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# **De-risking Climate Finance: Best Practices & Lessons for Scaling Up**

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Japan, Tokyo

Rajeev Mahajan, Senior Project Finance Specialist

A nighttime photograph of a modern cityscape. In the foreground, a calm body of water reflects the lights from the buildings and the sky. To the left, a large, dark, bowl-shaped structure, possibly a satellite dish or a large antenna, is illuminated with colorful lights. In the background, several tall, modern skyscrapers are visible, with one prominent building featuring a unique, angular design and glowing lights. The sky is a deep blue, suggesting dusk or dawn.

# THE GREEN CLIMATE FUND

The world's largest dedicated climate fund helping developing countries reduce their GHG emissions and enhance their ability to respond to climate change





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# GCF HISTORY

Governing  
Instrument

USD 10  
billion  
pledged for  
IRM

93 projects  
USD 4.6 bn  
75 AEs

**2010**

Est. by 194  
countries  
(COP16)

**2012**



**2012**

First Board  
Meeting

**2014**

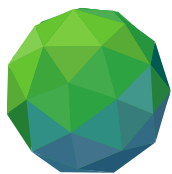


**2015**

First Projects  
approved

**2018**

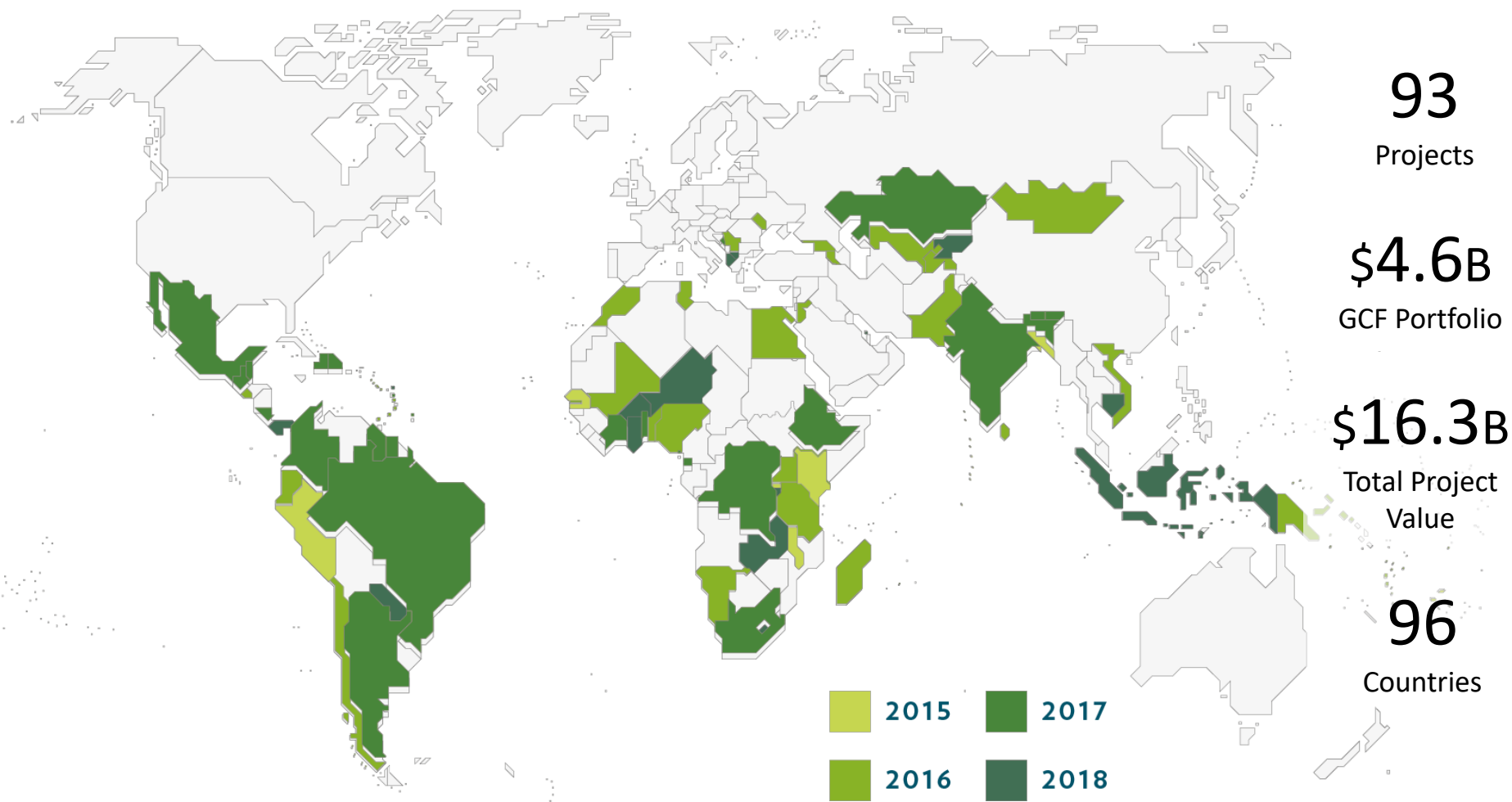




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# SUPPORTING

## Developing Countries' ambition







# PSF: WHAT WE DO?

- Catalyzing private sector climate action in developing countries
- Tailoring lifecycle, concessional financing to de-risk high impact projects
- Providing expertise to help assess the potential benefits of project ideas
- Supporting first movers by taking an anchoring role for co-investors;
- Leveraging GCF's own resources with those of the private sector





# The PSF *takes on* **CONSTRAINTS** to private sector climate action



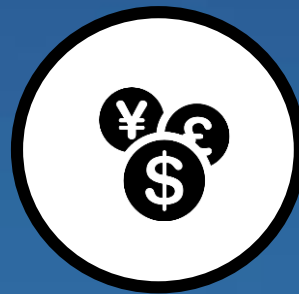
## CLIMATE ACTION

Developing Country  
finance Gaps  
estimated at USD 1  
Trillion a year



## RISKS

Early movers take  
brunt of risk,  
impedes pioneering  
investments



## ACCESS TO FINANCE

Lack of affordable  
long tenor financing



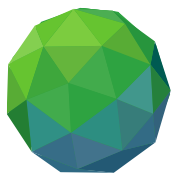
## REGULATION

Lack of Government  
Capacity to  
Incentivize Private  
Investment



## KNOWLEDGE

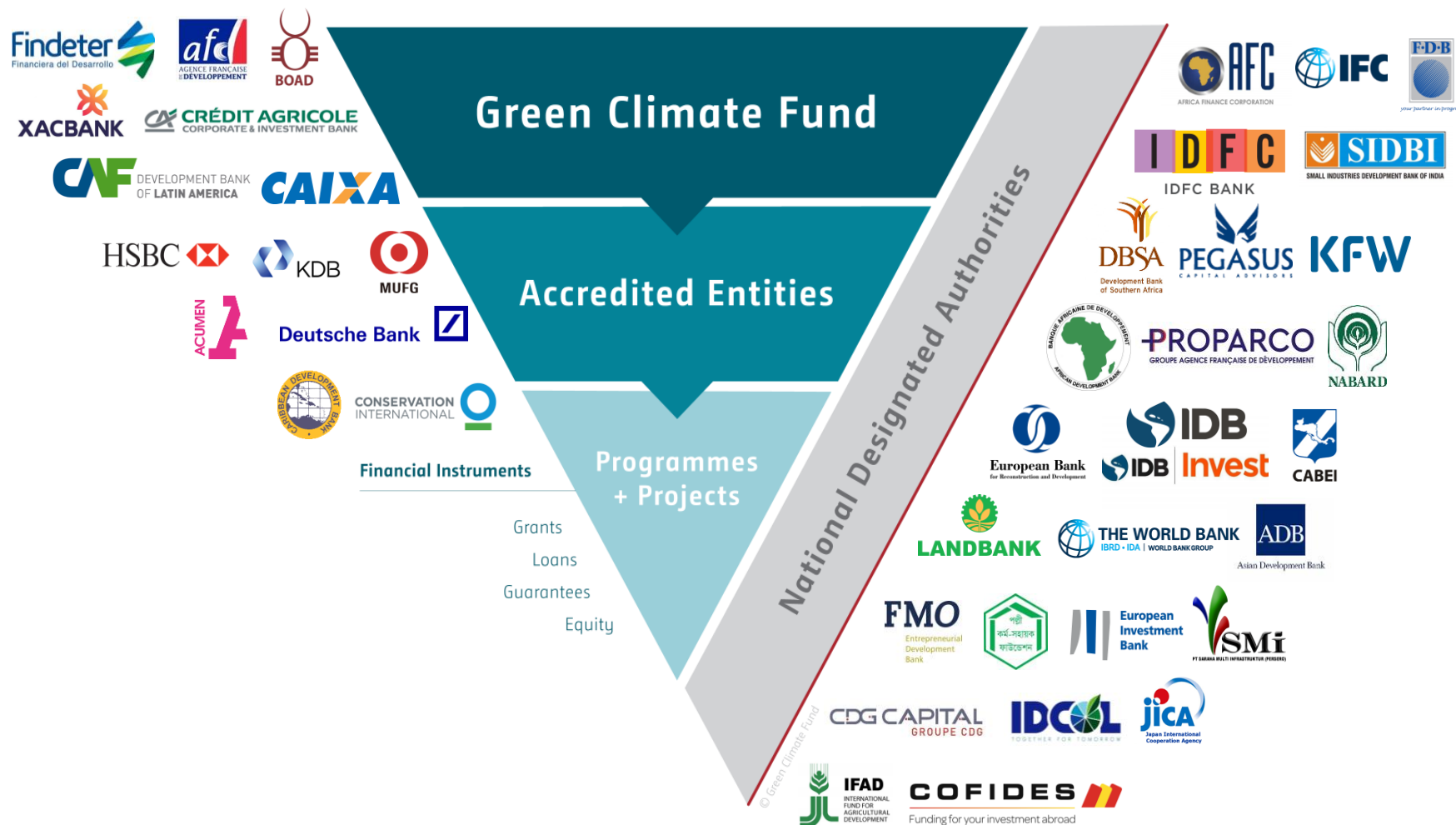
Strengthening local  
institutions and  
markets through  
readiness

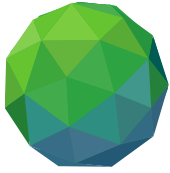


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# HOW WE WORK?

With AEs who channel funds to projects





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# HOW DO WE INVEST?

## De-risking private capital for climate

### INSTRUMENTS



#### Loans

- › Flexible pricing & tenor
- › Subordinated position



#### Equity

- › Take equity positions
- › Support investment incubators



#### Guarantees

- › Guarantee FI credit lines
- › Address off-taker risk
- › Take unhedged risk



#### Grants

- › Fit-for purpose grants
- › Encourage Innovation
- › Minimum Concessionality

1

De-risking climate smart **investments**

2

Offset **risks** and other impediments to climate investments

3

Encourage **high impact** climate investments and act as '**market maker**'

4

Support the development of **climate compatible financial systems**



# WHAT WE LOOK FOR

## Climate Rationale and Additionality

### Additionality of GCF Funding

- Why GCF?
- Projects must crowd-in additional financing on top of GCF

### Strong Climate Rationale

- Climate Impact of investment is key
- Scientific evidence to provided

### 8 Results Areas



Energy



Transport



Buildings, Cities, Industries



Ecosystems



Livelihoods of people & comm.



Health, food and water security



Forests and land use



Infrastructure

### Compliance with GCF Policies

- Fiduciary standards
- Risk Management
- ESS
- M&E Criteria
- Gender Policy
- Legal Standards

### Country Driven Approach

- Alignment with NDCs
- Early country (NDA) engagement
- No-objection letter

### Six Investment Criteria

1. Impact Potential
2. Paradigm Shift Potential
3. Sustainable development potential
4. Recipient needs
5. Country ownership
6. Efficiency & effectiveness

### Completeness of documentation

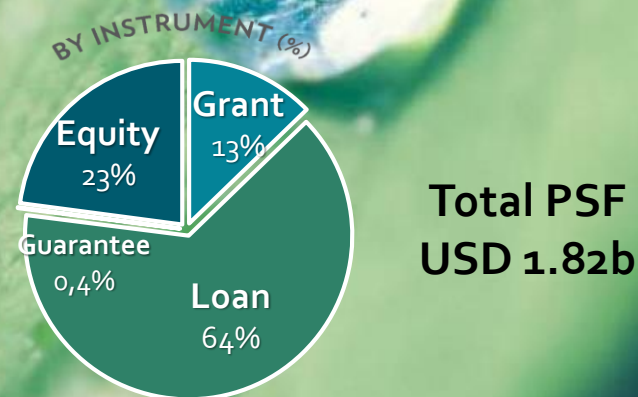
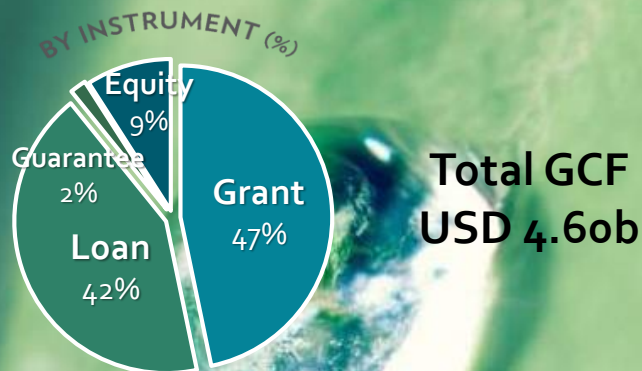
- Feasibility study
- Financial Model
- Project Timetable
- Gender Analysis
- Environmental studies
- No-objection letter

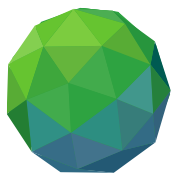


# PSF PORTFOLIO TO DATE

## Amounting to USD 1.82b in 20 projects

- Loans and equity collectively account for ~87% of committed GCF funding
- GCF has committed USD 1.82 billion of funding across 20 private sector (PSF) projects
- Private sector financing accounts for 40% of total GCF commitments
- Grants in most PSF projects are typically for technical assistance and capacity building





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# PSF IMPACT

Reducing 1Gt of CO<sub>2</sub> & reaching 29m beneficiaries

20

Projects



\$1.8B

GCF-financing

\$5.2B

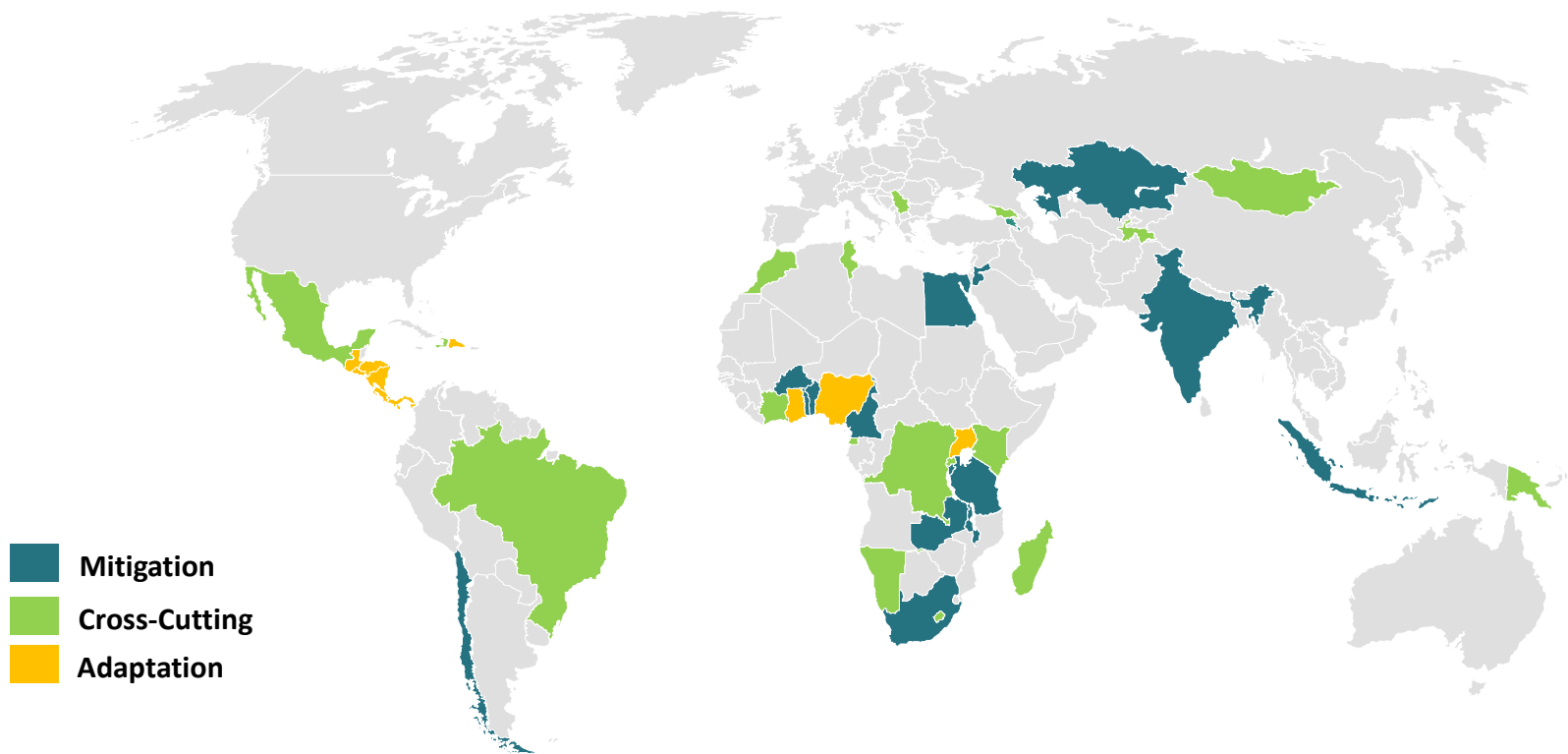
Co-financing

1.0Gt

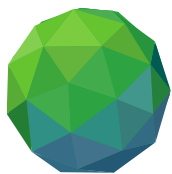
CO<sub>2</sub> Reductions

~29M

Beneficiaries







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# PSF Success Stories

## Supporting Country's Energy Transformation

8

Projects

\$470M

GCF-financing

\$1.9B

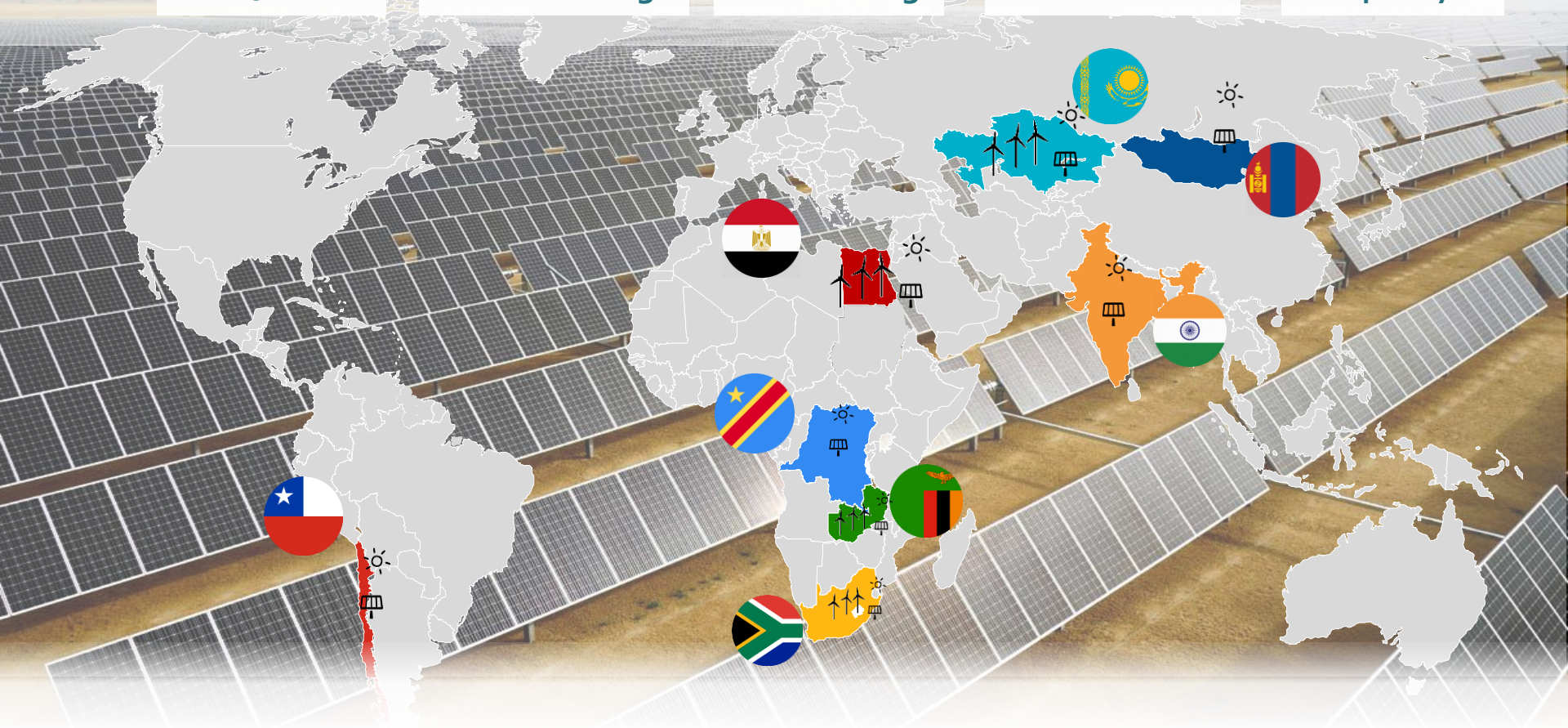
Co-financing

53Mt

CO<sub>2</sub> Reductions

1.6Gw

Capacity



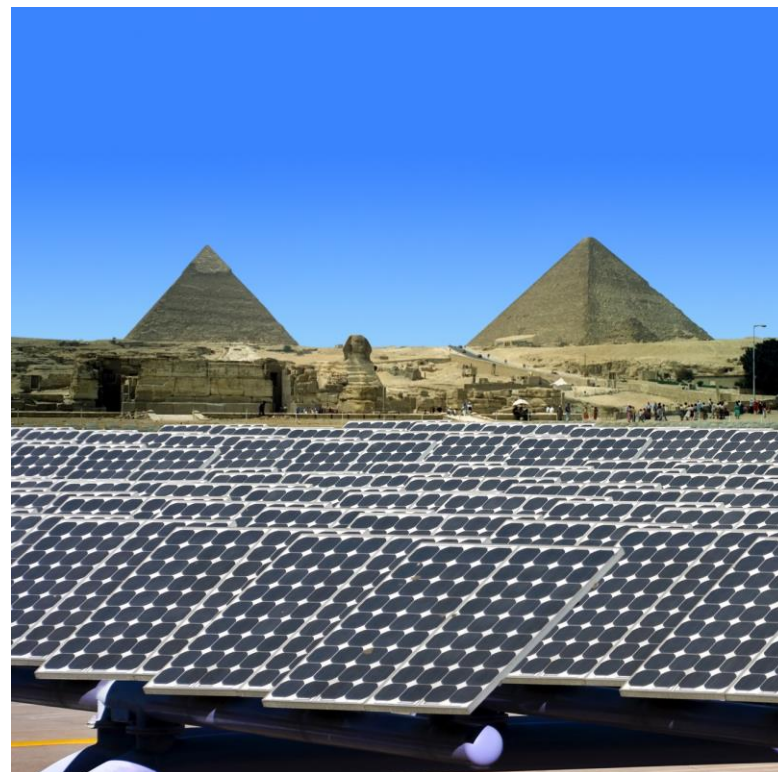


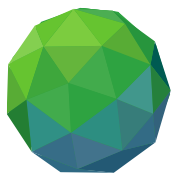
# PSF Success Stories

## Egypt Renewable Energy Financing Framework

Country	GCF financing	Accredited entity	Financial instrument
Egypt	USD 154.7 million	EBRD	Loan and Grant

- Encourages private sector investment in an environment with negligible renewable capacity installed
- Addresses the lack of capital for project development
- Facilitates transition to auction-based procurement
- Est. emissions reduction of 19 million tCO<sub>2</sub>e
- Projects currently under development

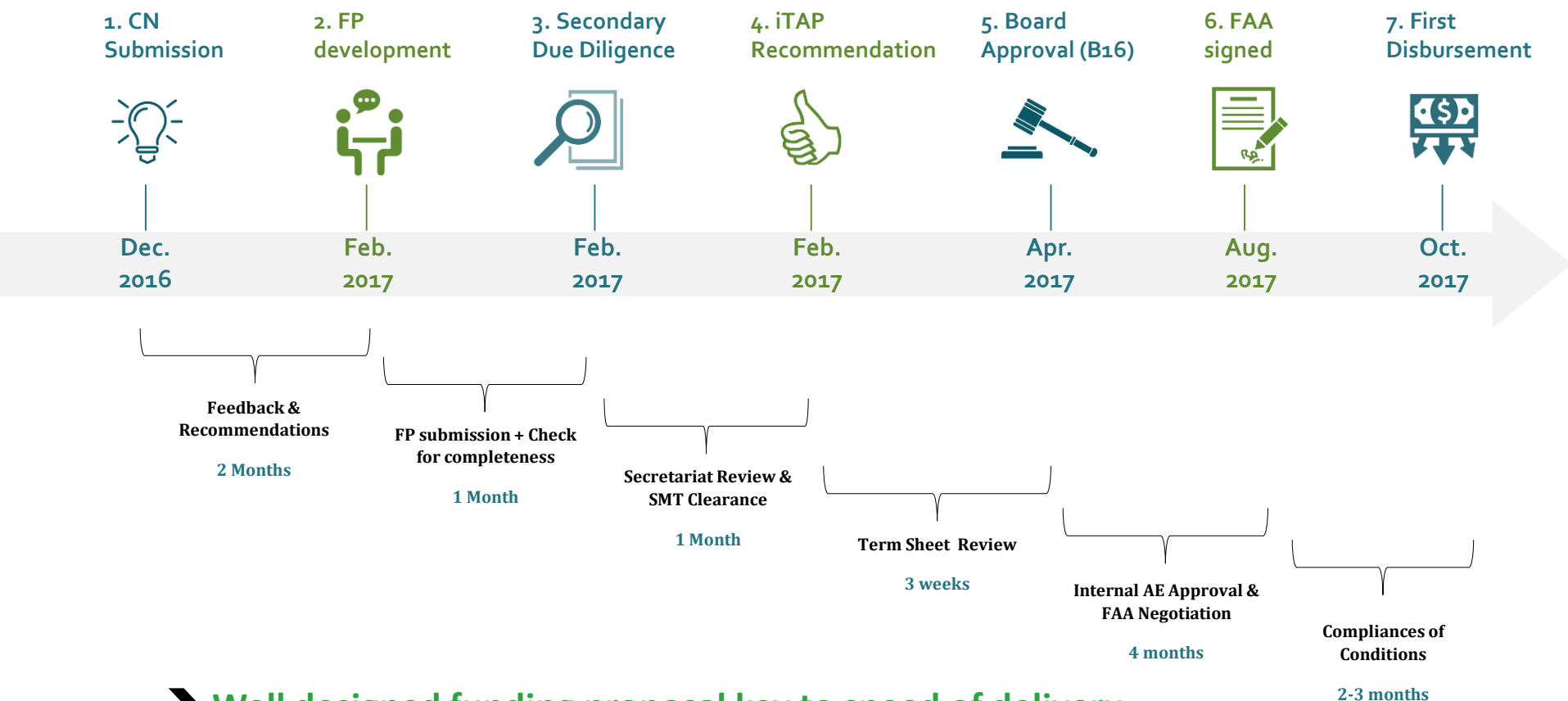




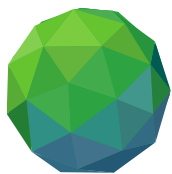
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# PSF Success Stories

## Egypt Renewable Energy Financing Framework







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# PSF Success Stories

## Replication of Renewable Energy Financing frameworks

### The Green Climate Fund's Private Sector Facility



#### Kazakhstan

- Supporting the construction of **330 MW** [Est. ER 12 million tCO<sub>2</sub>e]
- Providing country with a credible roadmap to reduce domestic fossil fuel intensity
- Debottlenecking RE investments through targeted transmission interventions

USD 110 M



#### Zambia

- Supporting the construction of **100 MW** [Est. ER 3.3 million tCO<sub>2</sub>e]
- Reduce dependence on climate afflicted hydro
- Structure facilitates local bank and national pension fund participation in financing projects

USD 40 M



#### South Africa

- Supporting the construction of **330 MW** [Est. ER 14.4 million tCO<sub>2</sub>e]
- Testing new market modalities, reducing reliance on fiscally constrained government and public utility Eskom
- Structure de-risks financing for perceived “high risk” RE projects

USD 100 M

# PSF Success Stories

## DRC Green Min-Grid Programme

Country	GCF financing	Accredited entity	Financial instrument
Democratic Republic of the Congo	USD 21 million	AfDB	Loan, Grants

- Increasing energy access for the off-grid population in DR Congo
- Development of 3 pilot mini-grid projects of 30MW in Isiro, Bumba and Genema
- Innovative business model to overcome low grid access and proliferation of diesel generators
- Emission reduction of 0.56 million tCO<sub>2</sub>e (lifetime)





# PSF Success Stories

## Line of credit for solar rooftop segment in India

Countries	GCF financing	Accredited entity	Financial instrument
India	USD 100 million	NABARD	Concessional Loan

- Lending facility to enable access to long-term and affordable debt financing for the construction of 250 MW of rooftop solar capacity in India.
- The programme will be the first private sector-driven rooftop solar initiative of its kind in India.
- Co-financing of USD 100 million from Tata Cleantech Capital Limited and USD 50 million from project developers





# PSF Success Stories

## Climate Investor One

Country	GCF financing	Accredited entity	Financial instrument
Burundi, Cameroon, Djibouti, Indonesia, Kenya, Madagascar, Malawi, Mongolia, Morocco, Nigeria, Uganda	USD 100 million	FMO	Reimbursable grants

- Innovative blended finance facility offering end-to-end full project lifecycle financing for renewable energy projects
- Faster and cheaper delivery of 20-30 RE (solar, wind and RoR hydro) projects (25-75MW) than conventional project financing
- Potential for scaling and replication of CIO model across other markets
- Emission reduction of 40 million tCO<sub>2</sub>e





# PSF Success Stories

## Climate Finance Facility (CFF)

Countries	GCF financing	Accredited entity	Financial instrument
South Africa, Namibia, Eswatini, Lesotho	USD 56 million	DBSA	Concessional Loan and Grant

- CFF is a lending facility designed on a green bank model to address market constraints and catalyze private sector climate investments
- Provide subordinated debt / first-loss instruments to mobilize co-financing from commercial banks
- Adaptation: 466,384 beneficiaries
- Emission reduction of 29.7 million tCO<sub>2</sub>e





# PSF Success Stories

## Learnings & Takeaways

### The Green Climate Fund's Private Sector Facility

- Systemic intervention required for paradigm shift
- Institutional support to government critical to design investor friendly regulations
- Robust preparatory groundwork and procurement framework essential to mitigate country risk
- Nurturing of institutional/partner relationships key
- Deal structure – an important risk mitigant
- Inter-institutional collaboration required for scale
- Supporting structures to enable additional revenue streams, e.g. domestic carbon markets
  - reduced need for future GCF concessionality
- Developing alternate market mechanisms critical
- Co-opt local institutional investors – have capital but limited capacity to deploy
- Debottlenecking supporting infra key to private sector engagement
  - e.g. Transmission for RE, charging infra for EVs





# Contacts



**Rajeev Mahajan**  
*Senior Project Finance  
Specialist*

*Private Sector Facility*

***E-Mail***  
*privatesector@gcfund.org*

## **Green Climate Fund**

Songdo International Business District  
175, Art Center-daero

Yeonsu-gu, Incheon 22004  
Republic of Korea



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