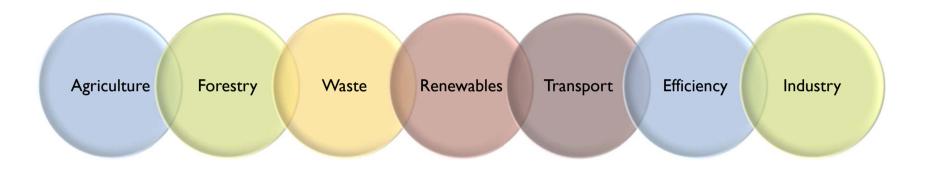


Sources of Finance for Pre-2020 Mitigation by Daniel Rossetto Regional African Workshop on Carbon Finance – Marrakech, 12 April 2015 Email: <u>info@climatemundial.com</u> Website: <u>www.climatemundial.com</u>

- Pre-2020 Mitigation Options
- Finance Instruments
- Sources of Finance
- Conclusions and Recommendations



Pre-2020 Mitigation Options (incl. NAMA)



Key Question: How are these mitigation actions different from post-2020 (physically and financially)?

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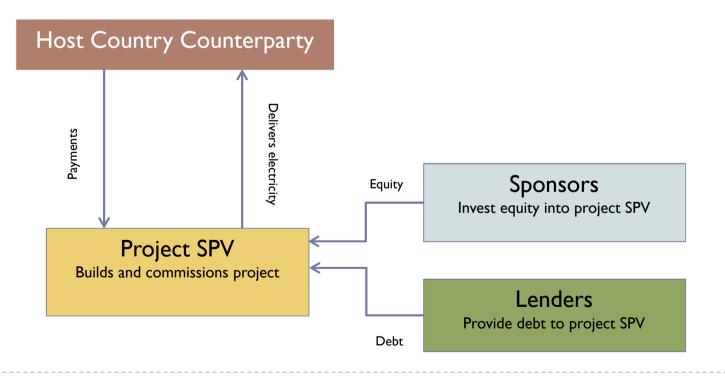
- Pre-2020 Mitigation Options
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Financing Instruments

5

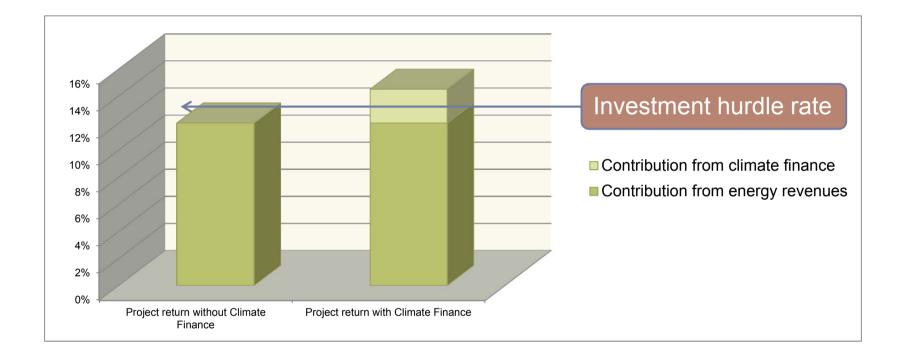
Typical project finance structure



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Influencing Investment Decisions



Key Question: To what extent should we still be concerned with additionality and how should it be proved?

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6

Financing Instruments

Instruments increasing project revenues







Financing Instruments

Instruments reducing cost of capital

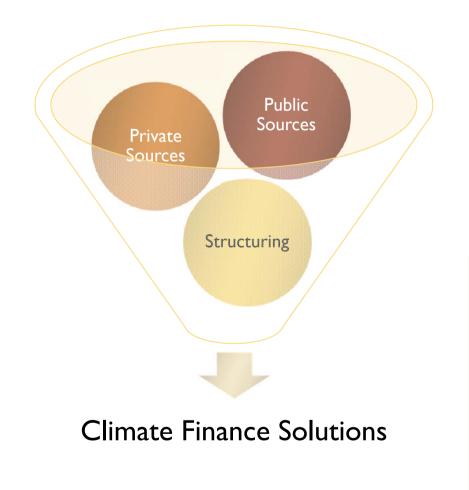
Debt	Concessional interest ratesExtended tenors and grace periods
Equity	Subordinated equityGrants
Insurances or Guarantees	Credit enhancementPolicy risk insurance

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Sources of Finance



Key Question: How realistic is it that governments alone will be able to raise US \$100bn per year by 2020?

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Funding Opportunities to Increase Project Revenues

International Climate Initiative (IKI)	 German Ministry of Environment (BMUB) Funding for adaptation, mitigation and REDD
NORCAP	 NEFCO on behalf of Norwegian Government Above market support for vulnerable CDM projects
CI-DEV	World Bank initiative with donor fundingCarbon finance for new development projects

Funding Opportunities to Increase Project Revenues

Pilot Auction Facility	 Sale of put options to CDM projects Initial focus on methane methodologies
NEFCO Carbon Fund	 NEFCO on behalf of Norwegian Government Above market support for new CDM projects
EU-Africa ITF	 Infrastructure fund for Africa (EIB) Funds can be used for tariff support (GetFiT)

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Funding Opportunities to Reduce Cost of Capital

Climate Investment Funds	 Multilateral development bank program SREP and CTF funds with concessional loans
Green Africa Power	 UK and Norwegian government funds Concessional lending to renewables in Africa
NAMA Facility	German and UK Government fundingFinancial support for NAMAs

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Funding Opportunities to Reduce Cost of Capital

Green Investment Bank (UK)	 Funding provided exclusively by UK Government India, East Africa and South Africa focus
Nordic Climate Facility	 Nordic Government program by NEFCO Grants available for mitigation and adaptation
Green Climate Fund	 New multilateral fund – various instruments Direct and international access possible

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Private Sources

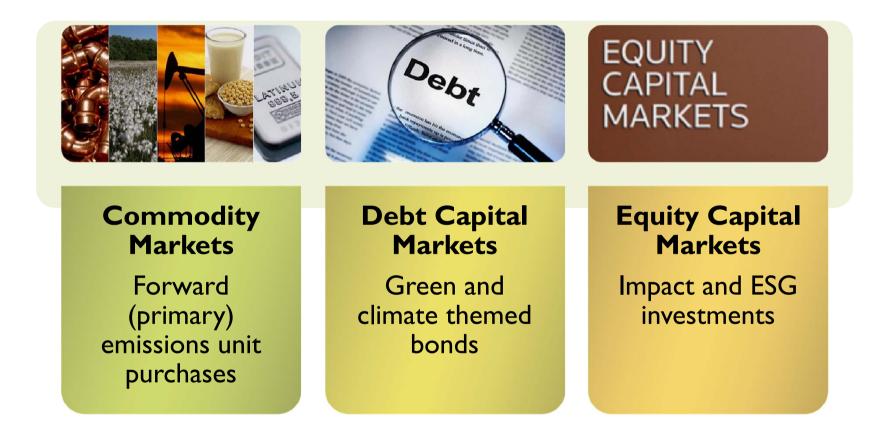
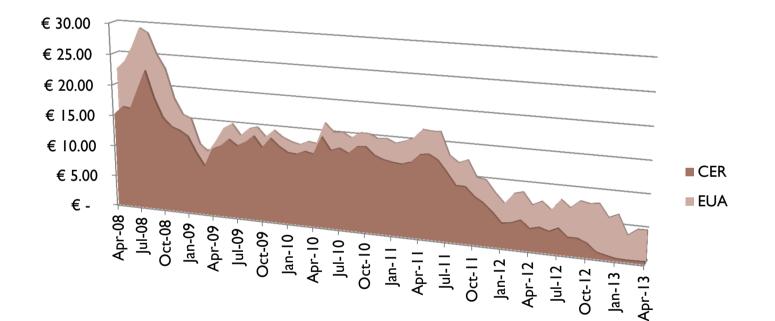


Image sources: The Telegraph, CNBC and IFR Magazine

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Carbon Market

Key Question: How can governments learn from the EUA market to boost prices for CERs pre-2020?



Source: Climate Mundial analysis of data from ICE Emissions (<u>www.theice.com/emissions</u>) Note: Prices are based on front month or quarter contracts for the relevant period

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Conclusion & Recommendations

Key Question: What can African Governments do to make a difference now on pre-2020 finance?

Statements of Opportunity	 Clear priorities, publish resource assessments Processes for assessing unsolicited proposals
State Guarantees	State guarantees for contractsClear pathway for repatriation of capital
Tenor of Commitment	• Longer tenors on contractual commitments allow for most efficient financing

Conclusion & Recommendations

Key Question: To what extent will the sources of climate finance shape the kinds of investment to be made?

Accounting	 Define interaction of public & private sources Clarify how climate finance is to be accounted
Eligibility, measurement & verification	 Clarify the role for the CDM going forward Avoid double counting (mitigation v finance)
Driving action	 Alignment of investment imperatives with international climate negotiations



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