



Climate Finance

Getting the Numbers Right

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ADB's Climate Finance Target

ADB will double its annual climate financing to

\$6 billion

by 2020



ADB's spending on tackling climate change will rise to **around 30%** of its overall financing by 2020.

Out of the \$6 billion:

\$4 billion

will be dedicated to **mitigation** through scaling up support for renewable energy, energy efficiency, sustainable transport, and building smart cities.



\$2 billion

will be for **adaptation** through more resilient infrastructure, climate-smart agriculture, and better preparation for climate-related disasters.



Planning Directions, WPBF 2017-2019

Climate Finance

- SDCC will work with Operations Departments and agree on methodology for measuring climate finance and establish annual targets
- SDCC in consultation with SPD will prepare staff guidance note on agreed methodology
- SPD will monitor progress of achievement of annual climate finance targets



ADB Climate Finance

Year	Mitigation			Adaptation			Total		
	ADB resources	External	Subtotal	ADB resources	External	Subtotal	ADB resources	External	Total
2011	2,196	224	2,420	585	172	757	2,781	396	3,177
2012	2,001	386	2,388	821	75	896	2,822	462	3,284
2013	1,948	333	2,280	880	108	988	2,828	441	3,268
2014	1,711	426	2,137	665	54	719	2,376	480	2,856

Source: Joint MDB Reports (2011-2014), In \$ millions.



Joint MDB Working Group on Climate Finance



Climate Finance - the amount of financial resources that contributes to climate change mitigation and/or adaptation activities, as defined by the *Joint Reports on MDB's Climate Finance*.



Mitigation Finance: Definition

An activity is classified as related to climate change mitigation if it promotes “efforts to reduce or limit GHG emissions or enhance GHG sequestration.”



Mitigation Finance Reporting: Attributes

- **Additionality** – activity-based, focused on the type of activity.
- **Timeline**- mitigation finance figures at board approval date.
- **Conservativeness**- where data is unavailable, take the conservative approach.
- **Granularity**- only mitigation activities that are to be disaggregated from non-mitigation activities are covered.
- **Scope** – mitigation activities can be stand alone projects or component of a stand alone project.
- **Eligibility**- In the fossil fuel combustion sectors (transport and energy production and use), energy production shift to RE/low carbon fuel and modal shift to low carbon transport are eligible.
- **Exclusions** – care will be taken to identify cases when projects do not mitigate emissions due to specific circumstances



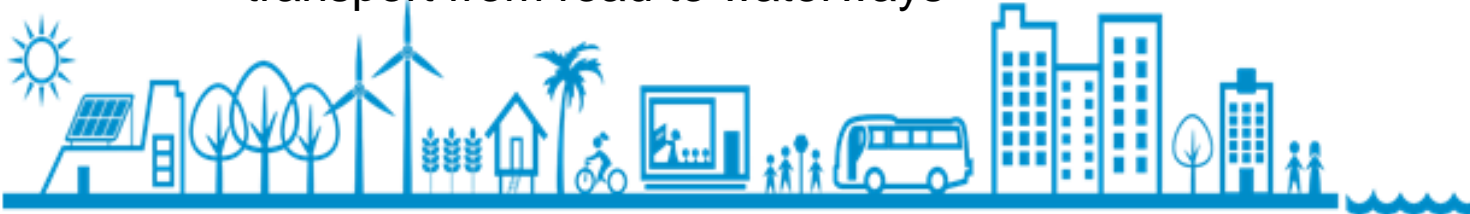
Mitigation Finance Reporting: Typology

1. Demand-side, brownfield energy-efficiency
2. Demand-side, greenfield energy-efficiency
3. Supply-side, brownfield energy-efficiency
4. Renewable energy
5. Transport
6. Agriculture, forestry and land use
7. Waste and wastewater
8. Non-energy GHG reductions
9. Cross-sector activities and others



Typology of Mitigation Activities: Transport

- **Vehicle energy efficiency fleet retrofit**
 - Existing vehicles, rail or boat fleet retrofit or replacement
- **Urban transport modal change**
 - Urban mass transit
 - Non-motorized transport (bicycles and pedestrian mobility)
- **Urban development**
 - Integration of transport and urban development planning leading to a reduction in the use of passenger cars
 - Transport demand management measures to reduce GHG emissions
- **Inter-urban transport and freight transport**
 - Railway transport ensuring a modal shift of freight and/or passenger transport from road to rail
 - Waterways transport ensuring a modal shift of freight and/or passenger transport from road to waterways



Mitigation Finance Reporting: Steps

1. Identify ADB projects that fit the typology of mitigation activities.
2. Identify in those projects the mitigation sub-project or component funded by ADB (loans, grants, equities, guarantees, ADB-administered climate funds)
3. Estimate the cost of the mitigation component funded by ADB (base cost, financial charges, contingencies, etc.)



Mitigation Finance Reporting: Example

PROJECT AT A GLANCE

1. Basic Data		Project Number: 46453-002	
Project Name	Renewable Energy Sector Project	Department /Division	PARD/PATE
Country Borrower	Cook Islands Cook Islands	Executing Agency	Ministry of Finance & Economic Management
2. Sector		ADB Financing (\$ million)	
✓ Energy	Renewable energy generation - solar		11.19
		Total	11.19
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG) Environmentally sustainable growth (ESG)	Pillar 1: Economic opportunities, including jobs, created and expanded Eco-efficiency Global and regional transboundary environmental concerns	Mitigation (\$ million)	11.19
		CO ₂ reduction (tons per annum)	2,930
		Climate Change impact on the Project	Medium
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Knowledge sharing activities		
Partnerships (PAR)	Bilateral institutions (not client government) Official cofinancing		
Private sector development (PSD)	Public sector goods and services essential for private sector development		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Rural	Medium
		Urban	Medium
6. Risk Categorization:		Low	
7. Safeguard Categorization		Environment: B Involuntary Resettlement: B Indigenous Peoples: C	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		11.19	
Sovereign Project loan: Ordinary capital resources		11.19	
Cofinancing		7.26	
European Union		7.26	
Counterpart		5.83	
Government		5.83	
Total		24.28	

Mitigation finance from ADB-own resource

GHG reduction

ADB-own resource

ADB-administered resource



Mitigation Finance Reporting: Example

COO: Renewable Energy Sector Project

Total project cost: \$24.28 million

ADB financing: \$11.19 million (OCR); \$7.26 million (EU)

Project scope:

1. Solar photovoltaic power system development
2. Institutional strengthening and project management support

CONTRIBUTION TO THE ADB RESULTS FRAMEWORK

Level 2 Results Framework			
No.	Indicators (Outputs and Outcomes)	Targets	Methods/Comments
1	Installed clean energy generation capacity	3,180 kW by 2017	3,180 kW solar photovoltaic power plants under the three core subprojects and the three noncore subprojects fully operational by 2017.
2	Reduced greenhouse emission reduction	2,930 tCO _{2e} to be avoided (per year)	Carbon dioxide reduction was calculated based on the estimated savings of 1.09 million liters of diesel fuels to be used for an equivalent diesel power generator sets.

kW = kilowatt, tCO_{2e} = ton of carbon dioxide equivalent.
Source: Asian Development Bank estimates.

Mitigation Finance: \$11.19 million (OCR); \$7.26 million (EU)



Mitigation Finance Reporting: Example

PROJECT AT A GLANCE

1. Basic Data		Project Number: 48003-002	
Project Name	Qingdao Smart Low-Carbon District Energy Project	Department /Division	EARD/EAEN
Country Borrower	China, People's Republic of Government of the People's Republic of China	Executing Agency	Qingdao Municipal Government
2. Sector		ADB Financing (\$ million)	
✓ Energy	Subsector(s) Energy utility services		130.00
		Total	130.00
3. Strategic Agenda		Climate Change information	
Inclusive economic growth (IEG) Environmentally sustainable growth (ESG)	Subcomponents	Mitigation (\$ million)	34.67
	Pillar 1: Economic opportunities, including jobs, created and expanded Eco-efficiency Global and regional transboundary environmental concerns	CO ₂ reduction (tons per annum) Climate Change impact on the Project	1,398,456 Medium
4. Drivers of Change		Gender Equity and Mainstreaming	
Knowledge solutions (KNS)	Components Pilot-testing innovation and learning	Some gender elements (SGE)	✓
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Rural	Low
		Urban	High
6. Risk Categorization:		Low	
7. Safeguard Categorization		Environment: B Involuntary Resettlement: C Indigenous Peoples: C	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		130.00	
Sovereign Project loan: Ordinary capital resources		130.00	
Cofinancing		0.00	
None		0.00	
Counterpart		133.60	
Government		133.60	
Total		263.60	

Mitigation finance from ADB-own resource

GHG reduction

ADB-own resource

Mitigation Finance Reporting: Example

PRC: Qingdao Smart Low-Carbon District Energy Project

Total Project Cost: \$263.60

ADB financing: \$130.0 million (OCR)

Project scope:

The project develop and demonstrate a low-carbon, energy-efficient district heating, cooling, and power production and distribution system in Qingdao City. Instead of coal, the system will use natural gas, solar thermal, shallow-ground geothermal, and waste heat recovered from industrial plants as its energy sources.

Mitigation categories:

- Renewable energy (geothermal and solar) – \$2.3 million
- Energy efficiency (waste heat recovery) – \$58.8 million
- Fuel switching (use of natural gas for heating) - \$28.26 million

Total Mitigation Finance: \$89.83 million



ADB's 2015 Mitigation Finance (own resources, In \$million)

ADB Sector	Mitigation Finance (\$ million)	Percentage of Mitigation Finance per Sector to Total Mitigation Finance (%)	Volume of Investments to Projects with Mitigation Benefits (\$ million)	Percentage of Mitigation Finance to Investments with Mitigation Benefits (%)	Number of Projects with Mitigation Benefits
Agriculture, Natural Resources and Rural Development	92.70	3.9%	322.79	28.7%	3
Education	-	-	-	-	-
Energy	1,533.15	64.8%	4,420.07	34.7%	18
Finance	380.81	16.1%	521.81	73.0%	2
Transport	299.80	12.7%	351.64	85.3%	3
Water and Other Urban Infrastructure Services	60.63	2.6%	290.00	20.9%	3
Total	2,367.09	100%	5,906.32	40.08%	29



Adaptation Finance: Definition

An activity is considered adaptation if it consists of the following key elements:

- 1) Setting out the context of vulnerability to climate variability and climate change;
- 2) Stating the intent to address identified climate change risks and vulnerabilities in project documentation;
- 3) Demonstrating a direct link between identified vulnerabilities and project activities.



Adaptation Finance Reporting: Guiding Principles

- Adaptation finance is limited *solely* to project activities aimed at reducing project's climate change vulnerability
- Granular, context- and location-specific
- Evidence base
- Ex-ante
- Conservative approach



Adaptation Finance Reporting: Steps

- Understand the projects vulnerability to climate change
- State explicitly an intent to address climate change vulnerability as part of the project
- Articulate on adaptation measures and the direct link between climate vulnerabilities and project activities

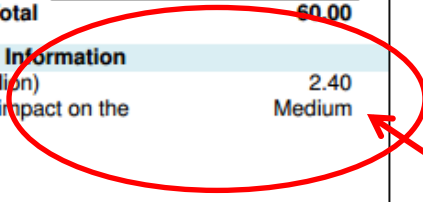


Adaptation Finance Reporting: Steps

Project Classification Information Status: Complete

PROJECT AT A GLANCE

1. Basic Data		Project Number: 44328-013	
Project Name	Uplands Irrigation and Water Resources Management Sector Project	Department /Division	SERD/SEER
Country Borrower	Cambodia Government of Cambodia	Executing Agency	Ministry of Water Resources and Meteorology
2. Sector		ADB Financing (\$ million)	
✓ Agriculture, natural resources and rural development	Irrigation		50.00
	Water-based natural resources management		10.00
		Total	60.00
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive Global and regional transboundary environmental concerns Natural resources conservation	Adaptation (\$ million)	2.40
Environmentally sustainable growth (ESG)		Climate Change impact on the Project	Medium
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Effective gender mainstreaming (EGM)	✓
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Rural	High
6. Risk Categorization:		Low	
7. Safeguard Categorization		Environment: B Involuntary Resettlement: B Indigenous Peoples: C	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		60.00	
Sovereign Sector loan: Asian Development Fund		60.00	
Cofinancing		0.00	
None		0.00	
Counterpart		6.12	
Government		6.12	
Total		66.12	
9. Effective Development Cooperation			
Use of country procurement systems	Yes		
Use of country public financial management systems	Yes		



Adaptation finance from ADB-own resource



Adaptation Finance Reporting: Example

CAM: Uplands Irrigation and Water Resources Management Sector Project

Total project cost: \$66.12 million

ADB financing: \$60 million

Climate change Risks: *Medium*

- **Vulnerability Context:** Droughts due to climate change further reduce availability of water and agricultural productivity, particularly during peak period of requirements [RRP]
- **Statement of Intent:** Increase agricultural production by ... climate-proofing selected irrigation systems in Kampong Thom and Battambang [para 12 of RRP]
- **Adaptation Measures:** 1) irrigation scheduling to reduce impacts of droughts; 2) waterflow measurements installed in canals to meet crop water requirement during drought; 3) training on high value crops

Adaptation Finance: \$2.4 million



ADB's 2015 Adaptation Finance (own resources, In \$million)

ADB Sector	Adaptation Finance (\$ million)	Percentage of Adaptation Finance per Sector to Total Adaptation Finance (%)	Volume of Investments to Projects with Adaptation Benefits (\$ million)	Percentage of Adaptation Finance to Investments with Adaptation Benefits (%)	Number of Projects with Adaptation Benefits
Agriculture, Natural Resources and Rural Development	132.40	47.1%	392.00	33.78%	4
Education	35.00	12.45%	200.00	17.50%	1
Energy	18.36	6.53%	425.00	4.32%	3
Finance	-	-	-	-	-
Transport	50.25	17.88%	579.15	8.68%	5
Water and other Urban Infrastructure Services	45.05	16.03%	739.00	6.10%	8
Total	281.06	100%	2,335.15	12.04%	21



SDCC Climate Finance Reporting Focals



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For further information

ADB's Climate Change and Disaster Risk Management

<http://www.adb.org/themes/environment/climate-change>

Joint Report on MDBs' Climate Finance

<http://documents.worldbank.org/curated/en/2015/06/24641149/2014-joint-report-multilateral-development-banks-climate-finance>