

I4CE

INSTITUTE FOR
CLIMATE
ECONOMICS

Une initiative de la Caisse des Dépôts et
de l'Agence Française de Développement

Financial Instruments to promote public-private investment in low-carbon, climate- resilient development

15 November 2016
COP 22



Program

Introduction & Moderator:

- **Ian Cochran**, *I4CE – Institute for Climate Economics*

Panelists:

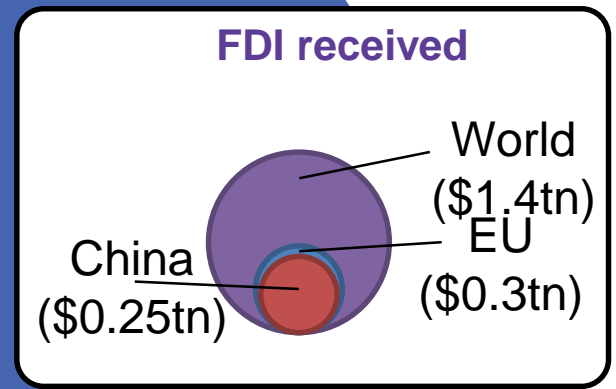
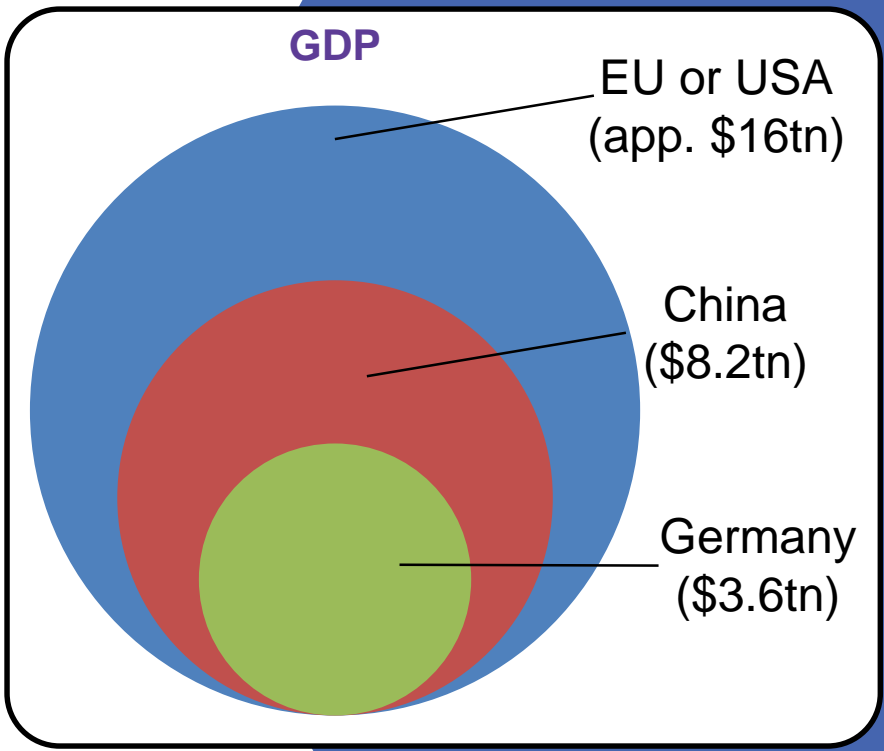
- **Béryl Bouteille**, Project manager, Financial Institutions and Private Sector Support , Agence Française de Développement
- **Paul Horrocks**, Lead Manager – Private Investment, OECD
- **Boutania Benchekroun**, Senior Structuring Officer – Moroccan Solar Energy Agency (MASEN)
- **Coşkun Kanberoğlu**, Head Engineering Analysis Department – Industrial Development Bank of Turkey (TSKB)

How can financial instruments improve access to capital for low carbon, climate resilient projects & activities?

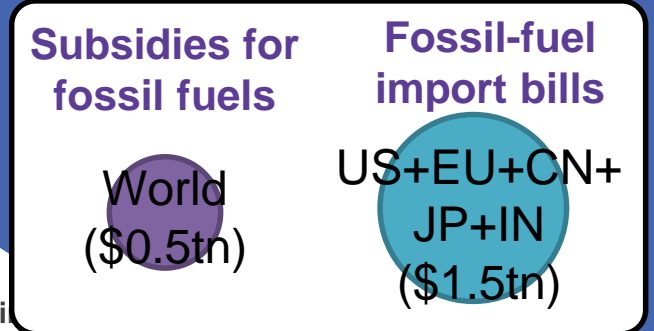
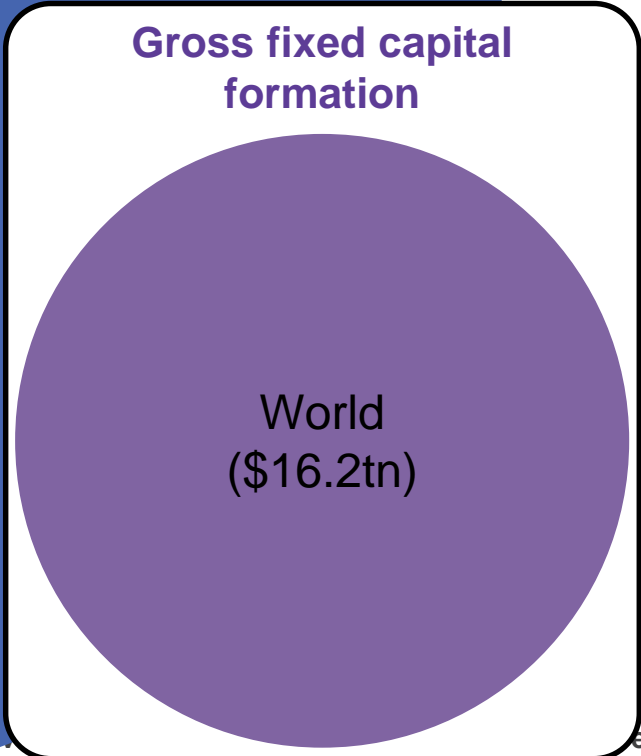
A matter of scale

Sources: IMF, IEA, UNCTAD, BIS

Annual issuance of bonds (\$100tn)



Needs in the 2DS scenario



A domestic financial value chain from sources to projects

Sources & Intermediaries

Public administration
 Central and local governments, public agencies

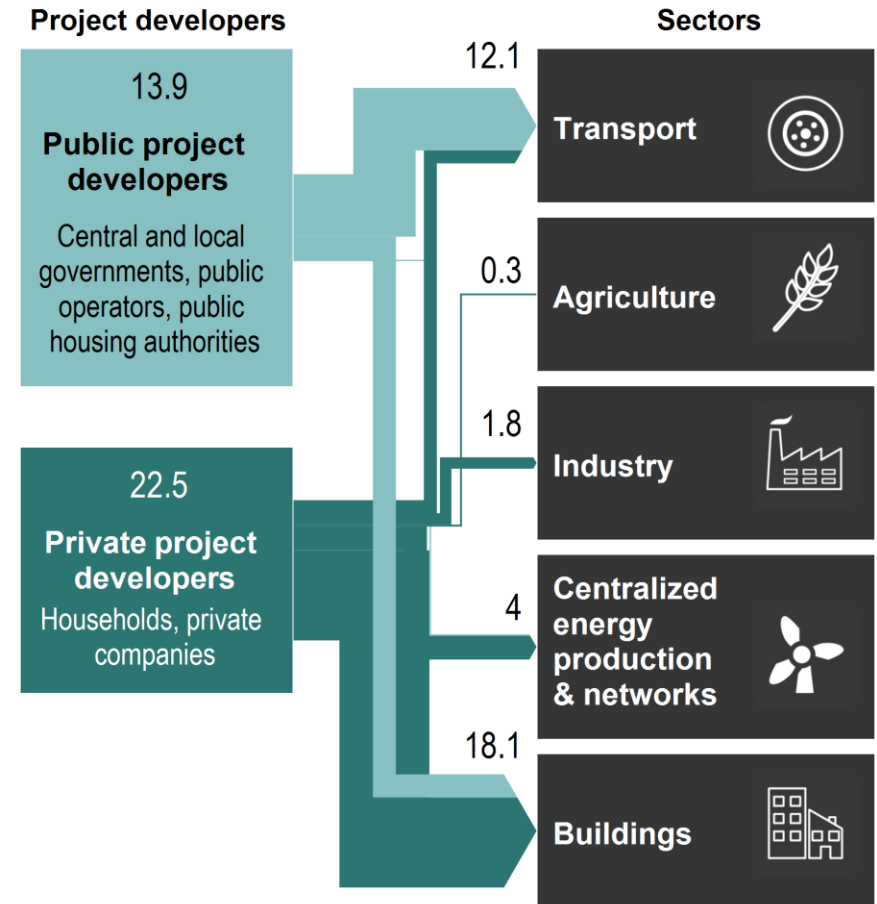
Public financial institutions

Commercial banks and financial markets

Revenues, savings and assets of households and private companies

Landscape of Climate Finance in France, in 2013

In billion current euros



I4CE - Institute for Climate Economics, Landscape of Climate Finance in France, 2015 edition

No one size fits all

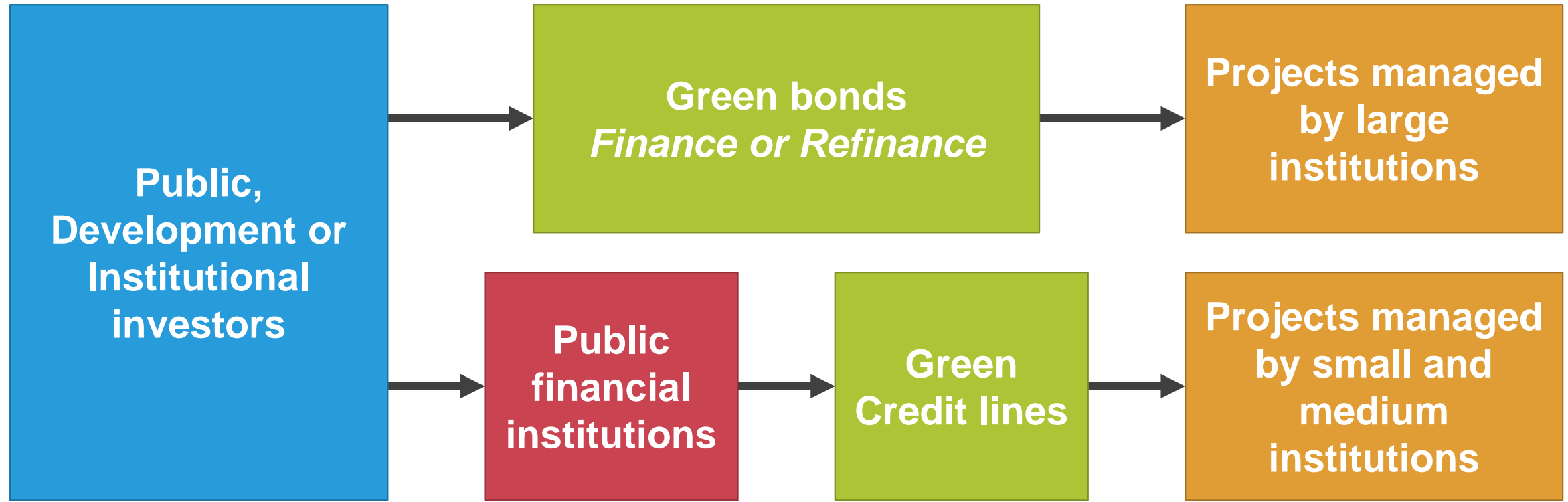
Instruments

- Green bonds
- Green credit lines
- Blended finance
- Guarantees
-

Contextual Factors

- Project developers
- Sectors
- Size of projects
- Capital provider needs
- Domestic capital markets
- Technical capacity

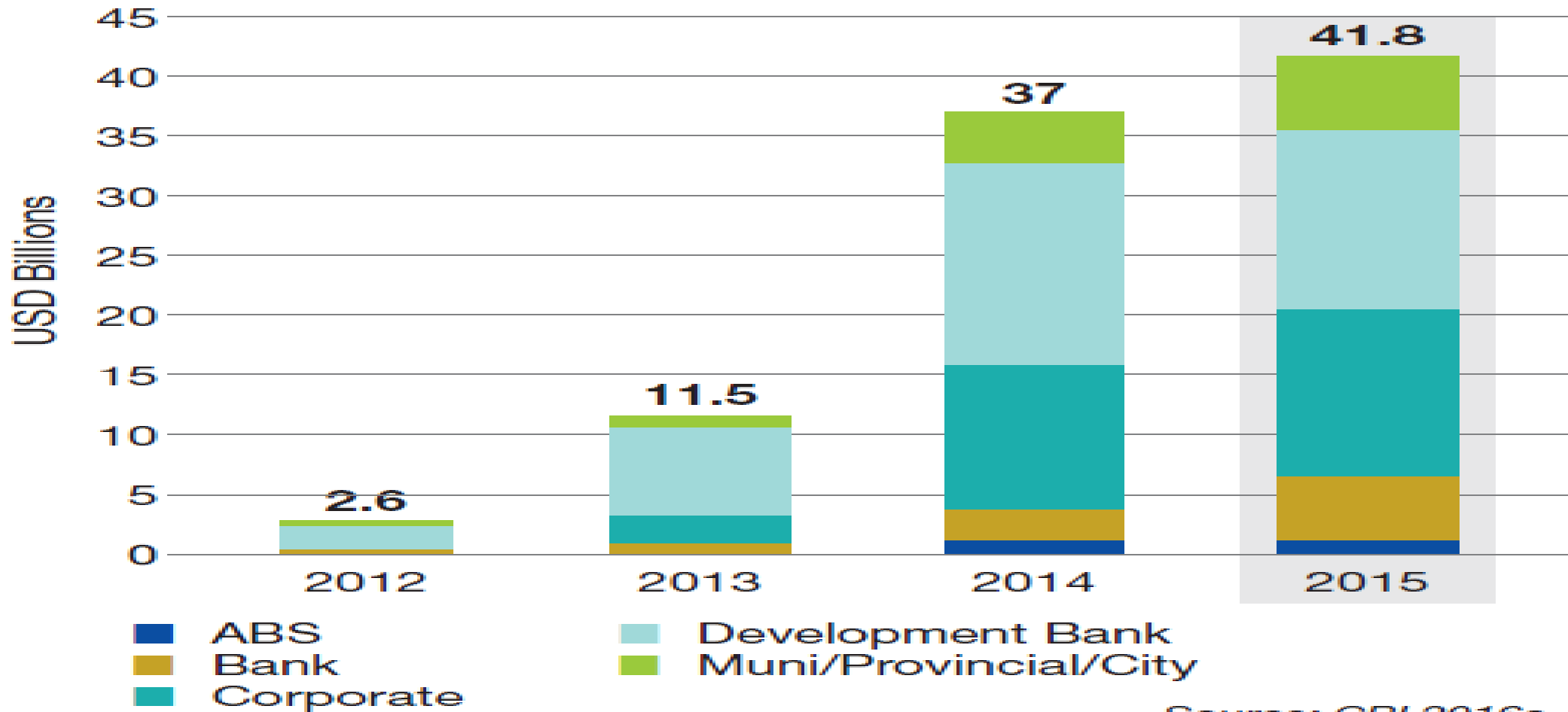
Green redirection financial tools can fill in the gap in the financial chain



I4CE's Focus: Financial Additionality & Environmental Integrity

- What is the current contribution of these instruments?
- How to ensure environmental integrity and safeguard transparency benefits?
- Can these financial instruments provide net environmental impacts?
- Do they provide improved access and additional financing for the low-carbon transition?
- What needs to happen next?

The green bond market is soaring



Source: CBI 2016a

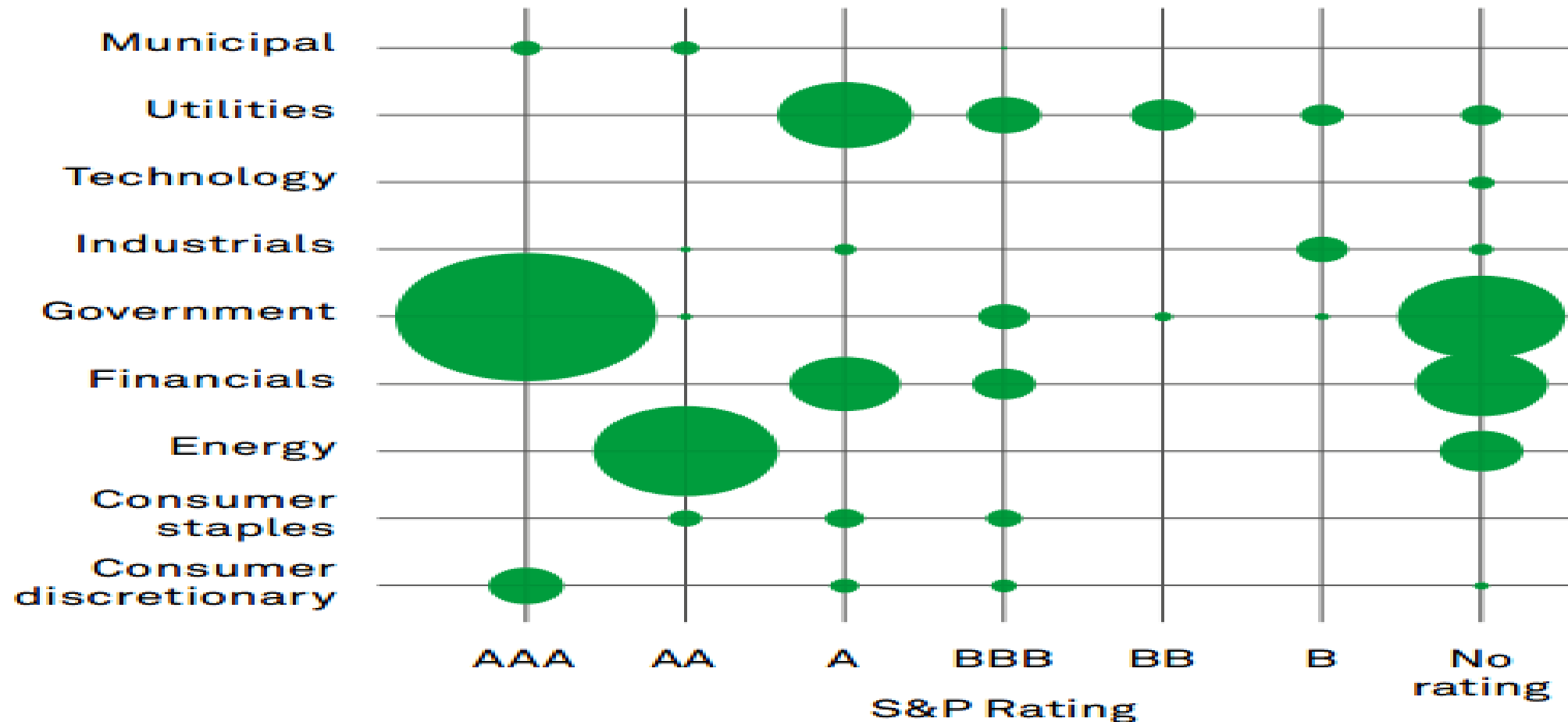
The added value of transparency on environmental integrity of underlying assets

Actor	Benefits of green bonds
Issuers	<ul style="list-style-type: none"> ✓ Communicating the sustainability strategy ✓ Improving and broadening relationship with debt providers ✓ Internal synergies (finance and sustainability)
Investors	<ul style="list-style-type: none"> ✓ Developing better-informed investment strategies ✓ Smooth implementation of long-term climate strategies ✓ Helping responsible investors broaden their portfolios
Public	<ul style="list-style-type: none"> ✓ Indirectly supporting the low-carbon transition (better match green issuers and investors) ✓ Potentially 'lock in' climate policies (French sovereign bonds)

But financial additionality is not that simple....

Green bonds

Outstanding green bonds by sector and rating, 2015



Sources: BlackRock Investment Institute and Bank of America Merrill Lynch, November 2015.

What roles 'beyond transparency' on environmental integrity of investments?

- Improving the financial conditions for transition-coherent investments and entities:
 - **Reducing the 'cost' and improving 'terms' of capital provision** for projects often perceived as **'risky'**
 - **Ensuring full subscription** for entities that are unable to do so today
 - **Increasing access** to the bond market for **smaller projects** and/or entities with **lower credit ratings**
- How could this occur in practice?
 - Increasing **'committed demand'** from institutional investors
 - Tools: **securitization** and asset aggregation; **credit enhancement**
 - Direct **public support** schemes?

Green financial instruments face common challenges

Defining, understanding and identifying what is green at an affordable cost

Being able to build, manage and use better information on impacts needs expertise and resources

Finding a sustainable pipe of green projects to (re)finance

Green projects may still be lacking because of the political/economic environment
Project developers must be aware of available financial tools

Going beyond the informational benefit and providing tangible benefits to projects

Green redirection financial tools are perfect vehicles for support policies

Today's Discussion & Panel

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- **Béryl Bouteille**, Project manager, Financial Institutions and Private Sector Support , AFD
- **Paul Horrocks**, Lead Manager – Private Investment, OECD
- **Coşkun Kanberoğlu**, Head Engineering Analysis Department – TSKB (Industrial Development Bank of Turkey)

Thank you!

For more information contact:

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or go to

www.I4CE.org

Upcoming I4CE Side Events

Industry, Energy and Climate

- **Carbon Pricing** on November 15 from 3pm to 4.30 pm in the Blue zone – French Pavilion, organized by DGEC
- **How to align EU policy with the goals of the Paris Agreement** on November 17 from 4.30pm to 6pm in the Blue zone – EU Pavilion, organized by I4CE, IETA, Enerdata
- **State and trends of carbon pricing** on November 17 from 10.30am to 12pm in the Blue zone – EU Pavilion, organized by I4CE, Ecofys, World Bank

Finance, Investment and Climate

- **Financial Instruments to promote public-private investment in low-carbon, climate- resilient development** on November 15 from 11am to 12.30pm in the Green Zone - Draa room organized by I4CE
- **African savings for a low-carbon development** on November 16 from 10.30am to 12.00am in the Blue zone – Moroccan Pavilion, organized by CDG
- **Synergizing international climate finance, market mechanisms and philanthropy** on November 18 from 1.15pm to 2.45pm in the Blue zone - Observer room 6 UNFCCC, organized by Perspectives

Territories and Climate

- **What options to facilitate the transition towards an agricultural sector generating less emissions and better adapted to climate change** on November 17 from 5pm to 6.30pm in the Blue zone – room Ziz, organized by I4CE, Crédit Agricole du Maroc