

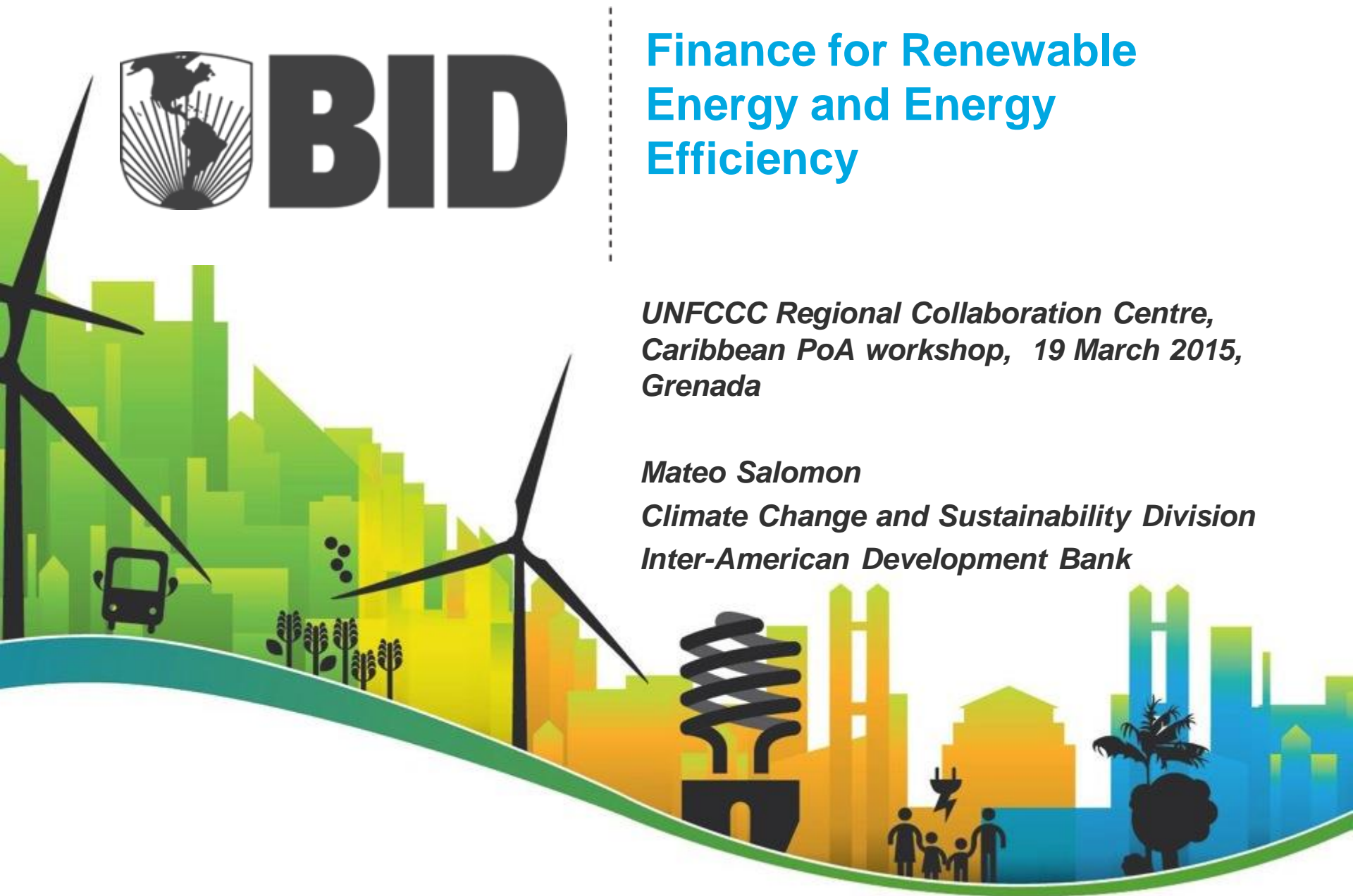


BID

Finance for Renewable Energy and Energy Efficiency

*UNFCCC Regional Collaboration Centre,
Caribbean PoA workshop, 19 March 2015,
Grenada*

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Climate Change and Sustainability Division
Inter-American Development Bank*



The IDB's response to climate change focuses on these sectors:



Land use
and forestry



Agriculture
and livestock



Energy
Efficiency



Sustainable
Urban Transport



Water resource management
and sanitation



Renewable
Energy

By 2015

25%

of total IDB lending

will support operations
in climate change,
environmental
sustainability, and
sustainable energy.

Areas of Interventions - IDB's Climate Change Strategy

Mitigation

Adaptation

A. Knowledge development

B. Institutional Strengthening/ Capacity Building

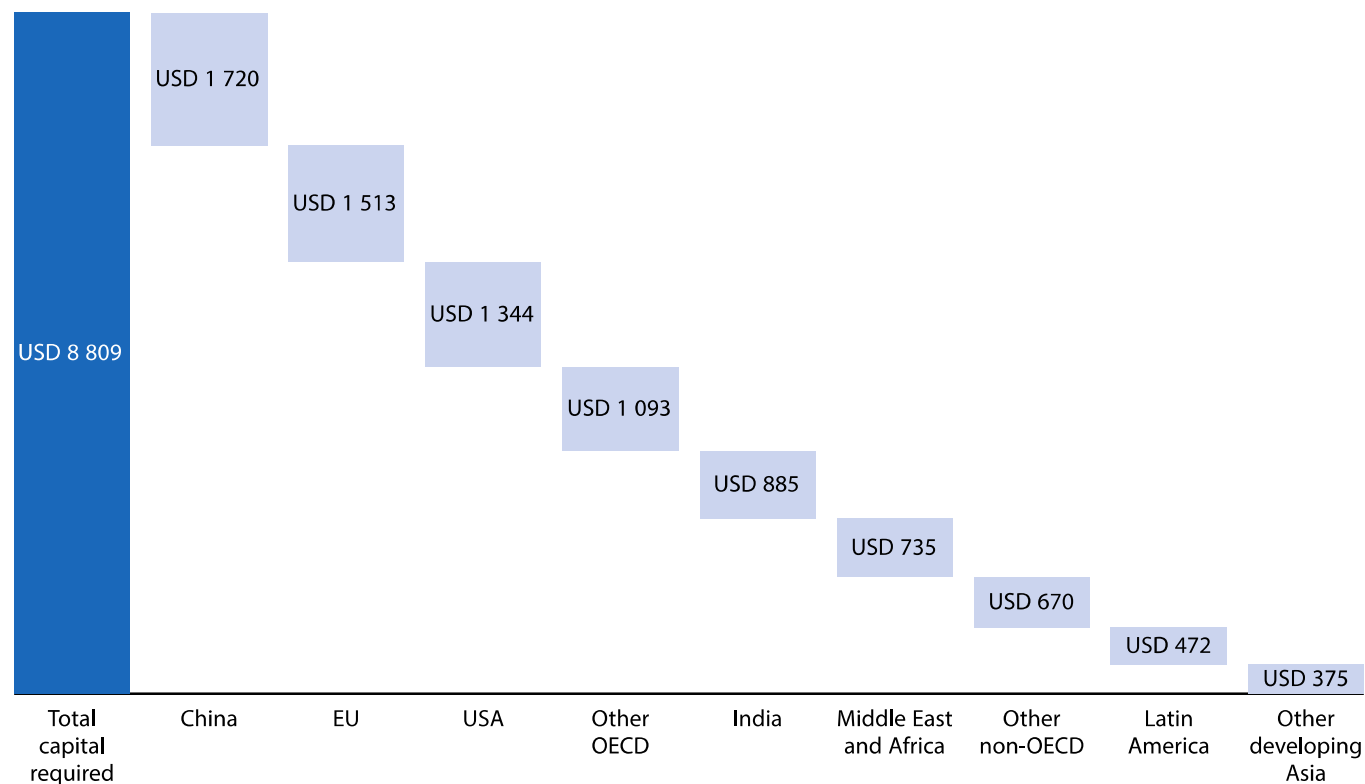
C. Instruments to mainstream CC in Bank operations

D. Expand Sector Lending and Technical Assistance

E. Scaling-up Investments, addressing financial gaps and leveraging private sector

Scale of Finance needs

Sustainable energy investment requirements in the “450 scenario” 2014-35 (USD 2012, billions)



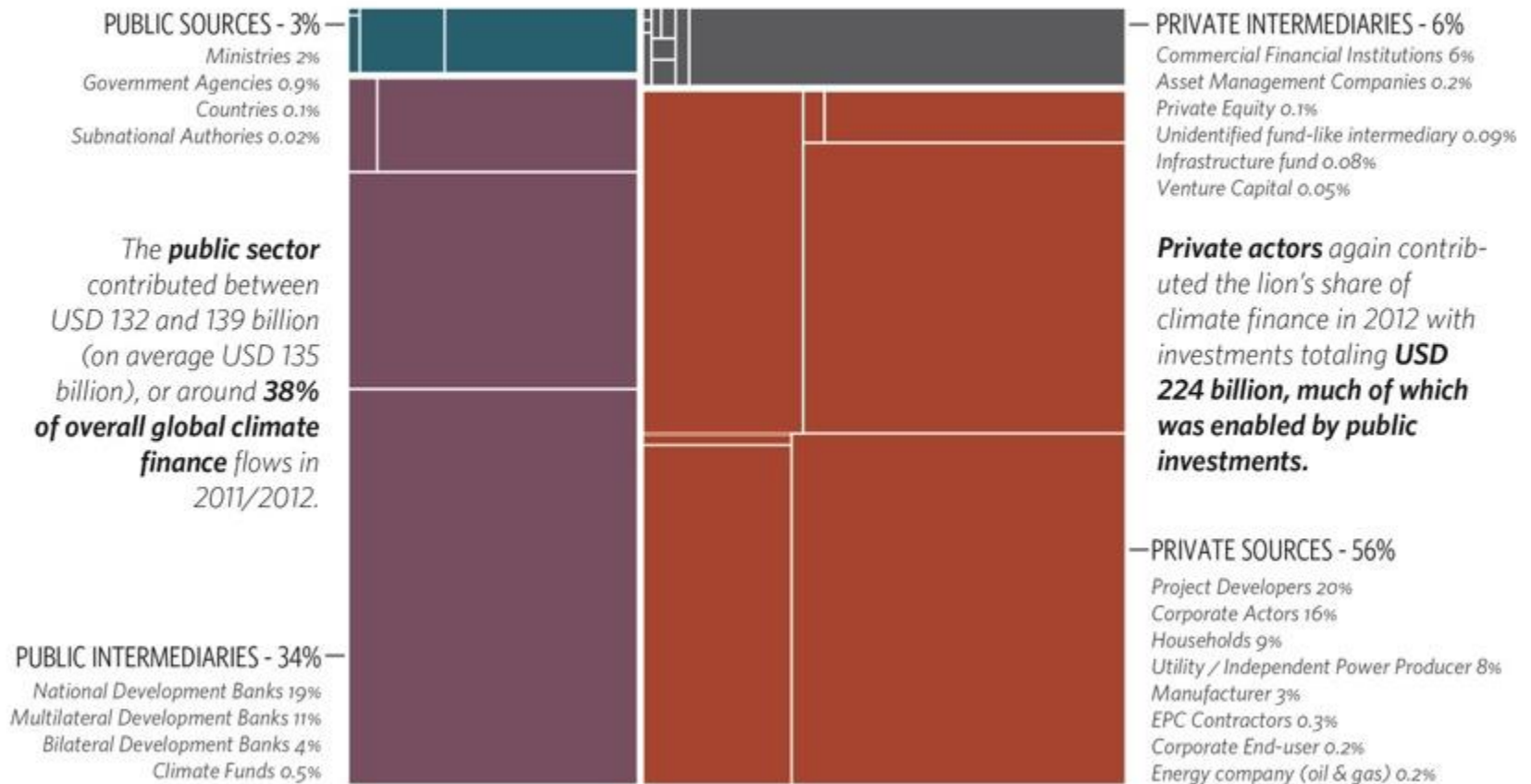
Source: OECD (2015), Mapping Channels to Mobilise Institutional Investment in Sustainable Energy

SOURCES OF CLIMATE FINANCE



CLIMATE
POLICY
INITIATIVE

USD 359 BN



94% towards Mitigation



CLIMATE FINANCE INSTRUMENTS



CLIMATE
POLICY
INITIATIVE



Financial Mechanism to Support CDM (some examples)

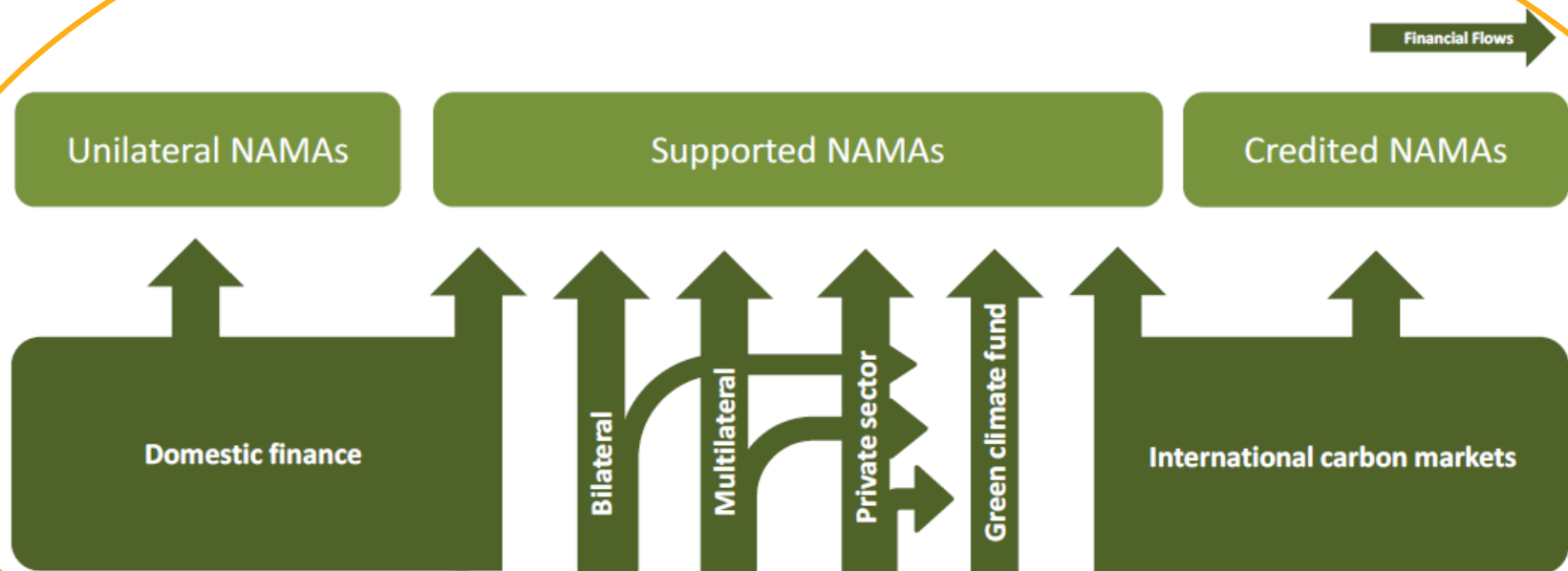
	Residual demand for 2014–2020 (MtCO ₂ e)	Full potential for issuance for 2014–2020 (MtCO ₂ e) Figure based on the registered portfolio, not considering the effect of the demand on the issuance levels
CERs and ERUs	EU ETS: 400–500 Effort Sharing Decision: < 700 NZ ETS: 20–30 Total: < 1,120–1,230	3,500–5,400

Source: World Bank. 2014. State and Trends of Carbon Pricing 2014

- The NEFCO Norwegian Carbon Procurement Facility (NorCaP) (30 MtCO₂e)
- UNFCCC Loan Scheme for CDM
- Joint Crediting Mechanism (Japan)
- Fiscal incentives (ej. Colombia, technology and equipment exempted of IVA)
- Methane pay-for-performance auction facility (reversed auctions)
- Domestic Carbon Markets
- Voluntary Carbon Markets (76 MtCO₂e in 2013)



NAMAs & POSSIBLE FINANCING STREAMS



Combination

Source: IISD, 2013

Climate Investment Funds



IN ACTION

14
CONTRIBUTOR COUNTRIES
\$8 BILLION
TOTAL PLEDGES¹

SINCE 2008, THE CIF CHAMPIONS INNOVATIVE COUNTRY-LED INVESTMENTS in clean technology, renewable energy, sustainable management of forests, and climate-resilient development.

THE CLIMATE INVESTMENT FUNDS (CIF)

provide
developing countries
resources
to mitigate and manage
THE CHALLENGES OF
climate change
AND REDUCE THEIR
greenhouse gas emissions.

\$8 billion
LEVERAGING OVER
\$55 billion
FOR CLIMATE-RESILIENT
LOW CARBON DEVELOPMENT IN
48 countries



CIF FINANCIAL LEVERAGE*



* Financial leverage ratios are based on CIF funding approvals as of December 31, 2013.

COLLABORATION IS KEY

- Civil society
- Development partners
- Government ministries
- Indigenous peoples and local communities
- Multilateral development banks (MDBs)
- Private sector

ATTRACTING INVESTMENT TO STIMULATE TRANSFORMATION

CIF funding is attracting significant co-financing from other sources—particularly the private sector—to stimulate markets, increase investment potential, and enable financial gain in climate-friendly enterprises and businesses. Approximately 26 percent of CIF financing is allocated to the private sector through the MDBs and dedicated financing programs.

FOSTERING PARTNERSHIPS THROUGH A PROGRAMMATIC APPROACH

CIF pilot countries, with support from the MDBs, are leading investment planning and implementation across institutions and stakeholder groups to maximize results, to enable knowledge sharing and learning, and to ensure the CIF's programmatic approach to climate action takes root deeply and broadly for lasting transformational change.

LEARNING BY DOING TO ACHIEVE RESULTS

The CIF is an incubator of ideas and a proving ground for climate finance. As more CIF-backed projects and programs get underway, concrete results are beginning to emerge, including lessons on what is working (and what is not). These results are being reported and measured annually, while CIF knowledge is being amassed and disseminated widely to improve results and support the replication and scale up of successful approaches.

MDB PARTNERS



CTF CLEAN TECHNOLOGY FUND

\$5.5 BILLION

Scaling up the demonstration, deployment, and transfer of low carbon technologies in renewable energy, energy efficiency, and sustainable transport

Chile	Kazakhstan	South Africa	Middle East and North Africa Region (Egypt, Jordan, Morocco, Tunisia)
Colombia	Mexico	Thailand	
Egypt	Morocco	Turkey	
India	Nigeria	Ukraine	
Indonesia	Philippines	Vietnam	

FIP FOREST INVESTMENT PROGRAM

\$639 MILLION

Reducing emissions from deforestation and forest degradation, sustainably managing forests, and enhancing forest carbon stocks

Brazil	Ghana	Mexico
Burkina Faso	Indonesia	Peru
Democratic Republic of Congo	Lao People's Democratic Republic	

PPCR PILOT PROGRAM FOR CLIMATE RESILIENCE

\$1.3 BILLION

Mainstreaming resilience in development planning and action investments

Bangladesh	Niger	Caribbean Region (Dominica, Grenada, Haiti, Jamaica, St. Lucia, St. Vincent and the Grenadines)
Bolivia	Tajikistan	Pacific Region (Papua New Guinea, Samoa, Tonga)
Cambodia	Yemen	
Mozambique	Zambia	
Nepal		

SREP SCALING UP RENEWABLE ENERGY IN LOW INCOME COUNTRIES PROGRAM

\$551 MILLION

Demonstrating the economic, social, and environmental viability of renewable energy in low income countries

Ethiopia	Liberia	Nepal
Honduras	Maldives	Tanzania
Kenya	Mali	

Reserve SREP pilots: Armenia, Mongolia, Yemen, Pacific Region (Solomon Islands, Vanuatu)

¹ Fund pledges are based on exchange rates on the initial CIF pledging date of September 25, 2008. This map was produced by the World Bank. The boundaries, colors, denominations, and any other information shown on this map do not imply, on the part of the World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

ROOTED IN LEARNING, GROWING WITH RESULTS



GREEN CLIMATE FUND (GCF)

The Fund will support [developing countries] in pursuing project-based and programmatic approaches in accordance with climate change strategies and plans, such as low-emission development strategies or plans, nationally appropriate mitigation actions (NAMAs), national adaptation plans of action (NAPAs), national adaptation plans (NAPs) and other related activities.

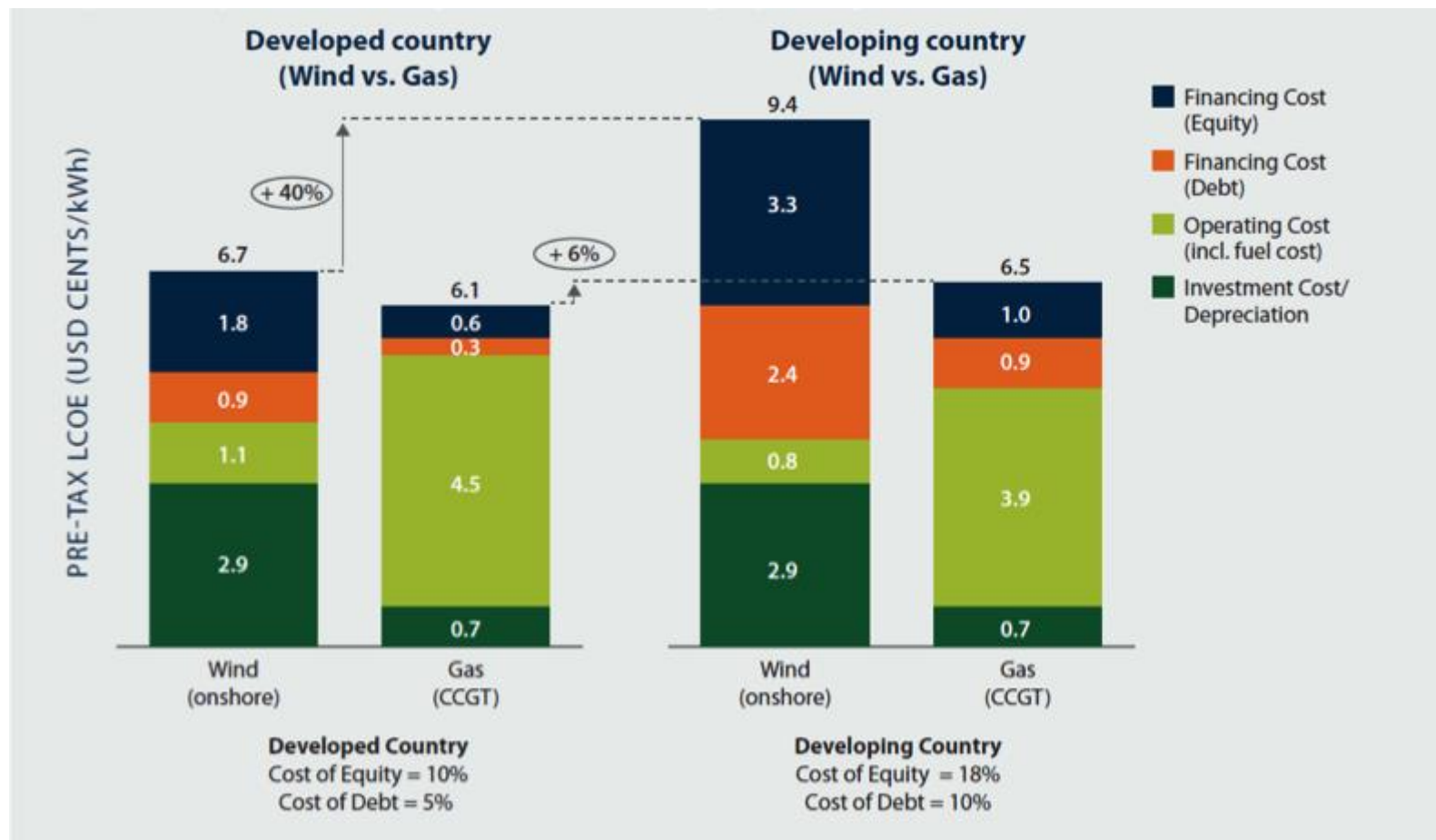
- Mitigation and Adaptation windows (Same modality of Access)
 - 50:50 balance between adaptation and mitigation during the initial phase of the Fund.
- Private Sector Facility (PSF) – direct and indirect finance to private sector
- Readiness Support
- National, Regional and International Implementing Entities (Direct and International Access)
- Geographical balance
- Grant & Concessional Lending

Financing NAMAs: Role of MDBs

■ Multilateral Development Banks

- Trigger and facilitate first steps by providing loans and concessional funding to prepare and develop NAMAs together with host country
- Help eliminate barriers (technical, regulatory, financial) and risk-return equation
- Create implicit credit enhancement effect on account of participation by banks (AAA credit rating)
- Facilitate the access and implementation of climate funds
- Catalyze private investments in NAMAs for long term sustainability for NAMAs and transformational impact
- Help build institutional capacities for enhanced NAMA coordination by host countries and help develop national and sectorial plans
- Provide valuable knowledge, regional experience and replicable best practices

Importance of Financing costs and De-risking RE & EE Investments



Source: UNDP(2013) Derisking Renewable Energy Investment

Energy Efficiency Financing – Risk transfer instruments

ENERGY-EFFICIENCY (EE) SUPPORT PROGRAM FOR HOTELS, CLINICS & HOSPITALS

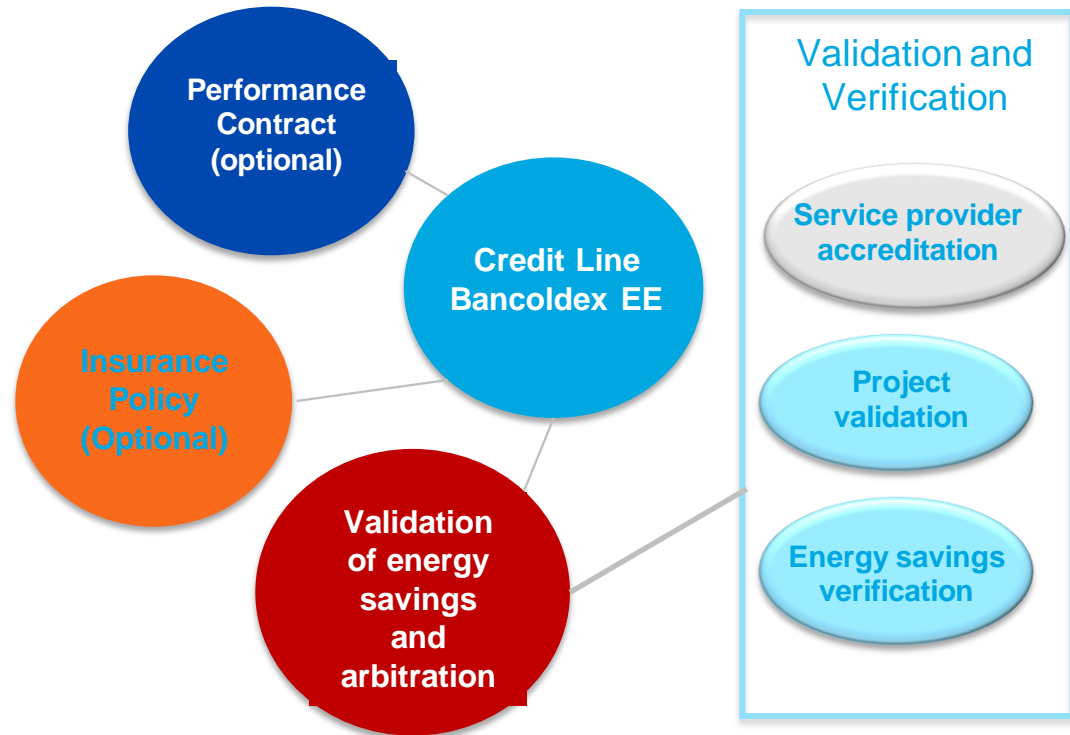


Key barriers for investments in EE in COL

Lack of knowledge of commercial banks of the risks and returns of EE Projects

Lack of knowledge by potential beneficiaries of potential economic benefits

Lack of financial capacity of local technical energy service providers



Innovative Financing model for EE Investments with:

- A transformative long term impact in the economies of small and micro-industries.
- Potential of replication of the model for the entire service sector in LAC region
- Domestic insurers development and growth
- Promote participation of EE service providers in LAC market

Defining priority sector interventions

Alignment with national priorities

Market Studies

Addressing non financial barriers: Structuring of Demand for Finance

Addressing financial barriers: Development of adequate financial instruments

Support technology and service providers

Promote business models and project incubation

Capacity building of financial institutions

Awareness raising and standard practices

Credit / collateral guarantees

Performance Guarantee

Insurance

Medium and long term concession al credit

Thank you for your attention!

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