



Climate finance accounting

AFDs views and practices

CCXG global forum sept 12

développeur d'avenir durables



Plan

1. AFD climate finance activity : methodology, instruments and results

2. Climate finance accounting : main issues

AFD a development bank

- A variety of tools: grants, concessional loans, technical assistance, equity financing, guarantees, credit lines to intermediaries, budget support...

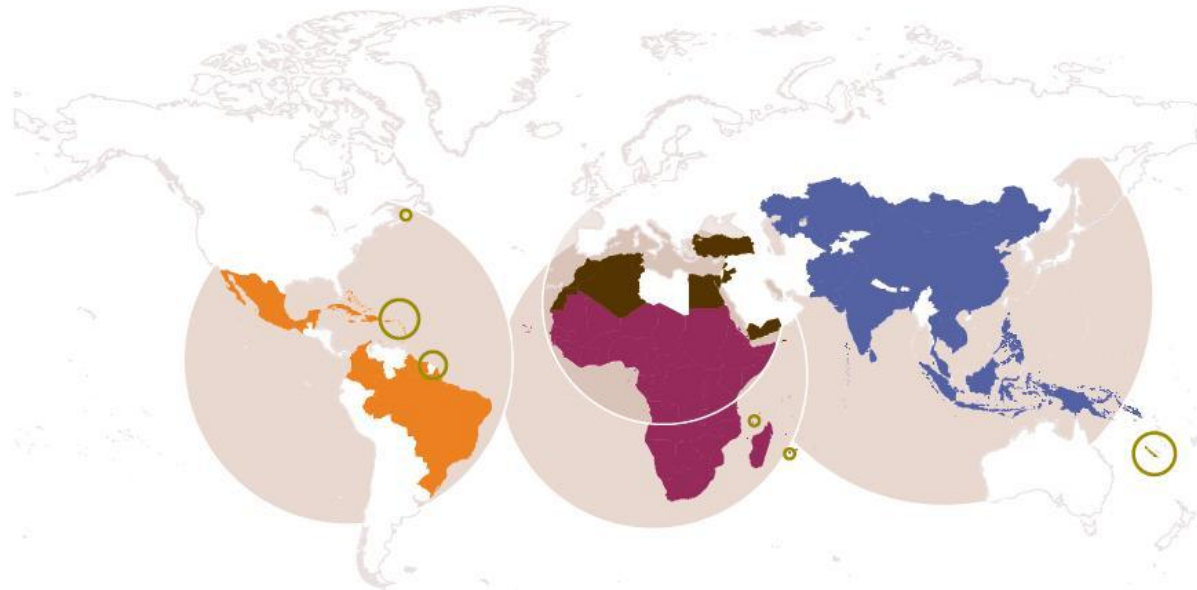
- 4 structural pillars :

- Economic growth
- Reducing poverty
- Green and inclusive growth
- French Overseas

- Twin commitments :

- Finance sustainable developme
- Leverage countries' development strategies

↘ Present in **70 countries**, on 3 continents



- €7 billion committed in 2011 / €6 billion in developing countries

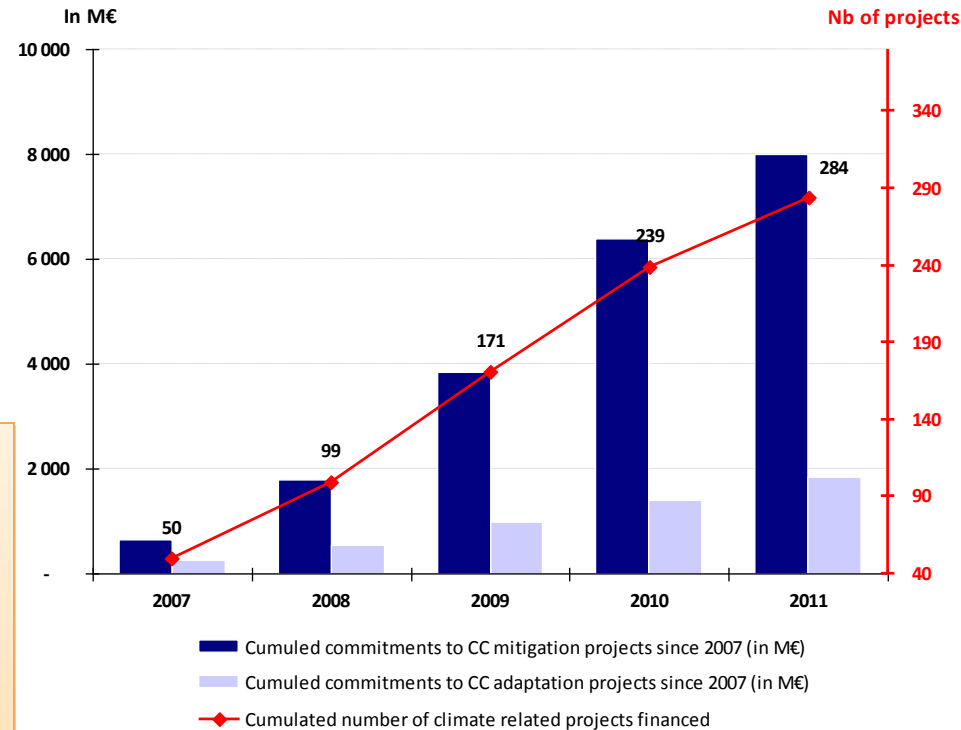
AFD Group is one of the global leading player on climate action

- More than 9 billion euros since 2007 in financing climate related projects (mitigation or adaptation)
- AFD Group represent around 10% of international public funding on climate change action

2012 – 2016 AFD's Climate Action Plan grounds on 3 structural pillars:

1. A sustained and ambitious climate-related funding objective : 50% of AFD's foreign-aid funding
2. Measuring and monitoring impacts : Systematic carbon footprint measurement
3. A policy of selecting projects according to their climate impacts

AFD Group's cumulated climate related commitments since 2007



« Climate » projects are development projects with « climate » co-benefits



Mitigation (emissions reduction or carbon sequestration)

« A development project contributes to GHG emissions reduction when the emissions reduction it generates are greater than emissions produced during its lifetime »



Adaptation (to climate change impacts)

« An adaptation project is a development project that reduces goods, people or ecosystems vulnerability to climate risks »



Support to national and territorial climate plans (budgetary support or technical assistance dedicated to develop national strategies, NAMAs, local climate plans...)

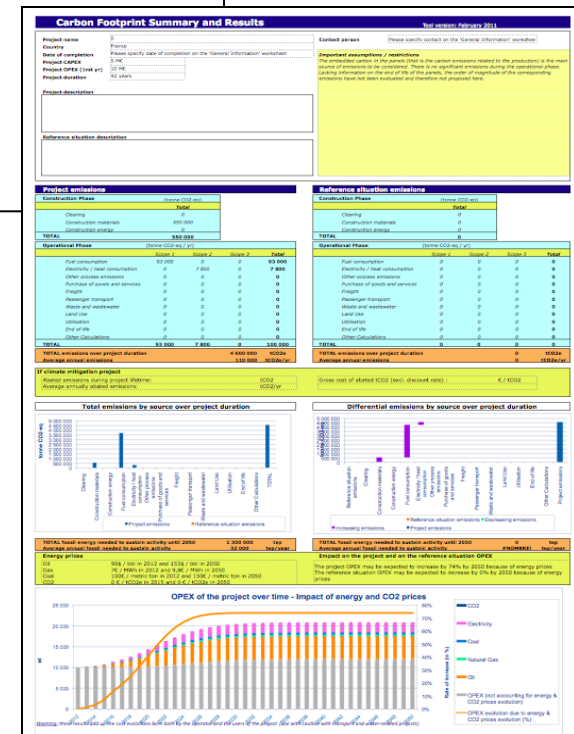
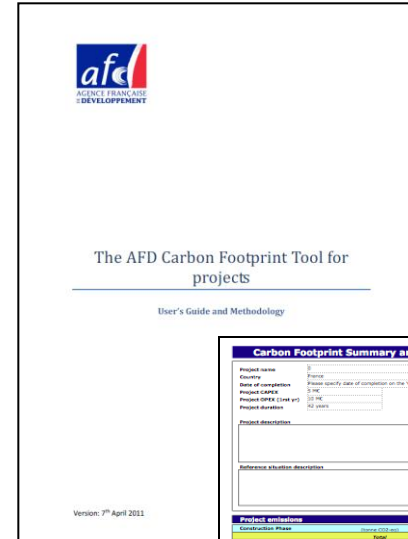
Mitigation projects accounting methodology classification linked to the impact

■ Systematic carbon footprint measurement of all projects directly financed by AFD

- « Climate » projects (emissions reductions < 10 ktCO₂eq/year)
- Neutral projects (- 10 ktCO₂eq/ year <> 10 ktCO₂eq/year)
- Emissive projects (> 10 ktCO₂eq/year)
- Strongly emissive projects (> 1 MtCO₂eq/year)

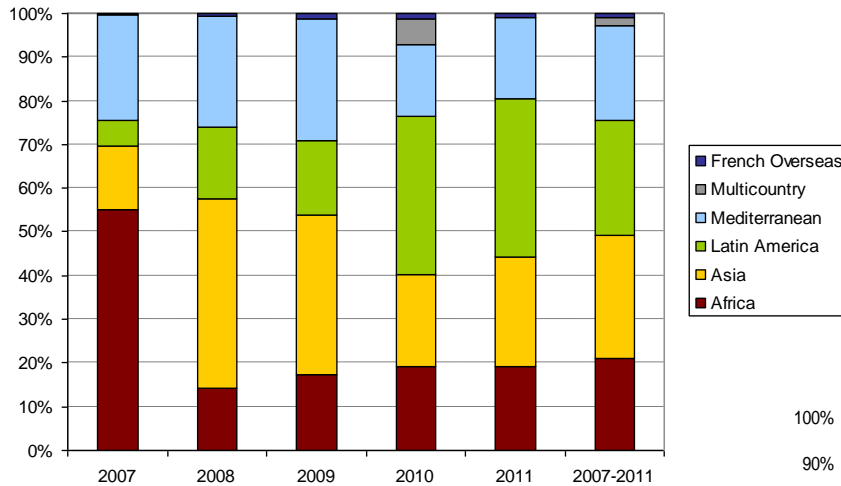
■ A robust methodology for quantifying GHG emissions, in line with international standards / A carbon footprint tool for 27 pre-defined types of projects

■ AFD's finance commitment is counted (flows)

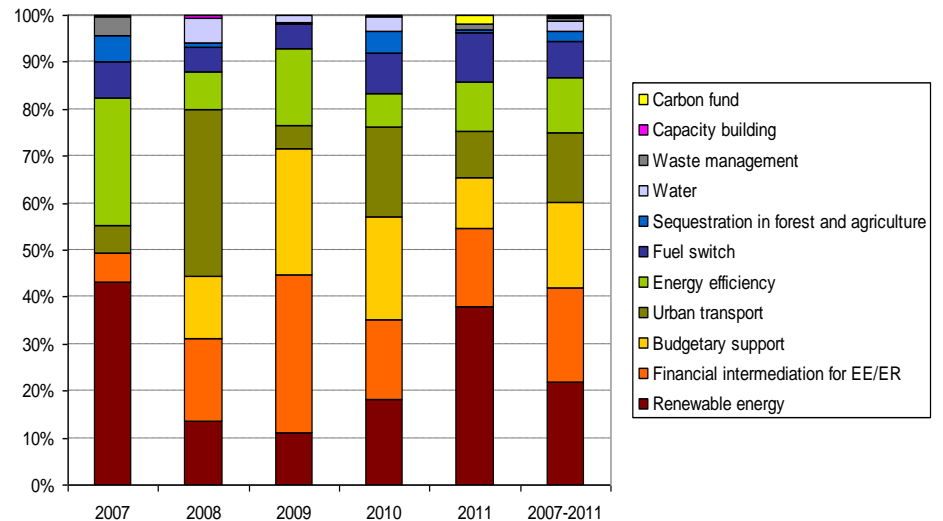


Sectoral distribution of mitigation projects

AFD has committed more than 7.5 billion € on Mitigation over the last five years



Focus on energy and transport



Needs and type of investments

■ Energy and Renewable Energy :

- First potential in terms of “mitigation” investment 20 to 25% of mitigation flows
- High impact potential but only avoided GHG emission
- Mainly private investments issues under public constraints. Public contribution = MLT debt + risk sharing mechanisms / non concessional or with high leverage effect / cofinancing public/private = 30/70 / direct (mainly) or intermediate through local banking sector.

■ Energy efficiency in industry and fuel switch :

- First potential in terms of “mitigation” investment 20 to 25% of mitigation flows
- High potential impact but with high variability = always climate project??
- Mainly private investment. MLT debt / intermediate mainly / non concessional/ cofinancing public/private = 10/90

■ Urban Transport

- Strong investment potential (very capitalistic) : 15 to 20% of mitigation flows
- Limited impact potential on mitigation and not always easy to assess /
- Type : public transport associated to a global transport policy /,
- Mainly public investments. Public contribution = MLT debt, budget support, TA / highly concessional / cofinancing public/private 80/20 / sovereign or sub-sovereign

■ Household, equipments , public infrastructure

- Strong investment potential (very capitalistic) : 10 to 15% of mitigation flows
- High potential impact (in particular household)
- Entry barriers : technical and institutional capacities (at the city level), incentive on behavior / cost and delay for building a program,
- Mainly public investments. Public contribution = MLT debt, budget support, TA / highly concessional / cofinancing public/private 80/20 / sovereign or sub-sovereign

■ Forest – agriculture (capture)

- Limited investment potential but long term potential on payment for environmental services
- Very high potential impact but difficult to assess
- Mainly public investment : MLT debt + TA + budget support / highly concessional + grant / cofinancing public/private 80/20 / sovereign or sub-sovereign

Adaptation projects accounting methodology classification linked to vulnerability

- A classification methodology that use three criteria including:
 - List/type of project by sector : projects that could potentially help reducing CC vulnerabilities
 - Nature of vulnerability: hydric stress, sea level rise...
 - Local parameter: implementation area

- Countries are classified according to the kind of climate risks they are prone to and according to the data available so far. However, on a case by case basis, local data are added to improve the climate country profile.

- Only the project component part of the financing that is dedicated to adaptation is counted

Barrage hydroélectrique

Processus du projet
La mesure de l'empreinte carbone d'un projet consiste à comparer les émissions d'une situation de référence avec celles qui sont à priori en cas de financement du projet, c'est-à-dire la situation en place du projet de barrage. Comme pour l'ensemble des énergies renouvelables, on considère que la production de la centrale hydroélectrique vient en substitution à la production électrique du mix énergétique national, ou, dans le cas d'un projet transfrontalière, à l'électricité du réseau des pays concernés par le projet.
Le calcul est réalisé sur une durée de 50 ans par défaut.

Définir des postes d'émissions, importance pour le projet et données nécessaires

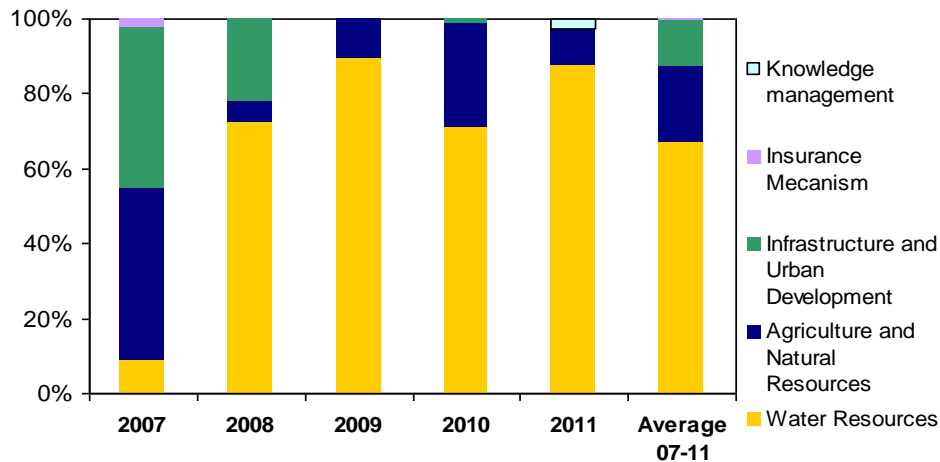
Phase du projet	Catégorie bilan carbone	Origine des émissions	Importance	Ordre de grandeur	Données d'activités nécessaires
Construction	Clothing	Déforestation (uniquement sur les surfaces non boisées)	faute	Variable selon la région, le climat et la végétation	Si surface déboisée à réboiser Si type de forêt
	Other process emissions	Emissions de GES engendrées par la décomposition de la matière organique suite à l'aménagement du réservoir	faute	(renseigner variable pour le dossier)	Si surface rocheuse suite à la construction du barrage Si étude et/ou
Financement (situation de référence)	Electricity/ Heat consumption	Production d'électricité par le mix énergétique du pays (scope 2)	faute	Variable selon mix énergétique du pays	Quantité d'électricité produite annuellement par le barrage
Construction	Construction Energy Consumption	déjà inclut consommation d'énergie par les engins de chantier	Moyenne	Quelques milliers de t _e CO ₂ pendant le chantier	quantité de carburant consommée pendant la construction Ou puissance installée (MW) : cette donnée est solution d'appeler sur des ratios dans le degré de précision est demandé
	Construction Materials	Production des matériaux de construction (acier, ciment, pierres de carbène...)	Moyenne	Quelques milliers de t _e CO ₂ pendant le chantier	quantité de matériaux utilisés pendant la construction Ou puissance installée (MW) : cette donnée est solution d'appeler sur des ratios dans le degré de précision est demandé

REMARQUES : L'utilisation des données de BEC des réservoirs, d'appeler sur une méthode proposée par le BEC (voir http://www.bec.unep.ch/fr/publications/rapport_bec_2010_francais.pdf), représentent le niveau des connaissances scientifiques sur le sujet à ce jour. Néanmoins, le niveau d'incertitude de la méthode est élevé.

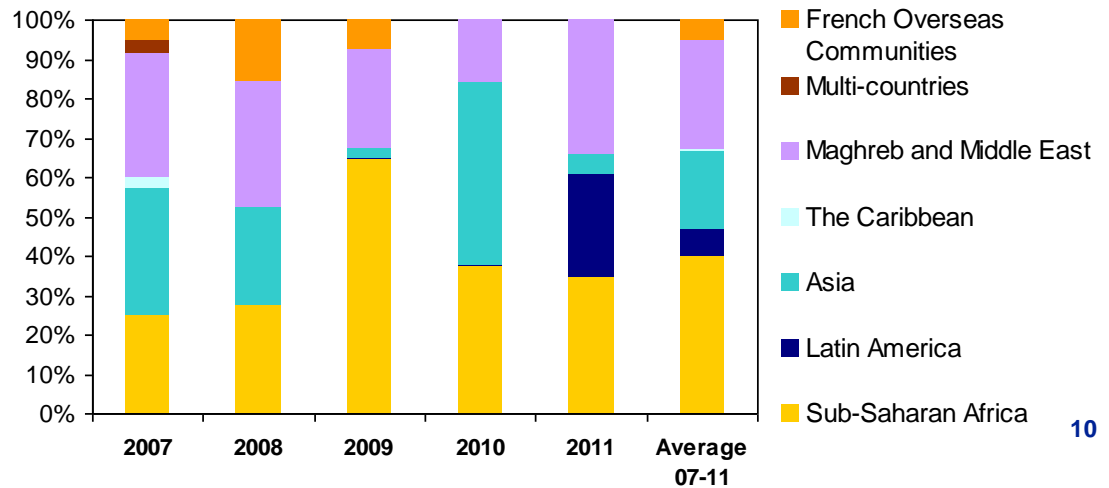
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Main figures

■ AFD has committed more than 1.6 billion € on adaptation over the last five years



Focus on water sector and Sub-Saharan Africa



Needs and type of investments

■ Readiness

- Limited investment potential
- Local datas/ projection + vulnerability diagnosis / methodology and tools for adaptation strategies and tools (national and local levels)
- Mainly public investment : grants / national capacities

■ Capacity building

- Limited investment potential
- Institutional and technical capacities : manage, prevent..
- Mainly public investment : grants / national capacities

■ Insurance instruments and risk management

- Investment potential difficult to assess
- Public/private instruments : grants + equity/capital

■ Infrastructure

- Strong investment potential
- Mainly public investments. Public contribution = MLT debt, budget support, / highly concessional / cofinancing public/private 80/20 / sovereign or sub-sovereign

■ Public services

- Strong investment potential
- Water management..
- Public and private investments. Public contribution = MLT debt, / concessional / cofinancing public/private 50/50 / private, sovereign or sub-sovereign

■ Production sectors

- investment potential
- Private and public investments. Public contribution : training, incentives, conversion...grants/ budget support / MLT finance / sovereign + private

Support to national and territorial climate policies and action plans

■ Support to public policies and action plans

- Strong investment potential : 20% of global climate flows ?
- Impact difficult to assess (MRV and policy matrix)
- Type : national policy and action plan, sectoral policy (NAMA), urban development policy...
- Entry barriers : political commitment / technical and institutional capacities, MRV, cost and delay for building support
- Public investment : budget support and technical assistance instruments/ instruments and level of concessionality depending of country/city financial capacities (mainly loan but also grant)

■ support dedicated to a climate policy is counted as climate

■ support dedicated to a sectoral policy (not climate but with potential climate co-benefit) : methodology in progress



Thank you

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Plan

1. AFD climate finance activity : methodology, instruments and results

2. Climate finance accounting : main issues

State of climate finance

main issues

- No standardized/consensual methodology for counting climate projects :
 - rio marker :
 - + *easy to understand and apply*
 - - *subject to individual assessment (actions are supposed or intended to have impact on climate)/ problem of consistency/comparability/ what a rio marker 1 mean for climate (yes or no?)*
 - A positive list of “climate” projects :
 - + *more coherency and very easy to apply*
 - - *suppose that a climate project type always have positive impact on climate in any circumstance (see sustainable transport or energy efficiency) / very difficult to apply for “adaptation”*
 - An ex ante impact measurement:
 - + *robust justification (link with impact)/coherency and comparability/ link with MRV*
 - - *need to implement process/tools / link with international methodology on carbon footprint / difficult to apply for adaptation/ capacity building and support to a global policy*

State of climate finance

main issues

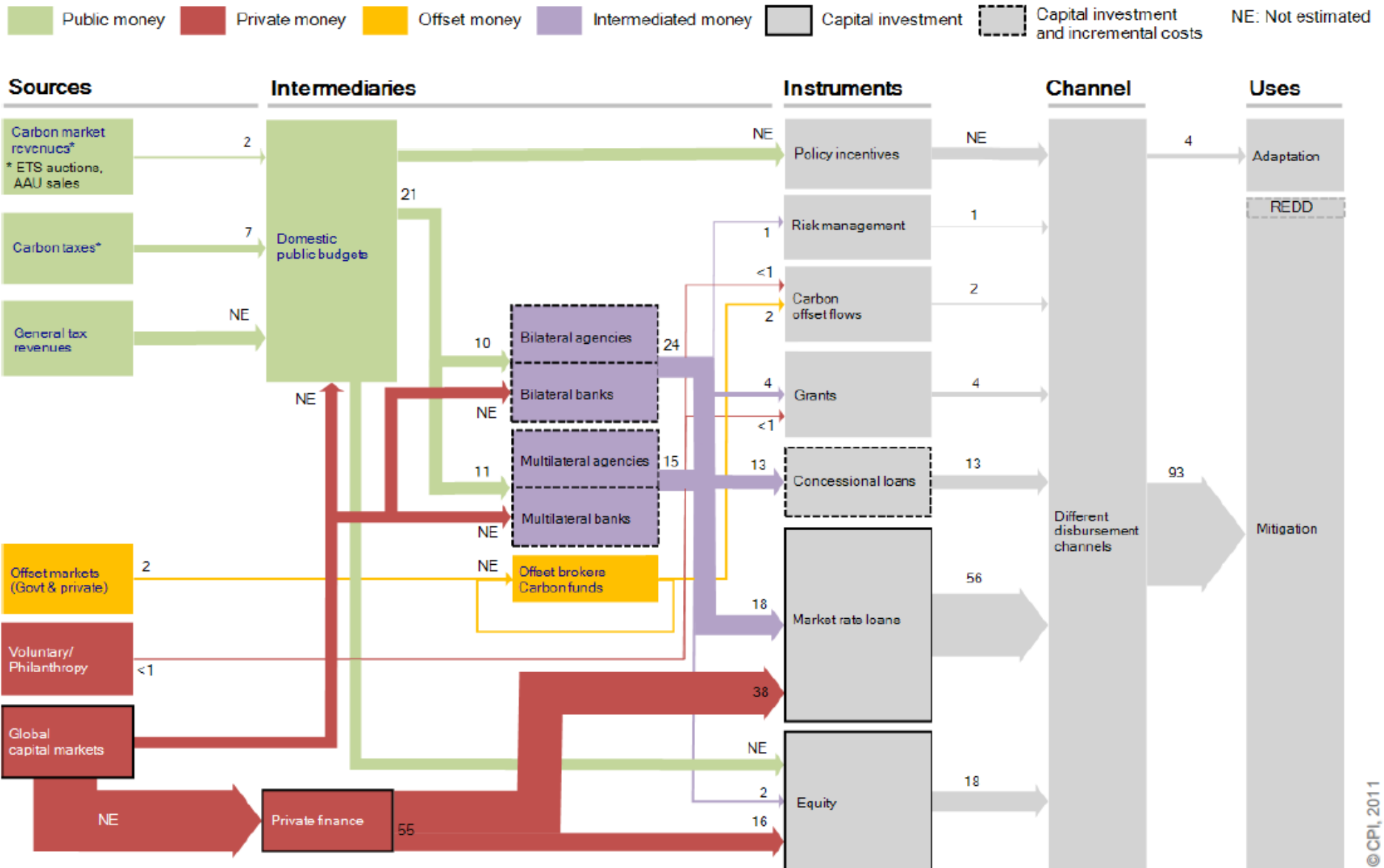
- No standardized/consensual methodology for counting climate finance
 - financial flows
 - *coherent with the need = increasing investment / could be link with information on financial instruments / coherent with a private/public accounting approach*
 - *Shall we count all financing or part (special consideration linked to adaptation?)*
 - Link with ODA accounting ? Every climate projects are development project / ODA accounting is linked to a grant element calculation
 - Additionality issues? Political consideration / strong biaise if only dedicated climate ressources are counted

- No designated single institution to collect and provide datas : gouvernement datas/ IFIs data (IFI, MDBs, NDBs) / think tank datas (CPI)/ international organisation datas (UNEP, OECD..)
 - Growing information but partial/incomplete/incoherent

↘ non standardized partial information only available in order of magnitude / A technical and political debate / what could be the role of the standing committee in this field?

State of Climate Finance

flows : Landscape of Climate Finance - CPI



State of climate finance

International public resources

- The main part (80-85%) come from own resources of development banks and IFIs : own resources and borrowing
- part (10 to 15%?) come from governments budgets (beside DB's equity) that flows through :
 - Bilateral initiatives in grants
 - Multilateral, regional funds and trust funds : GEF, FA, CIF, IDA, UN agencies, European facilities.. (that can cofinance investments in loans)...
 - Concessional instruments managed by development banks and IFIs (blend of grant and loan) : KFW, AFD, JICA, IDA...
- A small part (2 à 3%) came from carbon market transfers : 2 bnUSD in 2010