

Accessing climate finance to support low-carbon actions

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Manuel Cocco

Climate Policy Practice Lead & Head of Public Advisory

ADB Transport Forum 2016
September 12, 2016

Agenda

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1. Global climate finance landscape
 2. Way forward: finance under Paris Agreement and INDCs
 3. NAMAs as an instrument to catalyse climate finance
 4. Main climate finance sources in Asia
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Global climate finance landscape



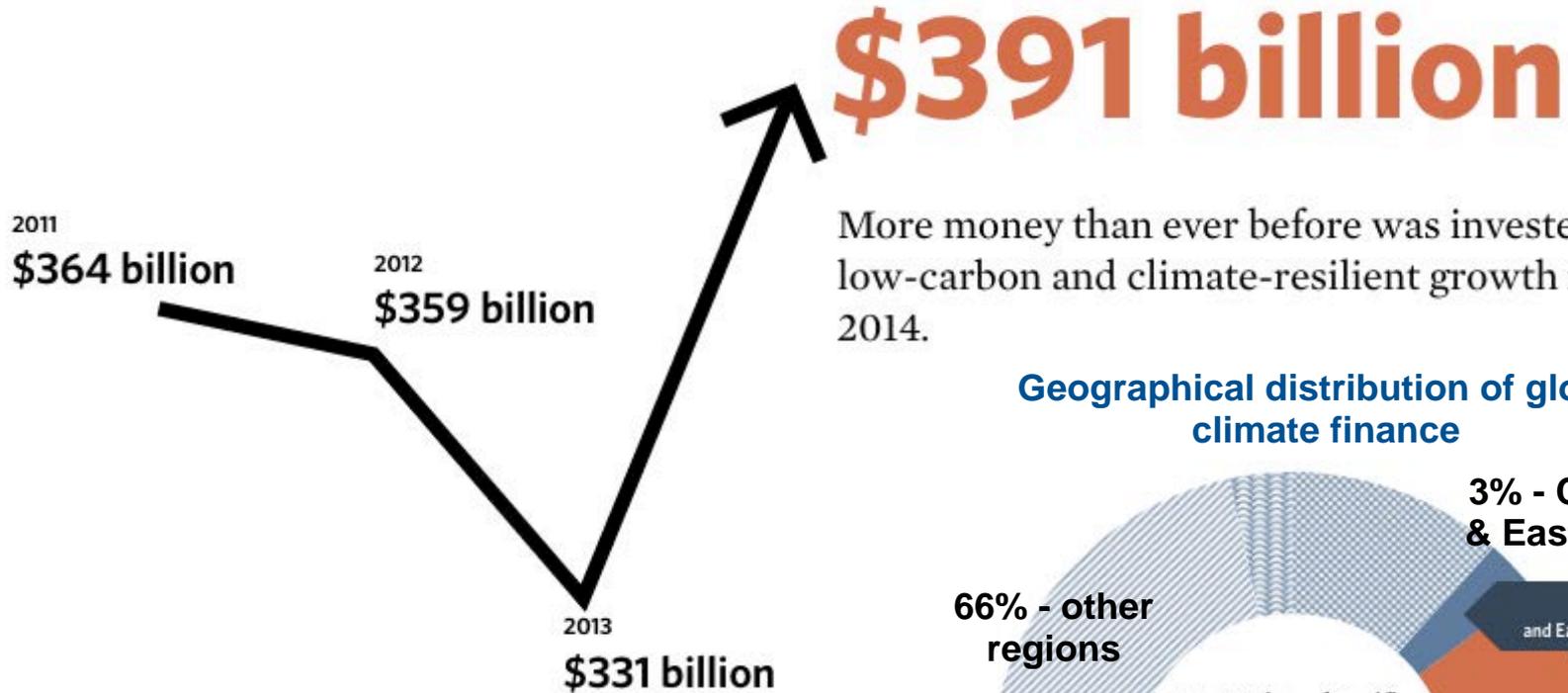
Climate finance is:

Local, national or transnational support (in the form of **finance, technological or capacity building assistance**), which may be drawn from public, private and alternative sources:

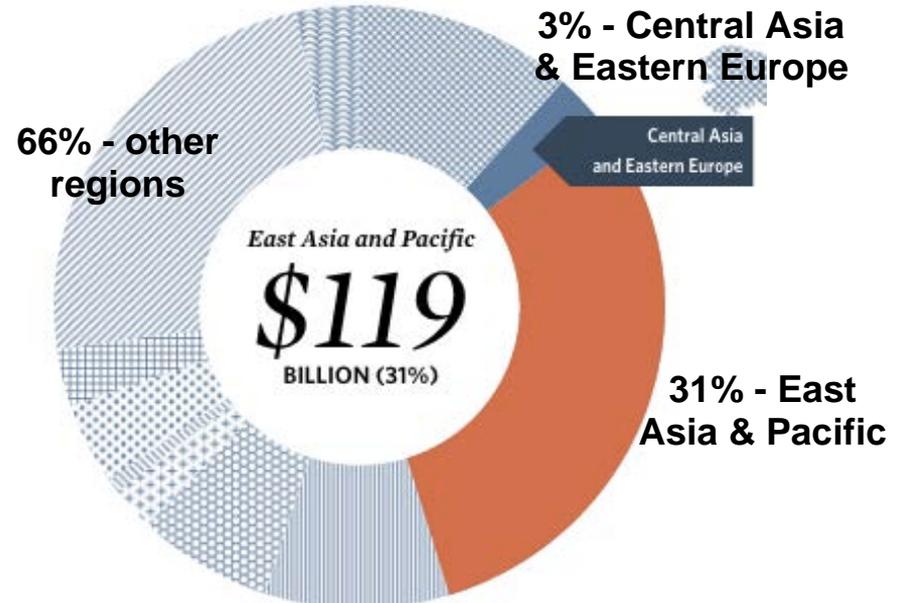
1. To reduce greenhouse gas (GHG) emissions in major emitting sectors (**climate change mitigation**)
2. To build resilience of economic sectors, communities and ecosystems to unavoidable climate change impacts (**climate change adaptation**)



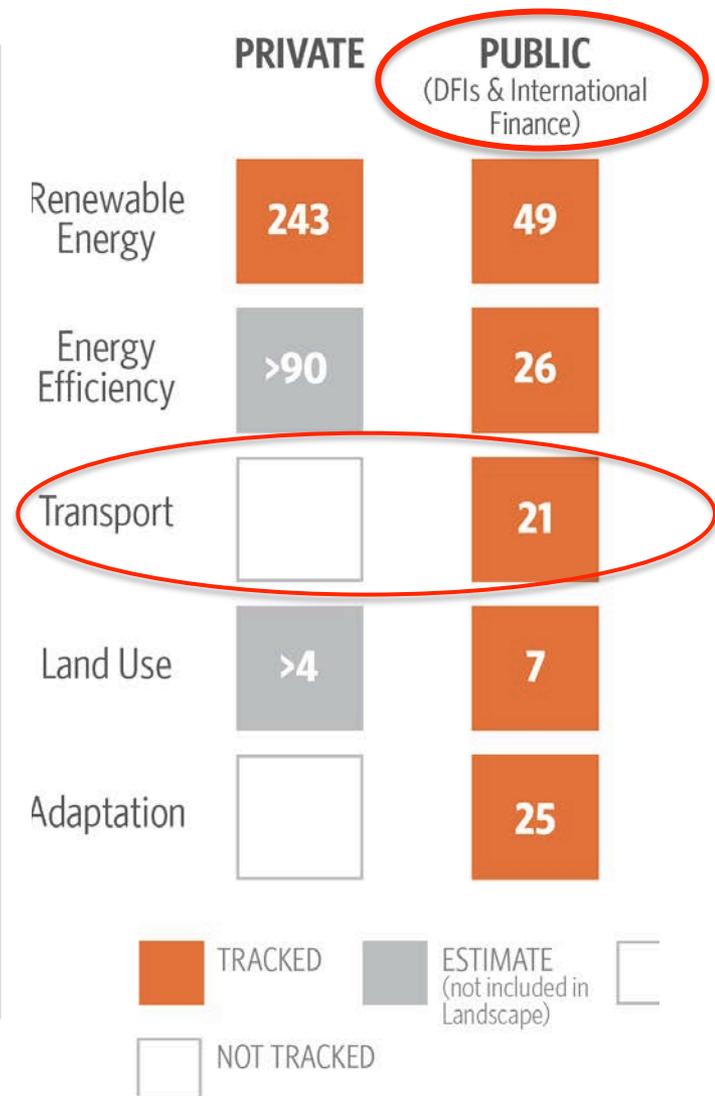
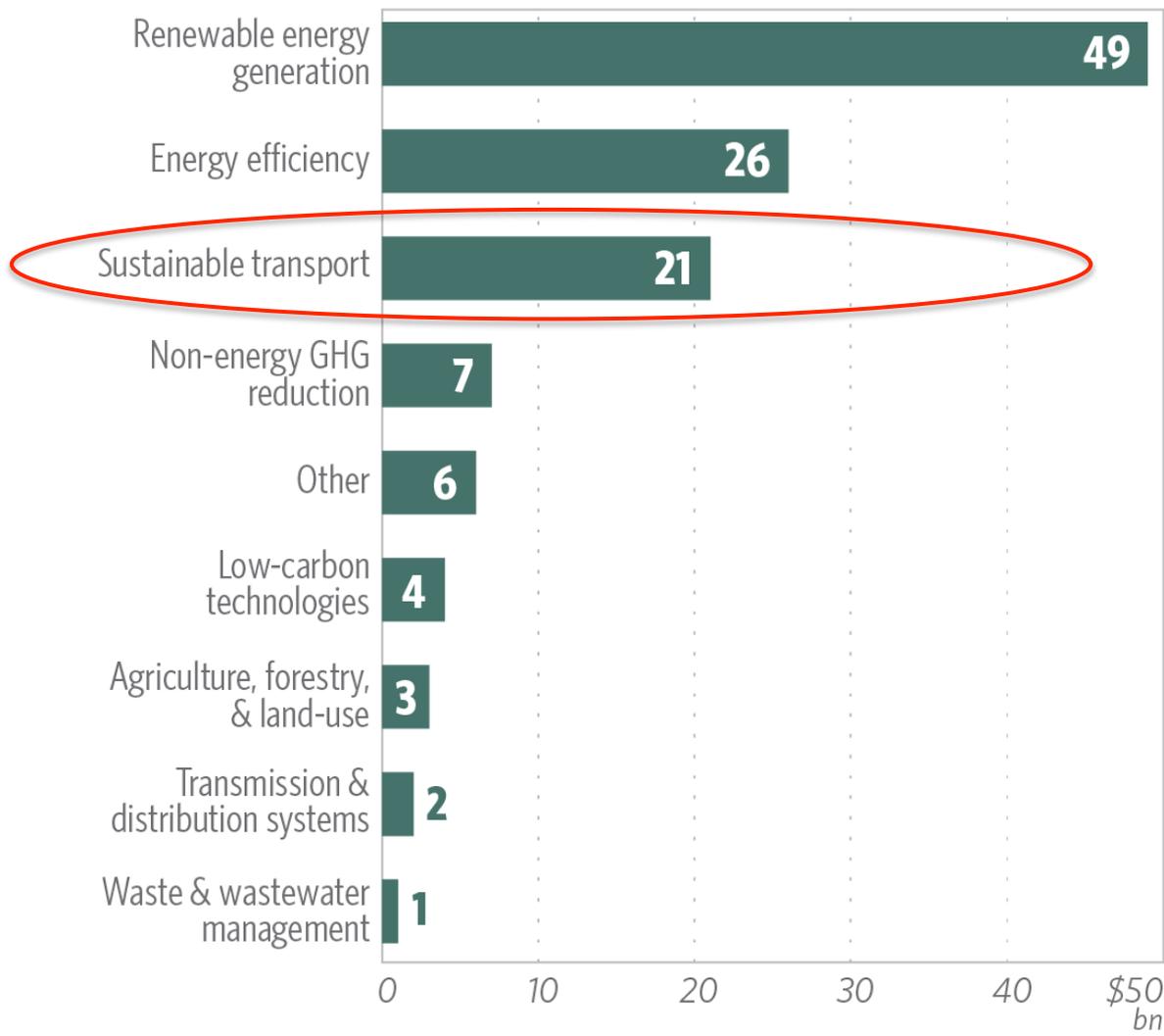
Global climate finance has almost reached \$400 billion with 1/3 of resources aimed for Asia



Geographical distribution of global climate finance



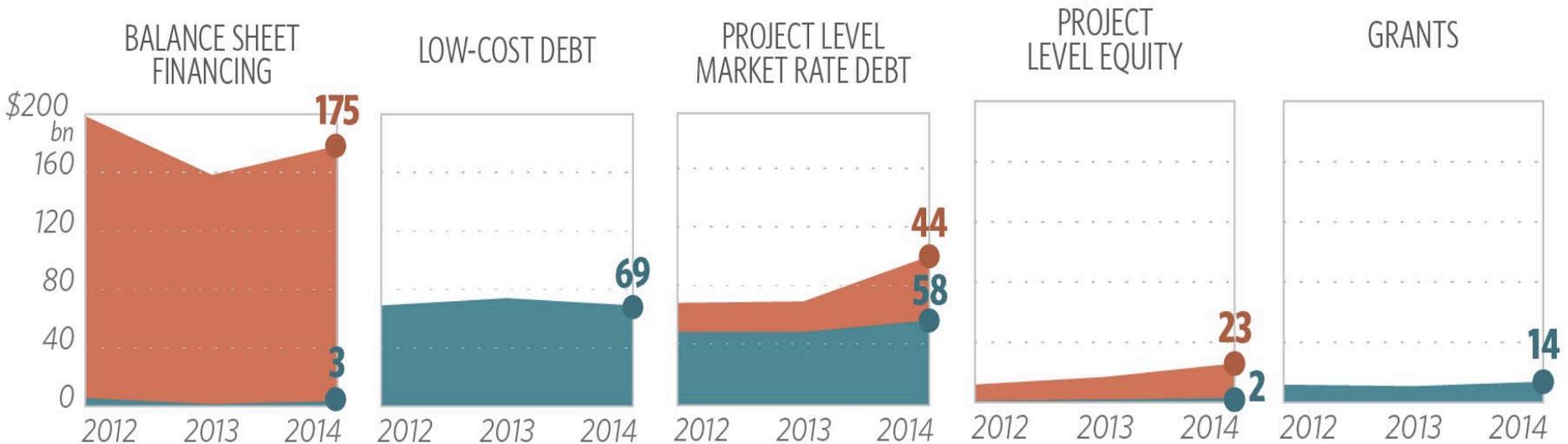
Priority sectors and main sources of financing climate mitigation, USD billion



Source: <http://www.climatefinancelandscape.org/>

Main instruments

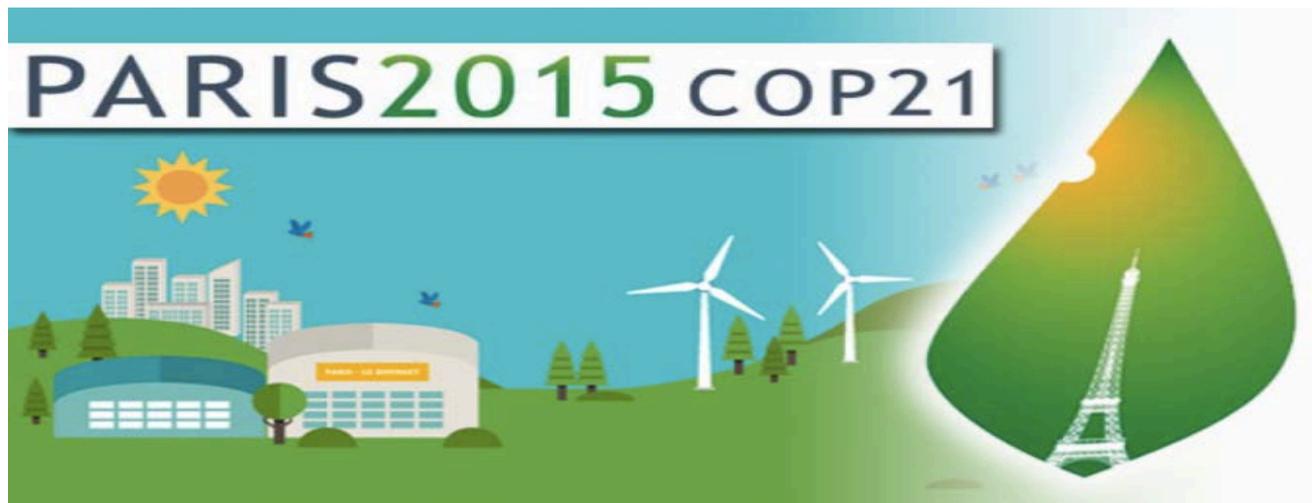
PUBLIC PRIVATE



- Balance sheet financing stays mainly private
- Low-cost debt and grants are provided only by public sources
- At the same time, **public finance continues to drive private investment:** private sector participation in project-level market rate loans and equity is increasing

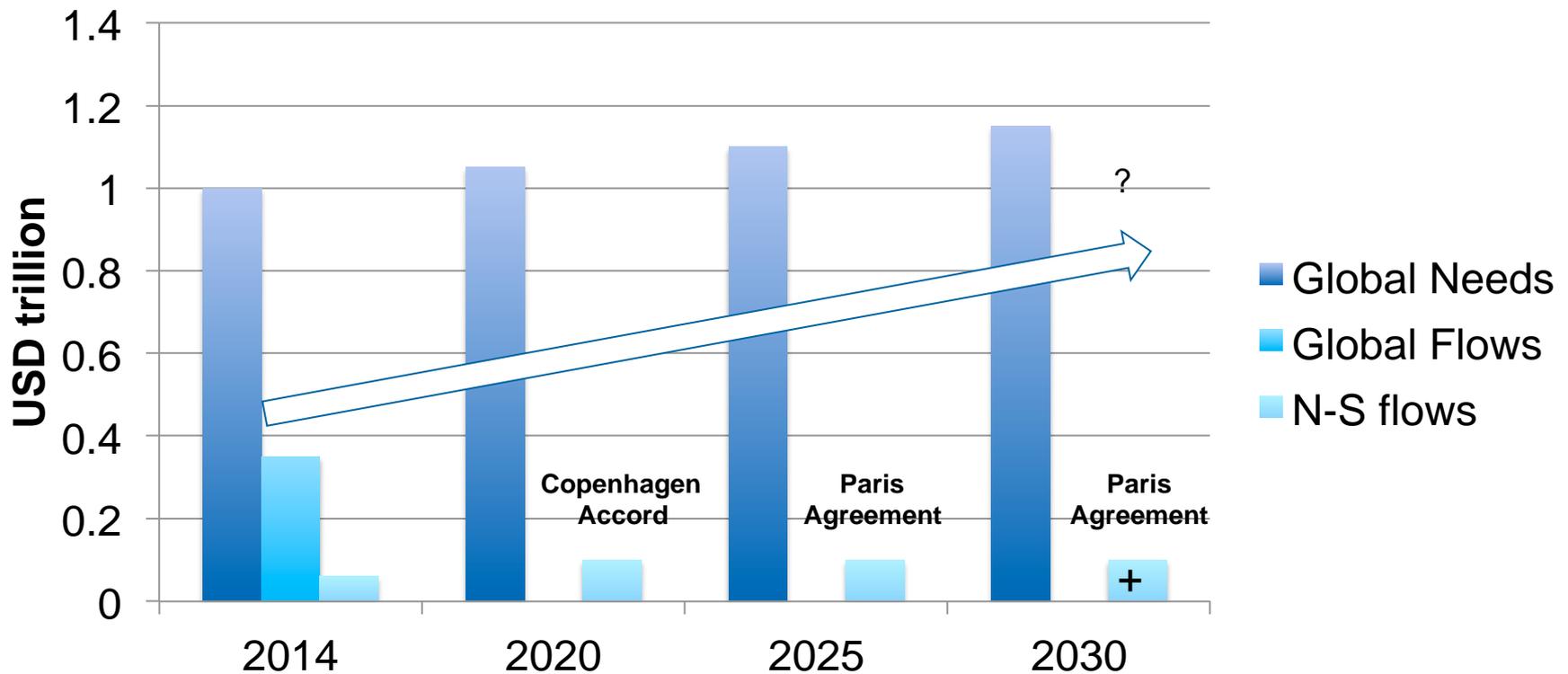
Way forward: finance under Paris Agreement

- Lead role of **developed countries** and **public funds** (such as 'Green Climate Fund', GCF) as an instrument to channel financial support
- Other countries are invited to provide support on a voluntary basis
- Focus on **supporting country-driven strategies (e.g. NAMAs)** of developing countries based on their needs & development priorities
- **Strong signal for wider investment community** that investment in low-carbon assets will pay off



Way forward: finance under Paris Agreement (2)

- Goal:** to mobilize at least \$100 billion/year by 2020 for climate actions (*ambitious, but still not enough compared to estimated needs*)

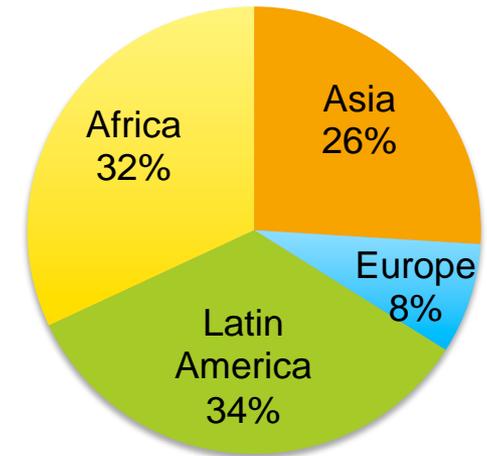


NAMAs as an instrument to catalyse climate finance

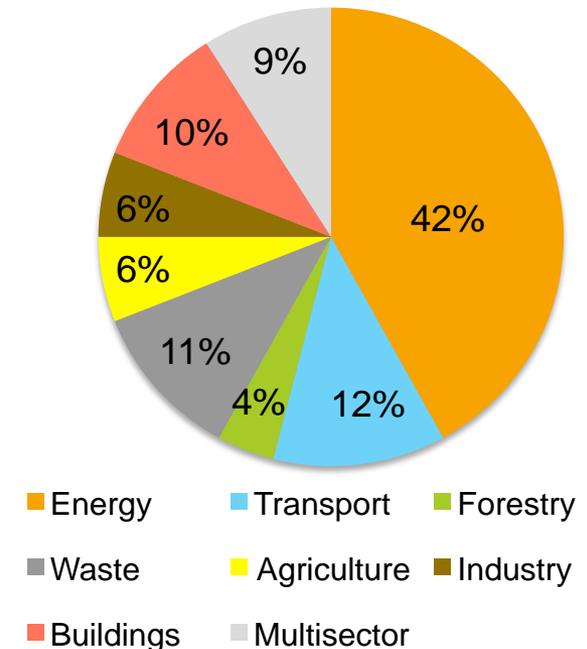


NAMAs around the World

Region	NAMAs		
	Under development	Implementation	Total
Asia	39	7	46
Europe	14	0	14
Latin America	55	6	61
Africa	54	3	57
Total	162	16	178



Sector	NAMAs		
	Under development	Implementation	Total
Energy	71	4	75
Transport	18	3	21
Forestry	5	2	7
Waste	18	1	19
Agriculture	10	1	11
Industry	11	0	11
Buildings	17	1	18
Multisector	12	4	16

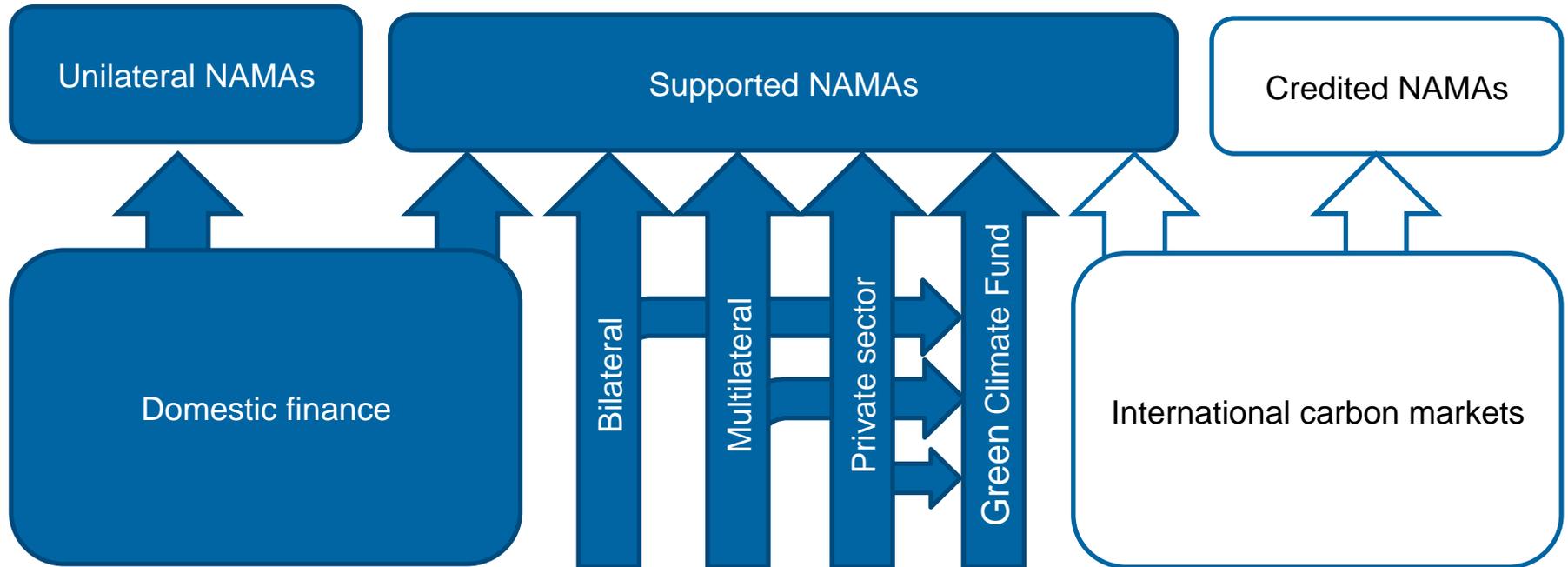


What is a NAMA (in practical terms)

- NAMAs are mechanisms defined under the international climate policy process that give the **opportunity to catalyze additional financial support for projects** within a broad range of economic sectors, under the condition that they make substantial, quantifiable contributions to climate change mitigation and national sustainable development goals.
- In other words, **NAMAs are fund mobilization mechanisms**, conditional to returns in terms of:
 - ✓ Reduced GHG emissions,
 - ✓ Environmental effectiveness,
 - ✓ Cost-effectiveness,
 - ✓ Direct/Indirect sustainable development benefits (increased incomes, new jobs, women empowerment, etc.)



Sources of NAMA financing



Source: Adapted from 'Developing Financeable NAMAs: A Practitioner's Guide', IISD, 2013

NAMAs will always **require substantial domestic finance** (public and private), but they will also be able to **attract international financial support**. Some of them, if they can produce GHG emission reduction units (i.e. carbon credits), can also trigger or catalyze international carbon market finance funds.

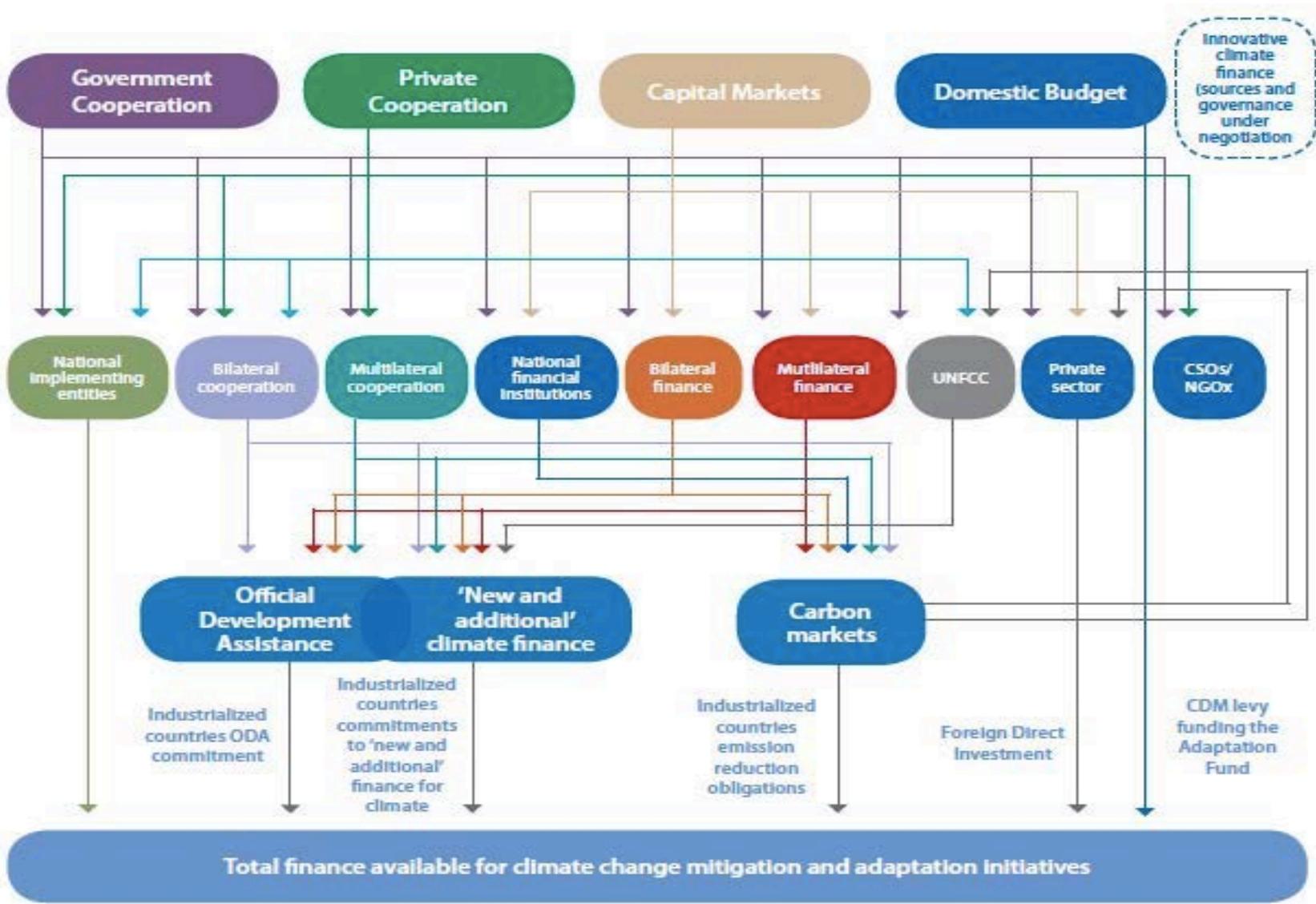
Possible financing streams for NAMAs

Financing sources	Financial channels	Instruments
<ul style="list-style-type: none">• Public budget• Public debt• Taxes• Domestic contributions• Auction revenues• Private capital• Private debt/equity• Technical Assistance (ODA)• Carbon market	<ul style="list-style-type: none">• National government• Bilateral Institutions• Multilateral Institutions• GEF (phasing out)• GCF (scaling up)• Developed countries bilateral assistance• Private finance	<ul style="list-style-type: none">• Insurance / guarantees• Grants / Trust Funds• Incentives• Soft loans• Bonds/Green Bonds• Equity• Enhanced policies & regulations• Domestic carbon market• Offsets

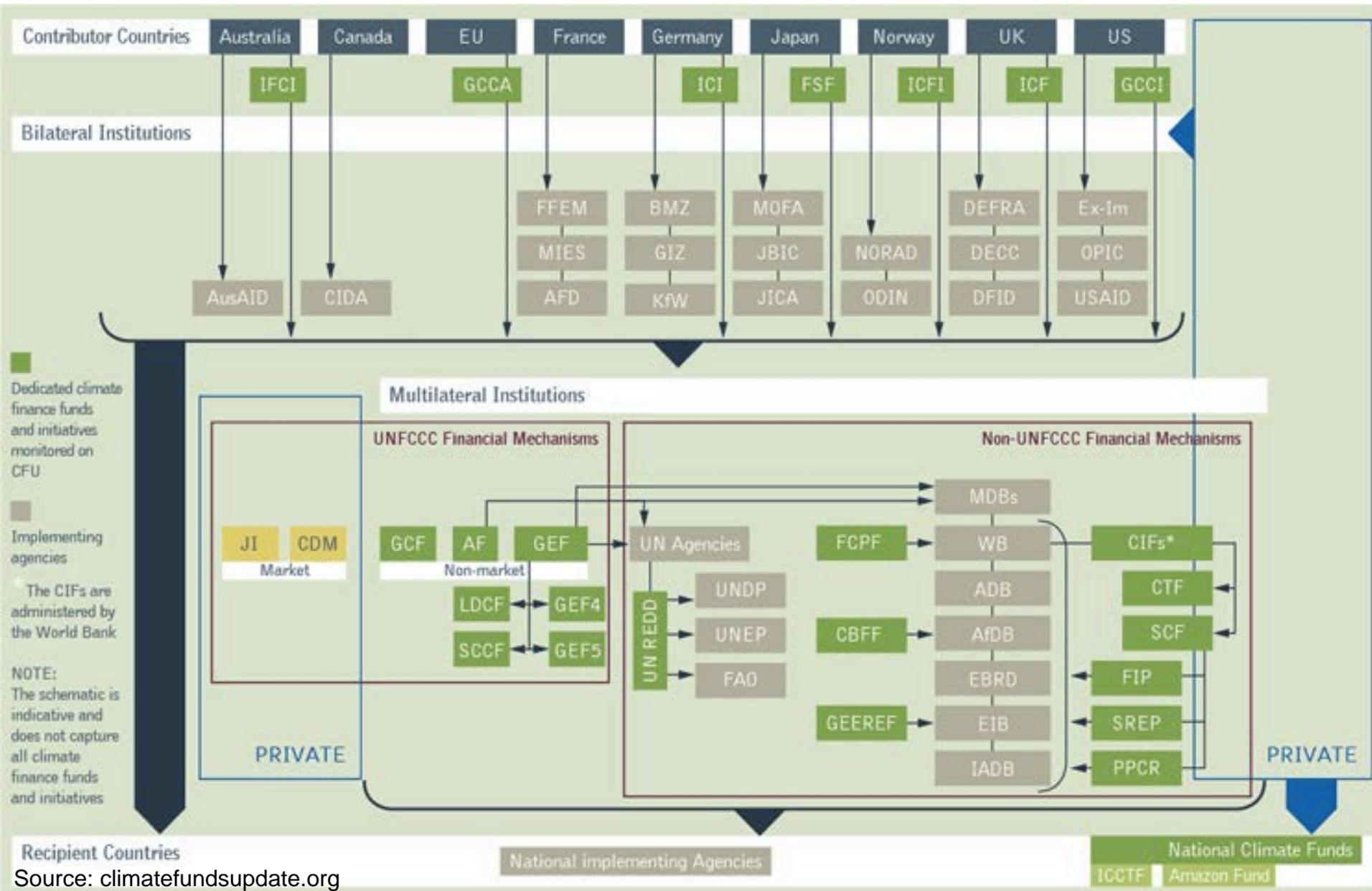
Climate finance sources in Asia



Multiple sources of climate financing



Multiple sources of climate financing



Key climate funds

In the past few years, multilateral climate funds like GEF, AF, CIF have roughly committed around **USD 1-1.5 billion/year**

1. NAMA Facility

- **Established:** in 2013
- **Supports:** funding the implementation of ambitious country-led NAMAs
- **Disbursement:** through regular yearly calls, i.e.: Oct 16, Oct 17, Oct 18
- **Project size:** EUR 5-20 million
- **Instrument:** ODA / grant
- **Access:** submission by a national government, regional intergovernmental organization + letter of support from the national government.
- **Evaluation criteria:** readiness for implementation, ambition, feasibility, transformational change, catalytic effect, etc.

1. NAMA Facility (2)

- **14 projects** (4-5 projects per call)
- **Asia:** 4 countries (China, Indonesia, Thailand, Tajikistan)
- **Transport:** 4 projects
 - ✓ Indonesia: sustainable urban transport
 - ✓ Peru: sustainable urban transport
 - ✓ Colombia: transport-oriented development (TOD)
 - ✓ Kenya: MRT system for Nairobi
- **4th call is on till 31 October 2016**

Projects supported by NAMA Facility in Asia



1. NAMA Facility (3)



Indonesia: sustainable urban transport NAMA (SUTRI)

Actions:

- Transport demand management measures: 'park and ride' facilities, building of sidewalks, bicycle networks;
- Technical assistance to local governments: reviewing Transport Master Plans, catalysing public and private investments.

Expected co-benefits:

- less congestion, air pollution and segregation;
- improved PT accessibility, new jobs and reduced social inequality.

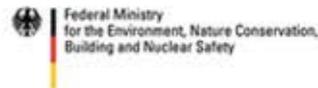
Expected mitigation potential:

- 0.6 to 1.5 million tonnes CO₂eq/y in 2020.

Project volume:

- EUR 14 million

On behalf of:



2. Green Climate Fund (GCF)

- **Established:** in 2009 under the COP decision
- **Supports:** climate change projects in developing countries with a 50% focus on adaptation and mitigation
- **Already pledged: USD 10.2 billion**
- **Major contributors:** USA (29%), Japan (15%), UK (12%), Germany (10%), France (10%)
- **Various instruments:** grants, loans, guarantees, equity, exploring use of innovative i.e. green bonds
- **Access:** through accredited entities after approval of the national designated authority (NDA) - a governmental agency that ensures projects are aligned with the national development goals



Project sizes

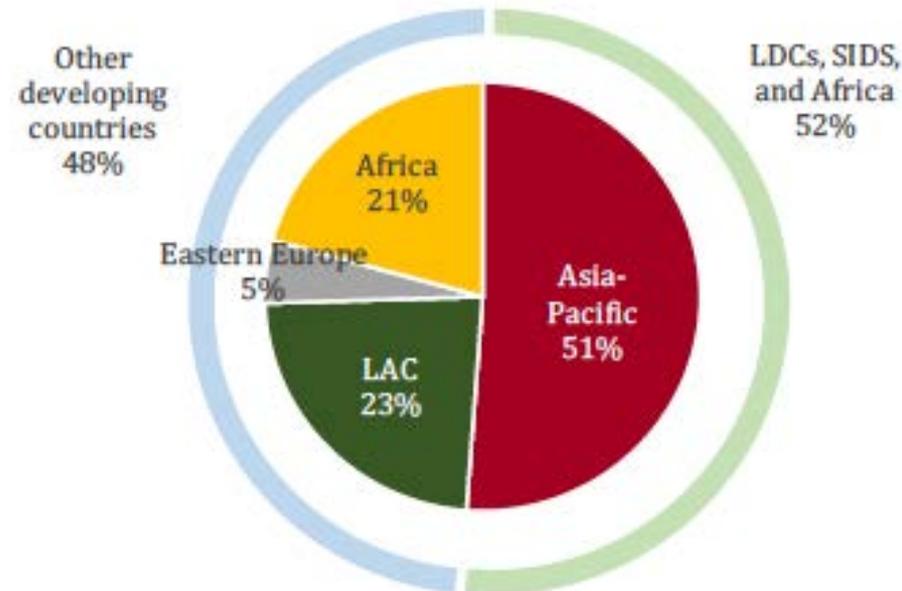
XS	< \$10 million
S	\$10-50 million
M	\$50-250 million
L	> \$250 million

2. Green Climate Fund (GCF) (2)

- **Disbursement goal: USD 2.5 billion by 2020**
(triple the current amount of climate funds!)
- **Already allocated: USD 250 million** (10%)
- **Pipeline:** 41 projects
- **Approved:** 17 projects
- **Asia:** 7 projects (mostly LDCs and SIDS),
51% of the amount allocated
- **Transport sector:** no transport
sector projects approved yet.
However, GCF highlights that it will
support low-emission and climate-
resilient cities and reduction of GHG
emissions from freight transport
(particularly in Asia with the largest
abatement potential)



Figure 4 Regional distribution of the requested amount of GCF funding (%)



3. Clean Technology Fund (CTF)

- **Resources:** USD 5.6 billion (60% already allocated). Each of the 19 eligible countries can receive no more than 15% of the budget.
- **Sectors:** renewable energy, transport, energy efficiency
- **Instruments:** grants, concessional loans and guarantees blended with other financing instruments.
- **Countries:** 19 middle-income developing countries (Asia: India, Indonesia, Kazakhstan, Philippines, Thailand, Turkey, Vietnam)
- **Access:** through partner MDBs (ADB, IFC, etc.)

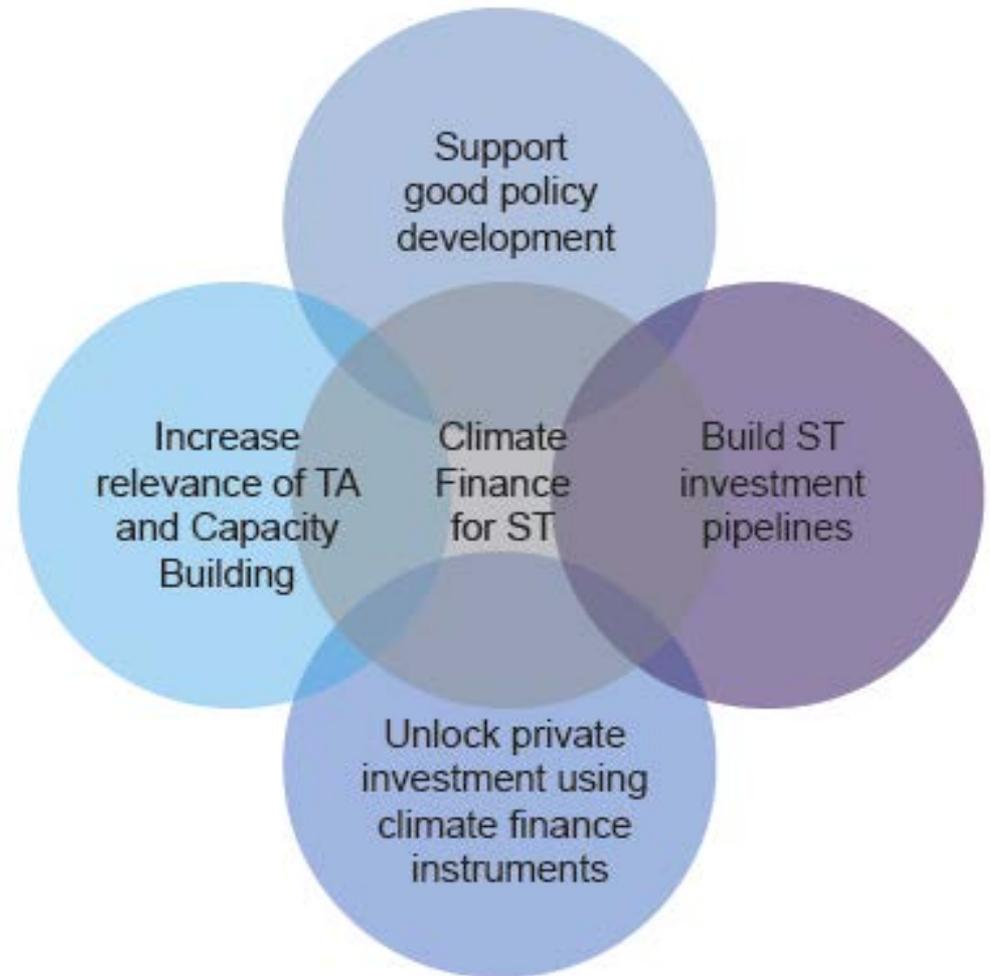
4. Other multilateral and bilateral funds and facilities

- Global Environment Facility (GEF), currently phasing out in CC-related
- World Bank Partnership for Market Readiness (WB PMR), focus on seed funding for enabling activities
- International Climate Initiative (ICI/IKI)
- ... and many more.

Role of climate finance for sustainable transport

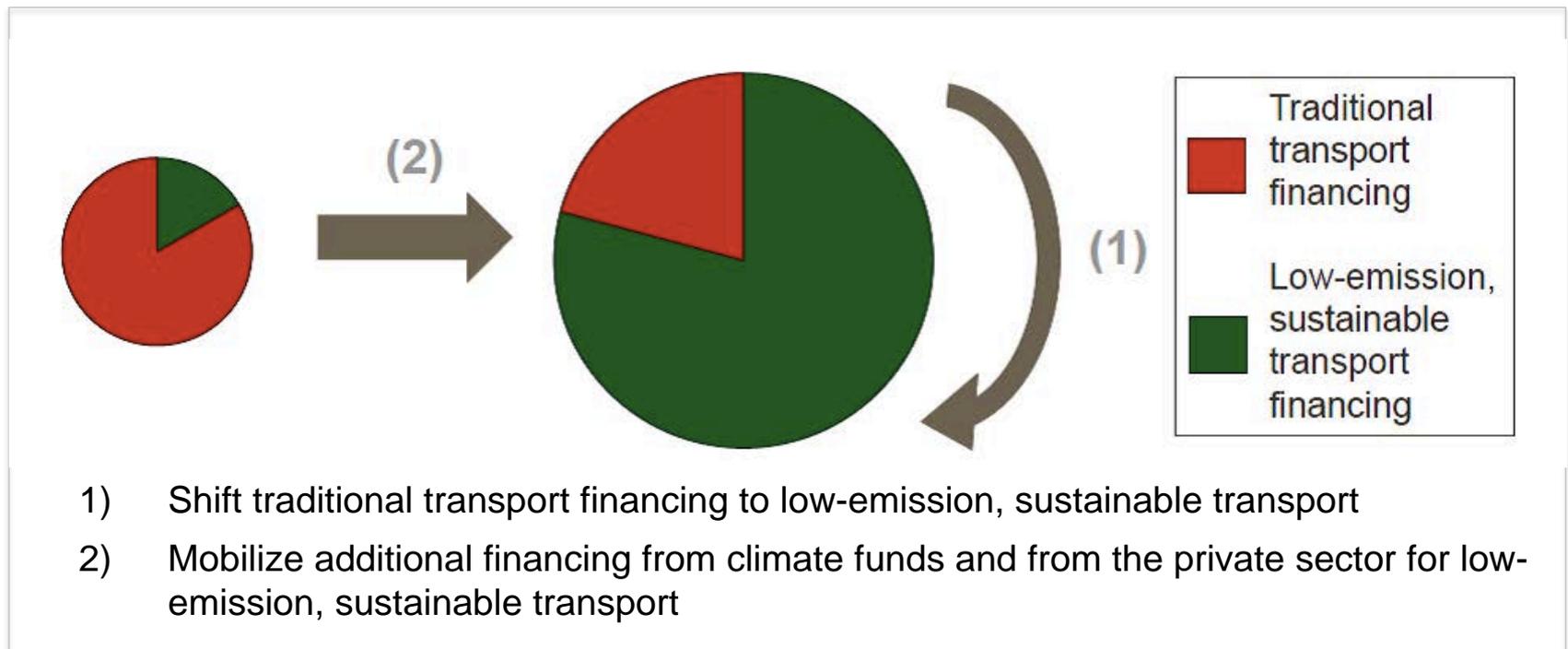
Climate finance can help:

1. To make more financially attractive (feasible) measures that are not attractive per sé to attract international investors
2. To provide guarantees/ funds to ensure minimum performance
3. To inject finance into climate-specific actions



How to integrate climate finance into traditional financing for the transport sector?

- Climate finance can cover only a small portion of the overall financing needs.
- Climate finance is particularly important for creating enabling environment (policy, regulatory, legal framework and public financial incentives) to catalyze private sector investments.

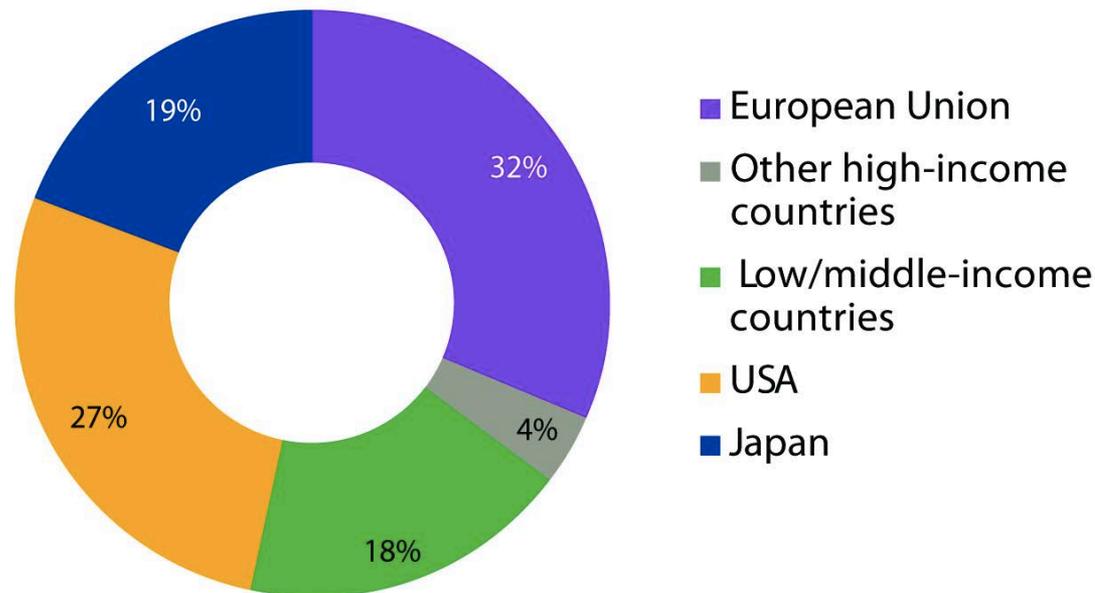


Traditional international finance for transport

Global transport investment is between USD 1.4-2.1 trillion/year (WRI, 2014)

- Public investments: USD 569-905 billion/year (42%)
- Private investments: USD 814-1.2 trillion/year (58%)

Geographical distribution of global private investments into the transport sector



Sources: Wagenvoort et al. 2010; World Bank PPI 2013; Government budget publications; CBI 2013; ITC 2013.

Traditional international finance for transport (2)

Multilateral development banks (MDBs) had provided about **USD 20 billion for the transport sector** by 2014.

In 2012, they pledged **USD 175 billion** in loans and grants for more sustainable transport over the 2012–22 decade.

- **The World Bank:** 28% of annual financing commitments by 2020 are aimed for transport sector.
- **ADB:** 32% of the current lending is for the transport sector
- **IFC:** 27% of infrastructure portfolio is aimed at transportation and logistics



ADB 'Sustainable transport initiative' (STI)

- **Established:** 2010
- **Resources:** USD 2.8 billion/year (2015)
- **Priority sectors:** road transport (65%), sustainable urban transport (18% and expected 30% of funding by 2020), railway projects (16% and growth to 25% by 2020)
- **Countries:** Bangladesh, China, India, Uzbekistan with new lending under consideration for Cambodia, Mongolia, and Turkmenistan.



Japan International Cooperation Agency (JICA)

- 2010 New Growth Strategy of the Japanese Government
- **Instruments:** ODA loans and grants, public-private partnerships, technical cooperation.
- **Transportation sector:** railroad projects, inclusive and dynamic urban development, transportation Demand Management (TDM), enhancement of transportation safety, etc.
- **Countries:** Asia, Africa, Latin America



Agence Française de Développement' (AFD)

- **Funds:** EUR 8.3 billion committed (2015), including EUR 1.6 billion (19%) aimed for infrastructure and sustainable cities projects
- **Instruments:** loans (48%), concessional loans, grants, subsidies, credit guarantees, etc.
- **Asian countries (17% of financing):** Bangladesh, Cambodia, China, India, Indonesia, Kazakhstan, Laos, Myanmar, Pakistan, Philippines, Thailand, Uzbekistan, Vietnam, and countries in the Caucasus region



Thank you!



Manuel Cocco

m.cocco@thesouthpolegroup.com