Summary of Day 2 of the Private Investment for Climate Conference – 11 October 2018

1) Breaking news: Regional Outlook for climate

The first session on day two of the Private Investment for Climate Conference was moderated by **Hoon Sahib Sohn** (Representative of World Bank Group in Korea) and focused on the regional outlook for climate investment. One of the current limitations to scale up climate investment in developing markets is the out-performance of developed markets' stock exchanges. The potential premium that investors expect from climate risk and investment in developing markets is not given. The panel discussed regional fundamentals, opportunities for private climate investment and the regulatory environment and incentives to enable private capital flow.

Some of the key messages were:

- **Wale Shonibare** (AfDB): There are significant opportunities to invest in climate resilient infrastructure and renewable energy in Africa. To achieve universal energy access by 2025, USD 60-90 million per year are needed. AfDB's goal is to increase private sector investment in the region. AfDB is actively working with local governments on improved regulatory environment and policies that are more private sector friendly. In addition, AfDB is working on innovative financial products and cooperation with institutions like the GCF.
- **Skander Oueslati** (AfricInvest): AfricInvest works very closely with AfBD and institutional investors on a number of initiatives. In Sub-Saharan African, the AfDB spends five times more on adaptation than mitigation. To further improve the private sector engagement, there needs to be consistency in taxes and other incentives to drive investments in renewable energy. The success of energy development in eastern and western African was driven by high energy demand (light, charging mobiles, etc).
- **Lionel Zinsou** (SouthBridge Group): Lionel Zinsou stressed three important messages. First, a warning that Kyoto funding has been put in place but not utilized in Africa. There is a need to efficiently use the billions of public aid that are available for Africa. Second, there is currently no connection between supply and demand for climate financing. Third, there is a need to understand what the real private sector in Africa is. It is important to work with local banks- but they have weak structures. Households, farmers and SMEs need to access funds. The financing is out there- but there is a need to work more closely with African financers.
- **Peter Hilliges** (KfW): India is one of the players that has advanced well (mitigation, energy transition, financing and strong regulatory environment). But the change is limited to two technologies - solar and wind. India is still working on the regulatory side. India needs to build up a low carbon transport industry. Overall, there is still unfulfilled potential in India.
- **Lorena Aguilar** (Vice Minister of Foreign Affairs, Costa Rica): In Latin America and the Caribbean (LAC), there are various sectors with significant potential to get private sector investment. LAC has a gap in investments (e.g. in construction sectors like green buildings).
- **Fernando Cubillos** (IDB): There is a need for a strong regulatory framework, an environment that enables capital flows to climate. Several markets have succeeded in financing when they can demonstrate that regulations are stable. IDB is working with several institutional investors. Its role is to de-risk the investments to make them more appealing to institutional investors.

2) Africa – The role of good governance in mobilizing investments for low emission and climate resilient economy

Sandra Freitas (GCF) moderated this regional panel on climate investment in Africa. Sub-Saharan Africa is one of the most climate change affected regions in the world. Some key sectors that are highly affected include energy and agriculture. The private sector may have a key role in diversifying the energy sector, as well as minimizing the impact to agribusiness in the region. In the context of African countries, there will unlikely be enough public funds in the future. Some African countries' private sectors started playing a big role in catalyzing climate finance, especially in renewable energy. Private sector efforts are needed to complement the actions made by the public sector.

Some of the key messages were:

- **Patrice Baker** (AFIG Funds) highlighted that one of the key market fundamentals today is demographics. Africa is a young continent, where 60% of the population is under 25 years old. Only a slice of the population is currently benefitting, and the rest are in poverty – i.e. the notion of jobless growth does not work. Measures must be put in place to stimulate the private sector and jobs. This is what private equity funds are looking at. Patrice Baker elaborated that finding bankable projects is hard, as they have a time limit for PE funds. Elements of climate change are being introduced in many investments, including FMCG, logistics and agriculture. Climate change projects have to provide a payback period within the investment time. Patrice Baker elaborated that one of the key barriers is that the private sector is not the best provider of capital yet (competition against concessional loans and grant). A second barrier are regulations. If the country has strong subsidies for fossil fuel, it will be hard to invest in climate-oriented technology. The third barrier is incentives. According to Patrice Baker, if there are no incentives to change behavior, then it's an uphill battle for the private sector. Closer cooperation between the public and the private sector is needed to figure out what sort of incentives are good without distorting the market.
- **Fabiani Appavou** (Mauritian NDA): Private investment in climate finance requires a two-fold approach. We need to address all barriers regarding private investment in each sector. For example, in the energy sector, we need to have a level playing field for renewable energy. Each country has its own challenges, there is no one size fits all. One of the key issues in Mauritius is the lack of capacity, particularly the capacity to do bankable projects. Everybody has ideas for projects, but not the capacity to write a project proposal (including theory of change and justifiable costs). There is also a huge gap in communication between the private and public sector.
- **Uwera Claudine** (Minister, Republic of Rwanda): In the case of Rwanda, we established a green growth strategy. We also are involved in a Natural Capital Accounting project with the World Bank, where we integrated natural resources value into our decision-making, particularly to understand the cost and benefit towards the environment.

3) LATIN AMERICA & THE CARIBBEAN - Regulation is strong, finance is there, but where are the projects?

The second regional session of day two was moderated by **Jessica Jacob** (GCF) and focused on climate finance in Latin America and the Caribbean. The panelists were government representatives from Panama and Jamaica, as well as an Investment Officer from IDB Invest.

In most Caribbean countries there is a culture of intensive administrative procedures for projects, which represents a first challenge. The region has between 50 and 90 administrative procedures for any development or climate change project. There is a big gap for the region to address this bureaucracy issue and significant room for improvement. The second challenge is to increasing public private partnerships for climate change and multi-sector projects.

In the Caribbean, increasing the share of renewable energy is still a pending task to be accomplished, whereas this is much more developed in Latin American. Investments have not been made possible because the typology of the market is highly integrated. There are strong monopolies and the governments are still trying to figure out how to promote clean energies despite those monopolies. Overall, the region is in need for stable regulatory framework to make climate change projects attractive to investors. This means attracting equity investors and debt investors.

4) Asia and Pacific: A risky climate for investments: how does climate change impact your insurance?

Moderated by **Clifford Polycarp** (GCF), the panel covered the topics of climate insurance in Asia-Pacific and the effect of climate change in their respective economies.

Some of the key messages were:

- **Mark Brown**, Deputy Prime Minister of the Cook Islands, highlighted a pilot programme running across some of the small island states in the Pacific managed by the World Bank. In the aftermath of a devastating typhoon that hit the Cook Islands in 1997, the country was unable to access any insurance for over a decade. However, the Pacific Catastrophe Risk Insurance Pilot Program was able to offer the Cook Islands a parametric or index-based insurance – meaning that the payout is triggered by the intensity of the catastrophe. The payment is made to the government and the government distributes the fund as appropriate. Mr. Brown stated the importance of this tool for small island states like the Cook Islands but emphasized that insurance products must be tailored to suit the varying needs of countries. In addition, Mr. Brown also shared that the government of the Cook Islands allocates 20% of its national budget for climate mitigation and adaptation, which represents 12% of the country's GDP. The government is "forced" to put money to adapt to the effects of climate change. However, he stressed that this money could be put into improving other sectors if funds from the private sector and the GCF can be catalyzed.
- **Alvin Chandra**, Advisor to the GCF, focused on insurance for small and medium-sized enterprises (SMEs) in the Asia Pacific Region, of which most are related to the agriculture and fisheries industry. He particularly mentioned the community-based adaptation programs in the Philippines, which utilize weather-based insurance schemes. Unlike the traditional insurance where the trigger is crop losses, the trigger for this type of insurance is based on a certain weather index. For example, when precipitation goes below a certain level, the beneficiaries are paid out. This type of parametric insurance based on slow onset events highly relies on accurate climate information. Mr. Chandra stated that the challenge for most developing countries is the lack of data and emphasized the need to strengthen this.

- **Mr. Chandra** stressed that insurance is only a small part of resilience. There are other financial mechanisms and non-financial mechanisms that go hand-in-hand with insurance and climate insurance must work in the bigger picture of other adaptation options.
- **Sungwoo Kim**, Head of Environment & Energy Institute at Kim&Chang, discussed the impacts of climate change on financial institutions in Korea. Mr. Kim shared that there will be about USD 2.3 trillion of stranded assets for financial institutions investing in fossil fuels due to climate change, while the operating profit of manufacturing companies will be reduced by 19 – 35% due to the carbon regulation of Korea.

5) Eastern Europe and Central Asia: Fundraising for private equity in Eastern Europe& Central Asia: major challenges and opportunities

The third session, moderated by **Sujala Pant** (GCF), discussed where opportunities and challenges lie in fundraising private equity in Eastern Europe.

Some key messages from the panelists were:

- **Nino Makatsaria** (GCF): There are various investment opportunities in the region. In terms of fundamentals, Eastern Europe shares similar institutional stability as in developed countries and market growth as in emerging economies. Ms. Makatsaria mentioned that at the end of the day, it all comes down to general partners with 10-20 years of track record, which can deliver performance and returns to investors. In terms of challenges, the investment in Eastern Europe still lag behind other regions, with investors more interested in frontier markets. The investors' perceptions on key risks in the region was debunked, with Ms. Makatsaria emphasizing on opportunities for regional funds that allows both for risk diversification and financial efficiency.
- **Krisztina Bancroft** (Bancroft Private Equity): There is no doubt that climate investment is necessary in the region that holds 120 million people with very diverse groups of countries and economies. Renewable energy use is around 15% in region. High on the political agenda for many countries is self-sufficiency in energy. The core priority is to de-risk investments in mitigation and renewable energy projects.
- **Felix Hermes** (BlueOrchard): It is hard to create funds for the Latin American region. However, there is potential for various sectors in the region, such as energy, transport, manufacturing and real estate. The region is promising from a risk-return perspective but BlueOrchard hasn't been able to find the way to invest effectively in the region.

In conclusion, the region is underfunded in relation to other regions. There is a huge investment need regarding climate change mitigation and adaptation. The capital market ecosystem is still underdeveloped. There is an additionality in bringing equity or mezzanine capital to Eastern Europe, both in terms of climate finance as well as capital market development. Tools offered by GCF (equity, debt, guarantee) could help de-risk investments and mobilize domestic and international private investors. Availability of GCF grant could support local capacity development.

6) Carbon Trading: What is missing? Discussing the basics: accounting, methodology, reporting and more resilient economy

The session on Carbon Trading was moderated by Carolina Fuentes (GCF) and discussed important market developments and examples on carbon trading.

Some of the key messages were:

- **Dirk Forrister** (International Emissions Trading Association): There are three important market developments on carbon trading in the past year. First, is the Chinese emissions trading scheme that was announced in December 2017. Second, is the sphere of cooperation of carbon markets. An announcement was made at the One Planet Submit by the president of Mexico, who stepped forward to present a statement of interest from countries in Latin America, California and some Canadian regions to begin cooperation in joint carbon trading development. When looking at the 1.5-degree target, using efficient tools such as market tools must be considered seriously. Third, is the strengthening measures for the EU ETS. That's the most mature carbon market in the world and it has been one of the fastest growing in the world. It is now trading 20 Euro per ton but a year ago it was around 7 euro per ton. The programme has been significantly strengthened and has a mechanism to govern the supply coming into the system that has boosted investors' confidence. This is important as in value we're talking about 80 million

dollars when combined with tax-related tools and because 88 of the NDCs have expressed interest in such tools.

- **Sungwoo Kim** (Environment & Energy Research Institute): Korean companies are showing a different reaction to carbon regulations, which have been under implementation for the past five years only. Some major companies started to invest in developing countries through climate change projects to set off their emissions and their investments in such projects are increasing year after year. Korean companies changed their passive compliance to active opportunity finding. The Korean government allowed the use of international offset to meet CO_2 emission reduction targets and considering that the carbon price is about 20 USD, Korean companies were incentivized to find opportunities to secure carbon credits through projects in developing countries. Korea is showing that it is possible and economically viable to develop while complying with carbon trading regulations.
- **Yuan Yuan** (Global Reporting Initiative): Carbon markets are not yet widely spread, but businesses can factor carbon prices into their business plan and can prepare the transition to low carbon economies. Many industries have used this method in their risk management methodology, including to face future policies limiting CO_2 emissions, including oil and gas industries. Incentives from governments helped businesses achieve carbon targets but also building resilience supply chains and meeting shareholders concerns.

7) **Public Private Partnerships ("PPP") for Climate**

Moderated by **Elie Aloko** (GCF), the panel discussed public-private partnerships for climate change in developing countries. A recent analysis by the IFC shows that 21 emerging market economies alone hold $23 trillion in climate-smart investment opportunities through 2030. IFC assessed the national climate change commitments and other policies in 21 emerging markets, representing 62% of the world's population and 48% of global GHG emissions.

However, the perceived risks from private investors in developing countries are high. **John Walker** (Macquarie) listed the risks from a private investor's perspective. He pointed out that in the climate finance sector the technology risk is a unique risk. Permitting risk and developer risk are other specific climate-related risks. Nevertheless, there are three ways to improve the effectiveness of a private sector perspective. First, private sector companies can address the developer risk from a technical perspective. Second, they can develop risk-sharing and well-articulated PPP projects. Finally, they can work closely with the multilateral banks.

Multilateral organizations can play 3 distinguished roles from private sector companies: lead, advise and leverage. The investment of the multilaterals combined can reach USD40 billion per year. They can act as leaders in the climate sector. They can also advise on the best practices in the industry on technologies like Edge, a verifying tool for green buildings in 21 countries, as well as off-grid solar and scaling-up solar by building a coherent system to de-risk the projects. Finally, they can leverage the extensive number of financial institutions that they work with.

Ricardo Nogueira (Principal at Climate Finance Advisors) noted that government bodies need to regularly engage with the private sector. Only when governments are aware of the needs of the private sector, they can improve the regulations and build a pipeline tailored to the preference of the private sector. Moreover, ODA loans with high concessionally also play a special role in mobilizing private and public investments in climate change. The Economic Develop Cooperation Fund within Korean

Eximbank, established in 1987, has been successfully investing in over 400 projects in 54 developing countries using ODA loan instrument.

8) Featured Industries I - The future of transportation

The session on the future of transportation, moderated by **Jurg Grutter** (GCF), discussed the challenges and opportunities for sustainable transport and how the private sector and the GCF can contribute.

Some of the key messages were:

- **Lorena Aguilar** (Vice Minister of Foreign Affairs of Costa Rica): Costa Rica is an early example of embracing decarbonization and a moving towards sustainable transport. Affordable low-emission transportation is emphasized in the country's development plans, as 65% of Costa Rica's air pollution comes from the transport sector. Furthermore, there is a significant loss of GDP due to the time spent in transportation. The plan of the president is to abolish dependency on fossil fuel.
- **Ignacio Lorenzo** (NDA of Uruguay): 10 years ago Costa Rica started serious discussion on renewables by mainly focusing on two areas. First, by building an enabling environment (e.g. tackling diesel subsidies as the underlying issue of transport). Second, by focusing on finance for renewable energy. High capex is needed, e.g. electric buses will cost three times more than diesel buses, but energy costs for operation will amount to only 1/5 of the cost of diesel. So there is opportunity of returns and we need to crowd in the private sector. The role of GCF is in de-risking the associated risks and catalyzing more private investments.
- **Sabin Basnyat** (GCF): At B.21 in October 2018 the very first transport dedicated project will be presented. For a GCF point of view, we are a catalytic fund, first level of investment, taking in the riskier side of investment. Transport - unlike other infrastructure projects - will undergo a lot of change. For example, it is worth encouraging public procurement to buy electric buses in masses, thus getting economies of scale. In addition, costs should be reduced through standardization - same technology, same spare parts, same people working on it. The idea is to roll this into an OPEX contract and lease it to the private sector, as the potential returns are very high.
- **Jurg Grutter** (GCF): There is no one size fits all solution for sustainable transport. Different new models in the transport sector might be necessary, and this is where private sector can come in for leasing programs.

9) CITIES - Transformational urban puzzle: cities as climate neutral engines of growth. Myth or Reality?

Urban landscapes are being developed in new ways that are more carbon efficient. Thinking about equitable transport and its impact on climate, making sure that people can remain in cities at an affordable price is something to bear in mind. Addressing infrastructure needs will be costly to cities but will also be critical when thinking about how to drive greater growth. Greening urban infrastructures in urban areas represents a big opportunity. Beyond the financing gaps, there is also a lack of bankable projects. That is why project development in urban infrastructure is very important and can help to address the lack of financing and the lack of good projects.

There is a need to mobilize public and concessional financing from climate partners and leverage them to blend with private sector financing to bring down the cost of project delivery. That would address the project risk and the financial risk. 40% of the financial needs can be covered by the public sector but this does not mean that they should fund only one project independently. It would be a lot more efficient to

promote further public private partnership whereby those 40% are used to catalyze private sector money for each project. The Asian Development Bank (ADB) is trying to set up green financing facilities to develop bankable green infrastructure programmes with concessional financing to crowd in the private sector as well.

There are a few barriers. First, there is the need for a definition of baseline. Second, there is also an issue of capacity for small and medium cities where most of the population will be located in the near future. Such cities have a low capacities to sustain the transition over the next decades despite their relative capacity to act on short term goals. Such cities also lack technical capacity within local governments which ties into education as well. Third, governance may also arise as an issue and particularly the lack of coordination between national policies and local action. This echoes issues around horizontal integration within one administration which is often lacking, e.g planning departments don't always talk to the environment department, let alone the finance department. Fourth, regulations and legislation should also provide certainty and provide economic incentives to crowd in private investment and also provide coherence in policies despite the frequent changes of governments.

10) Featured industries I: WATER – Investing in water and climate:

The panel session on water was moderated by Alastair Morrison (GCF) and discussed why it is good for business, community, and the environment to invest in water and climate.

Some of the key messages include:

- **Gary White** (WaterEquity & Water.org): Adaptation should be geared towards those at the base of the pyramid. WaterEquity & Water.org has been trying to utilize water credit in order to finance water & sanitation, which helped more than 4 million people to access services in the sector. Our main task is to raise equity for water and invest the funds in microfinance institutions and water & sanitation initiatives. The first bond was USD 11 million, which was deployed last year, reaching 300,000 beneficiaries.
- **Rashad Kaldany** (Blue Like an Orange Sustainable Capital): Some of the key challenges in the sector, compared to other utilities project include: (a) the willingness to pay and the ability of consumers to pay the service; (b) corruption risk; and (c) political risk. There is also challenge of reaching the bottom pyramid for small-scale project. Funds like Blue Like an Orange Sustainable Capital cannot fund small-scale projects, and the only way to do it is through financial intermediaries. Water is seen as a public good, something that should be free for everyone. A good example of water privatization is the case of IFC with the Manila's national water supply system. It turns out that people are willing to pay for better services. We need to encourage more private finance water projects. What we need to do is to set up mechanism to help finance small-scale type projects by encouraging engagements from financial intermediaries.
- **Le Ban (Cibola Partner):** Climate rationale for water project shall not be a convoluted action. When talking about the climate change, it is about the biosphere and hydrosphere, where they have a big overlap in all aspects. The climate change impact to water is very thorough, e.g. saline intrusion, floods, droughts, etc. There are big opportunities for adaptation in water. Many of those have nature-based solutions, such as using river basins as water catchments. Water infrastructure in cities also plays a huge role in regard to climate change adaptation. City managers / mayors need to mobilize funds to these kinds of investments.

11) Agriculture - "Leveraging private climate finance for agribusiness: how is it feasible?"

Moderated by **Janie Rioux** (GCF), the panel deliberated on the feasibility of leveraging private climate finance for agribusinesses.

According to **Carlos Watson** (FAO), FAO will focus their intervention on promoting private sector investments via the enhancement of business climate and SDG compliance. According to Mr. Watson, the FAO's SDG compliance is close to 30 indicators. FAO recognizes the fact that increase capital for climate change investments through the private sector is the key to agriculture development. Moreover, the organization is ready to support these agricultural investments to shape up sustainability frameworks. At present, the Senior Adviser is in the process of developing private sector involvement. These two initiatives include:

1. Agriinvest which mainly focuses on promoting agriculture investments and policy development
2. Support private investors for SDG and climate action alliance through putting the knowledge and tools developed by FAO in their agriculture-related investments

Erico Rocha (NDA of Brazil) discussed Brazil's experience on engaging the local private sector to finance climate-resilient agriculture, and the investment areas mapped during Country Programming. The NDA emphasized that it is possible to increase agricultural production without increasing deforestation. This can be done by designing the right incentives to adapt low-carbon emission agriculture technologies. Since agricultural development and private sector engagement is included in the country's priorities, the Minister of Finance found it easy to engage private sector such as local banks, and key financial institutions. This is due to the country's strong policy background in employing low carbon technologies that are incorporated in their NDCs, NAPs and other national strategies. Finally, the moderator further asked Brazil's priorities in the agriculture sector, which is promoting the application of low carbon emission technologies through technical assistance and improving financial assets and resources (e.g. innovative financial models with the help of GCF in de-risking). As the GCF's Board Meeting (B21) is about to take place in the next few days, Brazil's major public bank is well on its way to accreditation.

Sheikh Noorullah (ACUMEN) informed the participants about their project (Acumen Resilient Agriculture Fund) that was approved by the GCF. The panelist focused on how the barriers were addressed and the opportunities for adaptation in the agriculture sector. The ARAF is an impact fund mainly investing in innovative small and medium-sized agribusiness enterprises. Acumen has supported various countries in LAC and Africa. The key learning or takeaways of the Acumen from 2016 are (i) one [extreme] weather event can destroy all the agricultural gains and (ii) there are uncertainties in the incomes of smallholder farmers who are making USD 1000/year that are primarily attributable to climate change. According to Acumen, there are three levels of crowding in private capital: 1) fund level; (2) investment level; 3) company level (where companies are being trained to crowd in more capital).

12) Cities – Transformational urban puzzle: cities as climate neutral engines of growth. Myth or Reality?

Urban landscapes are being developed in new ways that are more carbon efficient. Thinking about equitable transport and its impact on climate, making sure that people can remain in cities at an affordable price is something to bear in mind. Addressing infrastructure needs will be costly to cities but will also be critical when thinking about how to drive greater growth. Cities are trying to integrate both.

Greening urban infrastructures in urban areas represents a big opportunity. Beyond the financing gaps, there is also a lack of bankable projects. That is why project development in urban infrastructure is important and can help to address the lack of financing and the lack of good projects.

There is a need to mobilize public and concessional financing from climate partners and leverage them to blend with private sector financing to bring down the cost of project delivery. That would address the project risk and the financial risk. 40% of the financial needs can be covered by the public sector but this does not mean that they should fund only one project independently. It would be a lot more efficient to promote further public private partnership whereby those 40% are used to catalyze private sector money for each project.

There are a few barriers to decouple GHG emissions from economic growth and ensure a transition to low carbon resilient pathways for urban development, such as the need for definition of baseline. There is also an issue of capacity for small and medium cities where most of the population will be living in the near future. Such cities have low capacities to sustain the transition over the next decades despite their relative capacity to act on short term goals. Such cities also lack technical capacity within local governments which ties into education as well. Governance may also arise as an issue and particularly the lack of coordination between national policies and local action. This echoes issues around horizontal integration within one administration which is often lacking, e.g planning departments don't always talk to the environment department, let alone the finance department. Regulations and legislation should provide certainty and provide economic incentives to crowd in private investment and provide coherence in policies despite the frequent changes of governments.

The projects put forward to the GCF tackle these issues and this strategic approach by the GCF can maintain the long-term effort that is needed.

13) Forests and Land Use - Opportunities within deforestation-free commodity supply chains - scaling up private sector investments

Moderated by the GCF's Principal Forest and Land-use Specialist **Juan Chang**, the panel reflected on the opportunities in deforestation-free commodity supply chains and scaling-up private sector investments.

Some of the key messages were the following:

- **Mr. Dexter Galvin** (CDP): The Global Director insisted on employing the jurisdictional approach in the deforestation-free supply chain. This can be operationalized by working or collaborating with local communities to ensure the basic standards of sustainability. Further, through this innovative approach, producers can be rewarded to avoid the ambiguity. He added that as the market matures, we'll see more consumer interest in purchasing more sustainable commodities; and in the end, large corporations will be rewarded for having made sustainable choices which are translated as reputational benefits.
- **Mr. Joel Scriven** (Shell)**:** The private sector should be involved in developing business models centered around carbon emission reductions to help achieve the SDGs. If private sector actors will commit and put their efforts and resources towards deforestation-free supply chains, many people will benefit from those initiatives and most importantly ecosystems will be conserved and restored.
- **Mr. Stephen Donofrio** (Greenpoint Innovations)**:** The Founder reiterated the two pillars involving the private sector and forest and land use sector specifically emission reductions: (1) commodity supply chains and markets; and (2) REDD+. He highlighted the REDD+'s impact in carbon trading initiatives. Through this REDD+ offsets, the companies and corporations are incentivized which can lead to the increase in crowding private funds. Finally, he left a question for companies when

making a goal towards deforestation-free supply chains: "Can they attribute a GHG number to their goals and how can they put these into science-based targets?"

The moderator ended the discussion by relating all the innovative solutions provided by the panelists. The initiatives mentioned were not isolated actions and for that, there is a need to explore innovative ways to involve private sectors----not just multi-national companies or other big players in the industry; but these actors include the farmers, land owners and consumers. The decisions/solutions also lie in these key private sector actors by looking into the products from deforestation-free supply chains.

14) ENERGY – Beyond the grid: what scale is the investment opportunity and how does it relate to climate change?

The seventh session was on investment opportunities in the energy sector, moderated by **Pierre Telep** (GCF).

The key messages were the following:

- **Robert Barker** (BNP Paribas): The business opportunity is clearly outlined. The distribution of energy is shifting towards off grids. Distributed energy has different dynamics of risk that must be assessed on a financial perspective. In addition to that, a level playing field to foreign investor (particularly in emerging market) is needed, and there should be a change of subsidies away from fossil fuel. It is crucial to not look at climate finance in isolation from the broader economic and social narrative.
- **Dr. Bachir Ismael Ouedraogo** (Minister of Energy and Mining, Burkina Faso): We need to show investor not only the opportunities, but that there is an actual possibility for people on the ground to pay them back. People are willing to pay at a high cost if they need energy. What I am asking investor to help us with is through a guarantee.
- **Eitan Hochster** (Odyssey Energy Solutions): Key problems in terms of investor and project interaction are standardization of metrics and data (people aren't speaking in the same language). Energy has become a huge market today, given the economic market opportunity. I want to see the GCF and other multilateral to create facilities towards this sector. Ultimately, the multilaterals can set the standards and polices for the sector to grow and expand.

To summarize, clean energy today is an opportunity of business for everybody. It also allows to provide energy to people who we can't provide energy right now (off-grid). Investors and policymakers should make greater effort, because today we have the possibility. Everybody can have access to energy. If we come together, we can do it. If we want to lift people out of poverty, this is the time.

15) Institutional Investors: What's next?

The panels session on institutional investors, which was moderated by Tony Clamp (GCF), explore how the private sector can help mobilize the funds necessary to combat climate change. The panelists were asked to give a recommendation for the private sector to deliver climate goals.

Some of the key messages of the panel were:

- **Ricardo Nogueira** (Climate Finance Advisors): To overcome the barriers that stop investors investing in climate change, one needs to get the governments and philanthropies involved to offer political risk mitigation for institutional. On lessons learned, Mr Nogueira concluded: (i) Giving concessional money made institutional investors pause- it was a red flag to move into

markets where they don't have expertise- so concessional finance alone isn't going to drive institutional investors toward climate change mitigation and adaptation investments, and (ii) behind these institutional investors are just human beings- we have to find ways to align the interests of the people in the institutions to drive forward investments.

- **John Walker** (Capital Asia): There are several actions investors can take on renewable energy assets, including the following: (i) invest in technology, (ii) invest at the construction and operation stage, (iii) use their financial power to push for policy change and (iv) lead by example through their environmental practices. On recommendations, Walker highlighted that in parts of Asia there are varying conditions to produce wind and solar power. There needs to be more thought given to sub-sea or cross border cables to share energy between nations. GCF and other institutions should use their weight to overcome political barriers.
- **Ikho Suh** (Korea Investment Corporation): KIC has become more active about integrating climate ideas into its investment mandate. One of the challenges to integrating is trying to make sure a strategy is proven and has consistency with long term goals of KIC. Many of the ideas are so new they don't have the long-term track record to provide stability. Our investors need to become more aware of climate change and investment opportunities. There is a strong need for more data to support investments
- **Chika Fukuyama** (MUFG Bank): MUFG Bank is the largest financial group in Japan and very active in renewable energy projects, but not very active in other areas. There is the potential that when partnering with local banks, they won't necessarily align with the values and principles of MUFG. There is a need to ensure local banks match the environmental and social values. Local banks need to show more interest in climate change to get investments.
- **Ibrahima Kane** (FONSIS): FONSIS invests substantially in infrastructure, puting equity into projects to catalyze private sector investment. In their region of operation, climate change is a priority and therefore provides an opportunity to invest. The greatest need is to have the local perspective. The money is there, the need is there, what is missing is the local perspective. There is a need to make fund management and investments more local. What is needed is fund and seed money that is available at the local level.
- **Cyrille Arnould** (GEEREF Fund): The results show it is possible to build and operate renewable energy plants in developing countries. There is a need to focus on developing the teams that commission the projects on the ground. One of the major stumbling blocks is the human factor. Institutions are the guardians of the money, but they have so little experience with renewable energy investments. On the ground it is important to develop teams. This is going slow at first but is worth the efforts. There needs to be a profound and radical reform of rules that govern institutional investments- e.g. remove the penalties of investing in certain countries.

16) Integrity, Evaluation and Redress: Best Practices in Climate Finance

The session moderator, **Pa Ousman Jarju** (GCF), deliberated on the challenges and opportunities of investing in climate, derived from GCF's lessons learned and best practices. Within the context of best practices, the Operation Portfolio Management (OPM) unit reflected on the need to harvest opportunities wherever available and build NDAs' capacities to interface with the private sector, lessons to be drawn from the initial set of projects and implementation, as well as refining of inversion tools, which is part of the Fund's commitment of complementarity and coherence. OPM is developing tools for monitoring impact and results from other organizations' experiences and further developing an online reporting system to foster knowledge sharing between stakeholders.

The Office of Risk Management and Compliance (ORMC) is looking to prevent money laundering and the overall compliance programme should not only be for the specific agreement that the GCF has with its counterparties but should be a part of an overall business strategy. It is expected that climate finance will

be subject to some of the challenges of integrity of the other financial sector experience. As it is a new field, new risks emerge, and the office tries to anticipate those risks and develop appropriate policies and strategies to address them.

The Office of Internal Audit (OIA), on the other hand, prefers to follow standards set by the International Institute for Internal Auditors. Looking forward, climate mitigation and adaptation is developing fast and so is the GCF, therefore the OIA prefers a principal-based approach that requires general policies and applied using people's judgments. In addition, to take an integrated approach, evaluation is being carried out and in 6 months audit will take a look at the findings of the evaluations.

What has been found within the Readiness programme, stated **Jyotsna Puri (GCF)**, is the lack of advice and support that countries need to engage with the private sector. Hence, it will be useful for the private sector actors to think of quick readiness finance to create the opportunity within policy to be built and leverage it to develop the concept note and currently readiness takes longer time, and that's why the Independent Evaluation Unit (IEU) recommends developing quick results. Last but not least, NDAs coming from the public sector get the readiness planned and then approved, it's probably not the most ideal way to leverage the private sector, so a key recommendation will be to identify what the right channel. It is important to focus on impact investing, taking on risks, building innovation and thinking of impacts.

The Independent Redress Mechanism (IRM) of the GCF has very specific and clear functions. the Unit's Head, **Allenisheo Lalanath Mark de Silva** (GCF) identified the role of his Unit, which was established by the Governing Instrument as aiming to process reconsideration requests of denied funds to programmes submitted by developing countries or an accredited entity. A traditional role of the IRM is to listen and receive complains from those who have been affected by projects funded by the GCF, the Unit seeks to solve standing issues, investigate and file a report. It acts as an advisory to report to the Board on lessons learned and provide recommendations on policies, systems, etc. It has a function of capacity building for the Direct Access Entities, and National Institutions who are in need for capacity to develop better Redress systems.

17) Deputy Executive Director, Javier Manzanares' Farewell Remarks

To engage with the private sector, the GCF must speak the language of the private sector. This was the key message opening the farewell remarks of the Deputy Director of the GCF, to the participants of the First Private Investment for Climate Conference. The DED highlighted the ability of climate investments to return profit as well as provide climate benefits.

There is a need to spread ambition so that the private sector's support for low-emission energy can be repeated in other areas, such as adaptation. The release of the IPCC report has provided additional scientific evidence that the GCF must do much more, much faster. The GCF looks forward to further engaging with the private sector – and specifically, institutional investors, who collectively manage trillions of dollars, in climate finance. In this vein, the GCF is establishing the Global Private Investment for Climate Network that will foster the vibrant and informed marketplace to advance climate-resilient investments in developing countries.

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