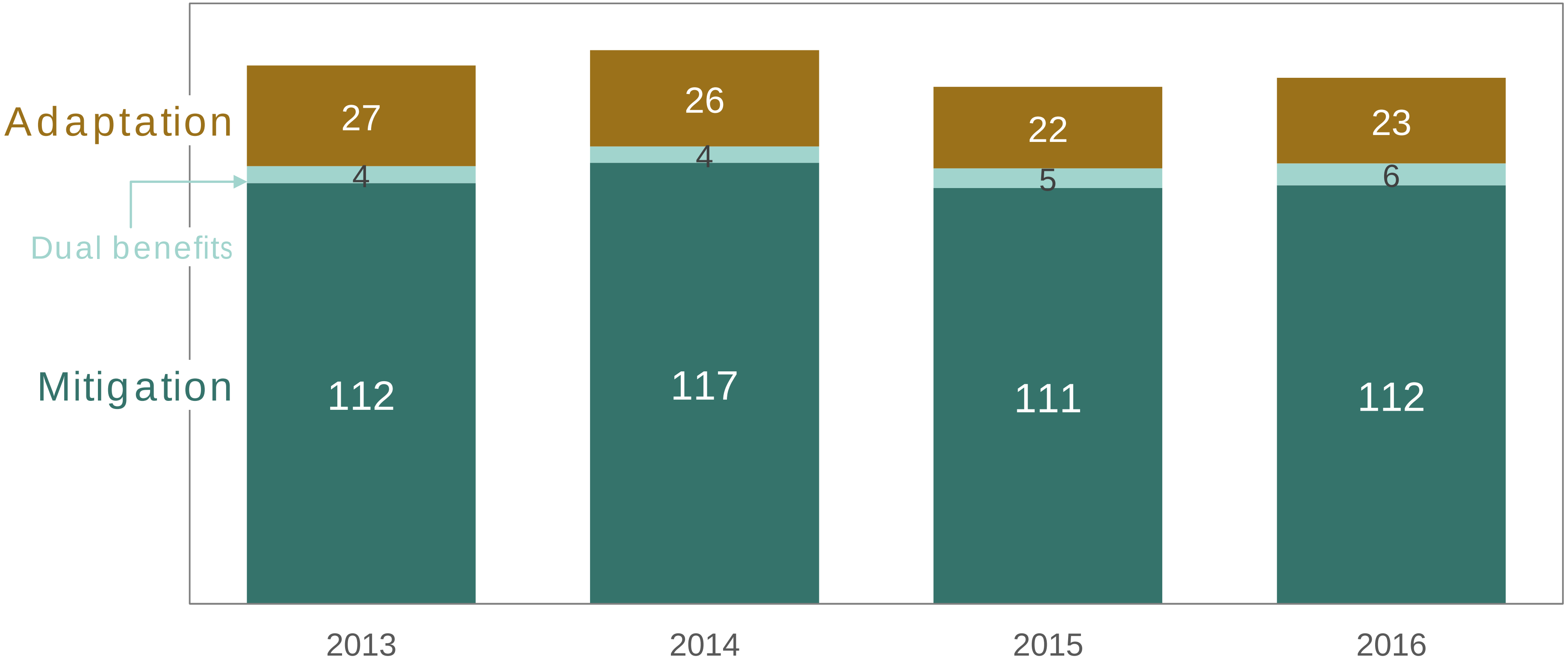
...**b**ut other areas are behind.

$1 trillion/year through 2050 needed (just for energy)

Underfunded sectors:
Industrial energy efficiency
Transport
Agriculture
Water
Buildings
Curbing deforestation
Adaptation

And, fossil fuel investment still dwarfs climate-related investment.

Public funding for adaptation projects remains a challenge.



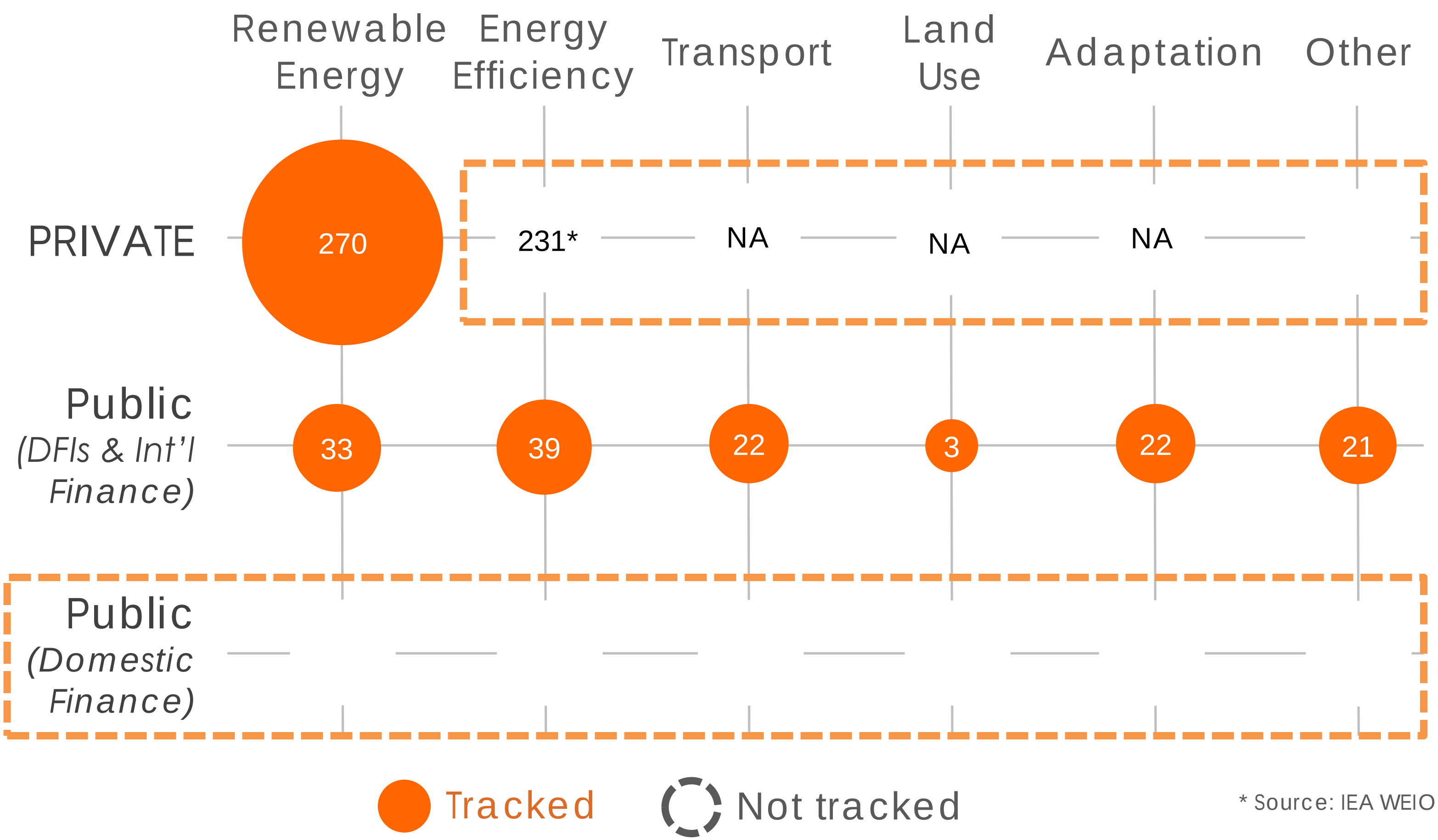
Is this enough?

$300bn

hurricane damage in the US in 2017 alone

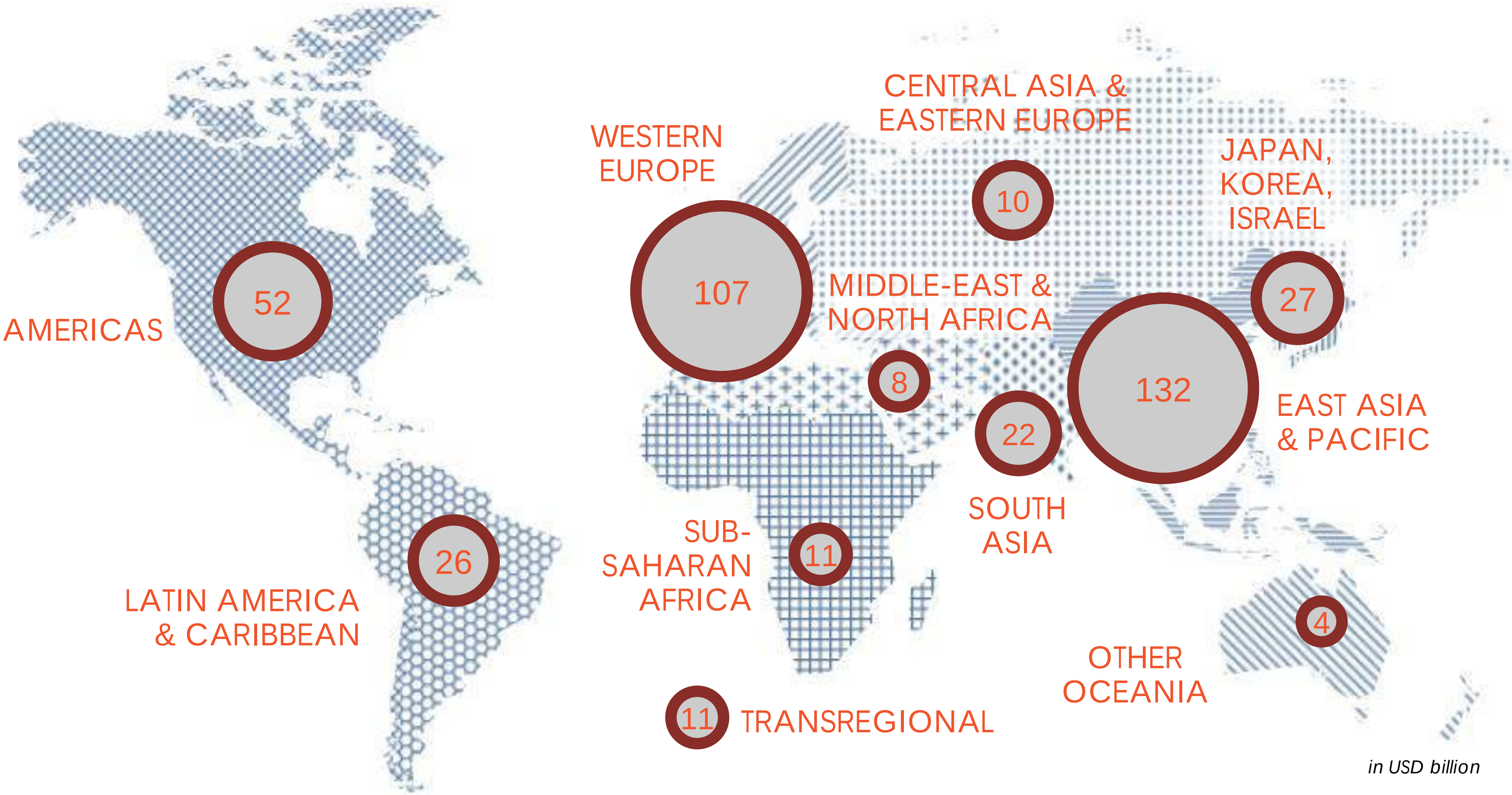
Image from Daily Express

Adaptation tracking is a piece of the challenge



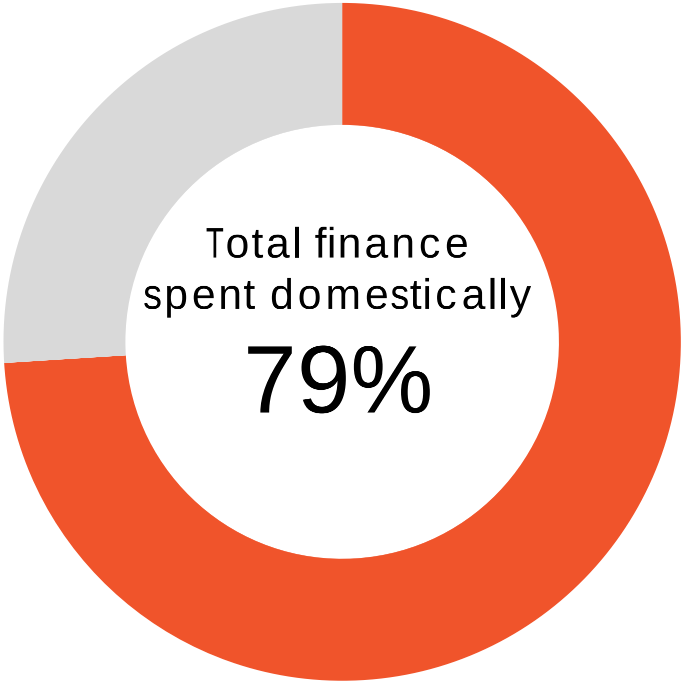
* Source: IEA WEIO 2017

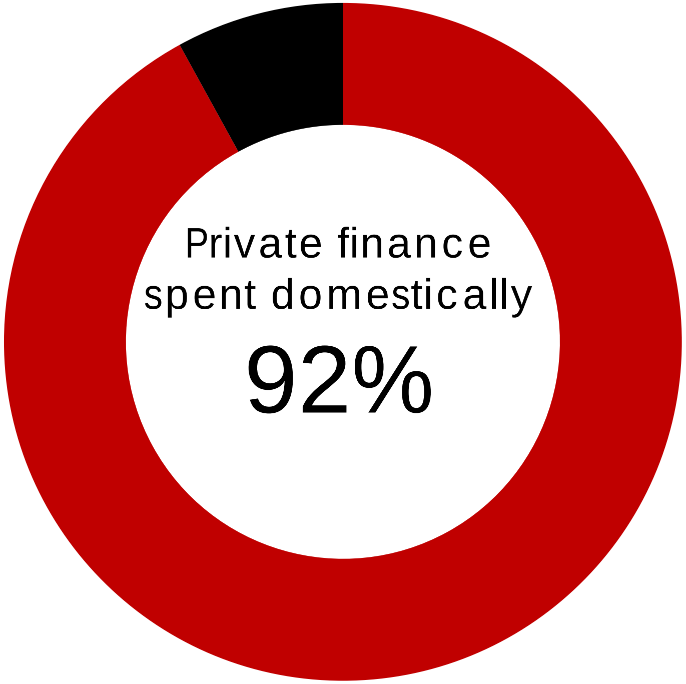
South Asia, and East Asia and Pacific see the largest increase in climate finance



The majority of finance was raised and spent in the same country

Because domestic investment dominates, it is vital to get national policies right





*Over 2015/2016

How to scale up?

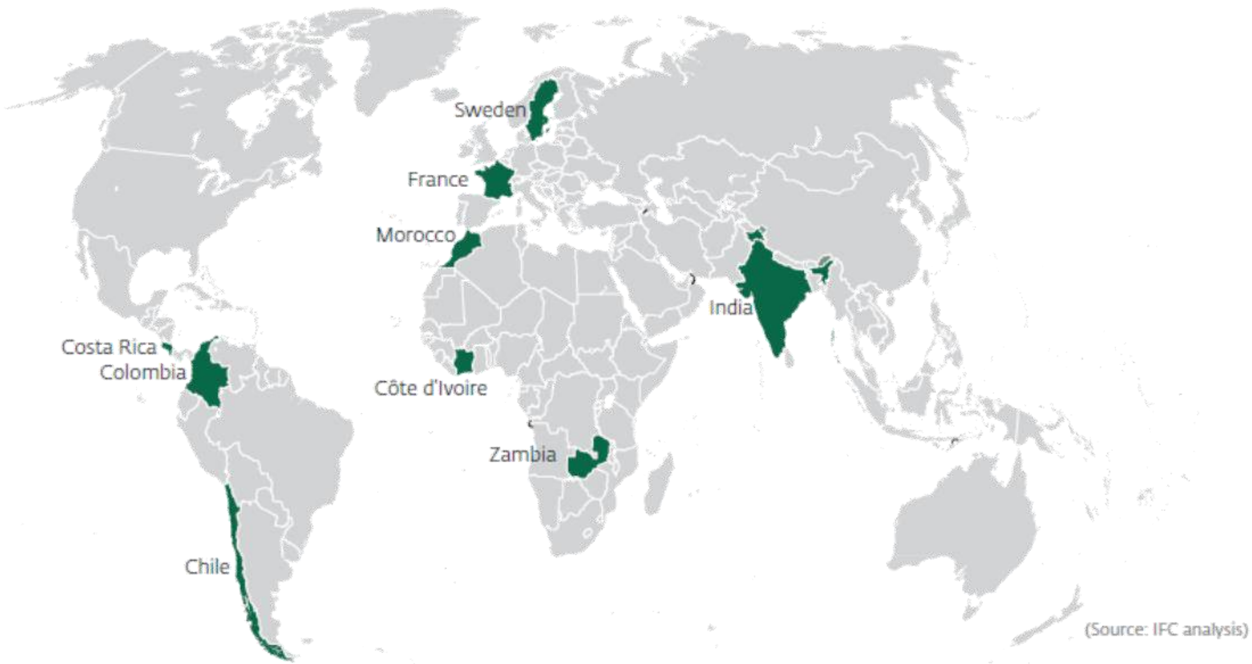
Several barriers affect investors' incentives and ability to invest in climate action

Policy gaps	Knowledge gaps	Risk, viability & funding gaps
▪ Inadequate regulatory frameworks	▪ Investment opportunities ▪ Pricing of climate risks	▪ Inadequate access to finance ▪ Return uncertainty ▪ Perceived risks

Barriers vary by type of private actor, region, sector, technology, & level of climate exposure

IFC Report: Creating Markets for Climate Business

Countries are already creating markets for climate business



(Source: IFC analysis)

COSTA RICA

Supportive policies for EVs and renewables will help Costa Rica become **carbon neutral by 2021**

COLOMBIA

Colombia's **10-year National Climate Policy** prioritizes sectors for investment; the **Sostenible Fund** will raise capital

CHILE

Chile's new **National Climate Action Plan** will accelerate private investment in renewable energy

SWEDEN

Sweden recently raised ambition to be **climate neutral by 2045**

FRANCE

Plan Climat raises France's climate ambition with strong targets for EV, renewables and carbon pricing

MOROCCO

Already a clean energy leader, Morocco is using **public-private initiatives** to achieve its NDC

CÔTE D'IVOIRE

Cote d'Ivoire aims to generate **42 percent of power from renewables** by working with IFC to attract private investment

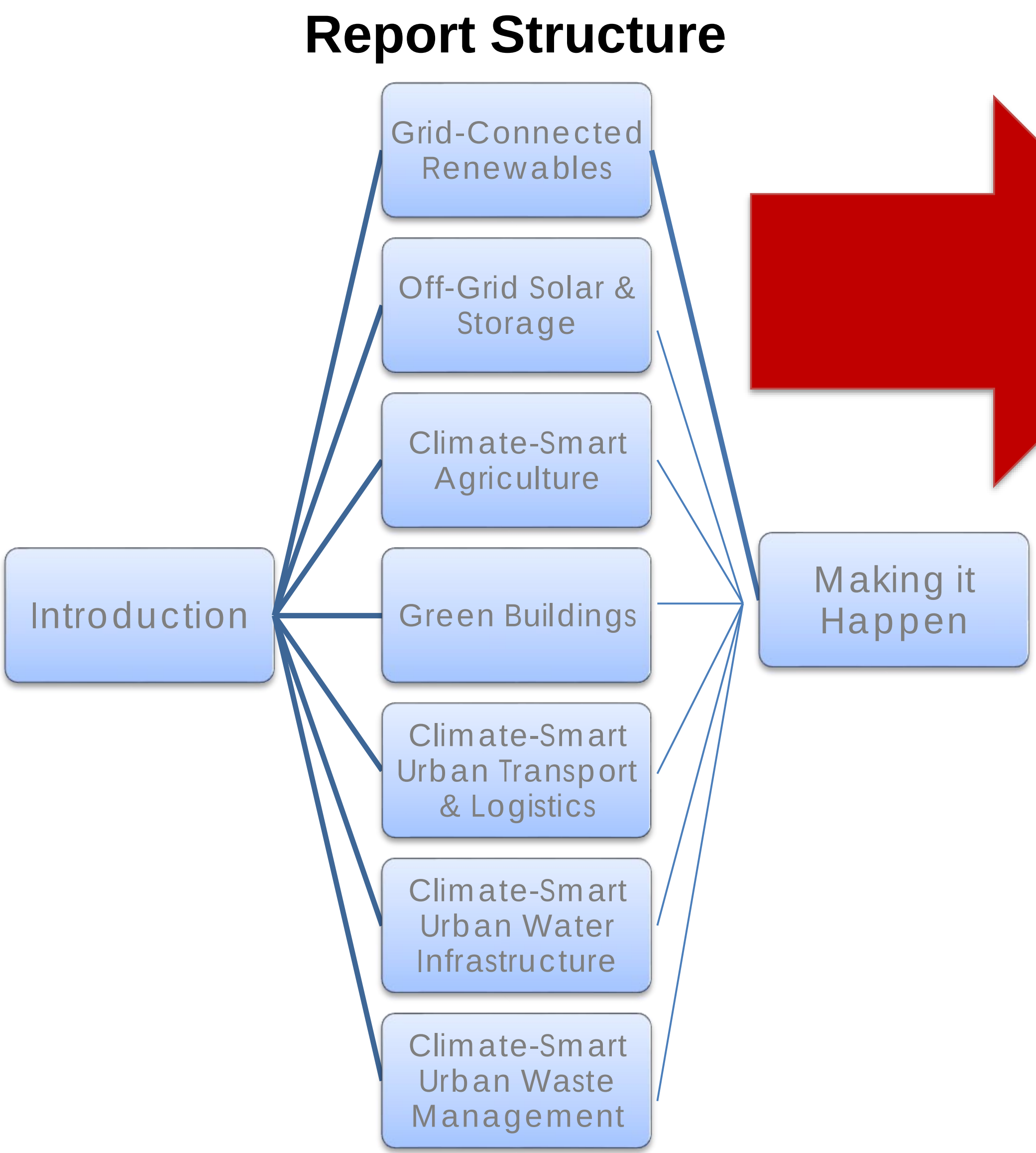
ZAMBIA

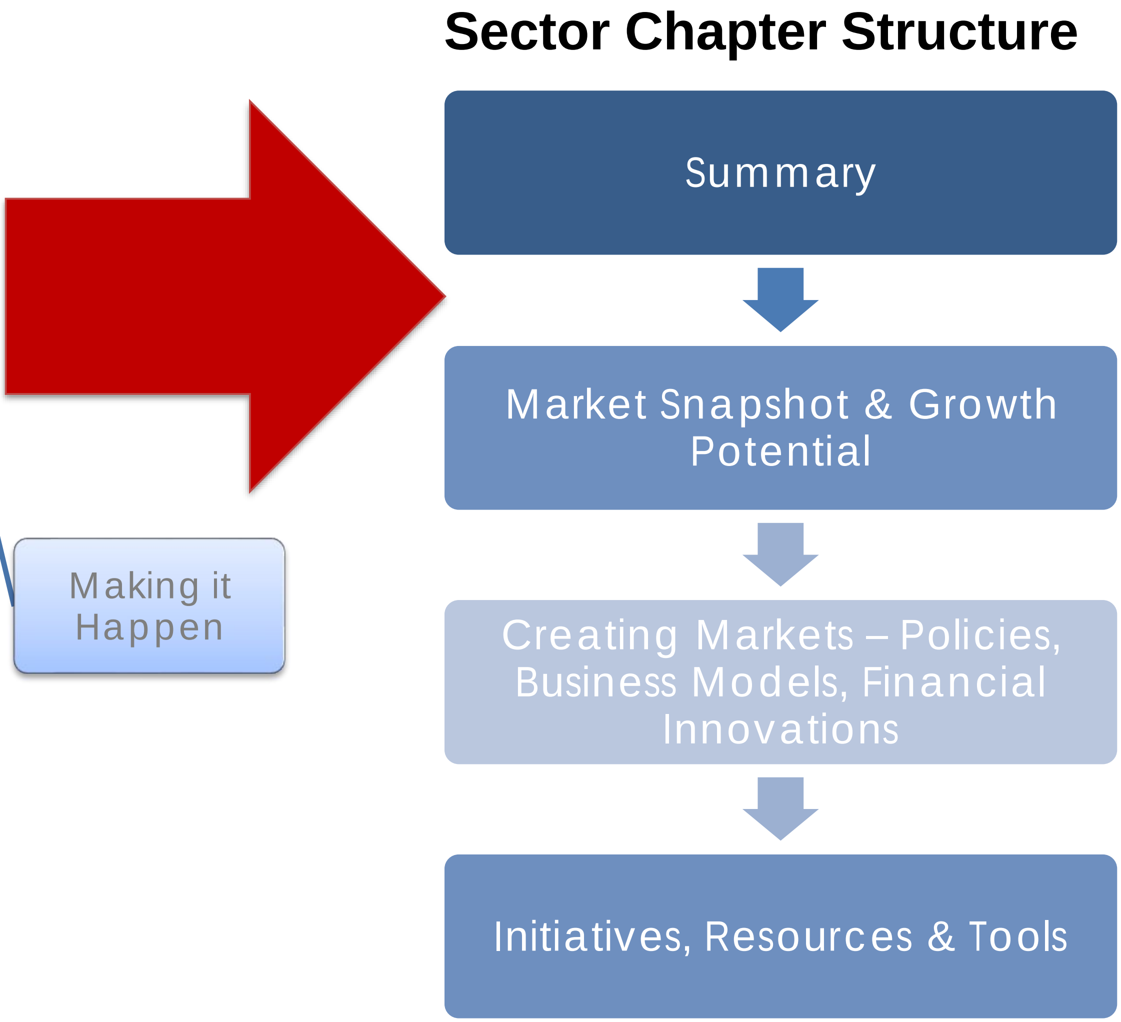
Scaling Solar is helping Zambia to attract low-cost solar investment and deliver energy access

INDIA

India is already on track to **exceed its NDC targets for solar and wind energy** due to strong policies and incentives

Overview: Creating Markets for Climate Business





Financial Solutions for Renewable Energy

Grid-Tied Renewables

Yieldcos

- A publicly traded company focused on dividend growth, created by a parent or standalone energy company.
- Owns and operates renewable assets, promising contracted predictable cash flows while maintaining tax advantage.
- Allows parent companies to finance large-scale projects while ensuring access to lower capital costs.

Securitizing Assets

- Promises lower capital costs
- Solar asset-backed securities are emerging as a credible debt financing instrument in the U.S. residential solar market.
- IFC is helping to demonstrate the viability for rooftop solar in India

Project Financing

- Central to the future health, direction, and momentum of the energy storage industry.
- Signaling technology maturity and growth.
- e.g: SUSI Partners, a Swiss investment manager, recently closed the first round of its Energy Storage Fund with a pool of €66 million. Another €14 million is already committed.

Financial Solutions for Climate-Smart Agriculture

Climate-Smart Agriculture

Climate Finance Innovation

- Experimenting with blended finance, innovative risk management tools, first loss and partial risk guarantees, new investment vehicles that meet the risk-return profile of different investors, and bonds.

THE GLOBAL WAREHOUSE FINANCE PROGRAM

- In 2017, IFC, together with the Global Agriculture and Food Security Program, invested $5 million in risk- sharing facilities with partner banks in Rwanda and Tanzania to finance farmer cooperatives.
- Enables farmers to buy higher-quality agricultural inputs, produce food crops, and provide working capital for the aggregation and storage of harvested crops.
- WFP arranges input supplies and crop insurance.
- IFC will be helping farmers access markets through the o take contracts from the WFP and other platform partners.
- Project aims to benefit more than 65,000 local smallholder farmer to increase productivity through CSA practices

Index-Based Insurance Programs

- Uses an independently developed index, typically weather-related for agricultural application, to predetermine payouts for clearly defined hazards.
- Domestic policy is often needed to facilitate

THE GLOBAL INDEX INSURANCE FACILITY

- Dedicated WBG's program that facilitates access to finance for smallholder farmers, micro-entrepreneurs, and micro finance institutions by providing catastrophic risk transfer solutions and index-based insurance in developing countries.
- It has facilitated more than 1.5 million contracts, with $151 million in sums insured, covering about 6 million people, primarily in Sub-Saharan Africa, Asia, and Latin America and the Caribbean.

Financial Solutions for Green Buildings

Green Buildings

Outreach Initiatives

- The Investor Confidence Project, developed by the Environmental Defense Fund is helping to accelerate the development of a global market by standardizing the way in which energy-efficiency projects and energy savings are calculated and measured.
- Standardization is expected to increase deal ow and reduce transaction costs.

Green Bond Markets

- Maturing and emerging as a potential source of financing in the real estate market.
- Building rating systems such as LEAD and IFC's EDGE could be used to assess the eligibility of green projects.
- As part of its Eco-Cities Program for India, IFC invested nearly $76 million in green bonds issued by Punjab National Bank.

Green Mortgage Securities

- As green debt market matures, green mortgage securities are emerging.
- In 2016, Obvion, a subsidiary of Rabobank, issued the first green residential MBS, backed by residential loans on new and retrofitted energy-efficient houses.

Other Financial Innovations

- Other instruments include home improv-ement loan instruments like the energy-efficient mortgage or green mortgages, green rewards, green building insurance, and a green building certification pricing break.

Green Refurbishment and Affordable Housing

- The Low Carbon Workplace Fund - partnership between the Carbon Trust, fund manager Columbia Thread needle Investments and property developer Stanhope - finances the refurbishment of existing buildings
- IFC client International Housing Solutions has successfully blended catalytic and commercial capital to build demand for low-cost green homes in South Africa.

Unlocking innovation: The Lab

Since its launch in 2014, Lab instruments have mobilized $978 million for adaptation and mitigation projects around the world

The Lab

Driving Sustainable Investment

India Innovation Lab for Green Finance

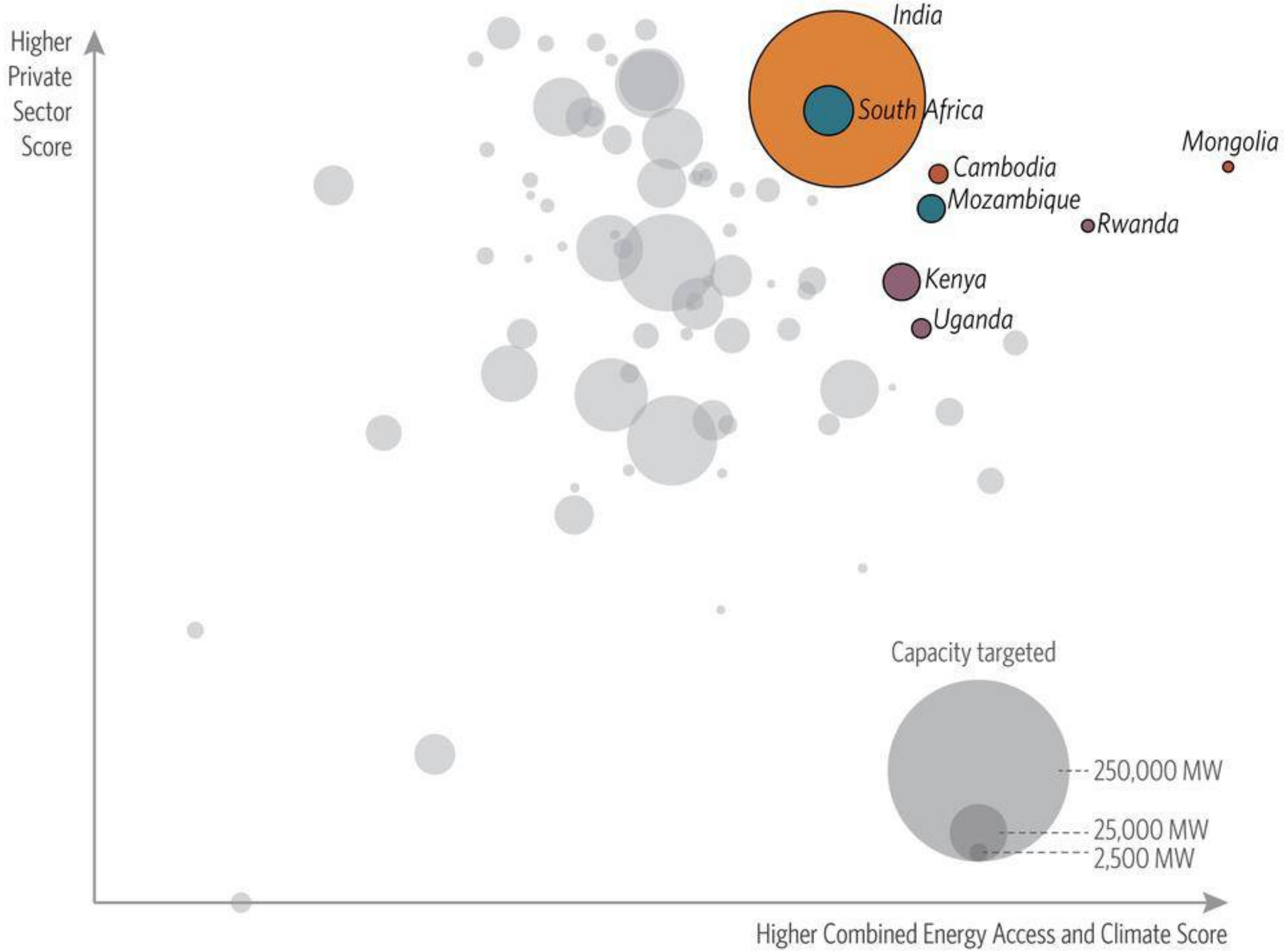
Brasil Innovation Lab for Climate Finance

Global Innovation Lab for Climate Finance

Fire Awards for Sustainable Investment

Founded in 2014, the Lab identifies, develops, and launches sustainable finance instruments that can drive billions to a low-carbon economy.

Blended finance: USD 369bn investment opportunity in clean energy within developing economies



What next?

Four promising investment and policy trends signal a better outlook in climate finance

1 The Paris agreement means the majority of nations are working to implement NDC plans, many of which also include investment pathways.

A number of initiatives engage broader capital markets, the financial system, and large corporations to align with low-carbon and climate-resilient development. 2

3 Efforts to green existing public financial flows are beginning to take root (though more work remains).

New and innovative investment vehicles are on the rise and many of these target institutional investors that manage mostly untapped but significant portion of global capital. 4

Questions?