



# Private Climate Finance Support - Effectiveness

Presentation to the CCXG Working Group - OECD

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Shelagh Whitley - Research Fellow

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“Funding will come from a wide variety of sources, public and private”

Copenhagen Accord - pledge to mobilise US\$100 billion a year by 2020 to support climate change action in developing countries



## Private Climate Finance Support

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- No agreed definitions under UNFCCC for climate finance flows (public or private)
- PCFS Definition: *Finance resulting from developed country interventions to mobilise private sector participation in climate compatible development (CCD)*
- Review of Japan, US and UK (Germany forthcoming)
  - 58 interventions (between 2010 and Q1 2012)
  - US \$6.6 billion (public and private flows)
- Sources (publicly available information): UNFCCC submissions, fast start finance reporting, government websites and annual reports, press releases, corporate and fund websites



# Interventions Included

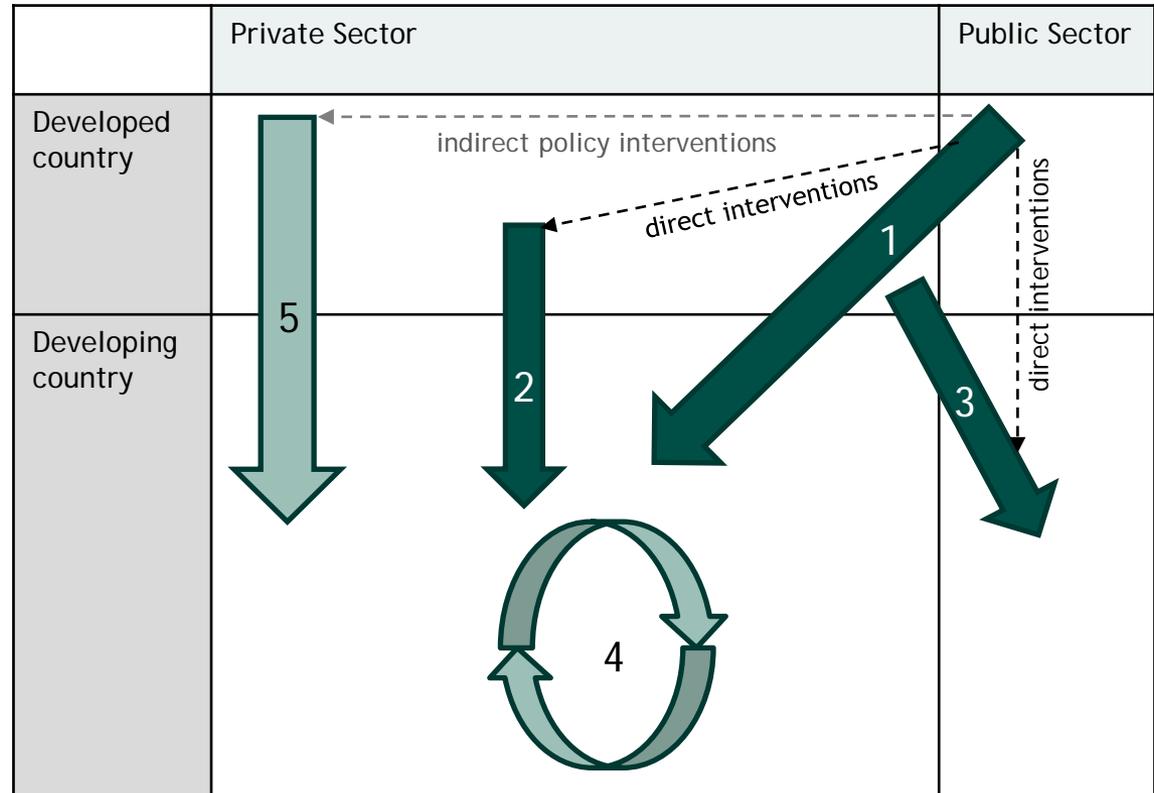
## Private Climate Finance Support:

1. developed country public flows directed toward private sector LCD
2. developed country private flows mobilised by developed country public intervention for private sector LCD
3. developed country private flows to public sector LCD

## Excluded:

4. developing country private flows mobilised as the result of developed country public sector intervention
5. developed country private sector flows to developing countries independent of direct developed country public sector intervention

(including those that result from policy level interventions)





# Example Interventions

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## Private Climate Finance Support

- Flow 1 - Loan from US ExIm Bank to a private wind farm in Honduras
- Flow 2 - Co-financing by Mizuho Banking Corporation (alongside JBIC) to Deniz Bank (in Turkey) to support its financing of RE and EE projects
- Flow 3 - None identified, but could include private co-financing of public projects such as bus rapid transit

## Excluded

- Flow 4 - Co-financing by Standard Bank under the Emerging Africa Infrastructure Fund for the Kivu-Watt project in Rwanda
  - Flow 5 - Private finance provided to developing countries independent of direct developed country public sector intervention
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## Effectiveness - in mobilising private finance

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- Public flows - \$6.04 billion
- Private flows - \$0.58 billion
- Limited information on private flows (commercially confidential, proprietary, or new initiatives)
  - publicly available and transparent
- Difficult to identify specific interventions (location, project type etc.)
- Significant use of intermediaries (public and private) - use of different instruments (primary and secondary)

Loan	Grant (and capital grants)	Guarantee / Loan insurance	Equity
64%	17%	16%	4%



# Support for Private Equity Funds

Private Equity Funds	Fund Manager	Countries providing support	Sector remit	Regional remit	Fund target size (million)
South Asia Clean Energy Fund, L.P.	Global Environment Fund (US)	Japan and US (Belgium, ADB, and IFC)	Solar, wind, hydropower, advanced biofuels and natural gas projects	India, Bangladesh, Sri Lanka, Pakistan and Nepal	300
GEF Africa Sustainable Forestry Fund	Global Environment Fund (US)	UK (Spain, Switzerland and France)	Forestry businesses across with a particular focus on greenfield and existing plantations.	Mozambique, Tanzania, Swaziland, South Africa, Uganda, Ghana, Malawi and Zambia	160 (closed)
Interact Climate Change Facility	Interact Climate Change Facility S.A. (Luxembourg)	UK (European Development Finance Institutions)	Demonstrate the financial attractiveness of climate-friendly private sector projects in developing countries	Global (developing countries)	360 (closed)
Renewable Energy Asia Fund	Berkley Partners LLP (UK)	UK and US (EU, Germany, Netherlands and Belgium)	Development stage renewable energy (RE) projects and technologies.	India, Philippines, Sri Lanka, Thailand and Vietnam.	187 (closed)
DI Frontier Market Energy & Carbon Fund	Frontier Investment Management (Denmark)	UK (EU and Denmark)	Renewable energy and energy efficiency (EE) projects that contribute to reducing GHG emissions.	Kenya, Tanzania, Uganda, Zambia, Mozambique and South Africa.	72
Mekong Renewable Resources Fund	Indochina Capital Corporation (Vietnam)	US	Environmental services and infrastructure, renewable energy, and energy efficiency.	Vietnam, Cambodia and Laos	not found
Aloe Environment Fund III	Aloe Private Equity SAS (Mauritius)	US (ADB and IFC)	Growing environmental and socially sustainable companies.	India and Southeast Asia (80% in India and China)	not found
Maybank MEACP Clean Energy Master Fund	Maybank MEACP Pte. Ltd. (Cayman Islands)	US (ADB and IFC)	Wind, solar, geothermal, small hydroelectric, biomass, biofuels and energy efficiency projects.	China, India, Indonesia, Malaysia, Thailand, the Philippines, Vietnam, Cambodia and Laos.	not found



## Effectiveness - UNFCCC considerations

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- Guidance on what may be considered long term climate finance can be found in a review of the Copenhagen Accord and Cancun Agreements:
  1. Mobilised by developed countries
  2. Provided to developing country parties taking into account the urgent and immediate needs of those that are particularly vulnerable to the adverse effects of climate change
  3. Balanced in allocation between adaptation and mitigation
  4. Committed in the context of transparency on implementation
  5. Scaled up, new and additional, predictable and adequate
- It is not clear if these considerations would be equally applied to public and private flows



## Effectiveness - UNFCCC considerations

2. Provided to developing country parties taking into account the urgent and immediate needs of those that are particularly vulnerable to the adverse effects of climate change

Upper middle income	Lower middle income	Low income	Global (or information not available)
29%	53%	14%	4%

Local ownership of recipient	Foreign ownership of recipient	Donor country ownership of recipient	Unknown/ Intermediary
30%	27%	35%	9%

3. Balanced in allocation between adaptation and mitigation

Adaptation	Mitigation
Less than 1%	Supercritical coal fired power 35%
	Mix (and climate change unspecified) 24%
	Solar 14%
	Renewable energy (general) 9%
	Geothermal 9%
	Hydro and wind 3% each
	Biomass, cogeneration, and REDD+ 1% each



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203 Blackfriars Road, London, SE1 8NJ

T: +44 207 9220 300

[www.odi.org.uk](http://www.odi.org.uk)

[s.whitley@odi.org.uk](mailto:s.whitley@odi.org.uk)