



Componente CEPAL

Políticas públicas frente al **cambio climático**

Climate finance in LAC: where is the focus?


José Luis Samaniego
Director
Sustainable Development and Human Settlement
Division
ECLAC



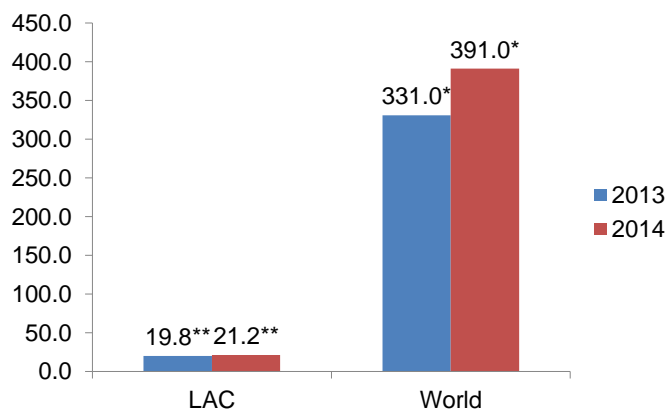


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Climate Finance (US\$ billions)



*Buchner, B. and others (2014), The Global Landscape of Climate Finance 2014. Climate Policy Initiative.
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 **Samaniego y Schneider (2015). Financiamiento Climático en ALC en 2013. CEPAL.
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Climate Finance (US\$ billions)

Worldwide*:

2013 – 2014= + 18%

In LAC**:

2013 – 2014= +7%

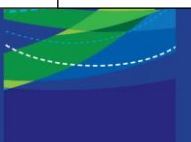


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Total in 2013 and 2014 in LAC (US\$ billions)

Year		Climate funds ^o	Multilateral banks ¹	National development banks ²	Other national resources ³	Total
2014	Total amount	337.61	7,323.01	11,858.37	1,699.88	21,218.82
	% of total	1.3%	34.6%	56.1%	8.0%	100.0%
2013	Total amount	294.80	5,486.64	11,884.00	2,110.65	19,776.08
	% of total	1.5%	27.8%	60.1%	10.7%	100.0%





Funds provided by Latin American regional and national development banks, by type of climate finance in 2014

(Millions of dollars at 2014 prices)

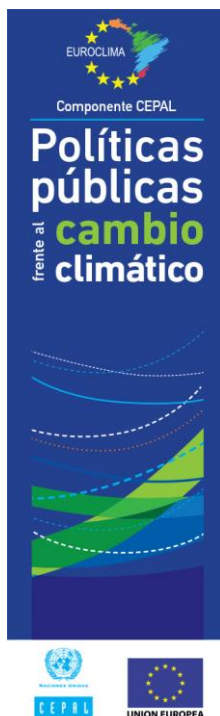
Institutions	Adaptation	Mitigation	Mitigation and adaptation	Other	Total
National Economic and Social Development Bank (BNDES)		10,729.36		900.1	11,629.5
Development Bank of Latin America (CAF)	1,246.50	1,101.14	105.32	356.6	2,809.5
Inter-American Development Bank (IDB)	108.85	2,382.00			2,490.9
Nacional Financiera (NAFIN)		210.27			210.27
Colombian Foreign Trade Bank (BANCOLDEX)		13.25		5.52	18.77
Central American Bank for Economic Integration (CABEI)		17.55			17.55
Total	1,355.35	14,453.58	105.32	1,262.18	17,176.42
Percentage of total	7.9%	84.1%	0.6%	7.3%	100.0%

Source: Samaniego y Schneider, 2015



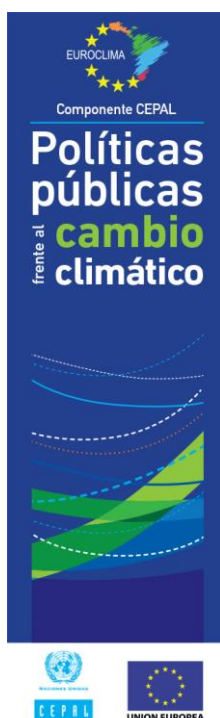
Sectors	NAFIN	Bancoldex	BNDES	CAF *	IDB	Total	% of the total and per sector
Others environment (OE)	-	5.518	925.357	356.556	-	1,287.431	100.0%
Renewable energy supply	195.000	-	-	-	-	195.000	1.4%
Lower-carbon and efficient energy generation	15.270	-	-	-	-	15.270	0.1%
Energy efficiency	-	0.246	77.231	-	409.239	486.715	3.4%
Renewables	-	0.500	4,647.188	-	1,036.381	5,684.069	39.4%
Transport	-	12.509	3,735.465	-	824.127	4,572.101	31.7%
Agriculture, forestry and land-use	-	-	2,244.230	-	99.330	2,343.560	16.3%
Cross-sector	-	-	-	-	13.039	13.039	0.1%
Mitigation	-	-	-	1,101.141	-	1,101.141	7.6%
Mitigation (M)	210.270	13.255	10,704.114	1,101.141	2,382.115	14,410.895	100.0%
Agriculture	-	-	-	-	16.655	16.655	1.2%
Adaptation policies	-	-	-	-	17.896	17.896	1.3%
Infrastructure	-	-	-	-	38.578	38.578	2.8%
Water resources and Disaster risk management	-	-	-	-	12.442	12.442	0.9%
Cross sector	-	-	-	-	23.280	23.280	1.7%
Adaptation	-	-	-	1,246.497	-	1,246.497	92.0%
Adaptation (A)	-	-	-	1,246.497	108.850	1,355.347	100.0%
Mitigation and Adaptation (M/A)	-	-	-	105.318	-	105.318	100.0%
1. Total (OE+M+A+M/A)	210.270	18.773	11,629.471	2,809.512	2,490.964	17,158.990	
2. Total Loans and Guarantees Approved	22,225.215	2,311.475	79,300.000	11,724.000	12,652.000	128,212.690	
% Climate Change and environmental related (1/2)	0.9%	0.8%	14.7%	24.0%	19.7%	13.4%	

* CAF does not discriminate the data



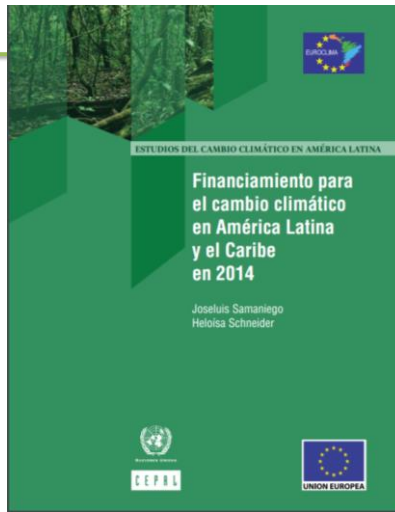
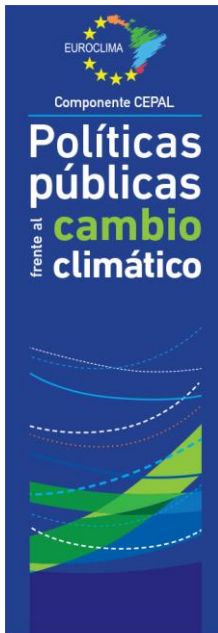
The mainstream financial problem

- Climate financing is substituting adaptation of mainstream financing to a carbon constrained portfolio. Also the discussion around Financing for Development.
- Weak or none risk internalization (operational or normative) in the banking system (different from institutional investors in financial assets).:
 - coastal,
 - Productivity
 - carbonic,
 - strandable assets (vehicles, oil extraction, etc)
- Lower rates of discount on needed longer term investments, and full costing.



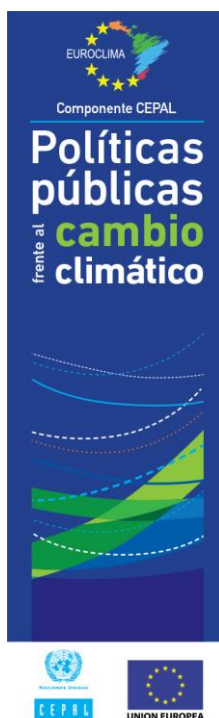
Therefore , some options could be useful to enhance acces to adaptation funding:

- **Making it visible**
- National use of international lists in the banking system (SLR, Deglaciation, ag. Relocation, infrastructure protection, incremental costs)=lower transaction costs.
- Long term loss asesment reveals cost of inaction over time=increase return of present investment.
- Public information is necessary (SLR, ag viability, etc.).
- **Making it inescapable.**
- Diplomatic work to harmonize normative requirements and valuation methodologies.
- Requirement of insurance creates the possibility of prime support and signals price..



Available in: <http://www.cepal.org/es/publicaciones/39367-financiamiento-cambio-climatico-america-latina-caribe-2014>



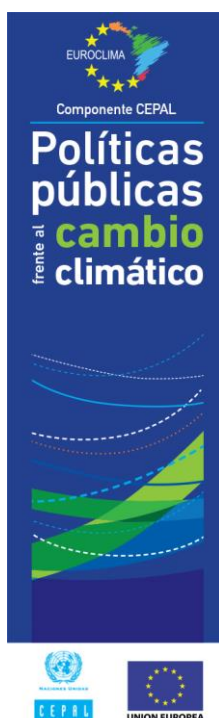


Green Climate Fund in LAC

Two of the eight projects approved en 2015 will be developed in LAC:

1. Building Resilience of Wetlands in the Province of Datem del Marañón in Peru, with Profananpe (GCF funding: USD 6.2 million)

2. Energy Efficiency Green Bond in Latin America and the Caribbean (GCF allocation: USD 217 million)



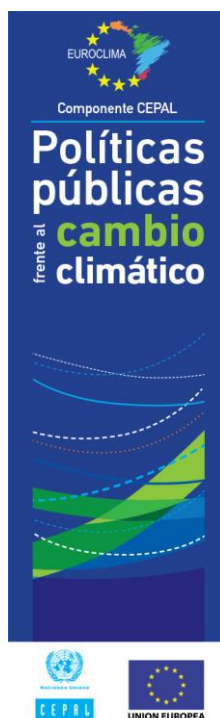
Peru

Building Resilience of Wetlands in the Province of Datem del Marañón:

- **Target:** cross-cutting
- **Investment:** USD 9.11M
- **GCF Funding:** USD 6.24M Grant
- **Co-Financing**
 - USD 2.87M
 - USD 1.07M PROFANANPE Grant,
 - USD 1.80M Korean Government Grant

Duration: 5 Years (March 2016 - February 2021)

Executing Entity: PROFONANPE



Latin America and the Caribbean

Energy Efficiency Green Bond (*Addressing demand-side energy efficiency in Latin America and the Caribbean through green bonds: Colombia, the Dominican Republic, Jamaica and Mexico (as pilot country)*)

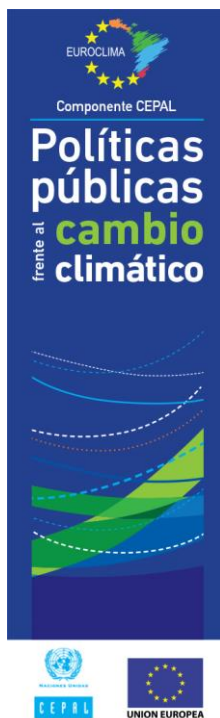
- **Target:** Mitigation
- **Investment:** USD 780M (Targeted bonds amount)
- **GCF Funding:** USD 215M loan or guarantee out of which USD 20M in guarantee approved for Mexico USD 2M Programme development grant
- **Co-Financing:** USD 306M loan or guarantee IDB
- **Duration:** 10 Years



Some initiatives financed by climate funds in LAC

Multilateral projects

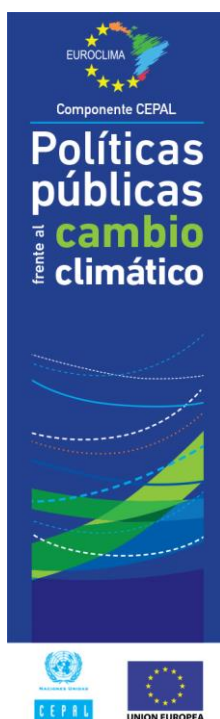
Country	Fund	Name of Project	Amount of Funding Approved (USD millions)	Disbursed (USD millions)
Antigua and Barbuda, Domi..	Special Climate Change Fund..	Climate Change Adaptation in the Eastern Caribbean Fisher..	5.6	
Argentina	Adaptation Fund (AF)	Enhancing the Adaptive Capacity and Increasing Resilience..	5.6	2.3
		Increasing Climate Resilience and Enhancing Sustainable L..	4.3	0.6
	Forest Carbon Partnership Fa..	Readiness preparation grant	3.8	0.2
	Global Environment Facility (GEF4)	Energy Efficiency Project	15.2	15.2
		Third National Communication to the United Nations Frame..	2.4	2.4
	Global Environment Facility (GEF5)	Argentine Republic First Biennial Update Report (BUR)	0.3	0.3
		Energy Efficiency and Renewable Energy Measures in Soci..	10.3	10.3
		Sustainable Business Models for Biogas Production from Or..	2.8	
	Global Environment Facility (..	Reducing Argentina's Greenhouse Gas Emissions from the ..	6.0	6.0
	UN-REDD Program	Direct support to the design and implementation of UN-RED..	3.8	0.0
Bahamas	Global Environment Facility (..	Promoting Sustainable Energy in the Bahamas	1.0	1.0
Barbados	Global Environment Facility (..	Sustainable Energy Framework for Barbados	1.0	1.0
		Promoting Solar Photovoltaic Systems in Public Buildings fo..	1.7	1.7
Belize	Adaptation Fund (AF)	Belize Marine Conservation and Climate Adaptation Project	6.0	1.1
		Forest Carbon Partnership Fa..	Readiness preparation grant	3.8
	Global Climate Change Allian..	Building national capacity and knowledge on climate chang..	3.3	3.2
		Special Climate Change Fund..	Energy Resilience for Climate Adaptation	8.0
Boivia	Adaptation for Smallholder Ag..	Adaptation Project for Families and Rural Communities in HI..	10.0	1.3



Green bonds: the state of the market

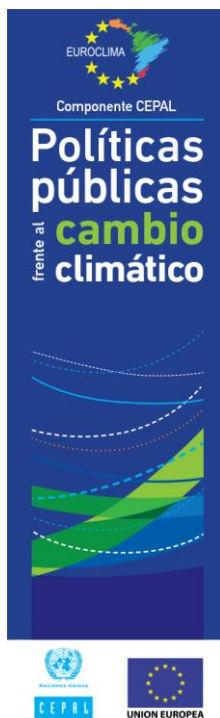
Climate-aligned bonds (as of June 10 2015) issued after January 1 2005: \$597.7bn

- Labelled green bond (with a defined use of proceeds): \$65.9bn
- Unlabelled climate-aligned bond (bonds with proceeds financing climate-aligned assets): \$531.8bn



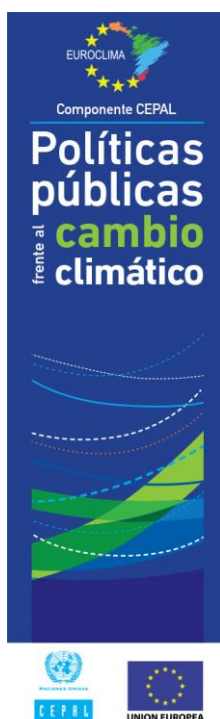
Green bonds: the state of the market

- The largest theme in the climate-aligned universe continues to be Transport with \$418.8bn bonds outstanding:
 - Rail accounts for 95% of this, largely from state backed entities.
- Energy (\$118.4bn) is the second largest sector, with 20% of the universe:
 - Comprised a range of renewable energy power producers including hydropower, wind, solar, bioenergy, geothermal and nuclear.



Green bonds: the state of the market

- Buildings and Industry (\$19.6bn) is the third main theme and has captured the attention of the labelled green bond market in the past year.
- The remaining themes, Water (\$3.2bn), Waste & Pollution (\$7.1bn), and Agriculture & Forestry (\$2.3bn), are crucial investment areas for climate adaptation



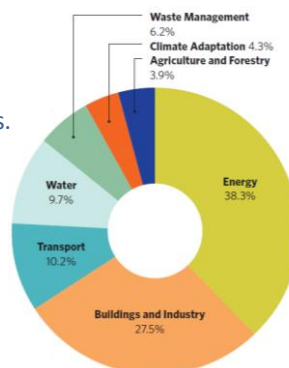
Labelled Green bonds

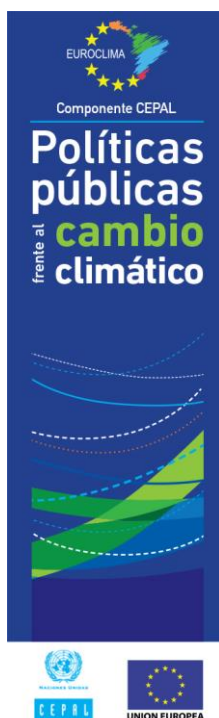
Labelled Green Bonds Market = \$65.9bn

✓ Over a third of labelled green bond proceeds are financing renewable energy (38%).

✓ 28% of proceeds relates to Buildings and Industry:
 ✓ The bulk is for low carbon buildings.

✓ 4.3% of proceeds relates to adaptation

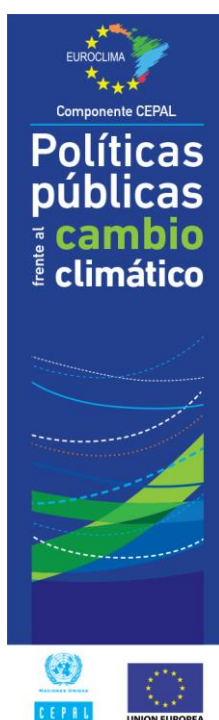




Green bonds in LAC

In **Peru**, in August 2014, IFC issued a 20-year bond in Peruvian currency, for 118 million soles (approximately US\$ 42 million), with an implied yield of 5.3% per annum. Peru's leading insurance company, RIMAC Seguros, is the sole investor in the bond.

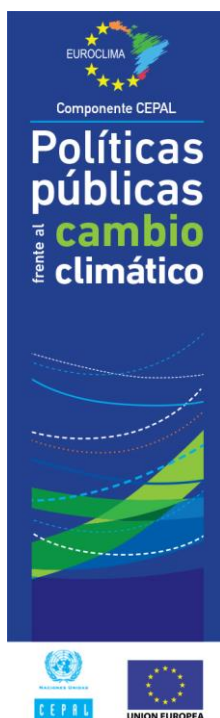
In December 2014, **Peruvian** wind energy producer Energía Eólica S.A. (an indirect subsidiary of Contour Global) issued a 20-year green bond for US\$ 204 million with a coupon of 6% per annum. Goldman Sachs and Bank of America Merrill Lynch were the underwriters.



Green bonds in LAC

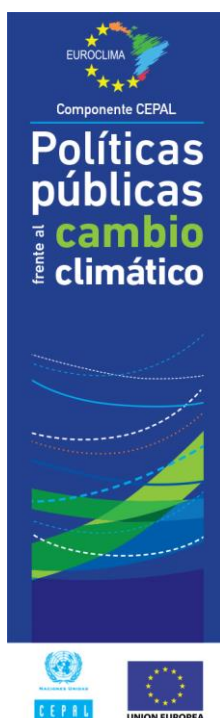
Brazilian food producer, BRF S.A., issued a bond for 500 million euros (US\$ 680.6 million) in May 2015, maturing in June 2022, with coupon of 2.750% per year (yield to maturity 2.822%), payable annually.

BRF intends to use the proceeds to fund green projects in the areas of energy efficiency, greenhouse gas emission reduction, renewable energy, water management, waste management, sustainable and efficient packaging, sustainable forest management, reducing raw material use, as well as to pay fees and expenses associated with the bond issue.



Methodological Main findings

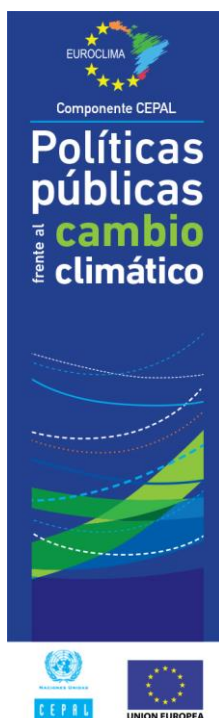
- There are many definitions and methodologies to account for climate finance.
- There are many actors working in this theme, such as national, bilateral and multilateral institutions, the UNFCCC, private financial intermediaries, such as banks, foundations and NGOs.
- Special care about the funding status: committed vs approved.
 - Is difficult to know the real use of committed resources. In the case of ODAs, the data published doesn't give clues about the real amount of applied resources and is one year behind other reports.



Methodological Main findings

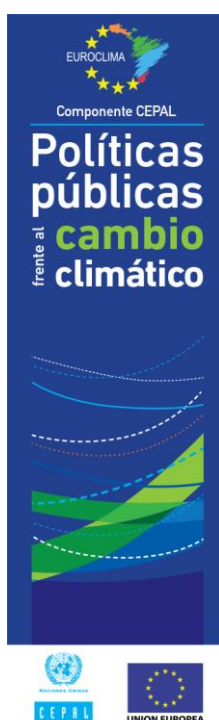
The OECD DAC measures and monitors development finance targeting climate change objectives using two Rio markers:

- The data on bilateral and multilateral **climate-related** finance commitments, includes data for OECD DAC members for 2002-2014, Multilateral Development Banks (MDBs) and the Global Environment Facility (GEF) in 2014.



Methodological Main findings

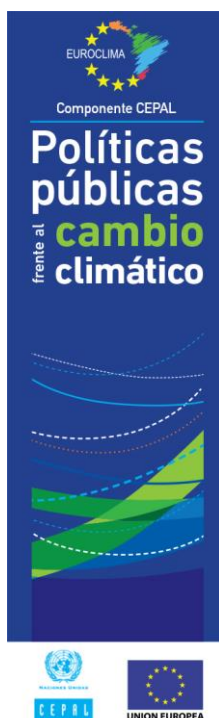
- The data of how resources were used is difficult to obtain and is not available in a easy way, specially primary data as informed by the NDBs and National Funds, as the Climate Funds of Brazil and Mexico, the Adaptation Fund of Colombia and the ABC Program of Brazil, included in the nationals budgets and locally fundraised.
- In our case, the data were obtained mainly from primary sources and refers to funds approved into a fiscal year, closed at 31 December each year.
- We do not include ODA data because of yearly delay and its only intended, not implemented, and private funds, because this kind of information is not yet publicly available.



Methodological Main findings

- We account climate related data of four Latin-Americas members of IDFC (BNDES of Brazil, NAFIN, of Mexico, Bancoldex, of Colombia and CAF), plus IDB.
- BNDES, NAFIN and Bancoldex respond the IDFC Green Finance Mapping Survey.
- IDB informs their data using the Approach of the Joint Report on MDB Finance.

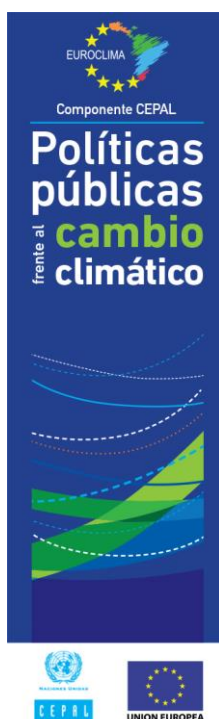




Methodological Main findings

The most important actors in LAC are:

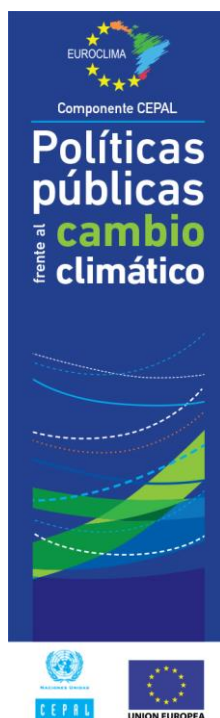
- Local development banks (BNDES, Bancoldex, NAFIN)
- Developed country governments through bilateral initiatives
- Multilateral banks (regional and worldwide)
- The International Finance Corporation (for the private sector and green bonds), the Global Environment Facility (GEF), the Climate Investment Funds and the Adaptation Fund under the Kyoto Protocol
- Climate Investment Funds: Clean technology Fund, Strategic Climate Fund, (different development Banks, like IDB and WB)
- Private finance sector, through other funds transfers.
- Local Trust funds like the Amazon Fun



Methodological Main findings

The most widely Financing instruments used in LAC are:

- Concessional (77%) and Non-concessional loans (15%).
- Guarantees are still not a major option.



Notas fuentes de financiamiento

° Climate funds were considered to be bilateral and multilateral resources, such as the Global Environment Facility, Green Climate Fund and Climate Investment Funds and their subfunds, managed by agencies other than multinational development banks or local development banks. The climate funds include NAMA Facility resources for Mexico and Colombia, which were approved in 2014.

¹ World Bank: Inter-American Development Bank (IDB), Development Bank of Latin America (CAF), European Investment Bank (EIB), Central American Bank for Economic Integration (CABEI)

² BNDES from Brazil, NAFIN, from Mexico and Bancoldex from Colombia.

³ Other national resources. Brazil: data relate to the Banco do Brasil share of the Low-Carbon Agriculture (ABC) Programme for the 2104/2015 harvest. Colombia: national adaptation fund to assist with adaptation measures for communities affected by La Niña ocean-atmosphere phenomenon in 2010-2011. Own resources for nationally appropriate mitigation actions (NAMAs) approved in 2014: Chile, Colombia, Dominican Republic and Mexico



Resources earmarked by seven multilateral development banks for mitigation and adaptation worldwide, by sector (2012-2014) (Percentages of total)

Sector	Mitigation			Adaptation		
	Percentage share			Percentage share		
	2012	2013	2014	2012	2013	2014
Renewable energy	36	25	35	36	30	23
Agriculture, forestry and land use	6	4	2	34	20	36
Energy efficiency	17	23	22		22	17
Sustainable transport	23	22	27	8	16	11
Energy efficiency, renewable energy and other financing through financial intermediaries or similar		15	9			5
Water and wastewater systems	2	1	1			5
Other	16	10	4	22	12	5
Total	100	100	100	100	100	100

The African Development Bank (AFDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), The European Investment Bank (EIB), the Inter-American Development Bank (IDB), and the International Finance Corporation (IFC) and the World Bank (WB) from the World Bank Group (WBG).

Source: Samaniego y Schneider, 2015



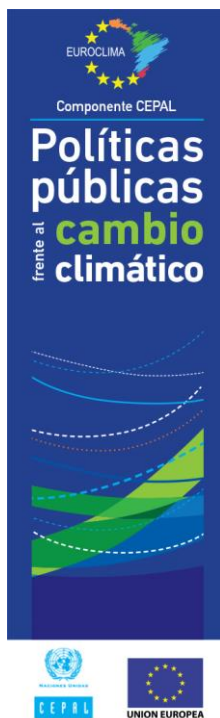
Climate Funds

Approved funds (USD millions)	World		LAC	
	Total	%	Total	%
Adaptation	2,875.18	26.1	407.765	16.2
Mitigation + REDD + Mit Multi Foci	8,140.20	73.9	2,115.77	83.8
Total	11,015.38	100.0	2,523.53	100.0

Source: <http://www.climatefundsupdate.org/data> updated in November 2015.



Fund	Type	Manager
Special Climate Change Fund (SCCF)	Multi	Global Environment Facility (GEF)
Least Developed Countries Fund (LDCF)	Multi	GEF
Strategic Priority for Adaptation (SPA)	Multi	GEF
Global Environment Facility Trust Fund - Climate Change focal area (GEF 4)	Multi	GEF
MDG Achievement Fund – Environment and Climate Change thematic window	Multi	United Nations Development Programme
Australia's International Forest Carbon Initiative	Bi	Government of Australia
Global Climate Change Alliance (GCCA)	Multi	European Commission
Strategic Climate Fund (SCF): Forest Investment Program (FIP), Scaling Up Renewable Energy in Low Income Countries Program (SREP) and Pilot Program for Climate Resilience (PPCR)	Multi	World Bank
Forest Carbon Partnership Facility – Carbon Fund (FCPF-CF)	Multi	World Bank
Clean Technology Fund (CTF)	Multi	World Bank
Congo Basin Forest Fund (CBFF)	Multi; regional donor	African Development Bank
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	Multi	European Commission
Germany's International Climate Initiative	Bi	Government of Germany
Norway's International Climate and Forest Initiative	Bi	Government of Norway
United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD)	Multi	United Nations Development Programme/ Food and Agriculture / United Nations Environment Programme
Amazon Fund	Multi; national donor	National Economic and Social Development Bank (BNDES)
Adaptation Fund (AF)	Multi	Trust World Bank
Forest Carbon Partnership Facility (FCPF) Readiness Fund	Multi	World Bank
Scaling Up Renewable Energy in Low Income Countries Program (SREP)	Multi	World Bank
Indonesia Climate Change Trust Fund (ICCTF)	Multi; national donor	Indonesian National Development Planning Agency (BAPPENAS)
Global Environment Facility Trust Fund - Climate Change focal area (GEF 5)	Multi	GEF
International Climate Fund	Bi	Government of the United Kingdom
Adaptation for Smallholder Agriculture Program (ASAP)	Multi-donor	International Fund for Agricultural Development (IFAD)
Global Environment Facility Trust Fund - Climate Change focal area (GEF 6)	Multi	GEF
Green Climate Fund	Multi	World Bank (trustee)



Green Climate Fund

- Grants
- Loans
- Guarantees
- Equity