Estimating mobilised private climate finance
Progress to date, outputs to COP21 and expectation management

Raphaël JACHNIK
Policy Analyst - Climate Finance
Environment Directorate

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Why track private climate finance?

Big picture

- Closing the climate investment gap: financing requirements vs. financing flows
- Is investment shifting from brown to green?
- How to assess the effectiveness of climate policies in mobilising investment?

International negotiations

- Biennial assessment and overview of flows
- National Communications and Biennial Reports (developed countries)
- Developed countries’ commitment to mobilise USD 100bn annually by 2020
Where are we?
Data coverage and tracking

Illustrative magnitudes and data gaps for climate finance to/in developing countries

(annual average USD billion)

- Bilateral concessional
- Bilateral non-concessional
- Multilateral
- Private mobilised

Initiatives to improve data quality and coverage:
- OECD DAC Rio marker Task Team
- OECD DAC post-2015 development finance mandate
- IDFC / DFIs joint reporting
- MDB joint reporting
- OECD-led Research Collaborative
Direct and indirect drivers of private finance

Country and market conditions

Indirect effect of policies and capacity building

Effect of direct public finance

What is defined as mobilised private climate finance?
Progress towards **measuring** private finance mobilised by public development finance in OECD DAC statistics

**Scope**
Methods for public finance instruments aimed at mobilising private capital
To date: syndicated loans, shares in collective investment funds, guarantees

**Causality**
Complex to measure statistically
→ Need for assumptions that:
  · Reflect reality
  · Are conservative
  · Are commonly agreed
  · Vary by financial instrument

**Attribution**
Rules and methods need to vary by financial instrument

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**Example of DAC method for guarantees**
Amount mobilised defined as face value of debt/equity instrument guaranteed

· **Causality**: assumption that private financier would not have participated without a public guarantee

· **Attribution**: pro-rata-based in case of co-guarantors

Estimating the mobilisation effect of public finance and policy interventions

Effect of public interventions on renewable energy private finance flows (2000-2011) from developed to developing countries

<table>
<thead>
<tr>
<th>Intervention</th>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable energy quota in destination country</td>
<td>2.4%</td>
</tr>
<tr>
<td>Feed in tariff in destination country</td>
<td>3.3%</td>
</tr>
<tr>
<td>Multilateral public finance</td>
<td>14.8%</td>
</tr>
<tr>
<td>North-South bilateral public finance</td>
<td>15.7%</td>
</tr>
<tr>
<td>All public interventions</td>
<td>41.5%</td>
</tr>
</tbody>
</table>

→ Testing the use of econometric methods: exploratory results
→ Likely underestimate
→ Missing suitable data on key variables e.g. domestic investment conditions
→ Remaining % could be explained by country and market conditions.
→ Currently only possible for renewable energy (mostly wind and solar) and at aggregate level

Findings from an initial Dutch country-level pilot

Estimated that €117m of Dutch public climate finance mobilised €57m of private funds
→ A 1:0.5 ratio is significantly less than leverage ratios put forward by development finance institutions to date

Methodological choices have considerable impact on estimations
→ Need for international convergence

Data availability is a major issue, including from development finance institutions
→ Need to improve data gathering in consistent way

Synthesising learnings to date

4-stage framework to estimate mobilisation

1. Define core concepts
   - Climate change activities
   - Public and private finance
   - Developed and developing countries
   - Geographical origin of private finance

2. Identify public interventions and instruments
   - Types of public intervention and instruments
   - Specific instruments

3. Value public interventions and account for total private finance involved
   - Currency and conversion
   - Point of measurement
   - Value of public interventions
   - Boundaries of total private finance involved
   - Availability of private finance data or proxies

4. Estimate private climate finance mobilisation
   - Assessment of causality
   - Attribution of mobilisation

A need to evaluate methods holistically

- Encourages the use of public interventions to deliver LCCR benefits
- Promotes means to scale up climate finance
- Reflects true values
- Avoids double counting
- Feasible with available data
- Time and cost efficient to report
- Applies to various types of reporting entities
- Allows for aggregation and comparison
- Potential for standardisation

### Key recommendations to date

**Short-term options**
- Implement practical and easier to standardise estimation methods
- Be transparent about underlying definitions and assumptions
- Use methods that minimise the risk of double-counting
- Consider possibility of collective reporting (no attribution)
- Conduct pilot estimates based on available data or proxies

**Longer-term actions**
- Converge on defining core concepts and key methodological assumptions
- Build capacity of entities, countries and international systems for better data
- Pursue relevant synergies between climate and development finance
- Increase depth and breadth of developed and developing country public interventions considered when estimating mobilisation

Next steps and expectations ahead of COP21
### On-going or planned pilot studies in 2015

<table>
<thead>
<tr>
<th>Study Description</th>
<th>Quarter</th>
<th>Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint-MDBs study of leverage</td>
<td>Q3</td>
<td>ADB, EIB, IDB, WORLD BANK GROUP</td>
</tr>
<tr>
<td>Joint-DFIs pilot estimate of mobilisation</td>
<td>Q3</td>
<td>AFD, JICA, KFW, OPIC, EDFI</td>
</tr>
<tr>
<td>Survey of amounts mobilised by guarantees, syndicated loans, equity shares in funds</td>
<td>Q2/Q3</td>
<td>OECD</td>
</tr>
<tr>
<td>Country-level pilot studies</td>
<td>Q3/Q4</td>
<td>Belgium, Denmark, France, Germany (tbc)</td>
</tr>
<tr>
<td>Sector-level pilot studies for renewable energy and adaptation</td>
<td>Q3</td>
<td>OECD, CLIMATE POLICY INITIATIVE</td>
</tr>
</tbody>
</table>
OECD DAC work plan on measuring mobilisation

- High-Level-Mandate to establish an international standard on measuring mobilisation
  - 2015
  - April
  - Survey on amounts mobilised

- Survey results
  - FfD conference in Addis Abeba
  - July

- Data collection on amounts mobilised
  - 2016

What can be expected this year?

**OECD DAC, MDBs, DFIs, countries**

- **Information sharing** and co-operation on emerging methods and data
- **Production of partial pilot estimates** of mobilised private finance by Q3
- **First steps towards longer-term actions** for improved data as well as more robust and harmonised methods

**Research Collaborative**

- Discussion and **comparison** of emerging approaches and methods
- **Identification of synergies** and **convergence** on methods
- **Weaving together of a narrative** to promote transparency and trust building
Expert engagement with

Participation in and presentation at meetings

- Standing Committee on Finance (SCF) triannual meetings: [http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/6881.php](http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/6881.php)

OECD submissions to the SCF


Hosting of consultation side events at COPs

- COP19 in Warsaw: [www.oecd.org/env/researchcollaborative/events.htm](http://www.oecd.org/env/researchcollaborative/events.htm)
OECD contact points on tracking

OECD-led Research Collaborative on Tracking Private Climate Finance

Raphael.JACHNIK@oecd.org
www.oecd.org/env/researchcollaborative

OECD DAC work on measuring the mobilisation effect of public development finance

Cecile.SANGARE@oecd.org

OECD DAC Task Team to Improve Rio Markers, Environment and Development Finance Statistics

Stephanie.OCKENDEN@oecd.org and Valerie.GAVEAU@oecd.org
www.oecd.org/dac/environment-development/rioconventions.htm
Raphaël JACHNIK

Policy Analyst, Climate Finance
Environment Directorate, Organisation for Economic Co-operation and Development (OECD)

+33 1 45 24 16 89 || raphael.jachnik@oecd.org || www.oecd.org/env/researchcollaborative
Data and methodological challenge

Tracking private climate finance

- Energy efficiency
- Transport
- Agriculture
- Water
- Waste
- Industry
- Renewable energy

Estimated mobilisation

- +/- USD 35 billion per year

## Pilot studies: possible components

<table>
<thead>
<tr>
<th>Geographical scope</th>
<th>Source country(ies)</th>
<th>Recipient country(ies)</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sectoral scope</td>
<td>Renewable energy</td>
<td>Transport</td>
<td>Water and agriculture</td>
</tr>
<tr>
<td>Institutional scope</td>
<td>National institution(s)</td>
<td>Bilateral institution(s)</td>
<td>Multilateral institution(s)</td>
</tr>
<tr>
<td>Research lead</td>
<td>OECD</td>
<td>Research partner(s)</td>
<td>Public finance institution(s)</td>
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