Sources of Finance and Access Strategies in a Climate-Constrained, Divided World

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Examples of Major Sources of Finance

• Institutional Investors Group on Climate Change representing financial investors with over $21 trillion in assets.

• Organizations with over $5 trillion have pledged to Divestinvest.org to divest from oil, gas and coal and re-invest in Climate Solutions.

• Bretton Woods II: an initiative designed to channel part of the $25 trillion controlled by large long term asset holders towards impact & sustainability.

• Green Climate Fund, which is planned to grow to US$100 billion by 2020.

• Climate Bonds Initiative working to mobilize the $100 trillion bond market for climate change solutions.

Note: Assets of some investors are included in the different asset totals shown above.
Investors are Calling for Urgent Action

- The Institutional Investors Group on Climate Change, representing financial investors with $21 trillion in assets, called on governments to provide the framework necessary to spur greater finance.

- “The IPCC has delivered a stark message. To limit global warming to 1.5C requires an urgent acceleration in the pace at which we are moving to a low-carbon economy”.

Think Renewables
Investors Need "Bankable Projects"

Serious lack of “Bankable Projects” in renewable energy and water projects areas. To remedy this problem, we need:

• Funding for proposal preparation and related work.

• Build capacity in proposal development ecosystem.

• Increase capacity in African governments to facilitate renewable energy and water projects.
Example Potential “Bankable Project” in Wajir County

Proposed large water provision system:

• Utilize water from aquifer that replenished by Mt. Kenya / Aberdares / Mau Ecosystem.
• Expect to benefit almost all 700,000 people in Wajir County.
• Project could be in the range of $100m USD.
• Substantial project development effort required.
• Substantial revenues from water sales.
Example Project in Wajir County (cont’d)

To accelerate implementation, assistance is required for the following:

• Engineering study
• Proposal development
• Environmental assessment
• Community meetings
• Presentations to government officials and potential funders.
Accelerate Major Project Flow

• Developer develops “Bankable Project” proposal with financial assistance.

• Initial investment by investors and banks fund construction of project to produce water / energy.

• After project is producing water / energy, refinance project with a Green Bond.

• Developer uses profits and financing resources to start the next project.
Funding from Investors can Incentivize Action by Consumers

Utilities can access investor funding so they can incentivize consumers to utilize green technologies such as:

• Air-conditioners with ice-based energy storage.

• Smart power meters that incentivize time of power use.

• Leasing of home-based solar energy.
Towards unlocking access to innovative funding / finance

- Guarantee Backed debt funding (local currency)
- Green Bond as a Refinance Instrument
- Exchange Traded Funds
- Result/Output based funding (securitization)
- Crowd funding / Equity
- Projects aggregation

Innovative Finance
Proposed one full day event: Climate Finance Day - Africa

- Designed to create awareness about sources of climate financing.
- Outline some strategies to access this funding.
- Similar to the Climate Finance Day in Paris except with a greater focus on how organizations can access these sources of funding.
Thank you for your time
Appendix
Financing flow for climate-aligned resilient projects

**Stage 1**
- **Key players:** Institutional guarantee providers, Local banks, Foreign investors, Grant donors to boost developers’ equity contribution
- **Long-term Guarantee Backed debt funding** (local or foreign currency) from local banks or foreign investors

**Stage 2**
- **Key players:** Local banks, Investment banks, Developers’
- **Projects aggregation in order to access the refinance / repo market.**

**Stage 3**
- **Key players:** Issuing houses, Pension managers, & Local banks
- **Green Bonds (in local currency)** can be issued to refinance the aggregated projects for longer payback period, and to refill the utilized pool of funds in stage 1 in order to create new projects.

**Stage 4**
- **Key players:** Investment banks, Retail investors, Institutional investors
- The existing individual or aggregated projects can also be open to retail (and institutional) investors to take equity with attractive return on investment (ROI).
Challenges

- Some unproductive / non-commercially viable off-grid communities
- Unreliable regulations / Political instability
- Limited expertise (on climate finance) in the financial markets & banking industry

Access Strategies

1. Engage a technical/investment adviser to handhold the fund providers through process of engaging key stakeholders in the climate finance ecosystem towards investment
2. Partner with experienced multi-lateral development institutions i.e. GIZ, UNDP, USAID, World Bank, IFC, USAID, AfDB, AND UNEP

- Develop the technical capacities and capabilities of the bank’s officers
- Identify and profile productive and commercially viable off-grid and underserved markets/communities
- Liaise with government to facilitate issuance of necessary regulatory permits and approvals i.e. Land lease
- Release grant funds to cover some setup cost of any project to be financed by the bank