

LoCaL

Low Carbon City Lab

Unlocking the climate action potential of cities



A Climate-KIC Flagship Program

Climate Finance for Territories

Paris, 1 October 2015

Patrick Bürgi – Founding Partner South Pole Group



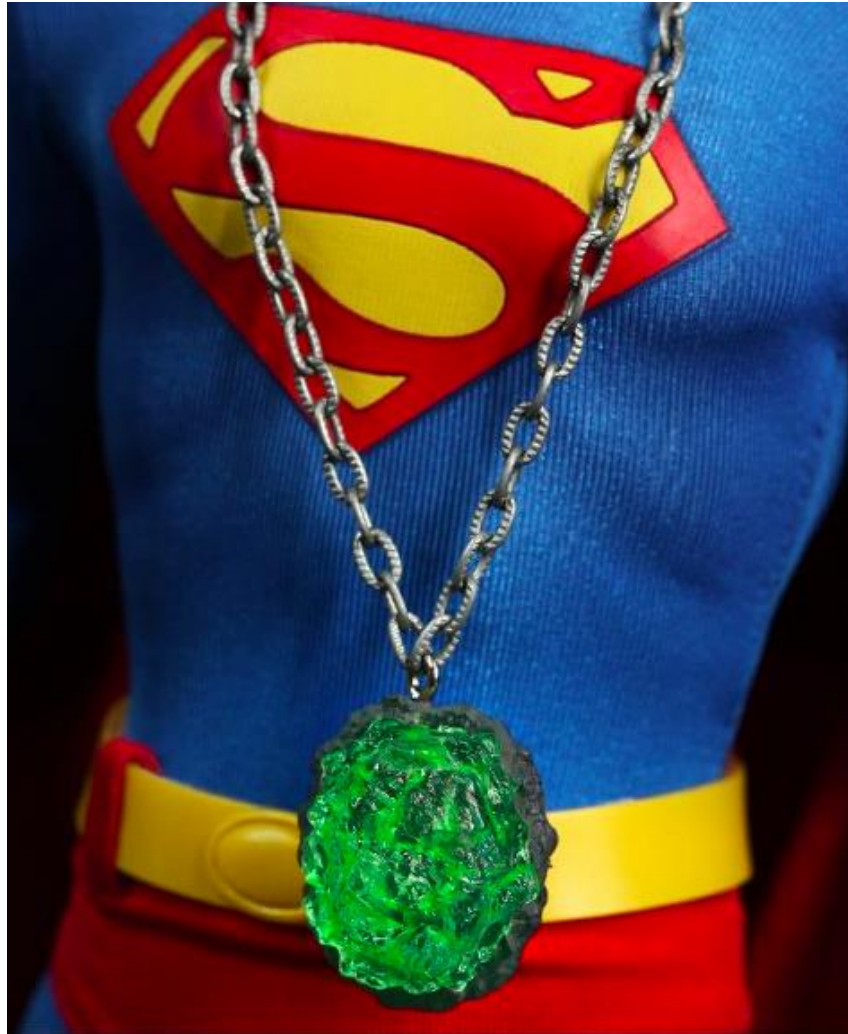
Agenda

Introduction to LoCaL

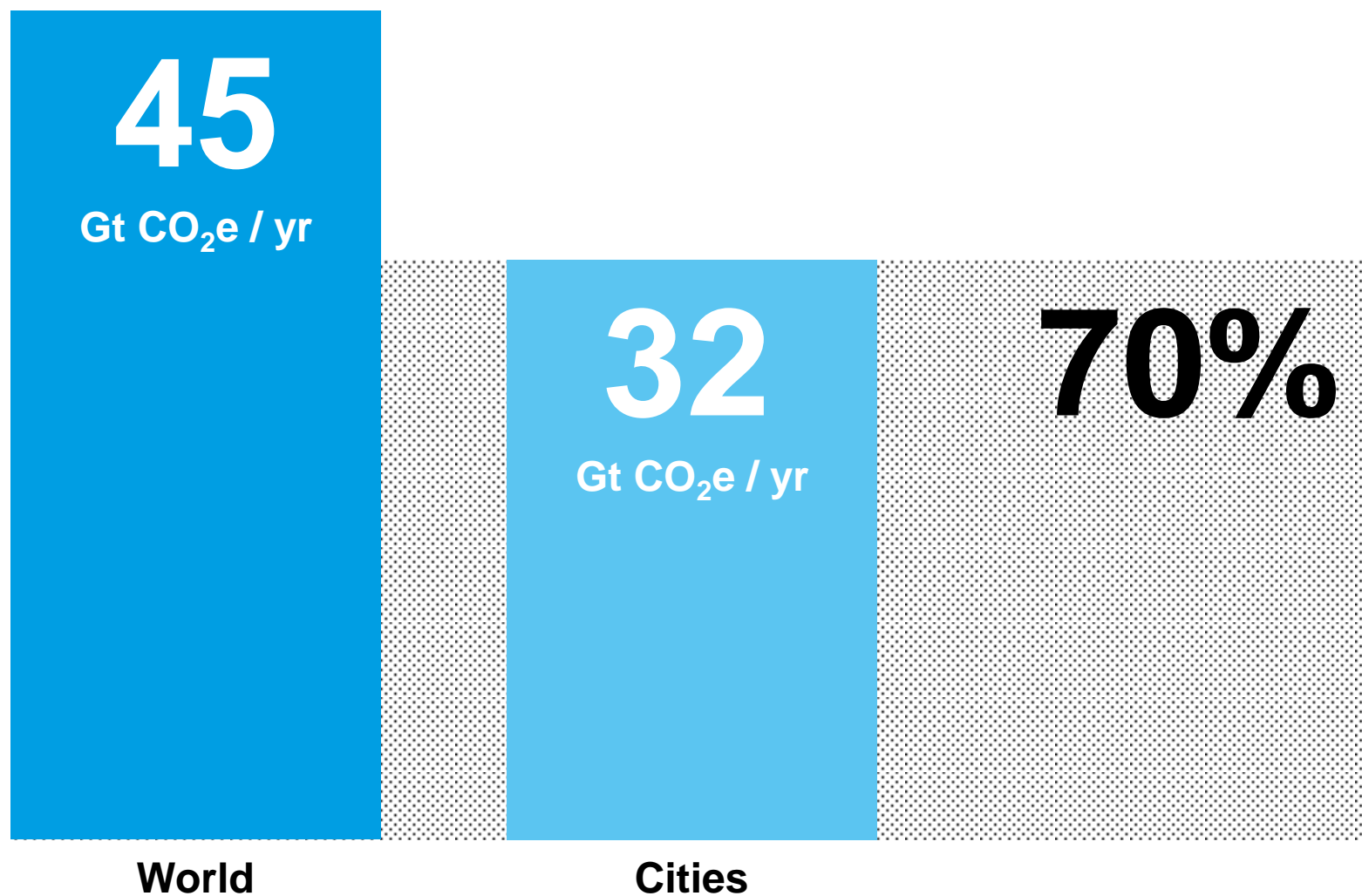
The need for climate finance at city level

LoCaL's climate finance activities

Imagine you have the power and the will to save the world
... but your hands are tied

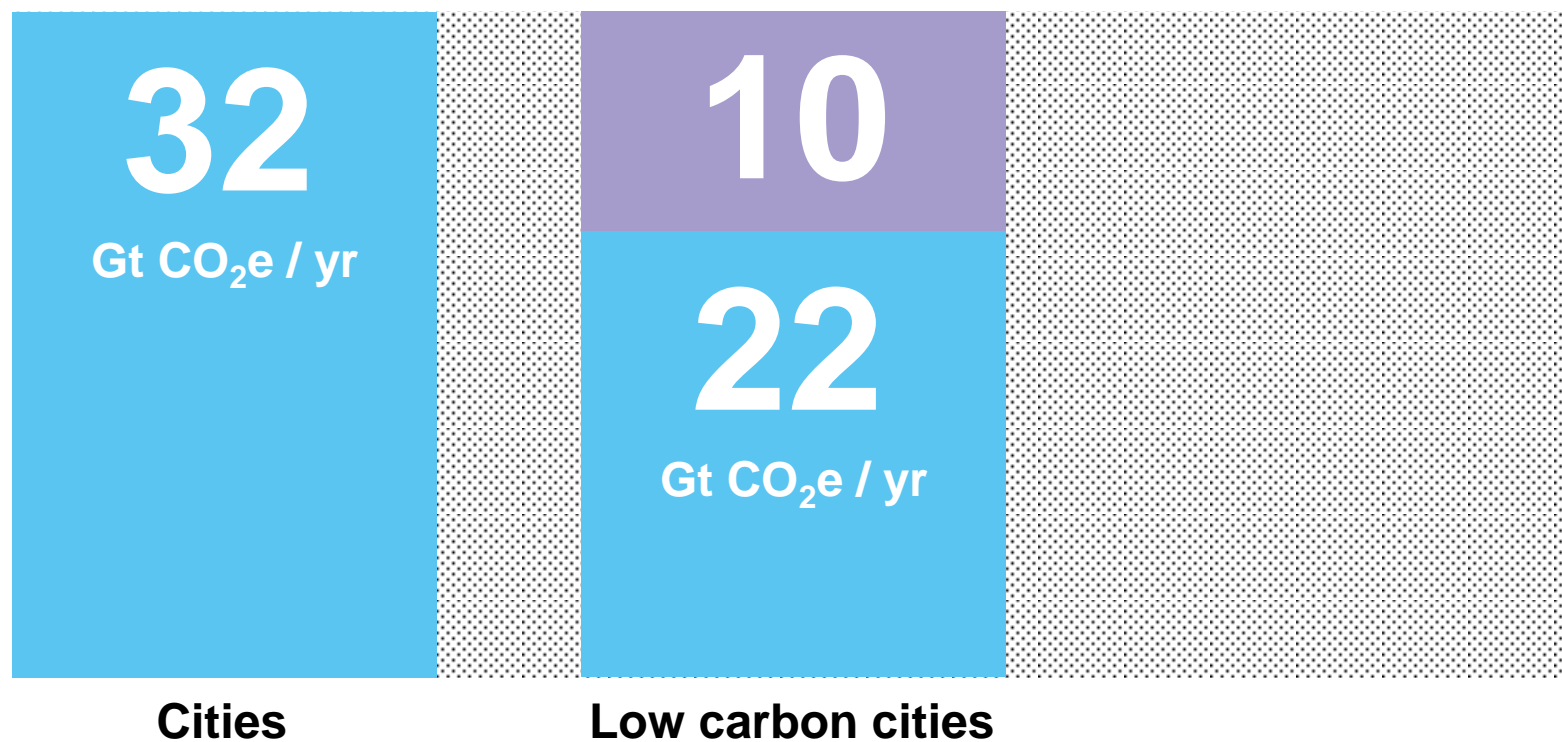


Cities account for 70% of global GHG emissions



Source IPCC, World Resources Institute, World Bank

Cities have a gigantic potential to reduce GHG



Source IPCC, World Resources Institute, World Bank

A light gray map of Europe serves as the background for the entire slide. Two overlapping rectangular boxes are positioned in the center of the map. The left box is purple on top and white on the bottom. The right box is white. The text is in white and purple colors.

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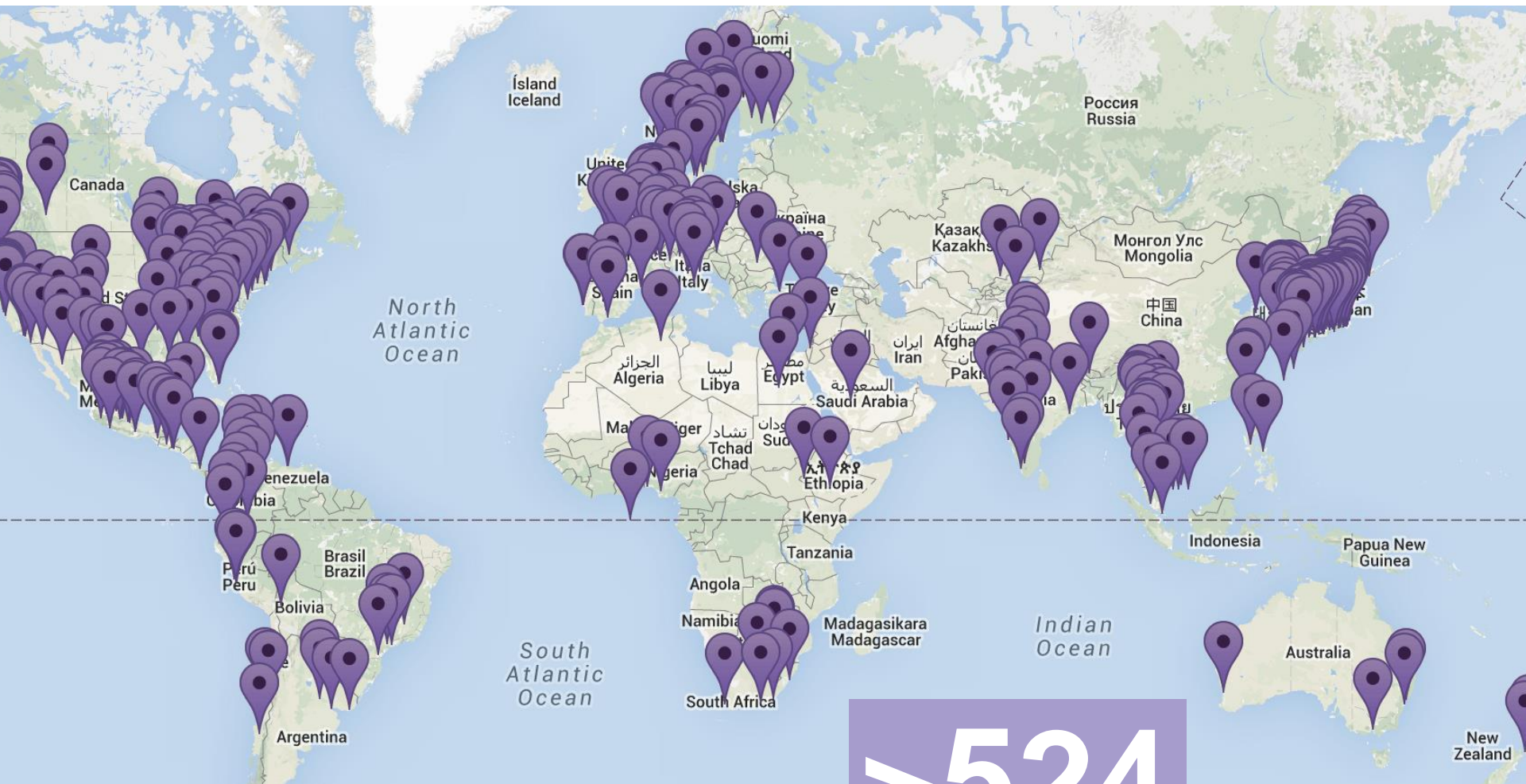
Gt CO₂e / yr

= 2x

EU emissions

Source IPCC, World Resources Institute, World Bank

Cities have also the ambition to reduce emissions



>524

Source ICLEI, carbonn Registry

However ...



Cities

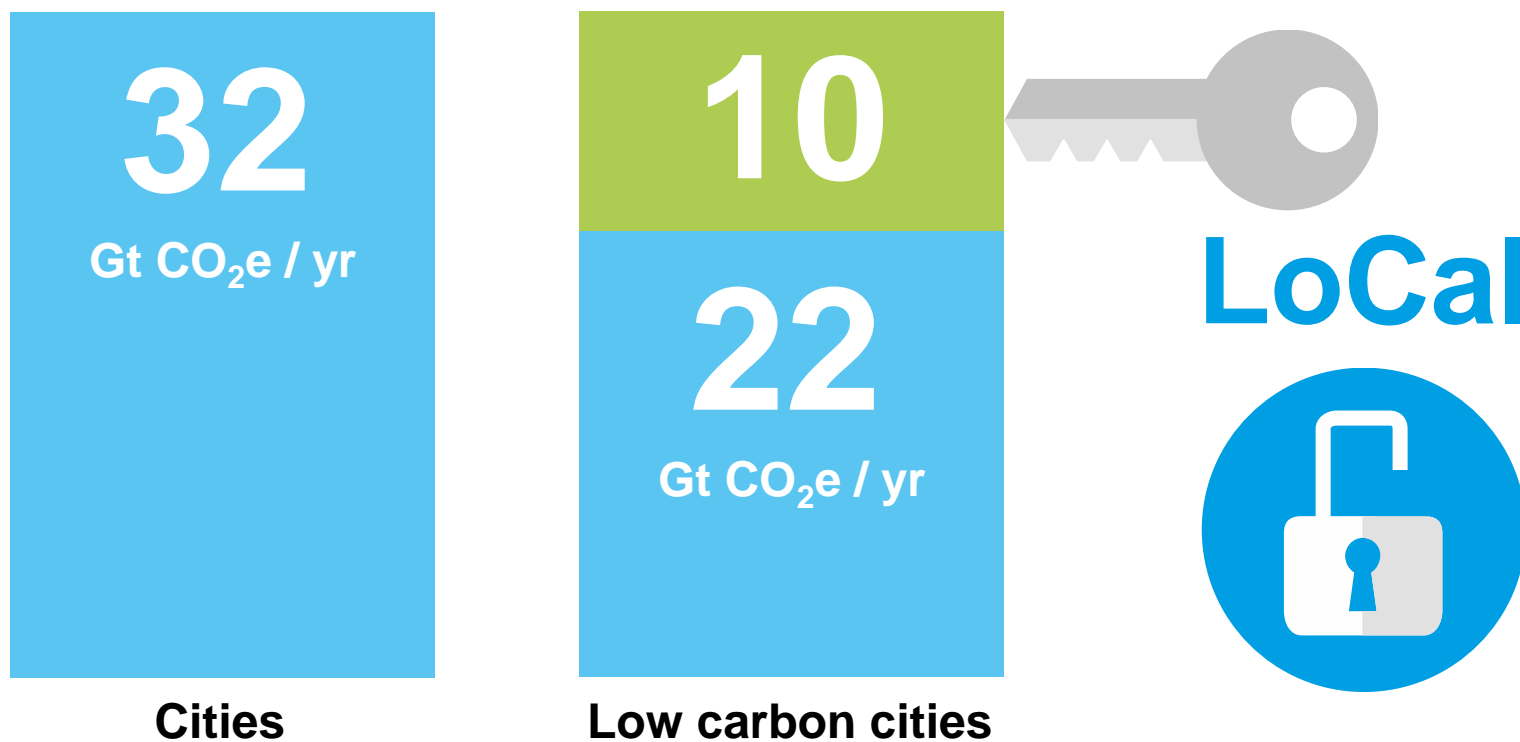


Low carbon cities

**most
cities are not
on track!**



LoCaL supports cities to unlock their potential



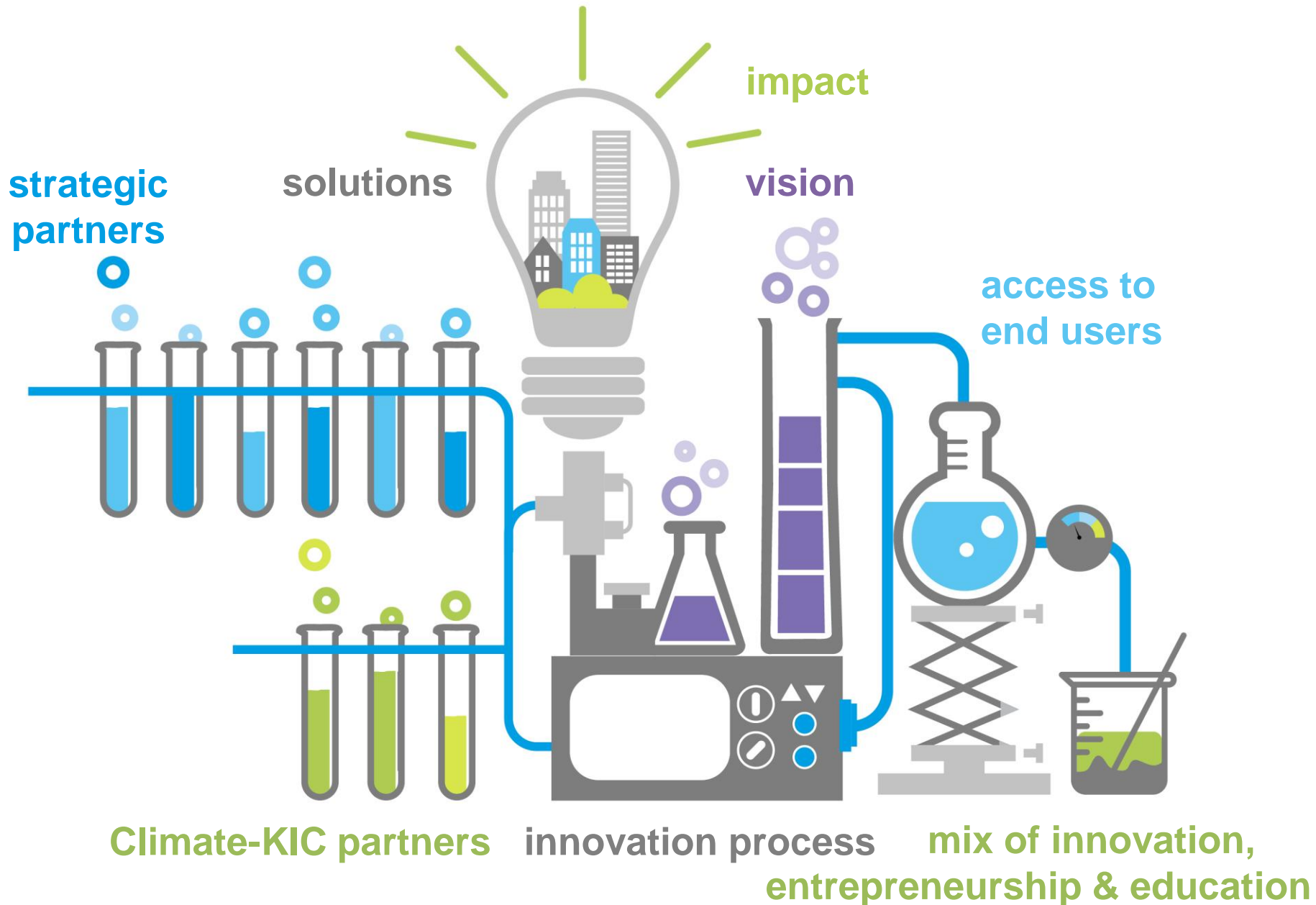
LoCaL's ambition

1. Reduction of **1 Gt CO₂e/yr** by 2050
(= Germany's emissions)
2. Enable **€ 25 billion/yr** by 2050
(= 10% of RE finance)

LoCaL's strategy to achieve goals

1. **Cities:**
leverage cities' potential by improving access to finance
2. **Finance:**
leverage investors' interest by providing sound projects

The key LoCaL ingredients



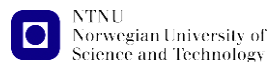
The LoCaL ecosystem

Businesses



Solution

Providers



Research

Multipliers

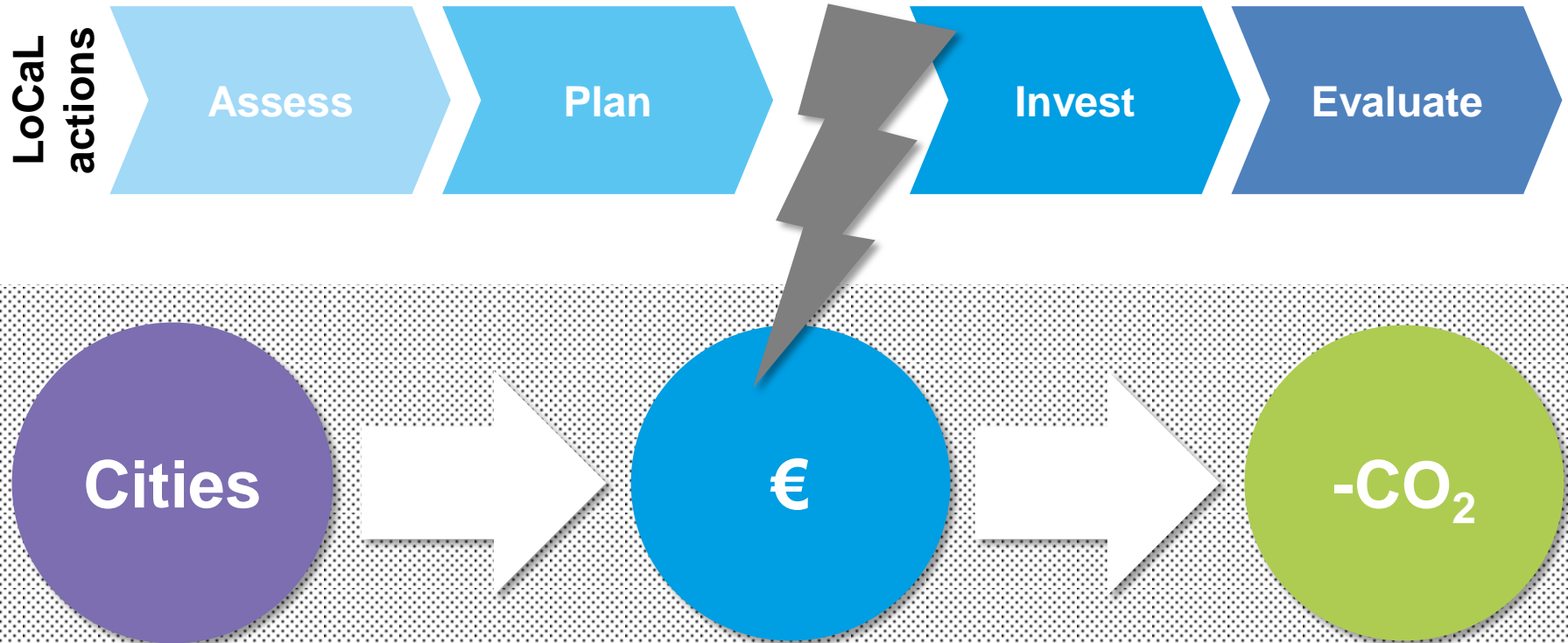


Cities



Strategy: unlocking low-carbon finance in cities

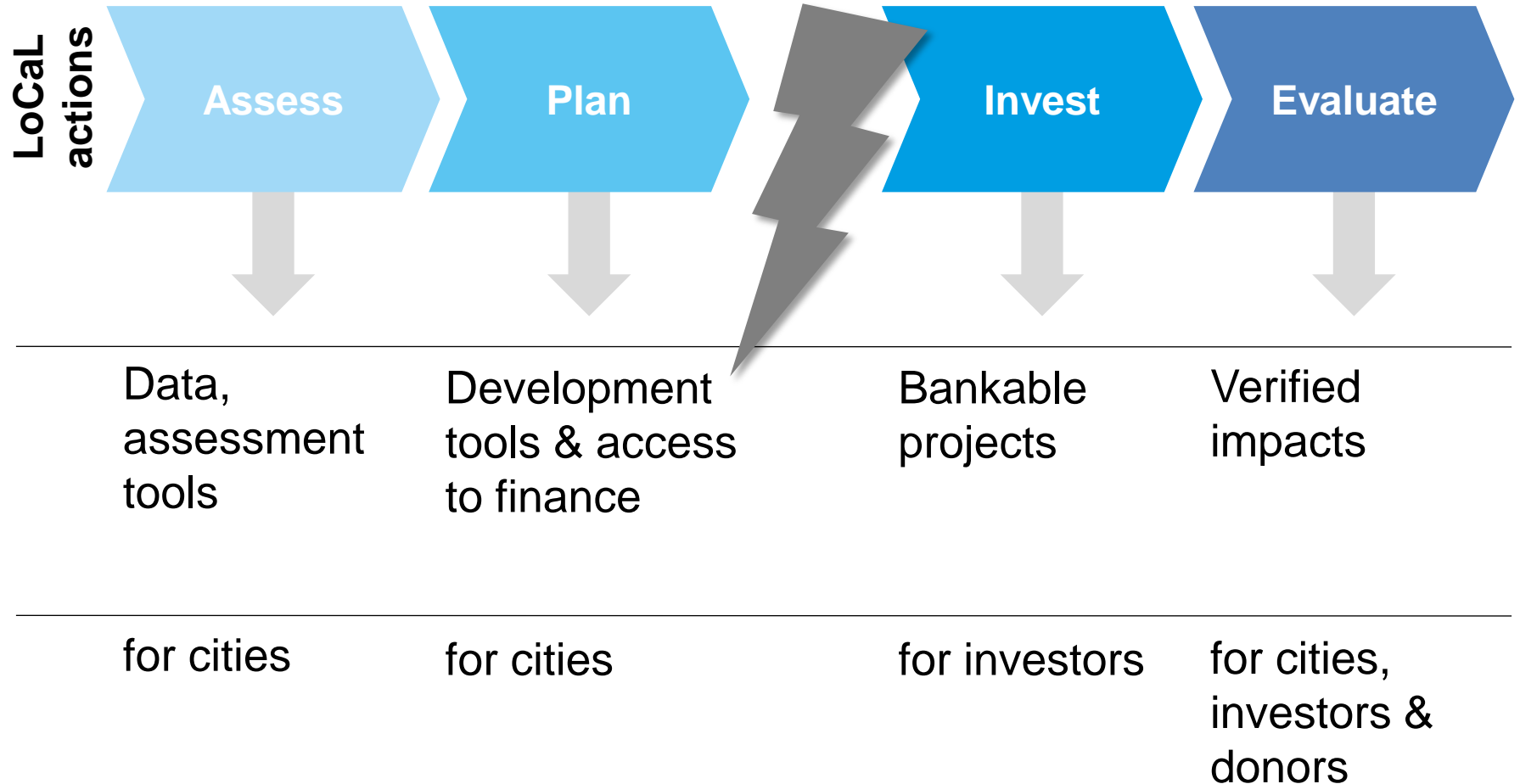
Cities need finance to reduce their emissions



Unlock \$25 billion per year

1. city finance,
2. commercial finance,
3. development finance,
4. climate funds

Strategy: value proposition to costumers



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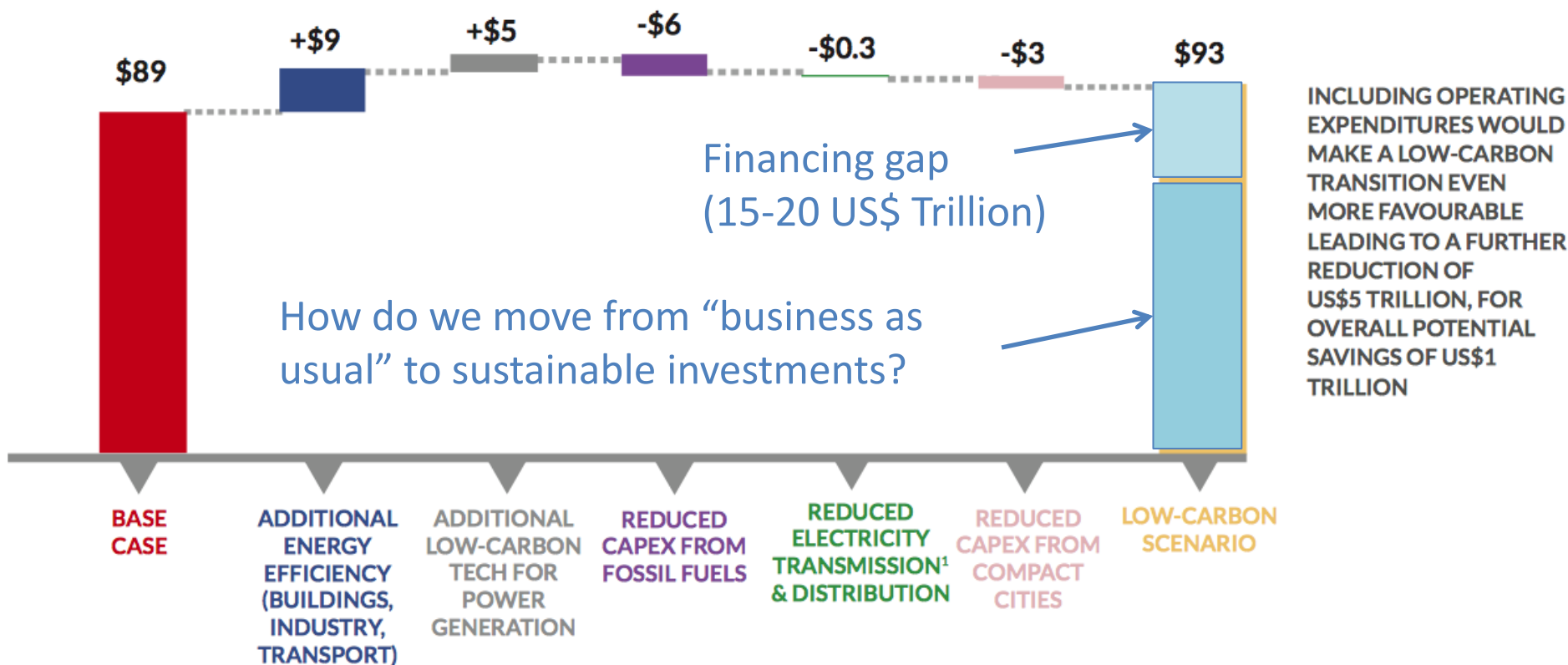
The finance challenge for low carbon cities

- Gap in global infrastructure investments is estimated at \$1 trillion per year and growing (Source: The Economist)
- Only 4% of the largest 500 cities in the developing world are credit worthy in international markets (Source: World Bank)
- Rapidly growing cities in developing countries face the lock-in effect (Source: New Climate Economy Report)
- Climate finance level is around \$350 bn/year but \$5 trillion are needed until 2020 for clean energy alone (Source: CPI, IEA)
- 1 in 10 \$ of global climate finance is channelled into urban projects (Source: ODI)

Financing needs of cities

**GLOBAL INVESTMENT REQUIREMENTS, 2015 TO 2030,
US\$ TRILLION, CONSTANT 2010 DOLLARS**

Indicative figures only
High rates of uncertainty



NOTE: For further details, see the New Climate Economy Technical Note, Infrastructure investment needs of a low-carbon scenario, to be available at: <http://newclimateeconomy.report>. [forthcoming].

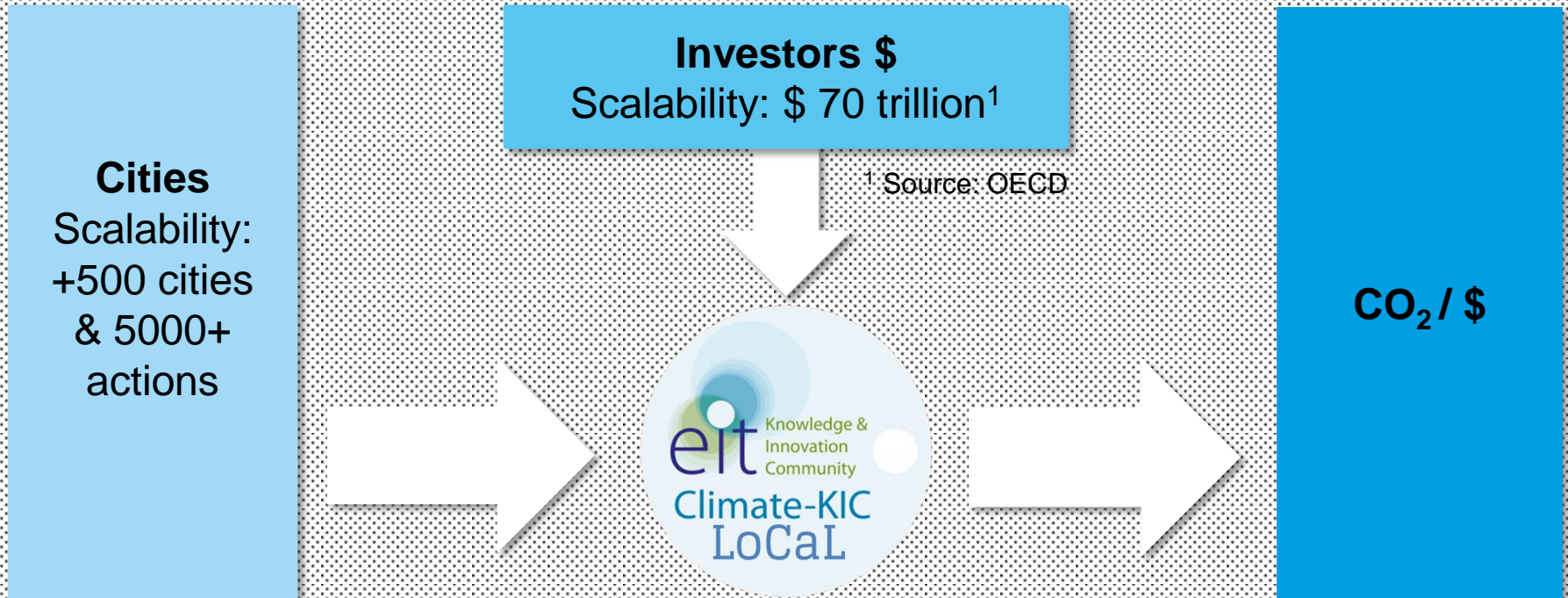
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Ongoing project I: Matchmaking platform



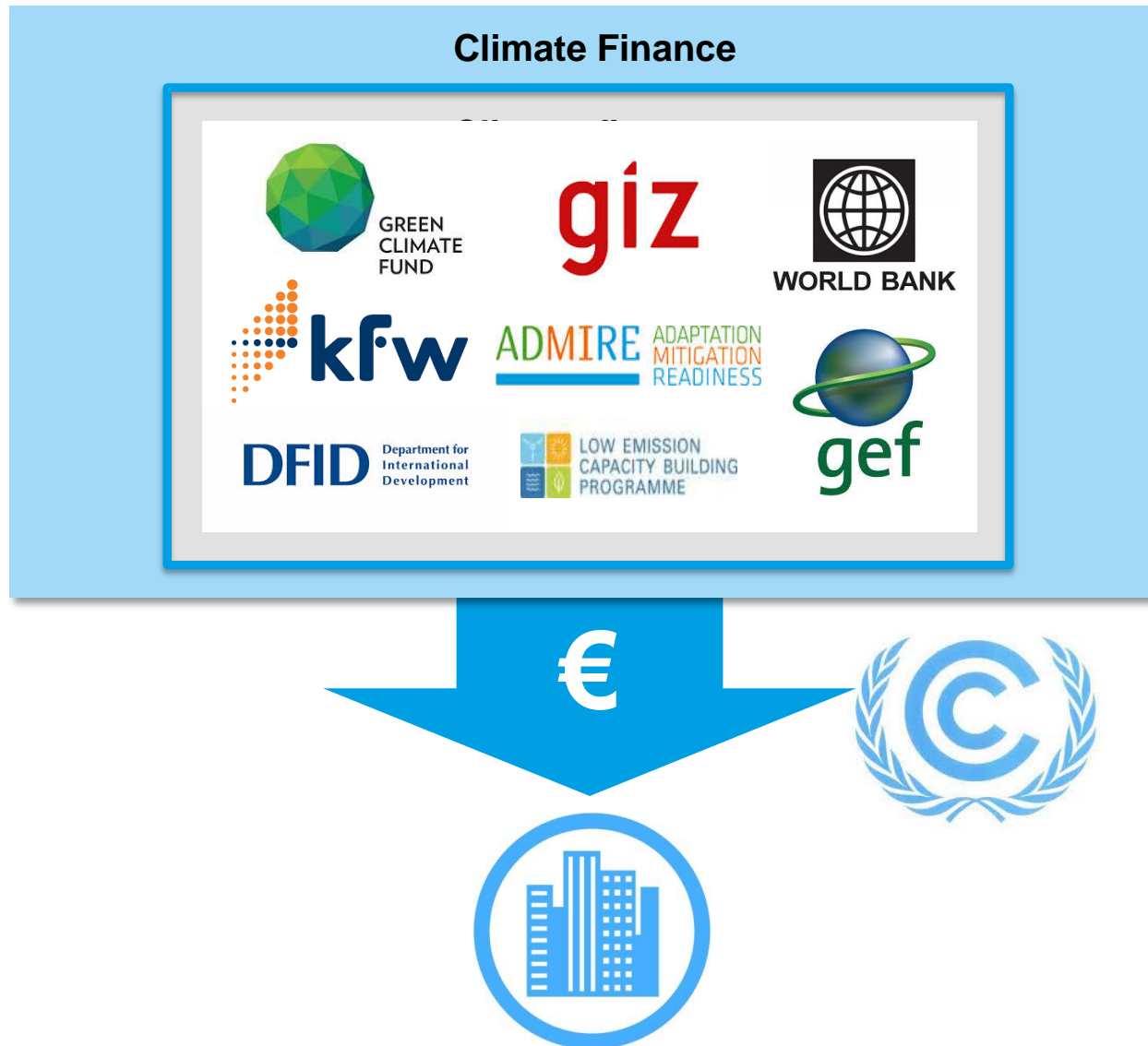
Ongoing project II:

Results-based finance framework for cities

- Further development of the Gold Standard “Sustainable Cities Programme” into a full-fledged results-based finance framework for cities
- Leveraging experience from carbon markets
- Provision of finance against delivered results (i.e. verified climate impact)
- Hands-on approach building on pilot projects with cities and investors
- Aiming for strong private sector involvement

Idea I:

Climate finance framework for cities



Idea II:

Piloting of innovative financial instruments at city level

New projects will address following goals:

- Improve risk/return rates for investors
 - Leverage more private sector and institutional investors
 - Increase number and scale of bankable projects
 - Improve capacity of cities to apply these instruments
 - Overcome problem of credit worthiness of cities in developing countries
 - Accessible also to 2nd and 3rd tier cities
-
- Potential focus on Green Bonds
 - Relevance for the developing world will be crucial

Back-up slides

Example: technical assistance for bankable project



750k \$ Technical assistance

\$130m raised for new Bus Rapid Transport (BRT) System

Lima

\$130
m

-500k
t CO₂



Example 2: local policy / regulation

City road pricing & plans for
public transport / cycling

> £100m/y net revenues are
invested in buses & cycling

London

£100
m / y

-20%
CO₂



Climate Impact

Theoretical potential

10 Gt CO₂e / yr

= 2x

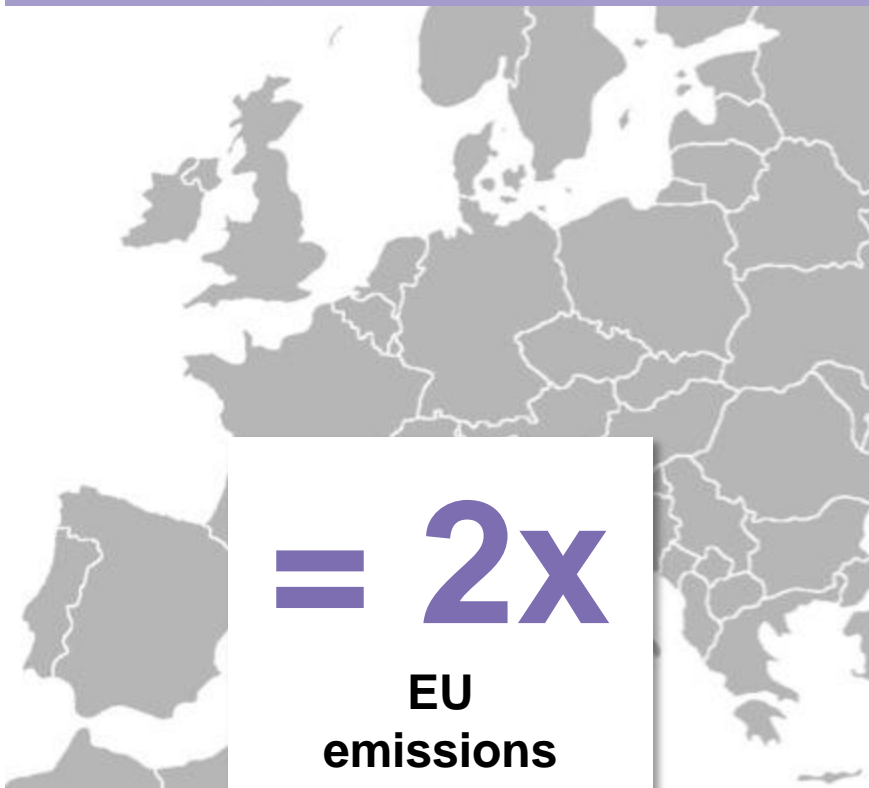
**EU
emissions**

LoCal's ambition

10% of theoretical
potential

= 1x

**Germany
emissions**



LoCaL's Impact: Theory of Change & KPIs

