

Overview



The Global Innovation Lab for Climate Finance is a public-private initiative that identifies, develops, and supports delivery of cutting edge climate finance instruments. It aims to drive billions of dollars of private investment into climate change mitigation and adaptation in developing countries. Lab members include high-level representatives from governments, insurance companies, pension funds, investment banks, project developers, and development finance institutions from across the world.

Since launching in 2014, The Lab and its initiatives have been endorsed by the G7 and collectively attracted over USD 500 million in funding commitments and strong interest for pilots.

In its 2015/2016 Cycle The Lab identified, developed, and endorsed four new ideas out of nearly 100 submissions. These ideas will be taken forward by The Lab and idea proponents for launching, and piloting from June 2016 on.

The **Climate-Smart Lending Platform** will bring together the tools, actors, and finance necessary to reduce climate risk in lending portfolios and scale up climate-smart lending to smallholders around the world. Proposed by F3 Life in Kenya, the long-term goal of the platform is to mainstream climate-smart agriculture metrics into the potentially USD 200 billion smallholder lending market.

The **Oasis Platform for Catastrophe and Climate Change Risk Assessment and Adaptation** aims to provide access to transparent and standardized analytics to improve understanding and management of risks in regions vulnerable to extreme climate-related events. Developed by Oasis Loss Modelling Framework and Imperial College London, Lab Secretariat analysis indicates that a USD 10 to 14 million invested in piloting the Platform in three Asian countries could indirectly facilitate up to USD 6 billion in new property insurance coverage.

The **Energy Efficiency Enabling Initiative**, developed by the Inter-American Development Bank Group (IDBG), will mobilize equity finance and deploy technical assistance for energy efficiency in developing countries. Analysis from the Lab Secretariat shows that a USD 100 million pilot initiative could mobilize USD 3-9 billion in energy efficiency investments in target countries including Mexico and Colombia. The proponents submitted an eligibility proposal to the IDB's Multilateral Investment Fund for USD 5 million in anchor funding.

The **Water Financing Facility** will mobilize large-scale domestic private finance and strengthen water utilities in countries subject to climate-related water stress. In seven potential pilot countries, Lab Secretariat analysis shows that the facility could mobilize USD 1.2 billion per year in private finance for climate-resilient water projects out to 2030. The Netherlands Ministry of Foreign Affairs, which proposed the idea, is committing USD 3 million to a pilot in Kenya.

PREVIOUS INSTRUMENTS

In its first cycle, The Lab identified, developed, and delivered several initiatives.

Energy Savings Insurance

Energy Savings Insurance, led by the Inter-American Development Bank with support from the Danish Energy Agency, is an insurance product that covers the expected value of savings generated by energy efficiency investments for energy service providers and equipment providers. The purpose is to encourage business investment in energy efficiency, particularly from small and medium sized businesses in developing countries, by reducing risks. This instrument can absorb up to 80% of underperformance risk.

- *USD 47.5 million pilot in place in Mexico, with the target of stimulating USD 25 million in investment in energy efficiency through 2020*
- *Additional pilot in Colombia and expansion by IDB considered throughout Latin America*
- *Approved by the Green Climate Fund for funding in El Salvador, and currently being considered by other institutions for replication in Africa and Asia*

Long-Term Foreign Exchange Risk Management

The Long-Term Foreign Exchange Risk Management instrument provides tools to address currency and interest rate risk for climate relevant projects in developing countries, by locking in long-term finance in local currencies. By addressing a major investment barrier, currency risk, it can support USD 1.5 billion of clean investment projects. TCX and IFC (International Finance Corporation) are the implementing agencies.

- *EUR 30 million commitment from German government to TCX for hedging instruments in Sub-Saharan Africa*
- *SE4All hedge transactions have reached USD 52 million equivalent*

Climate Investor One

Climate Investor One combines three innovative investment facilities into one for early-stage development, construction, and refinancing in order to fast-track renewable energy projects in developing countries. The pilot is being taken forward by FMO, the Netherlands Development Finance Company, in partnership with Phoenix InfraWorks from South Africa. The pilot will finance nine projects to deploy 300 MW of renewable energy, and mobilize USD 2 billion in private finance.

- *USD 450 million in strong interest with commitments totaling USD 250 million*
- *Large-scale solar and hydro projects set for development in Rwanda and Zambia*

Agricultural Supply Chain Adaptation Facility

The Agricultural Supply Chain Adaptation Facility partners with agribusiness companies to provide local farmers with technical assistance and access to finance for climate-resilient investments. It is a value chain finance platform, where multilateral development banks partner with agri-business corporations to pass through finance and technical capacity on improving climate resilience and adaptation to farmers. The Inter-American Investment Corporation is piloting the facility in Latin America and the Caribbean.

- *Proof-of-concept transaction with ECOM coffee plantations closed, execution of final transaction agreements and first disbursement for farmer loans expected in 2016*

The Global Innovation Lab for Climate Finance

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