



Financing to foster low-carbon growth

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“Strategies for a Post-Crisis World: Enhancing European Growth”

Joëlle Chassard

Manager, Carbon Finance Unit, The World Bank

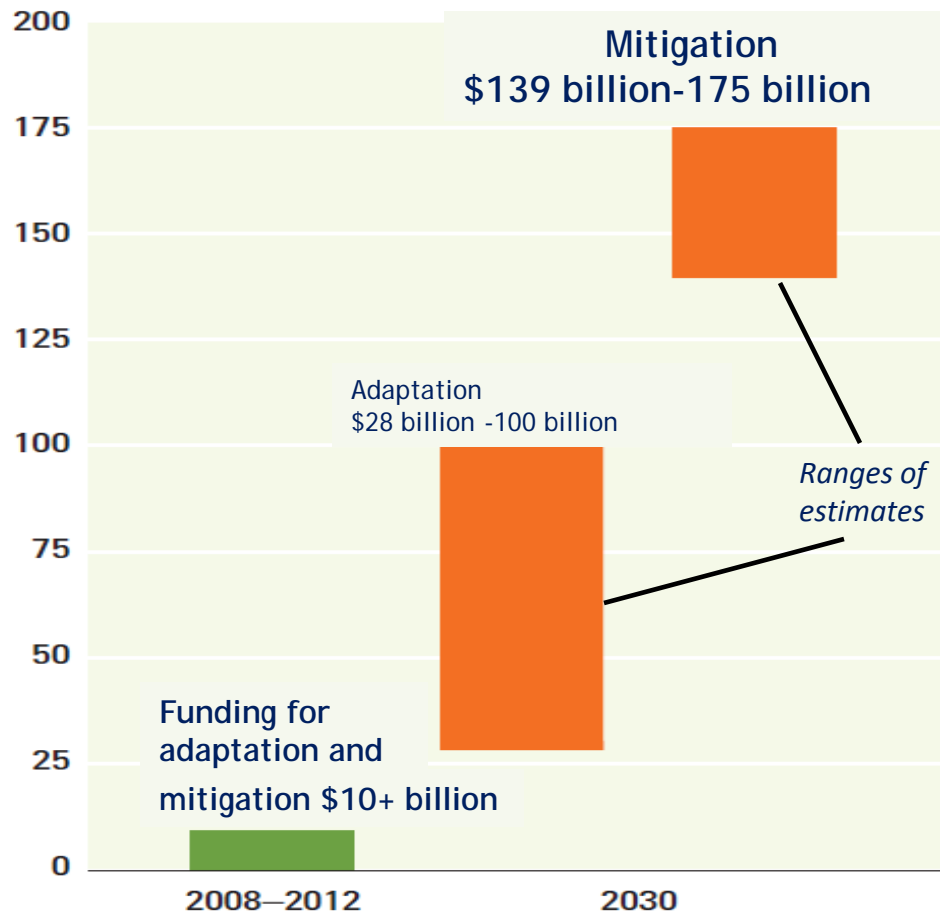
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The challenge: investment requirements

Current dedicated resources cover less than 5% of the needs

Additional annual investment needs in developing countries by 2030

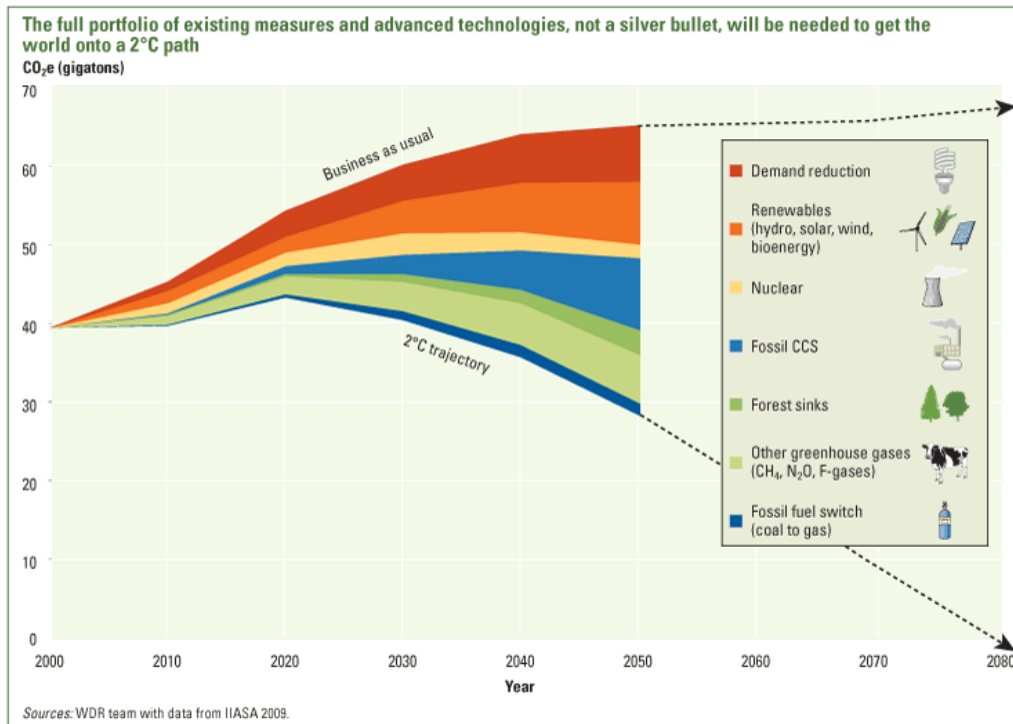


Climate finance covers additional costs and serves as a catalyst...



Low carbon is about smart development

Involves a portfolio of cross-sector adaptation and mitigation measures

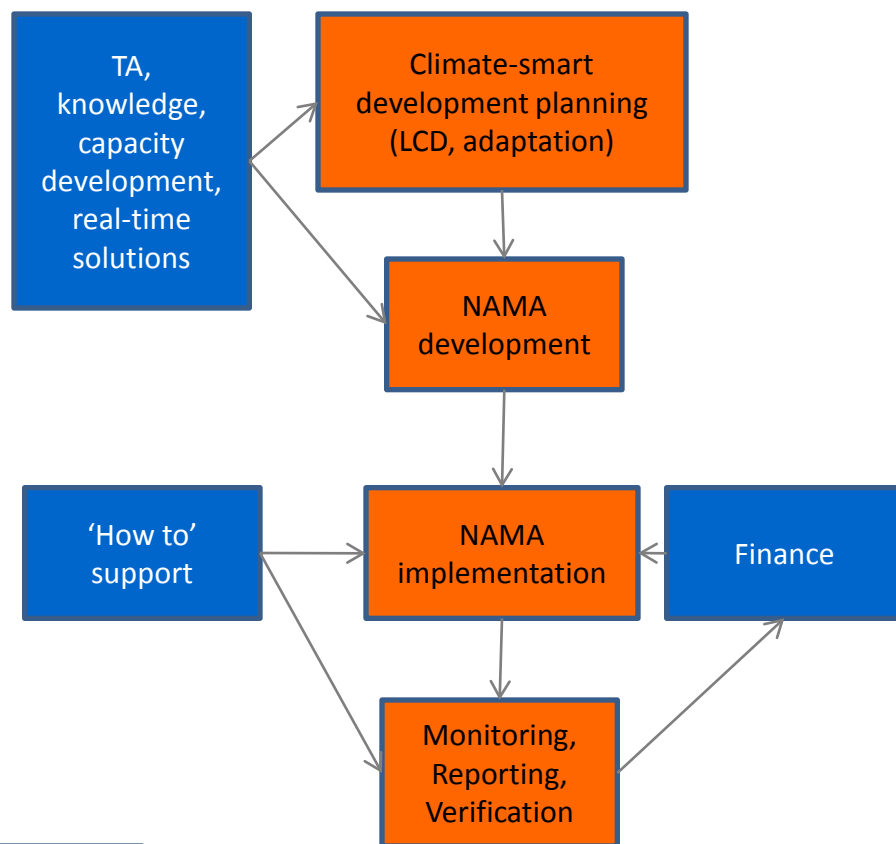


Starting point - low carbon studies:

- ✓ Need cross sector approach
- ✓ It will require strong commitments and new technology, finance and capacity
- ✓ National (cross ministry) coordination essential
- ✓ Countries must address difficult barriers
- ✓ It is not an easy process

A strategic approach is needed to guide investment

Requires synergy to leverage resources



KEY

Country

WBG

NAMA – Nationally Appropriate Mitigation Action

How should we respond?

- ✓ Development and climate imperatives require country focus on climate-smart planning (blending mitigation and adaptation) and test economic impacts
- ✓ 141 countries may develop NAMAs in future
- ✓ Climate finance is expected to flow to support NAMAs (fast start, green fund)
- ✓ Emerging response networks (CLEAN, SLOCAT, MDB, private sector) – mostly mitigation
- ✓ Low-carbon studies are a way forward for mitigation, but we need to incorporate adaptation

No one-size-fits-all approach to low-carbon growth studies

Brazil, China, India, Indonesia, Mexico, Poland and South Africa

Pilot low-carbon study program (2007-2010):

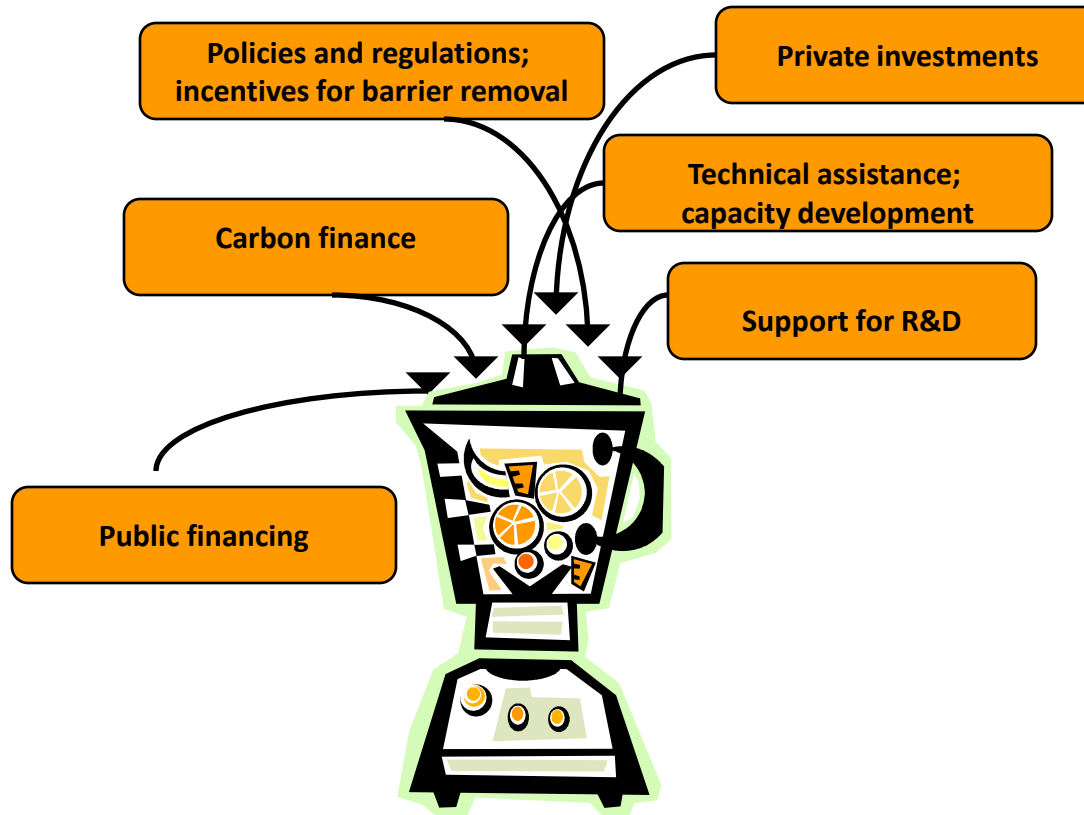
- ✓ Focused on high GHG emitters
- ✓ Asked: Is there a low-carbon option? Where is the GHG mitigation potential?
- ✓ Looked at development objectives
- ✓ Determined how to lower carbon footprints to 2030 economically
- ✓ Assessed financing needs and other requirements

Important experience and lessons:

- ✓ Strategies for engagement
- ✓ Building ownership and local capacity
- ✓ Pioneering new approaches, methodologies and tools
- ✓ Helping to identify and weigh investments
- ✓ Mobilizing finance (e.g., carbon markets, CIF, lending, TA)

Private sector engagement necessary for scale

Leveraging and blending of public and private resources needed



The carbon market has been the main channel of financial flows to developing countries and must be sustained

Carbon Finance at the World Bank

An early market entrant that helped drive innovation

World Bank focus

Objectives

- ❑ Strengthen capacity of developing countries to benefit from carbon market
- ❑ Assist in building, sustaining & expanding carbon market
- ❑ Ensure CF contributes to sustain. development

Means

- ❑ Pioneer: The Prototype Carbon Fund (2000)
- ❑ Learning-by-doing approach & diversification
- ❑ Model: create demand through carbon funds – and then originate projects
 - Often purchase post-2012 vintages
 - WB's environmental & social safeguards
- ❑ Investing in capacity building

Impact

- ❑ Increasing carbon fund volume over time: from \$160 million in 2000 to ~\$2.5 billion now in 11 Funds
 - 16 sovereign governments and 66 private sector participants from 3 continents
- ❑ Developer of – and contributor to – new methodologies

Carbon Partnership Facility (CPF)

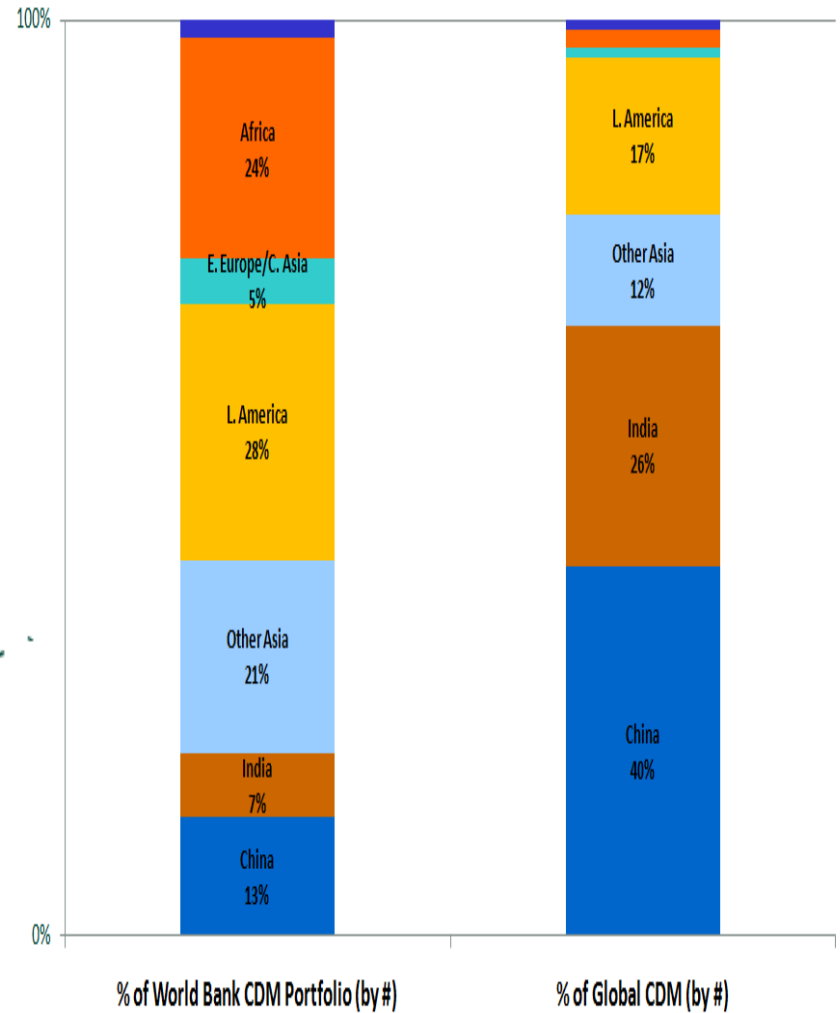
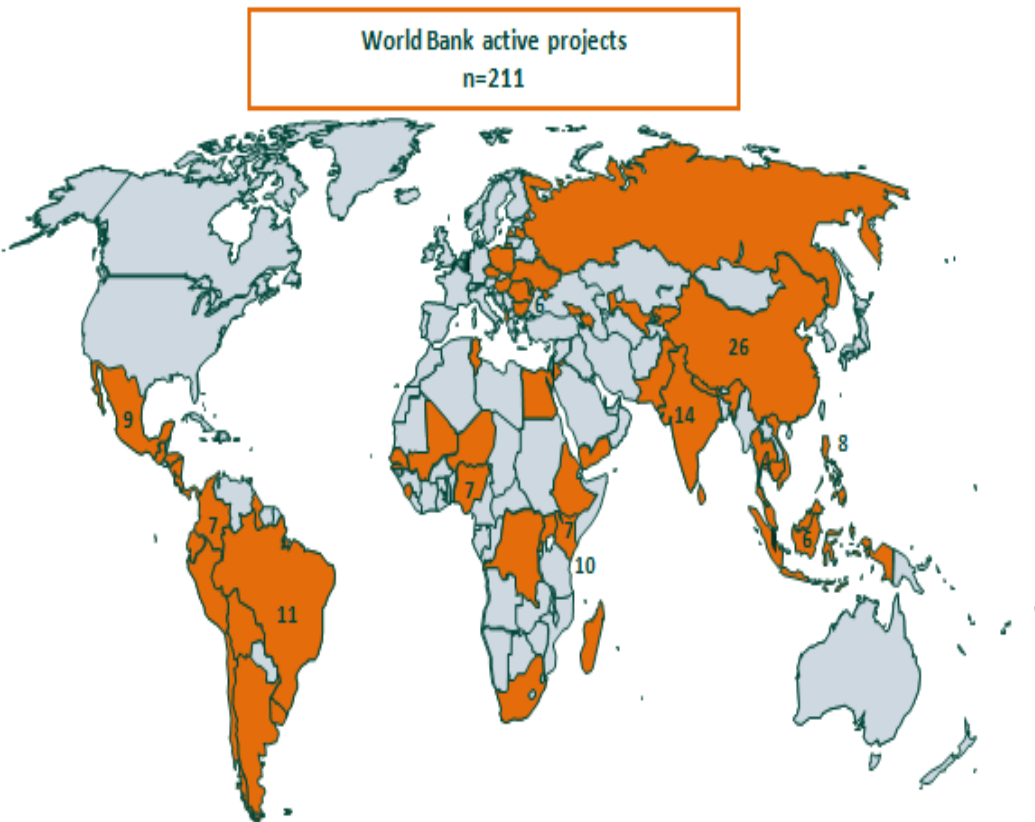
- Supporting programmatic and sector-wide interventions
- Carbon Asset Development Fund – €7 million
- Carbon Fund - €100 million

Forest Carbon Partnership Facility (FCPF)

- Supporting Country-readiness and piloting incentives for reducing emissions from deforestation and forest degradation - \$160 million available
- 37 participating developing countries
- 11 Readiness grants signed

The World Bank's portfolio

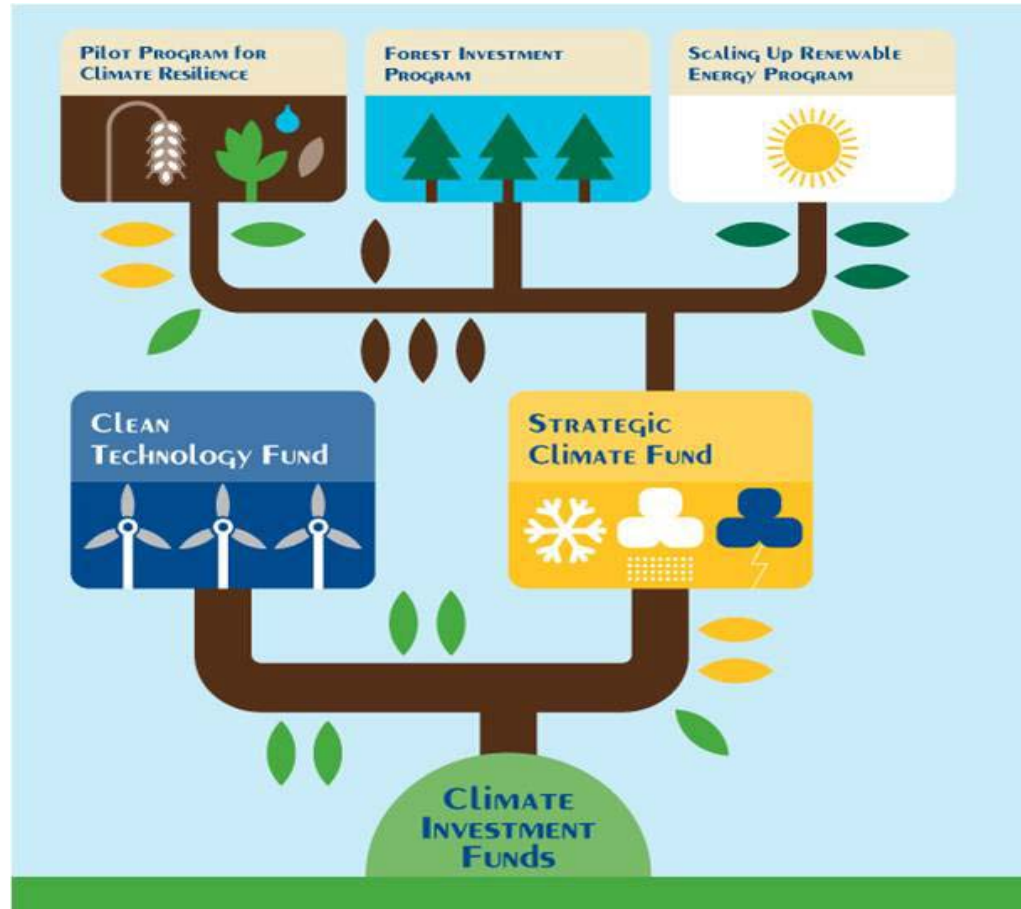
Currently consists of over 200 projects in 57 countries with diverse technologies



Mobilizing finance: Climate Investment Funds

Concessional resources to co-finance MDB lending

Clean Technology Fund: Finances demonstration, deployment, and transfer of low carbon technologies.
Total commitment: \$4.4 billion

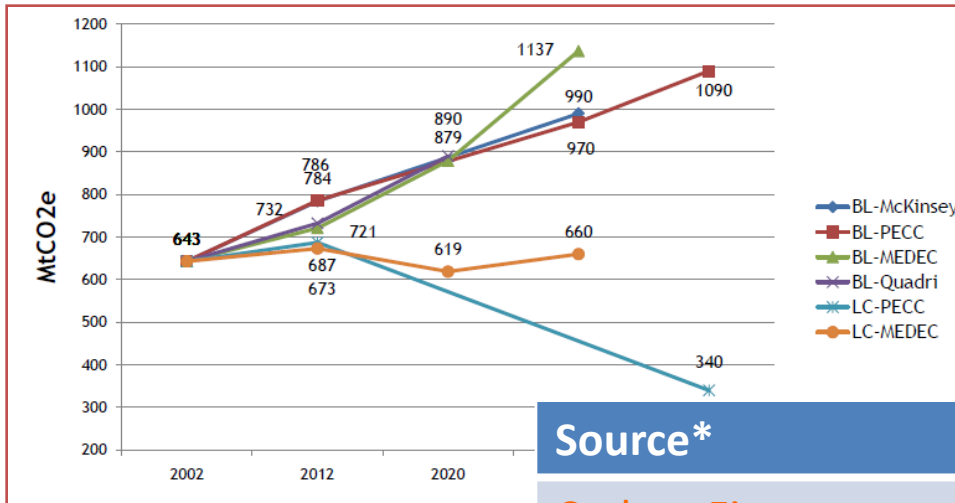


Strategic Climate Fund: Targeted programs to pilot new approaches and scale-up:
Total commitment: \$1.9 billion

Approved in July 2008, CIFs have balanced and equitable governance with equal representation from developed and developing countries

Successful blending and leveraging finance to scale up: Mexico

Low-carbon study – NAMAs – investment plan



* Source: CTF Investment Plan Jan 2009. Numbers still being finalized as programs are still under development

Source*	Local (\$)	Foreign (\$)	Total
Carbon Finance		300	300
Clean Technology Fund		500	500
Government of Mexico	1425		1425
MDB loans		1500	1500
Private Sector	250	1393	1643
Other**		829	829
Total	1675	4522	6197

** Other sources include GEF, CCIG, bilateral development assistance, IFC, sponsors, other lenders and multilateral grants

Energy efficiency: replacing inefficient lighting & appliances; expected reductions - 4m t CO2 p.a.

Urban transport: 20 bus rapid transit corridors with low-carbon buses

Renewable energy: wind and small hydro



Smart financing is required

Existing financial resources will be insufficient – additional finance will be necessary

- Coherent framework to deploy and package **existing financing instruments at scale** to maximize synergies and embed them in development strategies
- Need to avail of all **opportunities to leverage** additional finance for low-carbon, climate-resilient investments
- Financing delivered through smartly **packaged financing instruments** and improving/scaling up market mechanisms
- Role of **public sector critical** in establishing effective enabling environment:
 - piloting, demonstration, taking risks and providing lessons
 - supportive policies and regulations based on an explicit low carbon strategy
 - targeting non-financial barriers
 - public climate finance smartly channeled through public private partnerships