

**The Lab** is a global initiative that aims to drive billions of dollars of private investment into climate change mitigation and adaptation in developing countries. The Lab supports the identification and piloting of cutting edge climate finance instruments that can drive this investment and unlock new opportunities for action.

**The Lab aims to quickly move from talk to action to develop implementation-ready projects that address both investors' and recipient countries' needs.**

The Lab is guided by 22 Principals and their Advisors, who are senior, high-level experts in climate finance. Members include representatives from governments, pension funds, investment banks, project development, and development finance institutions across the world.

Since its inauguration in May 2014, The Lab has concluded two distinct analytical phases. An international 'call for ideas' attracted more than 90 proposals, which were screened by The Lab against several overarching objectives: their actionability, innovativeness, as well as catalytic and transformative potential (Phase 1). Based on these findings, Lab Principals selected seven instruments for in-depth analysis in Phase 2 at the Lab inaugural meeting on 3 June 2014 in London.

The seven instruments were:

- Renewable Energy Platform for Institutional Investors (REPIN)
- Climate Development & Finance Facility (CDFF)\*
- Debt Fund for Prepaid Energy Access
- Global Renewable Independent Power Supplier (GRIPS)
- Agricultural Supply Chain Adaptation Facility (ASCAF)\*
- Long-term Currency Swap\*
- Insurance for Energy Savings\*

The Lab Secretariat presented the results of Phase 2 analysis at the Lab Advisor Meeting on 20 October 2014 in Venice, where Lab Advisors, in consultation with their Principals, selected four\* from seven instruments to move forward to Phase 3 of The Lab's work.

Detailed analysis will continue on the selected instruments through to April 2015, utilizing more refined analytical tools to address questions left open in Phase 2. The final aim is to suggest improvements on the instrument design, identify remaining risks that have to be addressed, and outline pathways for implementation.

Going forward, The Lab's success will increasingly be defined by its ability to deliver the promise of moving from talk to action. Securing timely and meaningful financial commitments from donors, other Lab members and private sector, is critical to achieving this end. At the next Lab Principals meeting in spring 2015, Lab Principals will be asked to endorse their top instruments and consider recommendations on how, and where, the most promising instruments could be specifically piloted through Lab-backed public-private partnerships.

\*More detail on these four selected instruments is presented on the next page of this document.

## PHASE 3 INSTRUMENTS

### CLIMATE DEVELOPMENT & FINANCE FACILITY (CDFF)

PROPONENT	The Netherlands Development Finance Company (FMO)
GOAL	Promote development and finance of climate mitigation projects
DESCRIPTION	Creation of a new entity, managed by FMO, to provide fast-track finance using three separate facilities for different phases of the project life-cycle: A development finance facility; A construction finance facility; and A re-financing platform.
TARGET SECTOR	Energy; Forestry; Transport
PRIVATE CAPITAL TARGETED	Private Equity and Institutional Investors
GEOGRAPHICAL SECTOR	Low-income and Lower middle-income countries
PILOT	10 projects
CATEGORY	Primary Deal Flow

### AGRICULTURAL SUPPLY CHAIN ADAPTATION FACILITY

PROPONENTS	Inter-American Development Bank (IDB) and Calvert Investments
GOAL	Catalyze private investments in measures that would improve the climate resilience of agricultural value chains
DESCRIPTION	Value chain finance mechanism structured as trust fund through which Multilateral Development Banks provide supply chain financing via partner agribusiness corporations to small-to-medium size producers and/or processors for investments
TARGET SECTOR	Agriculture & forestry
PRIVATE CAPITAL TARGETED	Agribusiness corporations; small-to-medium size producers/processors
GEOGRAPHICAL SECTOR	Low & middle-income countries
PILOT	Latin America and Caribbean
CATEGORY	Adaptation/Climate Resilience

### LONG-TERM CURRENCY SWAP

PROPONENT	World Resources Institute, International Finance Corporation (IFC), The Currency Exchange Fund (TCX)
GOAL	Catalyze renewable energy investment in developing countries by mitigating exchange rate risk and supporting the development of commercial currency swap markets
DESCRIPTION	The pilot of this instrument aims to facilitate the issuance of \$1-2 billion in notional value of long-term currency swaps through two facilities that address market risk and counterparty credit risk in swap transactions.
TARGET SECTOR	Renewable energy
PRIVATE CAPITAL TARGETED	Private debt and equity
GEOGRAPHICAL SECTOR	Asia, Middle East, Latin America and Sub-Saharan Africa
PILOT	TBD
CATEGORY	Risk mitigation

### INSURANCE FOR ENERGY SAVINGS

PROPONENT	Danish Energy Agency
GOAL	To provide assurance that energy efficiency projects will generate financial savings
SUMMARY OF INSTRUMENT	Proposes a package of financial measures, including a new insurance product that covers the expected financial value of the energy efficiency investments, and the ability to facilitate credit lines from development banks that would provide long-term capital and reduce the cost of financing of the projects
TARGET SECTOR	Energy Efficiency
PRIVATE CAPITAL TARGETED	SMEs in selected sectors (agroindustry)
GEOGRAPHICAL SECTOR	Emerging markets
PILOT	Mexico
CATEGORY	Risk mitigation

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Climate Policy Initiative serves as The Lab Secretariat, and in collaboration with Bloomberg New Energy Finance, leads the analysis of proposed instruments, drawing on the expertise of Lab members and additional financial and investment leaders as appropriate.