

Meeting of experts on Long Term Finance

Manila 16th July 2013

UNFCCC call to investors

Will you join a global coalition of investors in order to begin to change dramatically the signals in global markets?

UNFCCC call to investors

The political cycle will fluctuate up and down. It is time to focus not on the waves but on the current of climate policy, because the trend is clear. It is time for institutional investors to see the trend ahead and get on with the job.



Role of investors

- Pension, insurance and sovereign wealth
- Trustees of worker's capital
- Long term investment horizon
- Substantial long term asset allocations
- Core purpose is to pay pensions or benefits with a high degree of certainty

Investor perspectives on climate finance

- Understand climate risks
- Need to reallocate to reduce investment risk
- Seek financial returns to meet obligations
- Risk / return balance drives investment decisions
- Opportunity for public funding is to de-risk, reduce cost, pool, promote, demonstrate

Challenges to private finance

- Low-emission and climate-resilient investments in developing countries can face risk, cost, and liquidity gaps versus the business-as-usual investment alternative
- **Barriers:** Perceived project pipeline; fewer recognised intermediaries; less familiar investment structures; cost to invest; low investor experience levels.

Channels for private finance

- Corporations, Direct Investment, Pooled Investment Vehicles
- Direct and Pooled are less used by institutional investors in emerging economy / climate

What works for investors?

- Copying what they use now: Direct investments they can understand and provide liquidity; funds managers who can build expertise, aggregate, spread risk;
- MDB, DFI pooled vehicles: E.g. Climate Bonds
- Instruments that address risks: E.g. Feed in tariff risk insurance; Credit enhancement of project debt; First loss public/private fund

Category of Instrument Sector	<i>Increasing Returns</i>	<i>Reducing Risks</i>	<i>Significant Co-benefits</i>
<i>Large-scale clean energy</i>	1. Bankable Power Purchase-Like Agreement for Energy Efficiency 2. Policy Insurance for Renewable Feed-in Tariff	3. Credit Enhancement of Project Debt 4. Clean Energy Loan Guarantee 5. Mono-Line Insurance Mechanism for First Loss	
<i>Small-scale distributed energy and energy access</i>	6. Emission Reducing Underwriting Mechanism to Purchase for CERs from LDCs	7. Public-private fund to absorb potential first loss from high-risk investments in LDCs	8. Revolving fund for low-carbon social enterprise focusing on energy access 9. Pooled fund for small-scale venture capitalists to promote low-carbon social enterprises in least-developed countries (LDCs)
<i>Bio-carbon</i>	10. Advanced Market Commitment (AMC) for REDD+		