

From Ideas to Action: Driving Investment in Clean Energy through Innovative Finance Instruments

ACEF

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Investment gap in clean energy

Total climate investment equaled **\$391 billion** in 2014...

That's *more than ever*

...but **not nearly enough.**



\$5-6 trillion
needed
through 2020 in clean
energy alone

We're falling further and further behind low-carbon and climate-resilient investment goals.

What is “The Lab”?



- Supports the **identification** and **piloting** of cutting edge climate finance instruments.
- It aims to **drive billions of dollars** of private investment into climate change mitigation and adaptation in developing countries and India.
- Ideas are **crowdsourced** and **open access** to the public.

How does it work?

INNOVATION

Open call for **innovative, crowdsourced solutions** for problems such as access to finance, cost of finance, and risk management

ANALYSIS

Rigorous analysis of shortlist of ideas that are actionable, catalytic, innovative, and transformative

Instrument design and implementation plans, with input from key public and private stakeholders

ACTION

Work with idea proponents to **fast-track** and provide analytical support for chosen pilots

Encourage **replication** at a larger scale

What is The Lab looking for?

- **Actionable**
Instrument must be implementable in a few years without facing major barriers
- **Innovative**
Instrument must address risk, cost, and liquidity gaps with new or enhanced tools
- **Catalytic**
Instrument must engage and mobilize private capital at scale
- **Transformative**
Instrument must have significant impact and be sustainable and replicable

The Lab Members and Partners



In addition, with support of:



Secretariat:



The Success of The Global Lab's First Cycle

- **Endorsed by the G7 and raised over US\$500 million** in initial funding for pilots from the First Lab Cycle in 2014-2015

Agricultural Supply Chain Adaptation Facility (ASCAF)

- Inter-American Development Bank and Calvert Investments
- Proof-of-concept transaction with ECOM coffee plantations closed

Energy Savings Insurance

- Inter-American Development Bank with support from Danish government
- USD 47.5 million pilot launched in Mexico;
- Expansion is underway to replicate the pilot in Latin America, SE Asia

Climate Investor One (*CDFF)

- FMO, the Netherland Development Finance Company & Phoenix Infracore
- GBP 50 million from UK gov.
- EUR 50 million from Dutch gov.
- USD 450 million in strong interest

Long-term Foreign Exchange Risk Management

- EUR 30 million commitment from German government to TCX for Sub-Saharan Africa
- In discussions with the Rwandan government and utility to launch a pilot

The Lab Progress



Current Cycle (2015-16)

- 99 ideas Received
- 5 ideas selected for further analysis

- 60+ ideas Received
- 4 ideas selected for further analysis

Finalists

- Mobilizing Equity to Drive Energy Efficiency Investments
- Small-scale Renewable Financing Facility
- 3 ideas on land use and water infrastructure

- Loans4SME
- Rooftop Solar Private Sector Financing Facility
- P50 Risk Solutions
- Renewable Energy Integrated Hedging, Equity and Debt Fund

Final Instruments

- Announcement in June 2016

- Announcement in Summer/Fall 2016

Example 1 – Climate Investor One

Overview

The instrument Provides a pipeline of bankable projects and removing complexity from construction finance. There are many facilities but few target both together.

Design

A new entity managed by FMO and a private sector fund manager that would set up three facilities for different phases of the project cycle:

- **A Donor-Funded Development Facility (DF)** to co-develop projects up to 50% of costs until financial close;
- **A Construction Finance Facility (CFF)**, funded by development finance institutions and commercial investors, providing equity capital up to 75% of construction costs
- **A Refinance Facility** of private investors to provide long-term, low-cost debt capital due to lower risks post-construction

Example 2 – Energy Savings Insurance

Overview

Energy Savings Insurance provides an insurance product that assures the financial performance of energy efficiency projects.

Design

Energy Savings Insurance enhances **investor's trust** in the viability of energy efficiency projects through:

- **A risk mitigation instrument** (“insurance”) that covers the projected value of energy savings
- **A package of complementary measures** such as credit lines to provide long-term capital, third party validation, and grants

Thank You!



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