

# Mobilizing Climate Finance: Experiences from case studies

Second Meeting of Experts on Long-Term Finance

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## Early lessons

Better alignment of public policies and resources with investor-specific needs fosters a business-enabling environment

- Well articulated public policies are necessary to transition toward low carbon systems of production and can be delivered through multiple instruments.
- Well designed resource injections can alter investment risks and change private behaviors at acceptable cost.
- To best target public policies and resources, true investor needs need to be understood within their specific contexts.

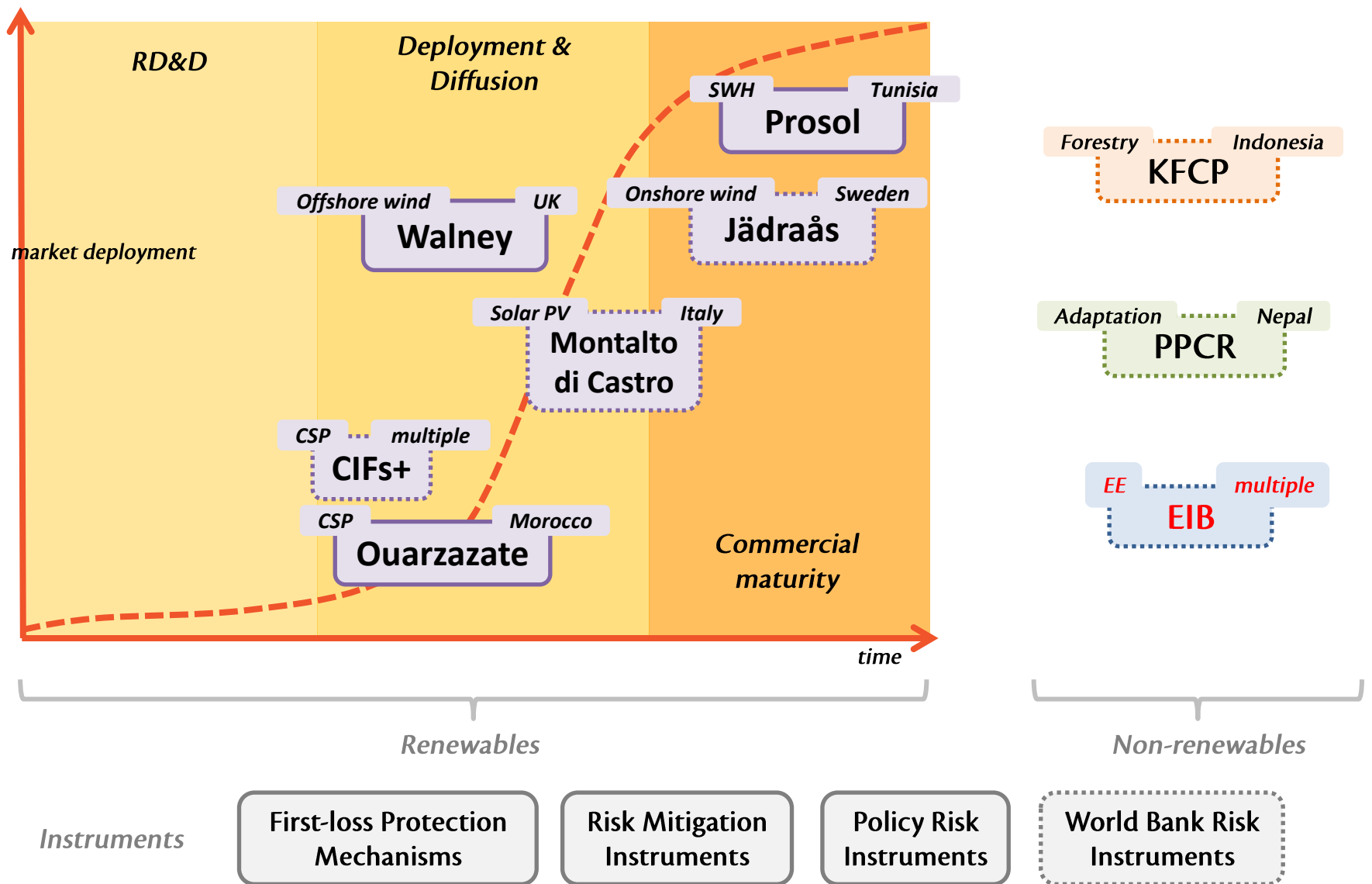
The **San Giorgio Group** assembles financial intermediaries and institutions actively engaged in green, low-emissions finance

- Core framing inquires

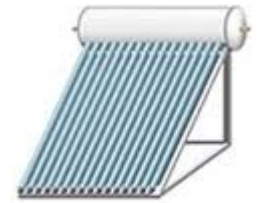
- What is the role and reasons for public finance?
- What are the best delivery mechanisms for public monies?
- How can international and national public investment flows be aligned with each other and with private investments?
- How do we ensure learning?

➔ Systematic analysis of case studies and tracking of existing green investments to understand how to effectively scale up finance

# SGG case studies overview



# Prosol Tunisia



## Goal

- To accelerate the penetration of Solar Water Heaters in the residential sector by engaging local commercial banks

## Challenges

- High up-front cost → Lack of consumer financing
- Distorting subsidies → Perverse policy incentives
- Knowledge gaps → Risk aversion

## Measures

USD million 60

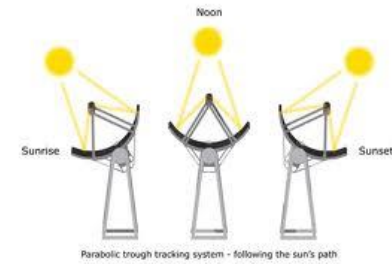
Credit  
Mechanism

24.0

Investment  
Subsidy

0.2

Capacity and  
Awareness-  
building



# Ouarzazate I Morocco

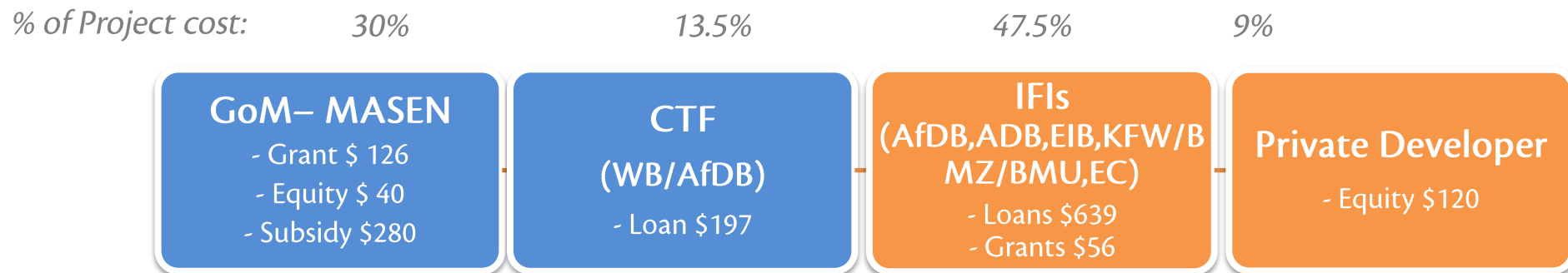
## Goal

- To develop a large scale Concentrated Solar Power plant that can pave the way for a portfolio of CSP in Morocco and the region

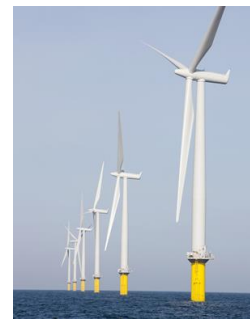
## Challenges

- Early development stage tech → Viability gap
- High capital cost → Lack of commercial finance
- Multiple partners → Cooperation & coordination

## Financing



# Walney Offshore Windfarms



## Goal

- To attract financial investors to take minority stakes in the World's largest offshore wind farms (GBP 1.3 bn)

## Challenges

- Cost of offshore wind → Technology and project-specific
- Risk of offshore wind → Construction & operations
- Difficulties in financing → Utilities / project finance

## Financing



# Jädraås Onshore Windfarm



## Goal

- To create new lending capacity by involving long-term institutional investment.

## Challenges

- Ongoing economic recession → Limited commercial lending capacity
- Market-based project revenues → Hedging price risk
- Support national interests → Export loan guarantee

## Financing





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## The risk gap

Risk, whether real or perceived, is the single most important factor impeding investment in renewable energy projects

- **Gaps in risk coverage** in developing and developed markets, particularly for **policy risk and financing risks**
- **New or improved risk mitigation instruments** are needed to address financing and policy risks. They need to:
  - address investor specific needs
  - improve underlying creditworthiness
  - improve certainty around timing, costs and enforceability
  - have sufficient scope to have transformative impact

 Development financing institutions and the public sector have significant opportunities to fill these gaps

...helping nations spend their money wisely



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## Further Reading

- SGG case studies may be found at:  
<http://climatepolicyinitiative.org/publication/san-giorgio-group-case-studies/>
- Information about the San Giorgio Group may be found at:  
<http://climatepolicyinitiative.org/venice/san-giorgio-group/>
- The *Risk Gaps* publications may be found at  
<http://climatepolicyinitiative.org/publication/risk-gaps/>
- *The Landscape of Climate Finance 2012* may be found at:  
<http://climatepolicyinitiative.org/venice/publication/global-landscape-of-climate-finance-2012/>
- *The German Landscape of Climate Finance* may be found at:  
<http://climatepolicyinitiative.org/berlin/publication/german-landscape-of-climate-finance/>