



Shaping policy for development

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Designing public sector interventions to mobilize climate compatible investment

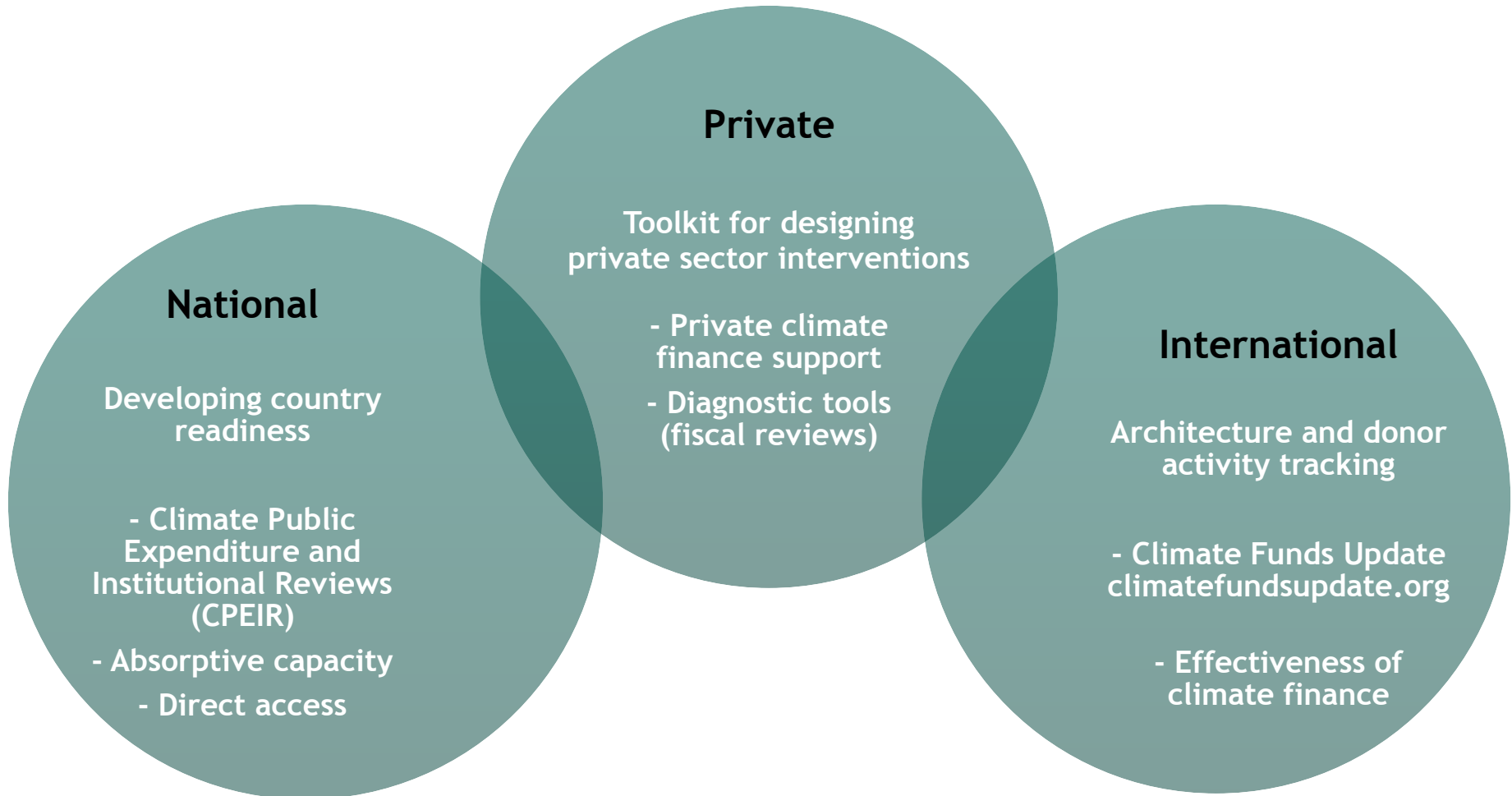
UNFCCC Regional Workshop Mexico

Shelagh Whitley - Research Fellow

11 December 2013



ODI research on climate finance

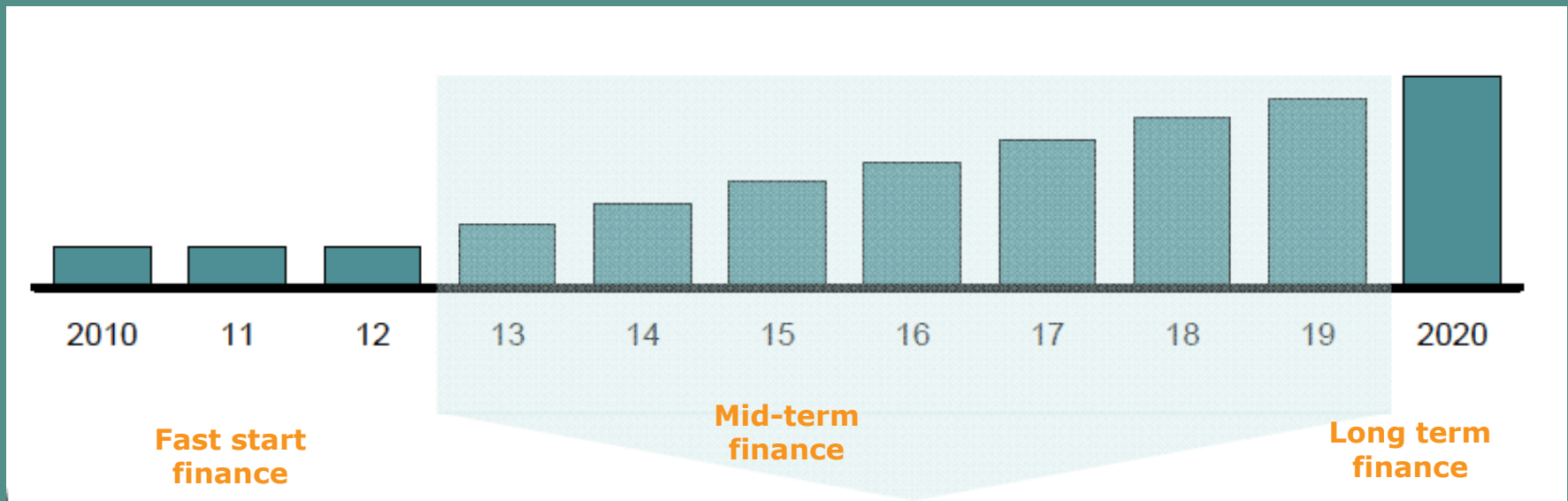


CLIMATE FINANCE UNDER UNFCCC

\$30 billion

???

\$100 billion / year



•Lessons?

- diversity of actors
- direct access (national ownership)
- ‘readiness’
- project / programme pipelines
- establishment of Green Climate Fund
- mobilising private sector

“The UNFCCC estimates that more than 85% of all finance to address climate change will need to come from the private sector”

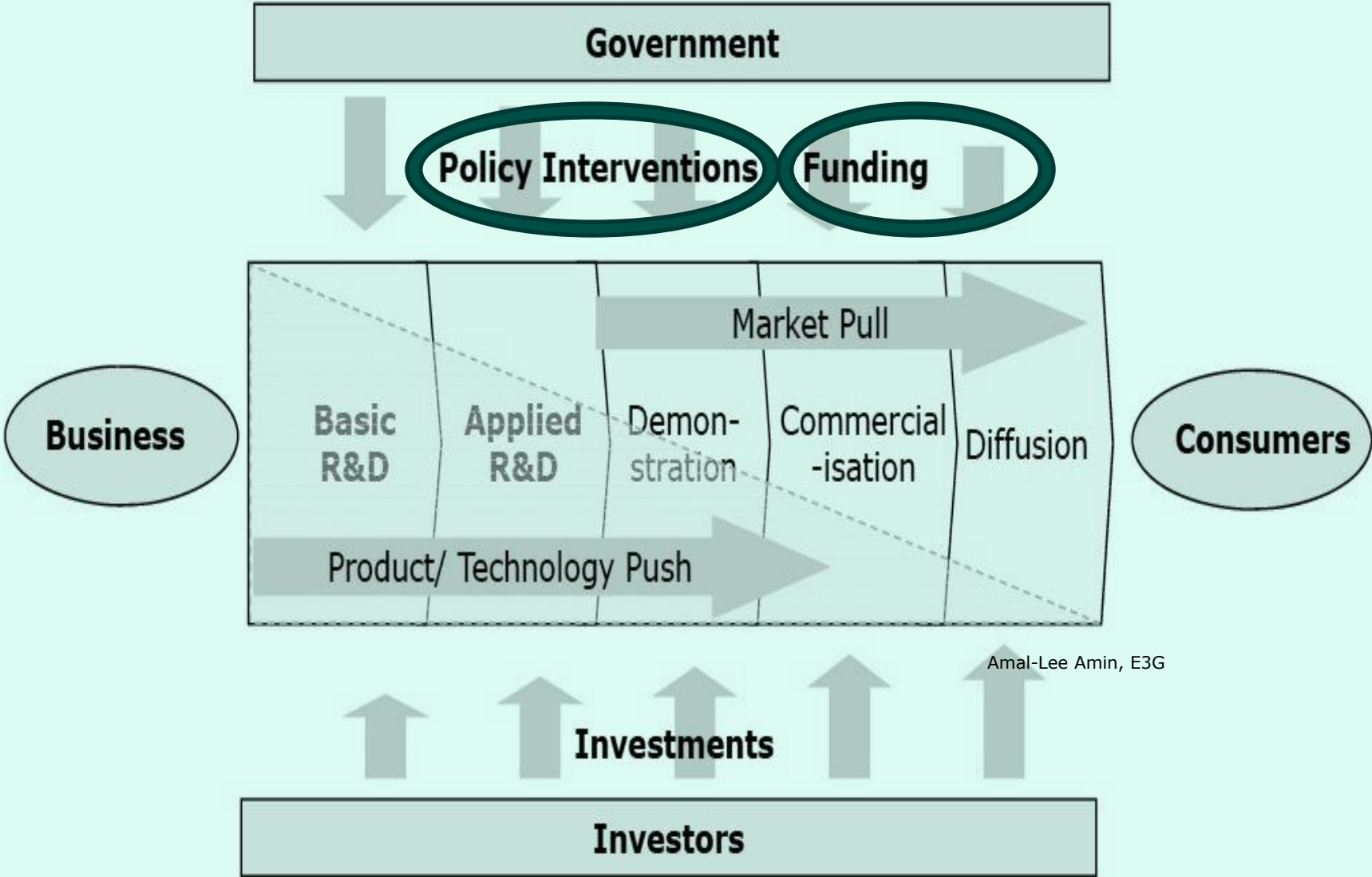
Global Landscape of Climate Finance

“Public sector played a central role, private investment provided 62% of total investment.”

“76%, or \$275 billion, of all spending was domestic: It originated in the country in which it was used.”



- Technology costs have become less of a barrier but the investment environment, political, regulatory and legal risk, remain a challenge in many countries
- Transformational changes will be needed:
 1. Align public policy, public finance, and private finance
 2. A specific role of climate finance to support developing countries
 3. 20 Question Toolkit



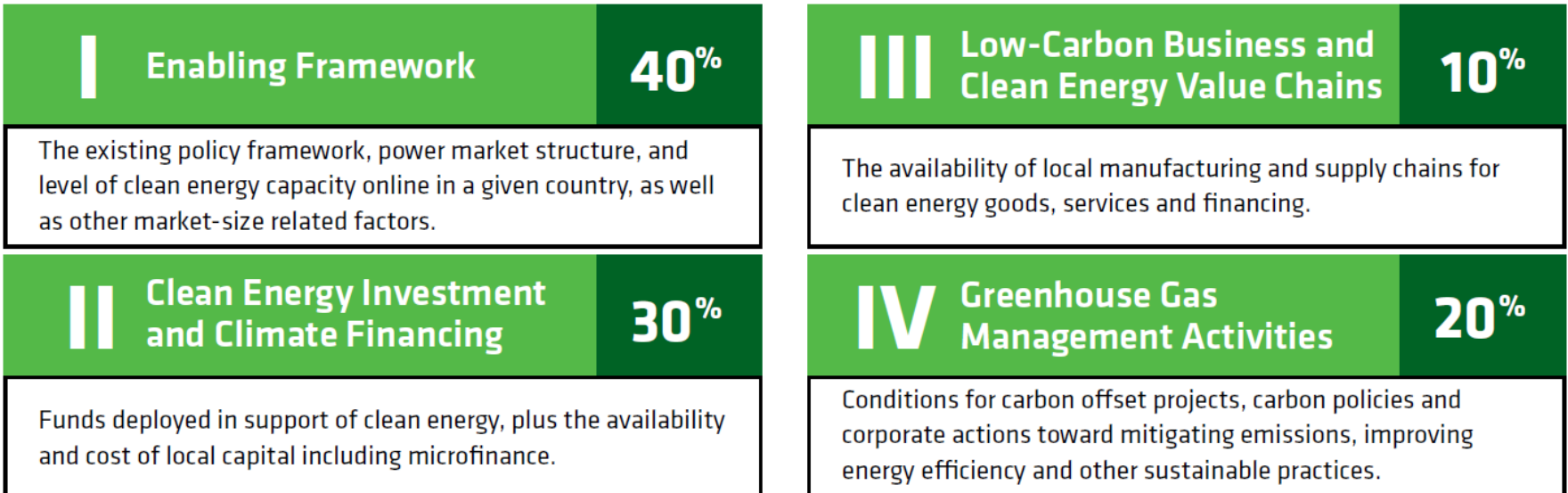
Amal-Lee Amin, E3G



Climatescope (IaDB and Bloomberg)

- Climatescope 2013 is a report and index that assesses the investment climate for climate-related investment in Latin America and the Caribbean.
- It profiles 26 countries in the region and evaluates their ability to attract capital for low-carbon energy sources while building a greener economy.

To arrive at an overall score for each country, *Climatescope* examines the following four overarching but interrelated parameters:



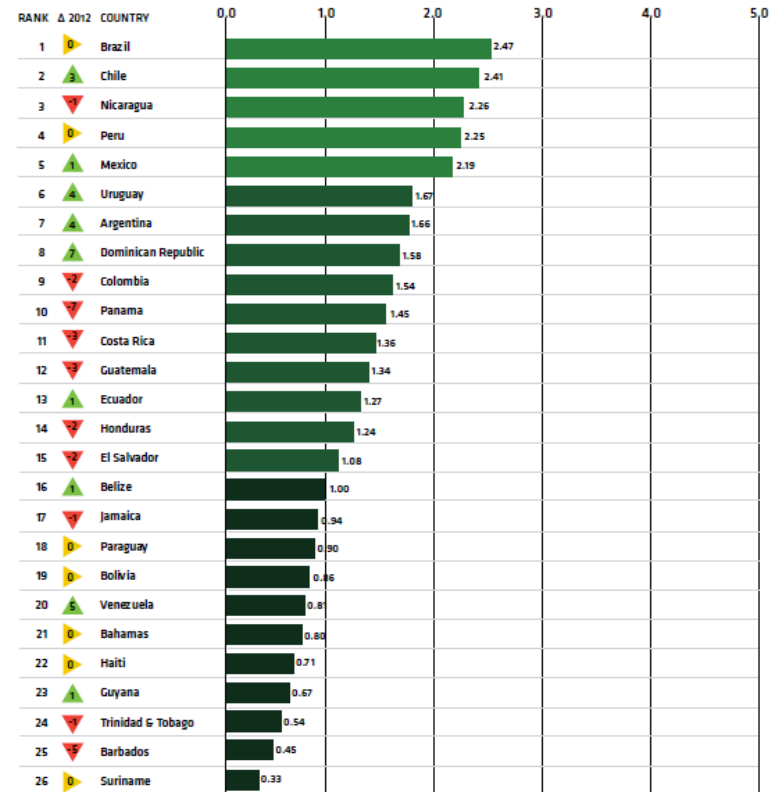
Climatescope (2013 results)

OVERALL CLIMATESCOPE SCORES Scores by Country



SCORE SUMMARIES

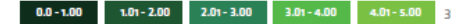
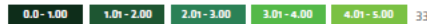
Overall 2013 Climatescope score Ranking and scores by country



Green arrow refers to increase, red to decrease and yellow to no change

▲ ▲ ▲ ▼ ▼ ▼

Colors show range for overall score





Private finance 2010-2012

- Concentrated in bilateral / pluri-lateral activity, and private arms of development banks (IFC, EBRD, ADB)
- Minimal activity in dedicated multilateral climate funds (CTF, GEF, AF)
- Review of Japan, US, UK, and Germany (draft)
 - 77 interventions (between 2010 and Q3 2012) - case study examples
 - US \$8.5 billion (public and private flows)
- Public flows - \$7.6 billion
- Private flows - \$900 million

- Limited information on private flows (commercially confidential, proprietary, or new initiatives)
- Significant use of intermediaries (public and private)

| Loan | Grant | Guarantee / Export credit / loan insurance | Equity |
|------|-------|--|--------|
| 64% | 17% | 16% | 4% |

Figure 1: Private climate finance support

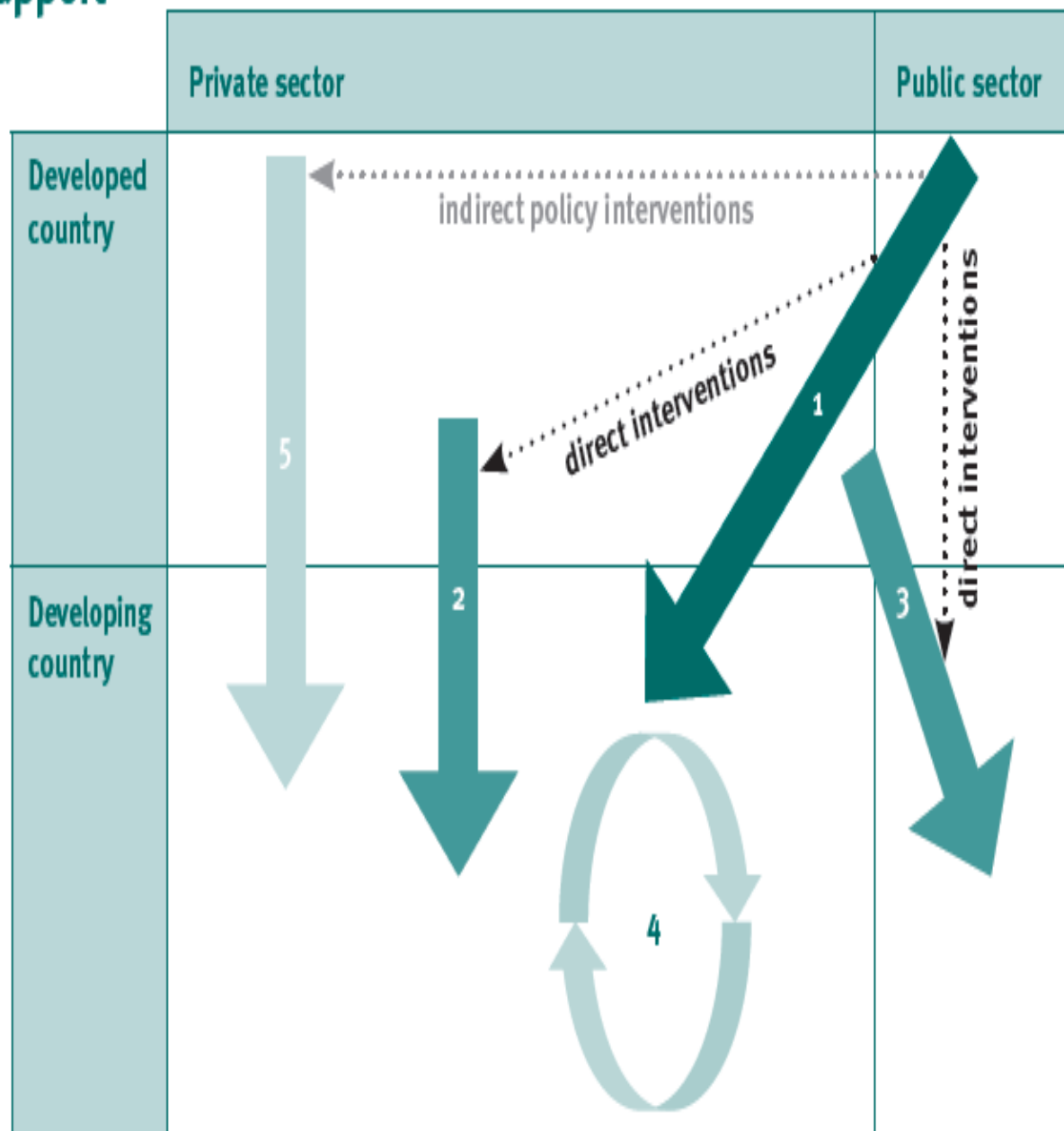
Private climate finance support:

1. developed country public flows to the private sector in developing countries
2. developed country private flows to the private sector in developing countries mobilised as a result of developed country intervention
3. developed country private flows to the public sector in developing countries that are mobilised as a result of developed country intervention.

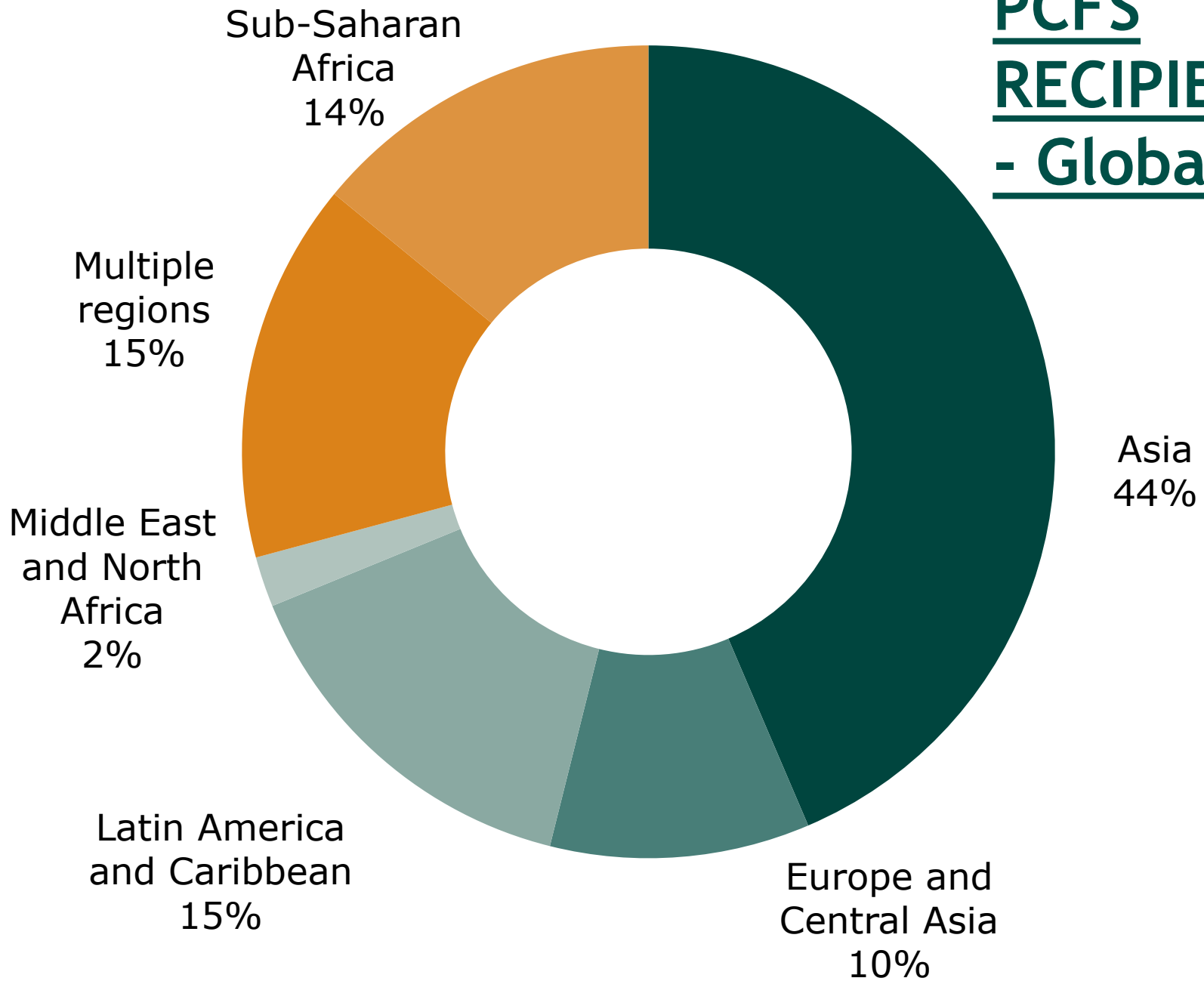
Excluded:

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 may be more indirect as a result of policy level interventions).

*also excludes other public co-financing



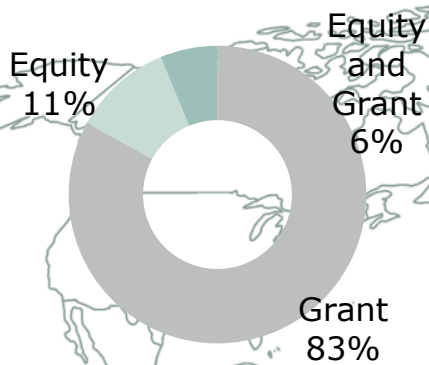
PCFS
RECIPIENTS
- Global



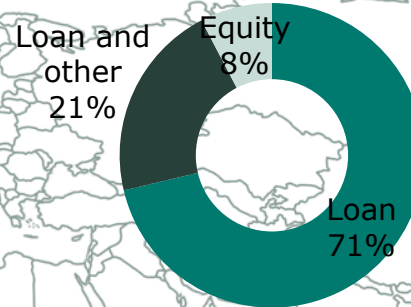


Public Incentive Instrument by Region

Multiple countries



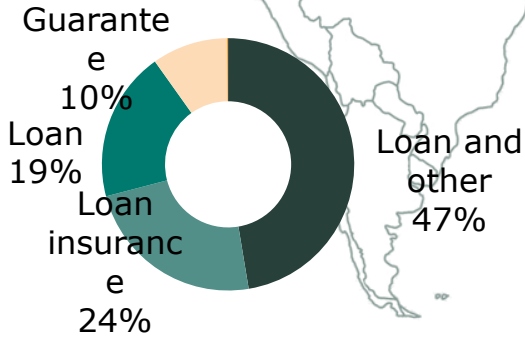
Europe & Central Asia



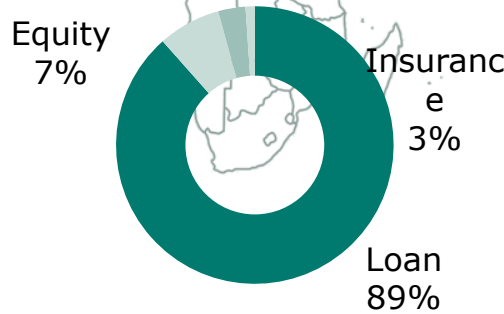
Middle East & North Africa



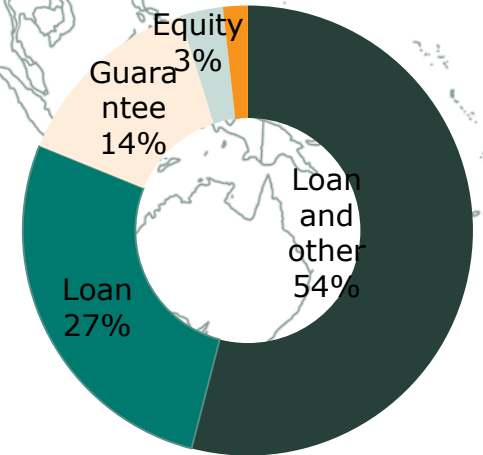
Latin America & Caribbean



Sub Saharan Africa



Asia





Climate finance by region - level of private sector mobilisation

| REGION | Sum of Flow 1 - public (million \$US) | Sum of Flow 2 and 3 – private (million \$US) | Sum of PCFS contribution (million \$US) | Percentage from developing country public sector |
|---------------------------------|--|---|--|---|
| Asia | 2747 | 953 | 3700 | 74% |
| Multiple regions | 1045 | 240 | 1285 | 81% |
| Latin America and Caribbean | 1027 | 239 | 1266 | 81% |
| Sub-Saharan Africa | 1135 | 59 | 1194 | 95% |
| Europe and Central Asia | 712 | 175 | 877 | 81% |
| Middle East and North Africa | 145 | 25 | 170 | 85% |
| Total | 6811 | 1,681 | 8492 | |



Designing public sector interventions to mobilise private participation in low carbon development

Broad questions to allow for tailoring to:

- Local context and market conditions
 - Degree of private participation required / desired
 - Type of private sector actors targeted
-

A. Baseline Assessment

1.
Diagnostic

2.
Stakeholder
consultation

3.
Private sector
involvement

B. Goal Setting

4.
Co-benefits

5.
Market
transformation

6.
Cost-benefit
analysis

C. Structuring

7.
Balancing
priorities

8.
Additionality

9.
Market
distortions

10.
Coordination

11.
Predictability

12.
Local private
sector
capacity

13.
Failure

D. Monitoring, Reporting and Communication

14.
Monitoring

15.
Communication

16.
Auditing

E. Continuous Improvement and Exit

17.
Flexibility
for
correction

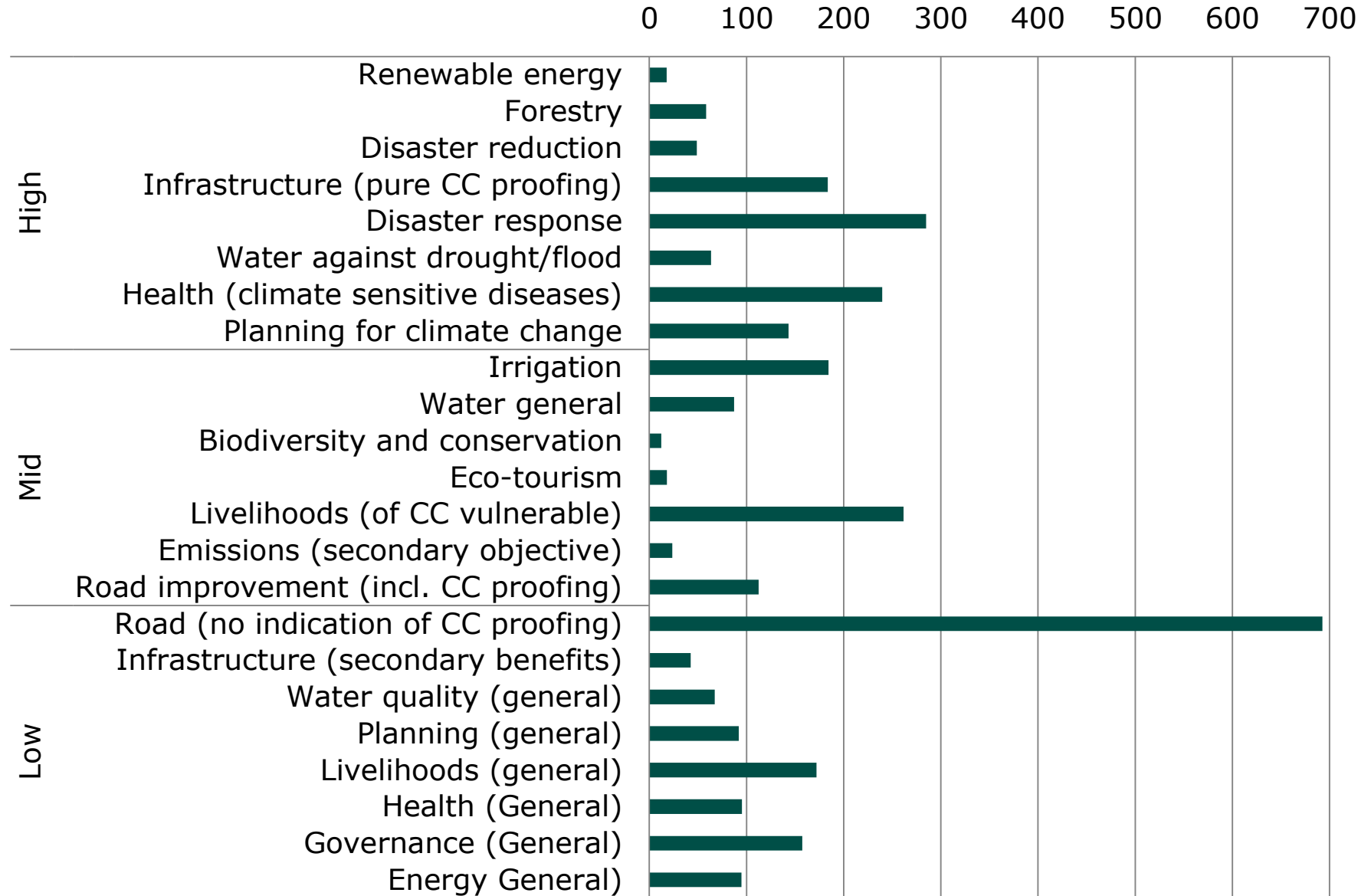
18.
Continuous
consultation

19.
Milestones

20.
Exit
strategy

Coding of climate finance (domestic and international) in Nepal

(in million NR)



Tools used by the public sector to mobilize the private sector?

Figure 2: Instruments of industrial policy

Regulatory instruments
(influence behaviour through legality)

Standards (for processes and products)
Property rights / land rights
Legally-binding targets
Quotas
Licences
Planning laws
Accounting systems (mandatory)
Copyright and patent protection (intellectual property rights)
Import / export restrictions
Enforcement

Economic instruments
(influence behaviour through price)

Access to resources
Taxes
Levies
Royalties
Tradable permits
Direct spending / payments
Lending and guarantees
Insurance (including for bank deposits)
Government ownership (Public Private Partnerships)
Public procurement
User fees / charges
Price support or controls

Information instruments
(influence behaviour through awareness)

Research and development
Information centres
Statistical services
Awareness campaigns
Training / education
Transparency initiatives
Voluntary performance targets
Certification / labelling (voluntary)
Accounting systems (voluntary)

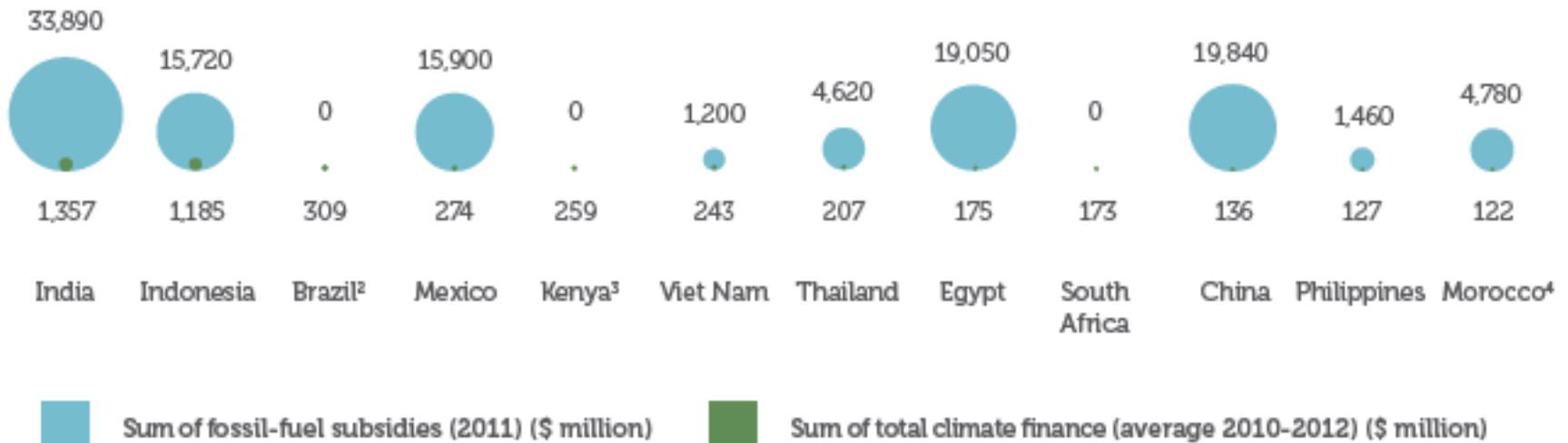
Degree of government intervention



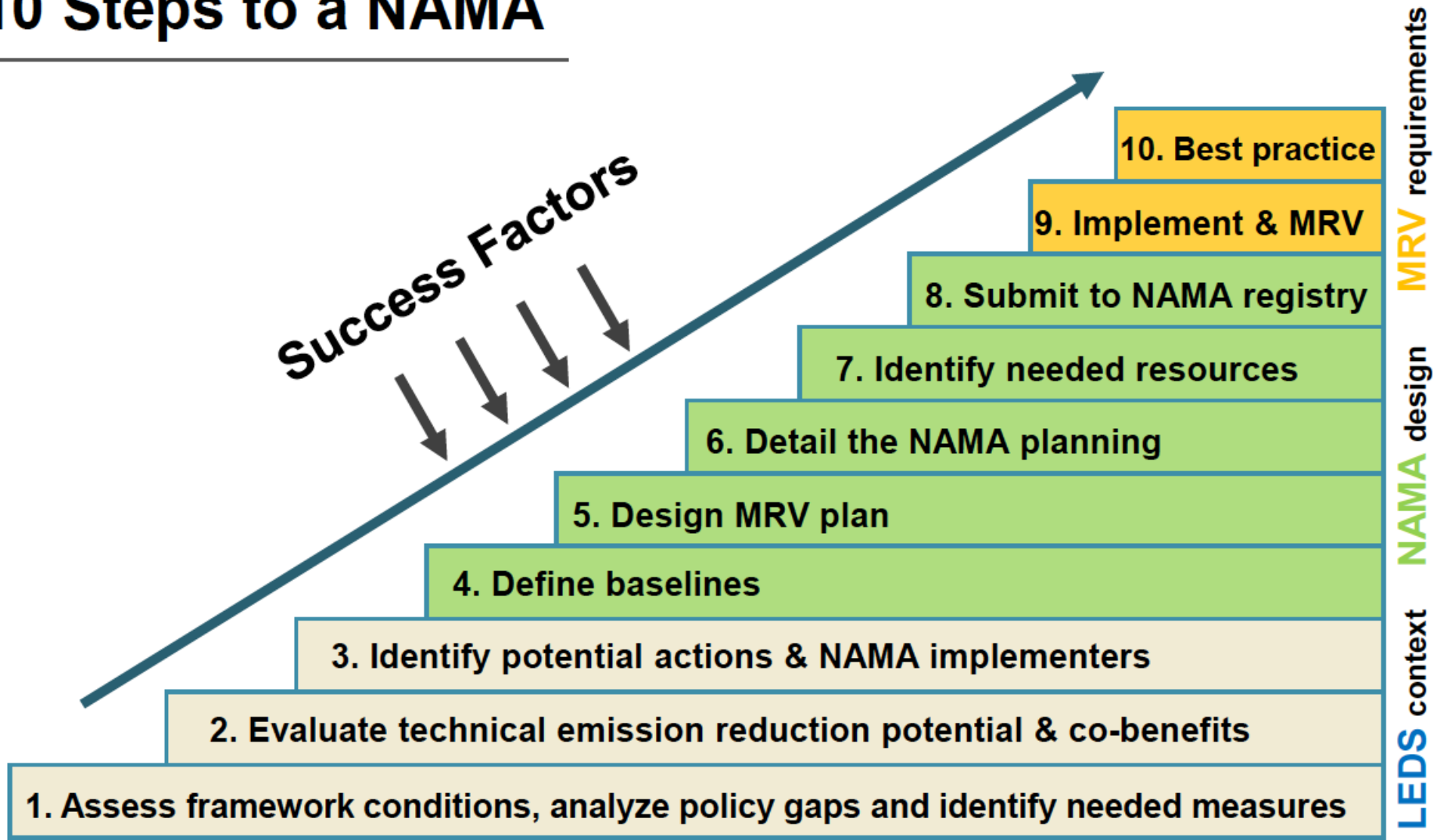
Developing country subsidies dwarf climate finance

- For the **42 developing countries** where data is available, the volume FFS to consumers is **75 times** that of climate finance
 - US\$396 billion in FFS in 2011 vs.
 - US\$5 billion avg. annual CF (2010-2012)
- 5 countries appear in both 'top 12 lists' (India, Indonesia, China, Mexico, and Egypt)

Figure 1: Top 12 countries by climate finance (average 2010-2012)¹ (\$ million)



10 Steps to a NAMA



A. Baseline Assessment

1. Diagnostic

2. Stakeholder consultation

3. Private sector involvement

B. Goal Setting

4. Co-benefits

5. Market transformation

6. Cost-benefit analysis

C. Structuring

7. Balancing priorities

8. Additionality

9. Market distortions

10. Coordination

11. Predictability

12. Local private sector capacity

13. Failure

D. Monitoring, Reporting and Communication

14. Monitoring

15. Communication

16. Auditing

E. Continuous Improvement and Exit

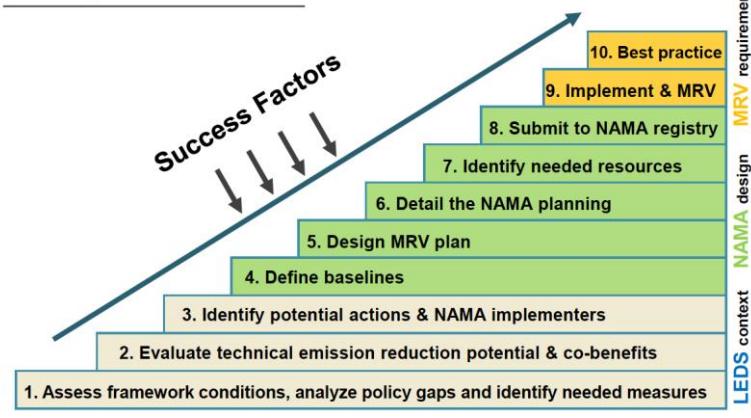
17. Flexibility for correction

18. Continuous consultation

19. Milestones

20. Exit strategy

10 Steps to a NAMA





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The views presented here are those of the speaker, and do not necessarily represent the views of ODI or our partners.

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