Mobilising Private Finance to Enhance Mitigation Actions

Plenary 2 at Africa Carbon Forum, Wednesday 28 June 2017

Email: info@climatemundial.com

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Outline

- Introduction to Climate Mundial
- Private Sector and the Paris Agreement
- Discussion Questions

Introduction to Climate Mundial

- Climate Mundial is a climate finance and sustainable development firm headquartered in London, authorised and regulated by the Financial Conduct Authority (FCA), whose mission is to assist clients develop and finance renewable energy, carbon mitigation and climate adaptation projects in developing countries

- Our clients are renewable energy, water management companies, agri-businesses and public agencies committed to sustainable development and delivering enhanced climate action under the United Nations Framework Convention on Climate Change (UNFCCC). Such developments qualify the investments for the various public and private sector climate finance resources available in the market

- We were established in 2012 and have established a proud track record of success, enabling the mobilisation of more than $500m in investment for the benefit of our clients, developing countries and partner institutions

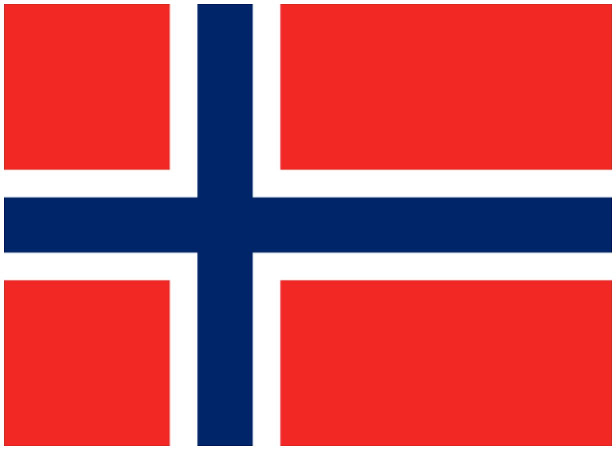
Example Case Studies

Norwegian government buys carbon credits from Scatec Solar

Mobilisation of carbon finance for three utility scale photovoltaic power generation projects in West Africa (Mali, Burkina Faso and Ghana) with international independent power producer Scatec Solar ASA including sale on a forward basis of emission reductions to the Norwegian Ministry for Climate & Environment.

Carbon finance for Manaus Landfill Gas CDM project in Brazilian state of Amazonas and delivery of climate neutrality for Brazil Day 2015 and 2016 (Trafalgar Square), attended by over 50,000 people, for the Embassy of Brazil in London including cancellation the resulting CERs using the UNFCCC platform.

Example Case Studies



Norwegian Clean Energy Guarantee Facility

Climate Mundial advised multi-client group in Norway including GIEK and Export Credit Norway, NORAD, Norfund and a number of Norwegian clean energy exporters on the role the country's export credit institutions could play to help with climate finance delivery. In December 2016, Norwegian Parliament considered the report and passed a resolution requesting that Government prepare a proposal for the State Budget to establish a new facility in GIEK covering risks related to renewable investments in developing countries.

Paris Climate Bond

Co-developed the Paris Climate Bond Concept in partnership with Baker & McKenzie and the UNFCCC secretariat including launch UN Investor Summit on Climate Risk in 2016. Now engaged in the first real case implementation of the Concept working with its partners to finance projects that commit to CDM registration (or future mechanisms of the UNFCCC) as well as on-going measurement, verification and issuance of CERs in target developing countries; and then refinance that debt via debt capital markets once projects have reached operational maturity.

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Private Sector and the Paris Agreement

Clause	Text Provided Under the Paris Agreement
Article 6.4 (b)	A mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development is hereby established under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to this Agreement for use by Parties on a voluntary basis. It shall be supervised by a body designated by the Conference of the Parties serving as the meeting of the Parties to this Agreement, and shall aim: (a) To promote the mitigation of greenhouse gas emissions while fostering sustainable development; **(b) To incentivize and facilitate participation in the mitigation of greenhouse gas emissions by public and private entities authorized by a Party;** (c) To contribute to the reduction of emission levels in the host Party, which will benefit from mitigation activities resulting in emission reductions that can also be used by another Party to fulfill its nationally determined contribution; and (d) To deliver an overall mitigation in global emissions.
Article 6.8 (b)	Parties recognize the importance of integrated, holistic and balanced non-market approaches being available to Parties to assist in the implementation of their nationally determined contributions, in the context of sustainable development and poverty eradication, in a coordinated and effective manner, including through, inter alia, mitigation, adaptation, finance, technology transfer and capacity-building, as appropriate, aiming to: (a) Promote mitigation and adaptation ambition; **(b) Enhance public and private sector participation in the implementation of nationally determined contributions**; and (c) Enable opportunities for coordination across instruments and relevant institutional arrangements.

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Discussion Questions

Definition of Green Investment

- Are we confident that we have a robust definition of green investment whereby we all know exactly what one is and what should be delivered?

Pricing Public Funding

- Private sector actors are motivated by profit, which is a well-accepted principle, but how do public sector funding sources price their investments to ensure that private companies are given adequate return for the risks they take?

Accountability or Results

- How should those benefits be measured and verified over the lives of the investments and what should be the consequences of failing to deliver these benefits? Conversely should better-than-expected performance also be rewarded?

Additionality

- Is it more important to assess the additionality of the project or the additionality of the finance - or both? What methods or systems are in place today to assess additionality, which have legitimate governance in place?

Discussion Questions

Avoiding Moral Hazards

- What are the relative merits and drawbacks of insurance products, first-loss investment or credit enhancements? How does one overcome the moral hazard of providing guarantees to third parties?

Ease of Doing Business

- How could we safeguard against the tendency that both public and private sectors may claim the benefits (i.e. double-counting and/or double-claiming) and how important is it that we do this in the context of the Paris Agreement?

Accounting for Financial Contributions

- Are there established front office (deal-making) functions in place that engender confidence among private sector actors to engage with public funding agencies with a clear road map to establishment of eligibility and then execution?

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Back-up: Definition of Green Finance

Green finance refers to any financial instrument or investment – including equity, debt, grant, purchase & sale or risk management tool (for example: investment guarantee, insurance product or commodity, credit or interest rate derivative, etc.) – issued under contract to a firm, facility, person, project or agency, public or private, in exchange for the delivery of positive environmental externalities that are real, verified and additional to business as usual, whereby such positive externalities result in the creation of transferrable property rights recognised within international, regional, national and sub-national legal frameworks.