Utilizing green bonds to finance enhanced mitigation actions and the link with existing schemes, such as the CDM

17th MEETING OF THE GLOBAL DNA FORUM

Palais de Congres, Marrakesh, Morocco

5-6 November 2016 Massamba Thioye



Mainstream finance (>\$110 trillion)*

Climate and SDG sensitized responsible investment 30 trillions Asset Under Management

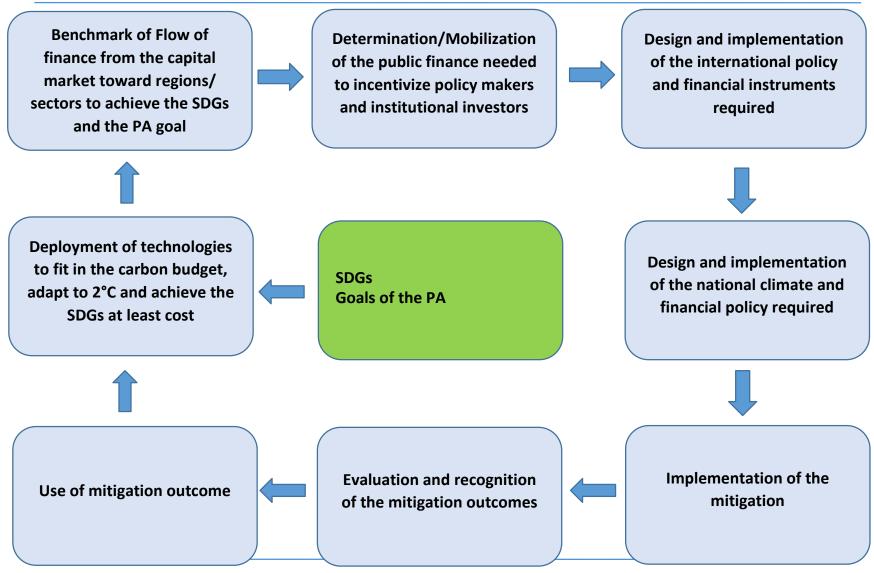
Climate labelled finance (\$740 billion) ***



Where the needed finance from the capital market could come from

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MDBs & Commercial banks ($40 Tr.)
    DFIs (RDB, NDBs IDBs, PFIs, ECAs) ($0.8 Tr.)
          Investment companies ($29 Tr.)
          Infrastructure PE Funds ($2.7 Tr.
        Infrastructure Developers ($3.4 Tr.)
   Fixed & Capital Market Management ($ 2 Tr.)
       Impact & Foundation Investors ($1 Tr.)
Public pensions and superannuation plans ($10.9 Tr.)
    Sovereign wealth & Hedge Funds ($6.3 Tr.)
      Insurance & private pension ($26.5 Tr.)
            GCF, GEF, AF, CIFs ($0.2 Tr.)
             Credit Rating Agencies (0)
              ESG Rating Agencies (0)
          NGO/BINGO standards orgs (0)
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Mobilization of the required finances for CA

Leveling the playing field

- Removal of subsidies to fossil fuel related technologies
- Carbon pricing to internalize the externalities related to GHG emissions

System to recognize and make visible their impact

Facilitating a financial regulatory framework conducive to the development of the local financial market

Providing incentives and support to private investors

 Identifying the targeted investors, defining their expectations in term of risk-return-impact and combining climate finance instruments to get relevant risk—return trade-off



- No need for new instruments. Investors do not like new products
- Innovative combination of existing and well known instruments, depending on the region, tailored for:
 - The achievement of a specific objective
 - The barriers that are to be addressed
 - The reach of a given source of finance
 - The development phase of the project/programme
 - The financing of a given class of climate action



Objective

	Project development	Financial market development	Private sector mobilization
Equity			
Grant			
Loan			
Technical assistance			
Credit lines			
Guarantees			
Green Bonds			
Structured Funds			
Commercial papers			



Macroeconomic and political risk e.g.

- Policy and regulation risks
- Social risk

Commercial and market related risks

- Credit risks
- Financial risks
- Currency risks

Impact related risks

Reputational risk

Technical and physical risk

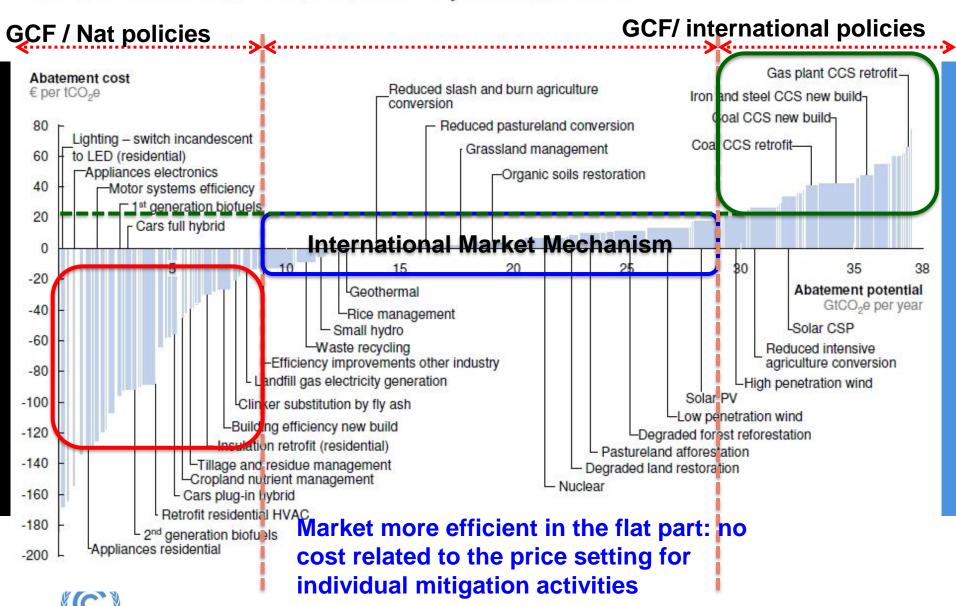


Instruments	Political and policy	Market commercial	Impact
Contracts (EPC contracts, O&M contracts, Foreign Exchange Swaps/Futures, ERPA, PPA			
Credit enhancement (loan and credit guarantee, securitization)			
Political risk insurance/Guarantee			
Revenue support policies (FiT, carbon credits, tradable permits)			
Direct investment (Concessional loans, equity invest MDBs, International Climate Funds)			
Readiness building			
Harmonized standards for evaluation and recognition of mitigation outcome			



Revenue support policies

V2.1 Global GHG abatement cost curve beyond BAU – 2030



Link with the CDM

CDM can serve the Green Bond market

- Standard for the evaluation of impact (collaboration with the IFIs, GCF)
- Development of deal flow of project (collaboration with Climate Mundial)



Link with the CDM

The Green Bond market can serve the CDM

- The Green Bond market can facilitate access to finance from the capital market for the refinancing of CDM and recycling of the replaced investment for the development of new project
- The difference of interest rate as compared to what is applied by commercial bank can replace the incentive provided by the carbon market



United Nations Framework Convention on Climate Change

Thank You

