

Effective Climate Finance: Early lessons

G20 CFSG Workshop

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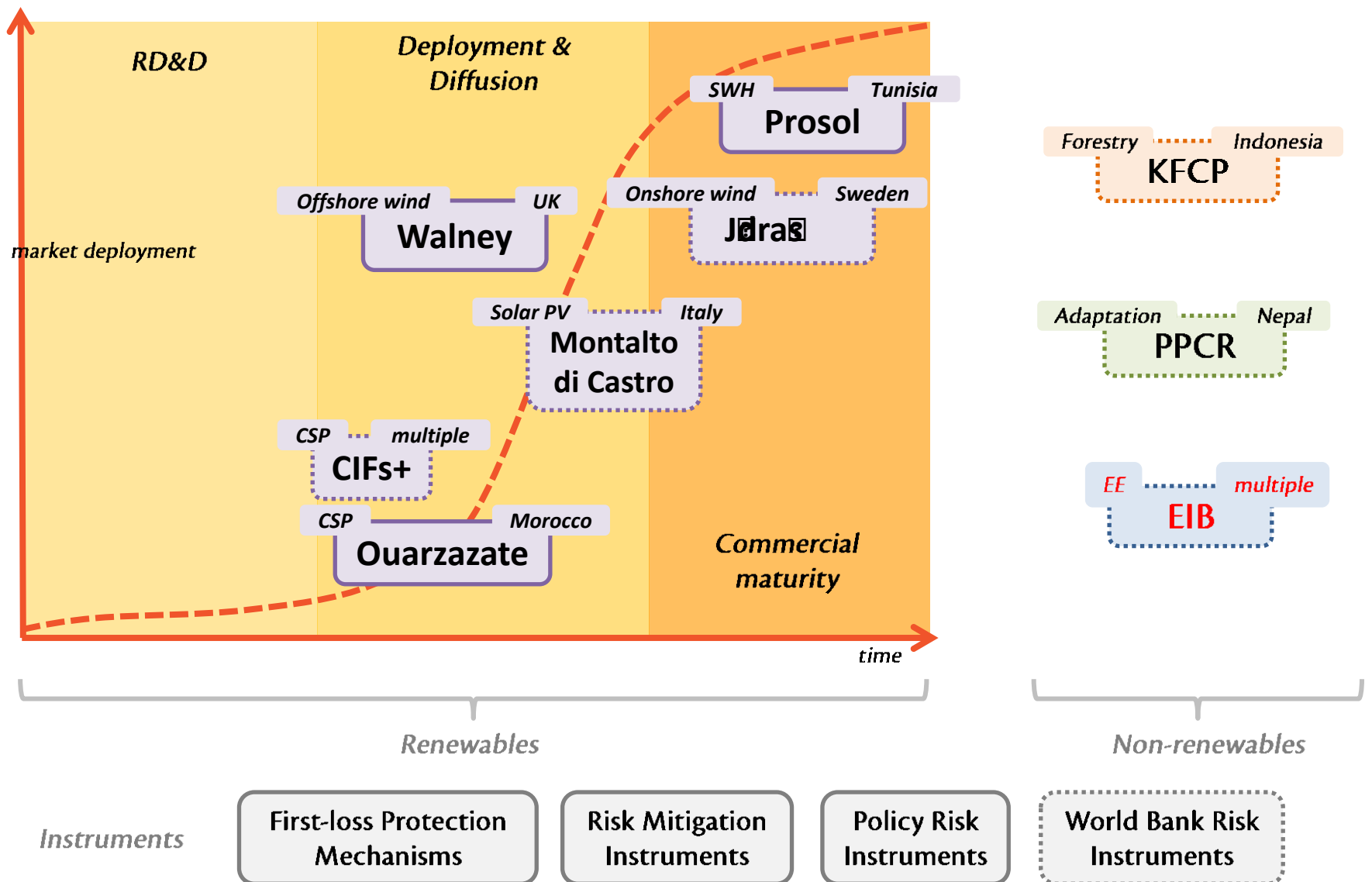
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The **San Giorgio Group** assembles financial intermediaries and institutions actively engaged in green, low-emissions finance

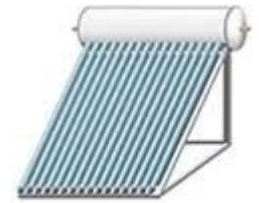
- **Effective investment:** systematic analysis of case studies and tracking of existing green investments
 - What is the role and reasons for public finance?
 - What are the best delivery mechanisms for public monies?
 - How can international and national public investment flows be aligned with each other and with private investments?
- **Ensuring learning:** distil lessons from the evolving financing practices
- **Scaling up:** provide insights on how public resources can be spent wisely to mobilize private finance

SGG case studies overview



The San Giorgio Group case studies

Prosol Tunisia



Goal

- To accelerate the penetration of Solar Water Heaters in the residential sector by engaging local commercial banks

Challenges

- High up-front cost → Lack of consumer financing
- Distorting subsidies → Perverse policy incentives
- Knowledge gaps → Risk aversion

Measures

USD million 60

Credit
Mechanism

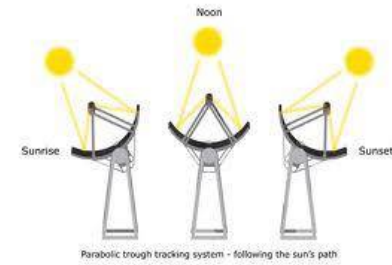
24.0

Investment
Subsidy

0.2

Capacity and
Awareness-
building

Ouarzazate I Morocco



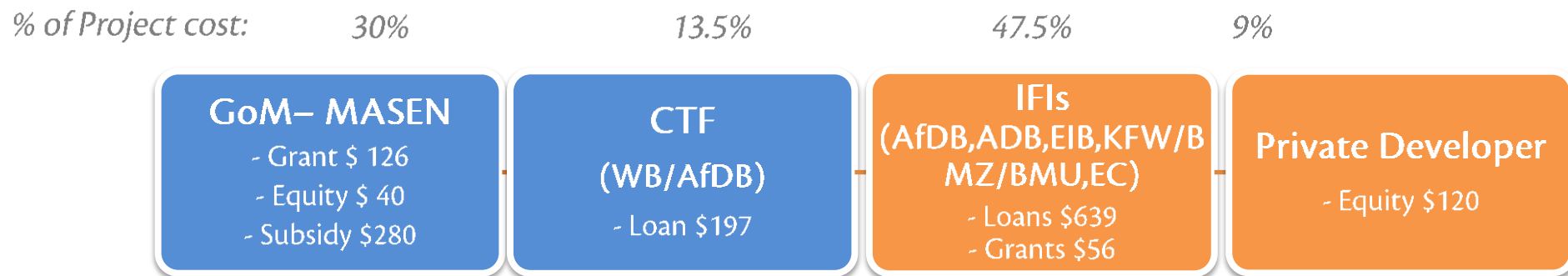
Goal

- To develop a large scale Concentrated Solar Power plant that can pave the way for a portfolio of CSP in Morocco and the region

Challenges

- Early development stage tech → Viability gap
- High capital cost → Lack of commercial finance
- Multiple partners → Cooperation & coordination

Instruments



Walney Offshore Windfarms



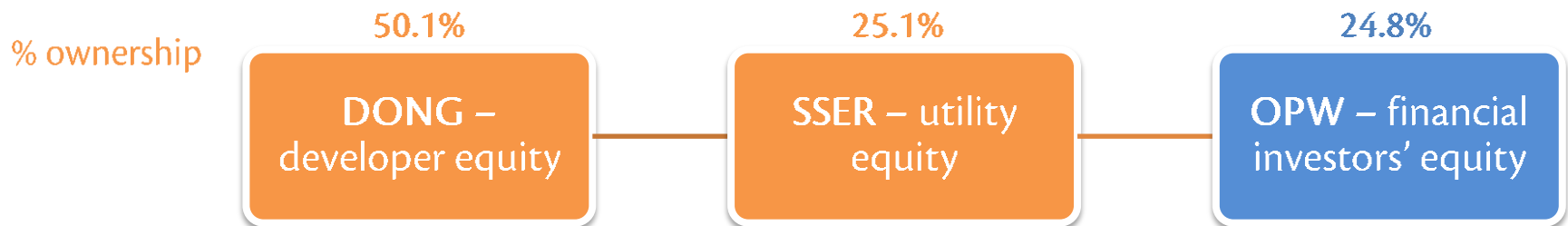
Goal

- To attract financial investors to take minority stakes in the World's largest offshore wind farms (GBP 1.3 bn)

Challenges

- Cost of offshore wind → Technology and project-specific
- Risk of offshore wind → Construction & operations
- Difficulties in financing → Utilities / project finance

Instruments



Jädraås Onshore Windfarm



Goal

- To create new lending capacity by involving long-term institutional investment.

Challenges

- Ongoing economic recession → Limited commercial lending capacity
- Market-based project revenues → Hedging price risk
- Support national interests → Export loan guarantee

Financing



Early lessons

Early lessons

- Well articulated public policies are necessary to transition toward low carbon systems of production and can be delivered through multiple instruments.
- Well designed resource injections can alter investment risks and change private behaviors at acceptable cost.
- The need for public resources to leverage private sector funds is one factor, but effectiveness needs to be considered across all dimensions

The risk gap

Risk, whether real or perceived, is the single most important factor impeding investment in renewable energy projects

- **Gaps in risk coverage** in developing and developed markets, particularly for **policy risk and financing risks**
- **New or improved risk mitigation instruments** are needed to address financing and policy risks. They need to:
 - address investor specific needs
 - improve underlying creditworthiness
 - improve certainty around timing, costs and enforceability
 - have sufficient scope to have transformative impact

 Development financing institutions and the public sector have significant opportunities to fill these gaps

...helping nations spend their money wisely



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Further Reading

- SGG case studies may be found at:
<http://climatepolicyinitiative.org/publication/san-giorgio-group-case-studies/>
- Information about the San Giorgio Group may be found at:
<http://climatepolicyinitiative.org/venice/san-giorgio-group/>
- The *Risk Gaps* publications may be found at
<http://climatepolicyinitiative.org/publication/risk-gaps/>
- *The Landscape of Climate Finance 2012* may be found at:
<http://climatepolicyinitiative.org/venice/publication/global-landscape-of-climate-finance-2012/>
- *The German Landscape of Climate Finance* may be found at:
<http://climatepolicyinitiative.org/berlin/publication/german-landscape-of-climate-finance/>