Introduction to the Lab

August 25, 2021
Starting Soon
Agenda

1. How the Lab works
   Ben Broché, Lab Global Program Manager

2. Case studies
   Carla Orrego, Manager of Continued Support

3. What is the Lab looking for
   Ben Broché

4. Q&A
How the Lab Works
The sustainable investment gap

- $4 Trillion
- $3 Trillion
- $2 Trillion
- $1 Trillion
- $500 Billion
- $360 bn
- $0
- $342 bn
- $388 bn
- $472 bn
- $455 bn
- $608 bn
- $540 bn
- $608-622 bn

Range of investment needed each year in a 1.5⁰ scenario (IPCC)

Global climate finance
Sustainable investment, particularly in developing economies, faces many barriers.
The Lab identifies, develops, and launches **innovative finance instruments that drive billions in private investment** to action on climate change and sustainable development.

- **49** instruments launched
- **70+** public and private Lab Member institutions
- **300+** supporting experts, nearly half from developing regions
The Lab brings together over 70 institutions to address the sustainable investment gap
The Lab’s three ingredients to success

Public-Private Collaboration
Builds capacity and knowledge to deploy effective climate finance solutions.

Innovation & Transformative Solutions
Financially sustainable solutions that reduce barriers to investment in sustainable development.

Mobilizing Finance
Enables piloting and implementation of transformative solutions.
How it works: An incubator for sustainable finance ideas

**Call for Ideas**
The Lab publicizes an open call for innovative sustainable investment solutions.

**Selection**
Lab Members select the most promising ideas to take forward in each annual cycle.

**Development**
Selected ideas benefit from 7 months of analysis, stress-testing, and guidance from experts and investors.

**Endorsement & Launch**
Lab Members vote to endorse and launch the ideas for piloting.

**Implementation**
The ideas move into action and fundraising to launch pilots, with continued support from the Lab network.
Case Studies
The Peace Renewable Energy Certificates (P-REC) Aggregation Fund is a unique financial instrument monetizing unbundled environmental attributes of renewable energy to provide project developers with an additional revenue stream which they can use to unlock further finance. The P-REC fund will tap into the growing voluntary market for energy attribute certificates. P-RECs are a high-quality type of International Renewable Energy Certificate (I-REC) given the exceptional economic and social impacts that the RE projects deliver to communities in fragile contexts in addition to their environmental benefits.

**HIGHLIGHTS**

- **Geographic focus**: Sub-Saharan Africa (DRC, Ethiopia, Uganda, Chad, Somalia)
- **Structure**: $10.25 million revolving fund
- **Climate Action**: Mitigation

Catalytic potential:

Unlock between 9x and 19x more capital from other sources for SMEs

**IMPACT**
Climate Adaptation Notes (CAN) aims to address water scarcity in Southern Africa by streamlining adaptation project financing into a single instrument, designed to catalyze and increase the flow of institutional capital and lower financing costs. CAN combines the construction financing and refinancing phases of climate adaptation projects in water and wastewater infrastructure into a single bond administered through a debt capital markets (DCM) platform. The platform is managed by an independent financial institution with the capacity to serve as a trustee and manage the performance monitoring of project metrics.

HIGHLIGHTS

- **Geographic focus**: Southern Africa
- **Structure**: $125 million note in a pilot issuance, backed by a pipeline of water and wastewater projects
- **Climate Action**: Adaptation

Catalytic potential:

~$500k in grant funding could leverage ~$175M in private investments 350x

IMPACT
The Restoration Insurance Service Company is a first-of-its-kind social enterprise that invests in mangrove conservation and restoration in areas with high-value coastal assets, enabling property damage risk reduction and protecting blue carbon. RISCO overcomes existing barriers to mangrove protection by connecting the adaptation and mitigation values of mangroves to the beneficiaries of these values, most of whom currently do not have the knowledge or resources needed to do so. RISCO aims to conserve and restore mangrove ecosystems in emerging economies with blue carbon potential, high exposure to storms and flooding, and with people and assets located close to the coastline.

HIGHLIGHTS

- **Geographic focus:** Southeast Asia
- **Structure:** pay for performance mechanism that monetizes mangrove benefits
- **Climate Action:** Adaptation & Mitigation

Catalytic potential:

Pilot expected to generate $10.2M in insurance & blue carbon revenue → 219x

IMPACT
What is the Lab looking for?
Lab ideas are selected based on four key criteria

**Actionable**

Identifies:
1. The type of entity(ies) that could implement it.
2. The pathway towards implementation, including the timeframe, activities, and key milestones.
3. Possible challenges to implementation and related management strategies.

**Catalytic**

Demonstrates potential to:
1. Mobilize private climate capital within a sizeable market.
2. Be scaled up or replicated in other contexts.
3. Achieve socioeconomic, development, and environmental impacts.

**Innovative**

Demonstrates the ability to address, directly or indirectly, barriers to private climate finance that:
1. Have not yet been addressed OR
2. That will be addressed more effectively compared to other instruments in the market.

**Financially Sustainable**

Identifies:
1. A strategy to phase out public financial support, thereby achieving market viability.
2. Possible challenges to achieving its intended objectives and related management strategies.
Since 2014, the Lab has launched 49 solutions that tackle investment barriers in the most critical sectors and regions for action on climate change.

Number of Lab instruments:

- **Renewable Energy**: 20
- **Cities & Transport**: 20
- **Water, Land Use & Agriculture**: 15
- **Climate Risk**: 12
- **Energy Efficiency**: 8
- **Energy Access**: 8
- **Asia**: 21
- **Africa**: 19
- **Latin America**: 18
- **Global**: 7
Focus on green recovery

The Lab encourages proponents to highlight how their idea:

• Supports green job-creation
• Aligns with public sector green recovery priorities and/or investments
• Creates inclusive growth, builds resilience, or addresses poverty alleviation
Why submit?

Significant design and development support from the Lab team.

- +USD 250k Provided in analytical, convening, communications and pro bono support

Selected instruments receive expert guidance and support from high-level leaders in public and private sectors.

- USD 3(513,536),(626,643)m Invested by Lab members
- +USD 2bn Catalyzed in additional investment
The Lab is the only incubator/accelerator providing significant TA at the concept stage of development.
What happens if your idea is selected?

February-July 2021

Idea development*

- Validate innovation
- Develop and refine idea mechanics
- Analyze financial, social & environmental benefits
- Map risks & mitigation strategies
- Develop detailed implementation plan

September 2021

Endorsement & launch

- Produce analytical paper, promo material and web content
- The Lab publicly endorses ideas (if approved by membership)
- Present idea to donors and investors

Ongoing

Implementation

- Implement work plan to reach near-term milestones for growth
- Receive light-touch support from CPI analysts on 1-2 deliverables
- Additional networking and publicity support

* Includes stress-testing, financial and economic modelling (where applicable) and guidance from topic experts.
Q&A
Type your question in the chat window

We are reviewing them now and will respond momentarily.

Lab Newsletter
climatefinancelab.com
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Call for ideas
Opens next October