



UK project level approach to forecasts and monitor private climate finance mobilised: CP3 Case Study

Prepared for OECD CCXG, March 2013

Stephanie Ockenden

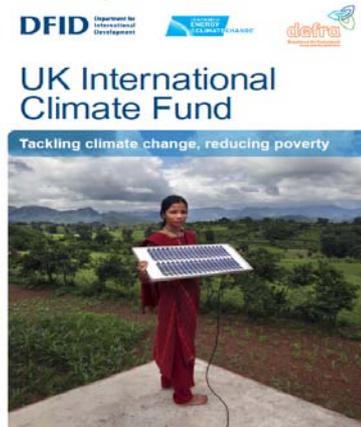


- **Introduction:** UK ICF & approach to tracking private climate finance
- **Overview of our methodology**
- **CP3 Case Study:**
 - Identifying private climate finance mobilised
 - Identifying additionality & attribution
 - Monitoring arrangements
- **Summary**

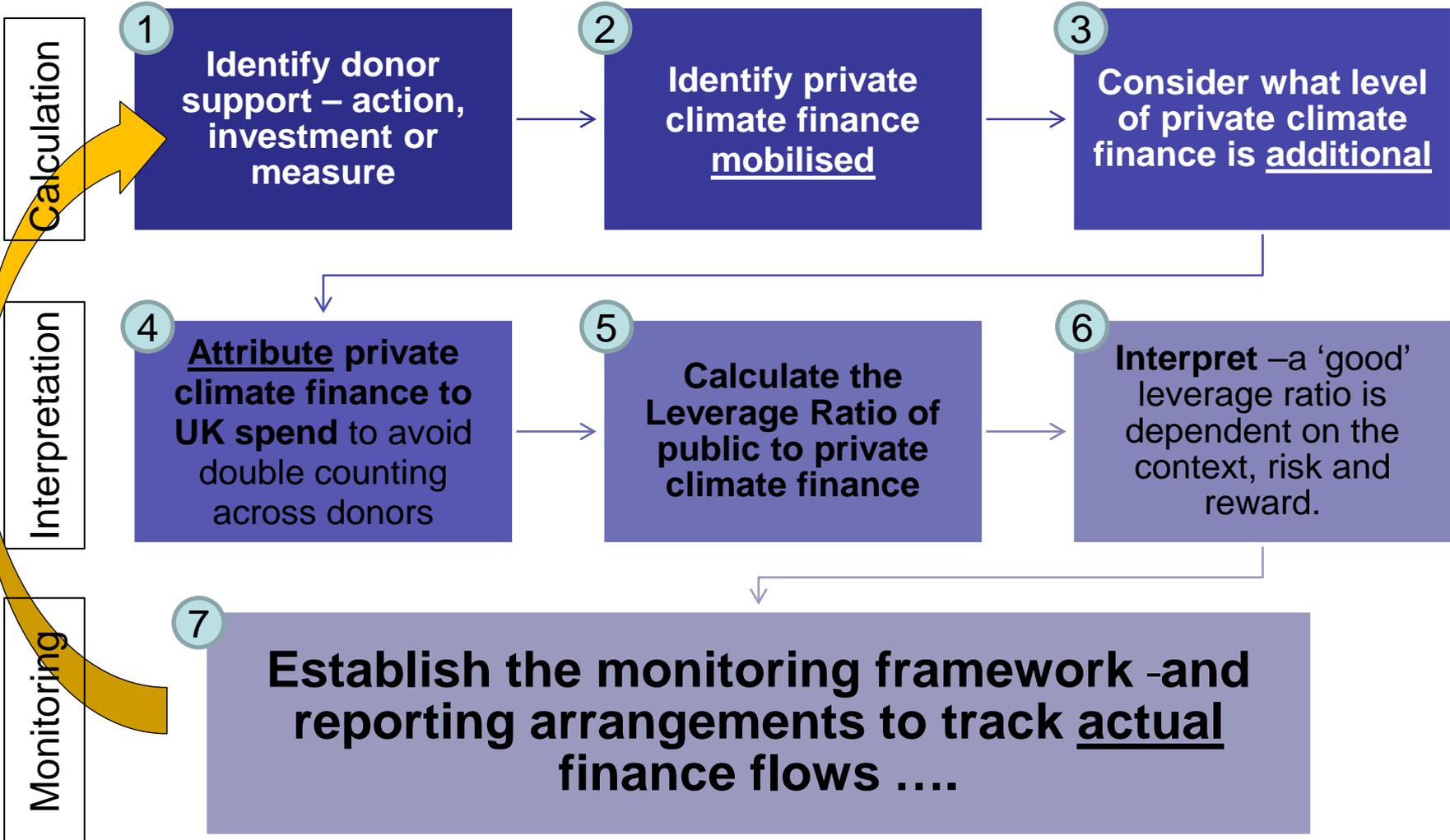


Introduction: UK International Climate Fund & Tracking Private Climate Finance Mobilised....

- The UK's International Climate Fund provides £2.9 billion of finance over 2011-15
- **One key priority is to mobilise private sector climate investments** by designing financial instruments and solutions that have the potential to be transformative and replicated at scale.
- We've developed a 'working' project level approach to forecasting and monitoring mobilised private climate finance
- Principles of the approach:
 - Identification of mobilised and additional finance
 - Transparency
 - Avoid double counting
 - Practical & Operable



We've developed a working approach to forecast and monitor private finance mobilised and are applying this to our key private sector projects....



The Case Study:

CP3 – the Climate Public Private Partnership platform...



Department
of Energy &
Climate Change

Aim: To mobilise **new sources of capital**, in to climate investments and **accelerate the market for low carbon projects** in developing countries by **creating a track record of reliable sub-funds**

How: **Two commercially managed private equity funds** that will make investments in to climate friendly sub-funds and projects in developing countries:

CP3 Asia: CFGI and Asian Development Bank as Fund Managers,
Catalyst Fund: IFC AMC as Fund Managers

UK Donor Support:

UK developed the platform following initial discussion with the P8 (large group of pension funds) and **detailed development with IFC and AsDB**

As an anchor investor, UK will invest a total of **£110 million** in the two funds & fund a technical assistance facility (up to £19 million) to support lower income countries, new technologies and first-time fund managers



CP3 Case Study:

Identifying private climate finance mobilised...

- **Identifying what has climate relevance:**

Climate definitions are written into the Investment Criteria and T&Cs for the fund – ensuring all investments are climate relevant

- **Identifying what is mobilised:**

UK an anchor investor in CP3, mobilising funds at the **fund of funds level, at the sub-fund level, and in the projects that the sub-funds invest in** (which will also attract debt finance)

- **We do not exclude any private finance flows on basis of country origin:**

We focus on all flows “in and to” developing countries => CP3 aims to mobilise new sources of capital and it would be difficult in practice to assign origin.

CP3 Case Study:

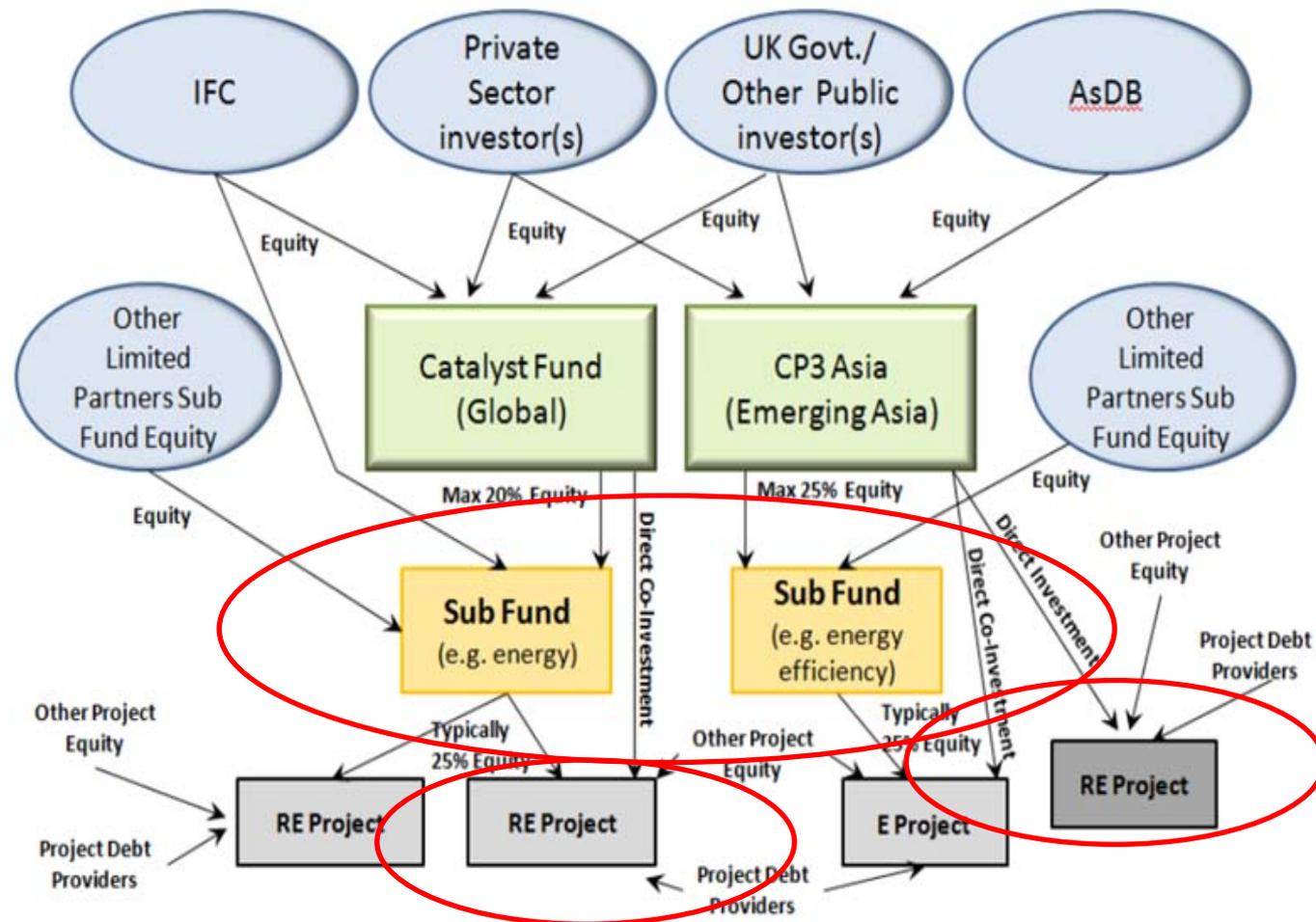
Identifying private climate finance mobilised...

Ex ante estimation in order to identify what to track ex post:



Department
of Energy &
Climate Change

2) Estimate the amount of equity finance in sub-funds and direct investment projects – based on estimate of CP3 share



CP3 Case Study:

Identifying private climate finance mobilised...

Ex ante estimation in order to identify what to track ex post:

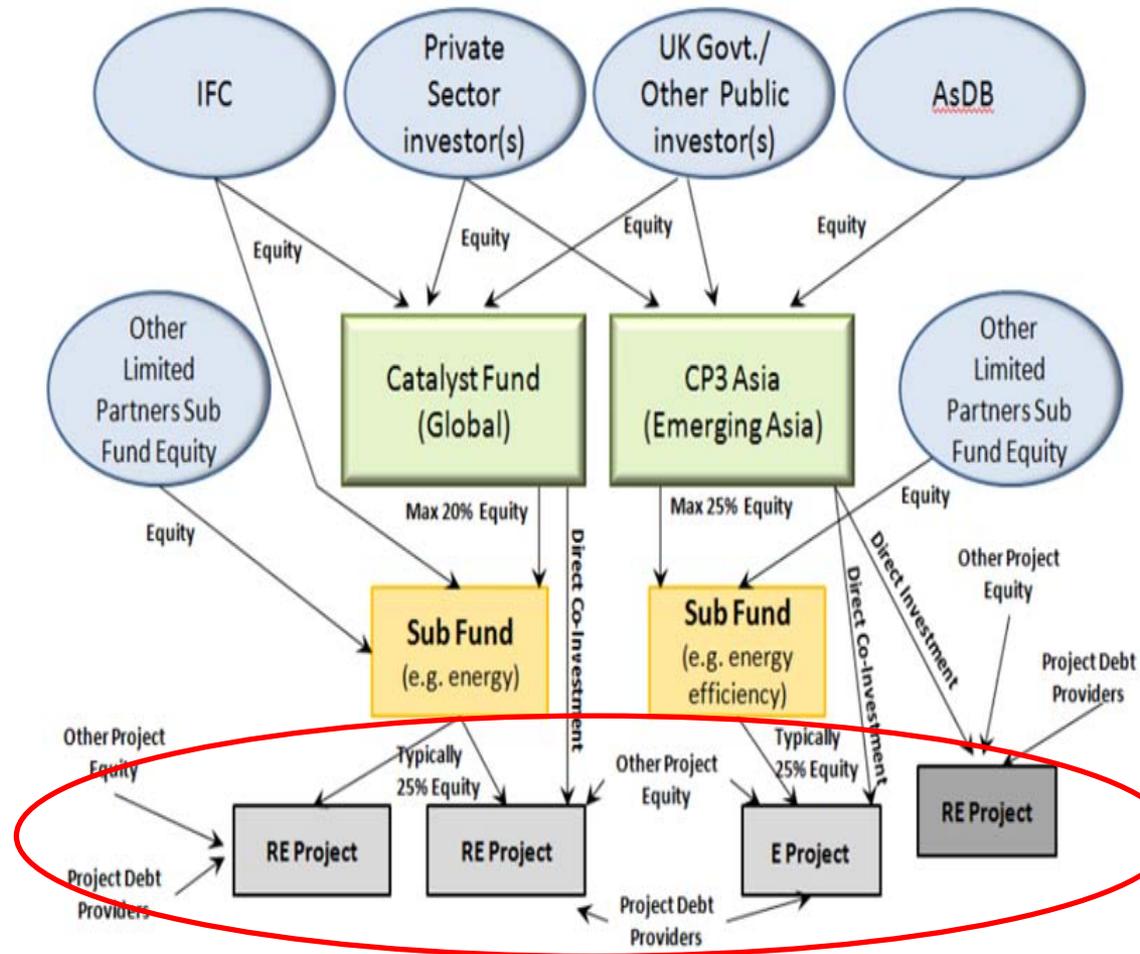


Department
of Energy &
Climate Change

3) Estimate what composition of sub-fund investment and direct investment is from MDBs/Public Sector / what private:

4) Estimate the amount of debt in projects:

5) Estimate what proportion of debt in projects is public sector



CP3 Case Study:

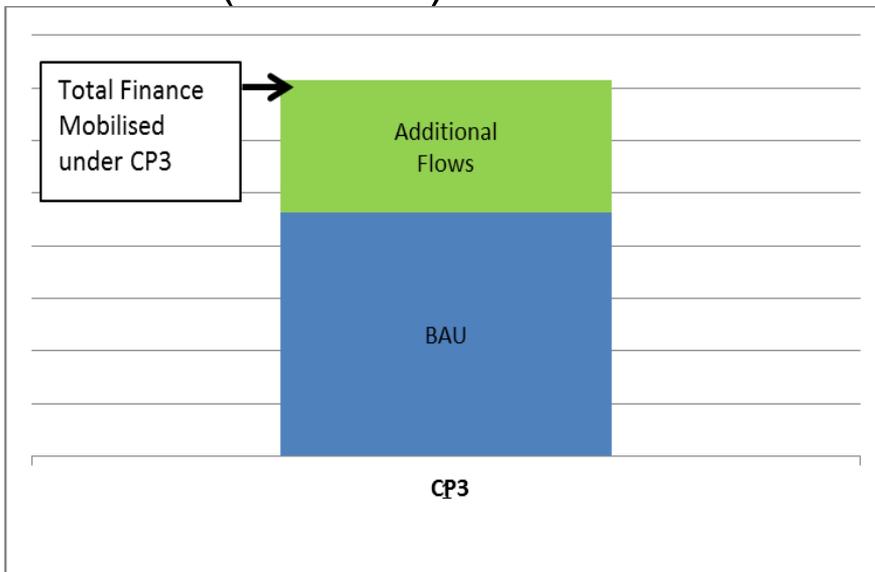
Identifying Additionality & Attribution



Department
of Energy &
Climate Change

Additionality:

- Assess against what proportion of funds and projects considered to have occurred anyway (vs. BAU)



Attribution:

- UK an anchor investor
- Attribute additional equity and debt mobilised at project level (that is assessed as private)
- Attribute across donors based on *pro rata* share of anchor investments (to be reviewed with new donors coming in)
- Only capture the first round – don't count reinvestment/recycling – partly for simplicity,

CP3 Case Study:

Monitoring arrangements are in place for *ex post* reporting of actual flows:



Department
of Energy &
Climate Change

- We will assess of how much private finance is actually mobilised by requesting **reports from each of the sub-funds and projects** on the amount of equity and debt levied,
- This is as part of the **Terms and Conditions** imposed both on the two Fund managers and in turn which they impose on the investee funds and projects.
- The data will be aggregated in the reporting, so overcoming any confidentiality issues.
- This feeds into our:
 - Project level reporting through ‘Logframes’ & Annual reviews
 - ICF aggregated results framework
 - And may contribute to any future reporting requirements....

- UK developed a “working” approach – but needs testing and improving.
- **CP3 example highlights some limitations:**
 - Can be complex (but CP3 one of our most complex projects!)
 - Assessing additionality is on our best assumptions, not an observable.
 - We have not assessed the impact of TA, (but would want to work out a methodology to do this in future...)
- **CP3 example also illustrates the benefits:**
 - Use of a framework/methodology to identify private finance mobilised
 - Use of attribution rule to avoid double counting (but need to consider how individual donors report & be reviewed with new donors coming in)
 - Recognises additionality issues.
 - Supports annual monitoring plans for *ex post*...
 - We can refine later if necessary....