The role of public and private sector to strengthen institutional systems and encourage private sector engagement

Engaging the private sector to finance climate actions

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About South Pole
Our Past:
>10 years
Creating Global Impact

- 80 million+ tCO₂e saved
- 100,000+ GWh renewable energy produced
- 500+ projects developed in renewables, forestry, agriculture, industry and households
- 70,000 jobs created in developing countries
- 15,000+ km² saved forest from deforestation
- 55,000+ km² land protected or restored
- $10 bn+ clean energy investments mobilised in emerging markets
Developing solutions worldwide

South Pole Group

Map showing locations around the world with markers indicating regional offices, headquarters, and representations.
Several South Pole areas of work support NDC implementation by enabling private finance

• **Public Advisory: NDCs implementation support:**
  – NDC investment plans in Latin America (Inter-American Development Bank)
  – NDC support to several governments (Belize, Indonesia, Mexico, Thailand)

• **Green Investments, Fund Management & Climate Finance:**
  – Asia Energy Transition Fund (AETF), Asia
  – Technology Fund for Clean Tech Investments, Switzerland
  – ESCO Portfolio Loan Guarantee design, Thailand

• **Low Carbon City (LCC) Finance:**
  – EU flagship program Low Carbon City Lab, including green bonds
  – CapaCITIES project on climate action and finance in 4 Indian cities (Swiss Agency for Development and Cooperation)
Idea behind the Asia Energy Transition Fund

Bridging the gap between EU impact investors and local green projects

The Asia Energy Transition Fund (AETF) is an investment vehicle designed to bridge the gap between EU impact investors and local green projects in Southeast Asia. The fund is structured to accommodate projects at different risk/return stages:

- **High risk/return**
- **Medium risk/return**
- **Low risk/return**

The fund aims to derisk projects through public investors (under exploration) and offers various investment options including:

- **Equity**
  - First-loss tranches / Subordinated Mezzanine
- **TA facility / Grants**

The key phases of the project are:

- Development phase (TA)
- Construction phase
- Operation phase
Enable private investments by derisking and / or by improving financial returns
Low Carbon City Finance:
Low Carbon City Lab (EU)
Low Carbon City Lab - an EU Initiative with South Pole as founding partner

Goals
- Helping cities to access finance and investors to find bankable cities’ projects
- Scaling services to reach +500 cities
Innovative solution 1: Result-based finance for Cities

- Development of RBF Certification Standard
- Identification of projects that become bankable when certified

Piloting of certification standard

Balikpapan
Rajkot
Cali
Nairobi
Result-based finance – the case of transport Co-benefits matter more in an urban context!

CO\textsubscript{2} credits: only minimal impact!

Benchmark for Indonesia: 11%
Innovative solution 2: Green bonds for cities

- **Goal**: improve access to bond markets for cities in developing/emerging countries to finance climate action

- **Means**: webinars, guidelines, tools, training sessions

- **Pilots in Mexico City and Cape Town**
Decision Tree for mobilising Green City Bonds

Can the city issue bonds?

Yes → Is there IG credit rating?

Yes → Issue Green City Bond

No → Can a public utility issue bonds?

Yes → Explore option for MDB to purchase bonds

Engage with private sector issuers and PPP options; pooled options

Explore option for MDB to issue bonds

Improve creditworthiness, i.e. World Bank Initiative

No → Issue project bonds

Explore option for MDB to purchase bonds

Credit Enhancement Tools/Instruments
- Structuring/Subordinate tranches
- Guarantees

Abbreviations:
IG – Investment Grade
MDB – Multilateral Development Bank

Jo’burg City
US Wind
IFC and Yes Bank

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