

The Global Innovation Lab for Climate Finance | Advisors Meeting

4 May 2016
Washington D.C.

A meeting organized by Climate Policy Initiative
on behalf of The Global Innovation Lab for Climate Finance

Secretariat Summary

On 4 May 2016 in Washington D.C., Lab Advisors met to review the results of the Instrument Design phase for the five Second Cycle Lab instruments voted in by Advisors in [January 2016](#). Advisors heard presentations from The Lab Secretariat and Idea Proponents on the design, potential impact, and implementation pathways for each instrument. Advisors then had the opportunity to discuss the instrument designs and express concerns, based on Lab criteria, noting necessary improvements that should be addressed before beginning the Pilot Support phase, and deciding which instruments should continue on in The Lab process.

Advisors welcomed the progress presented on the Second Cycle instrument designs, and highlighted the potential each instrument holds for addressing key challenges in climate adaptation and mitigation. Advisors voted to move all five instruments through to the next stage for potential endorsement, but noted a number of open questions and key concerns. The Secretariat will work closely with Proponents and Lab members in the coming weeks to address these questions, identify strategic partners, and further refine the implementation pathway for each instrument. Lab Principals and their Advisors will convene in London on 27 June to vote to endorse the final Second Cycle instruments and decide on the strategic direction of the next Lab Cycle.

Meeting Objectives

The second face-to-face Advisors Meeting of the Second Lab Cycle took place at the Inter-American Development Bank, at the margins of the Climate Action Summit in Washington, D.C. on 4 May 2016. The purpose of the meeting was to convene Advisors to discuss the final designs of each of the five Second Cycle Lab instruments, selected by Advisors in January 2016 from 99 submissions received, express open questions and concerns, and determine next steps for each instrument. Advisors also had the opportunity to endorse the instrument designs, or choose to defer endorsement pending additional analysis. The meeting also provided an opportunity to discuss strategic matters related to The Lab's Third Cycle and beyond.

Introduction & Key Updates

To kick off the meeting, members of The Lab Project Management Group (PMG), including Julia Ellis of the Department of Energy and Climate Change, UK, Norbert Gorißen of the Federal Ministry for Environment, Nature Conservation, Building and Nuclear Safety, Germany, and Ricardo Nogueira, of the U.S. Department of State, welcomed participants, expressed the relevance of The Lab's work particularly in light of the recent Paris Agreement, discussed progress from the First Cycle until today, and noted the desire to see The Lab evolve through future cycles.

Dr. Barbara Buchner, representing The Lab Secretariat, then welcomed Juan Pablo Bonilla of the Inter-American Development Bank (IDB) as a new Lab principal, and host of the meeting. Juan Pablo further expressed the importance of The Lab as a key partner for IDB.

Dr. Buchner then provided a re-cap of progress on First Cycle instruments, noting that USD 500 million had been committed for pilots thus far, the recent term-sheet signed for Climate Investor One on a project due to break ground in early 2017, near-term replication potential of the Energy Savings Insurance instrument, and the pilot of the Long-term FX Risk Management instrument in Rwanda.

Instrument Presentations & Discussion

In the next session, lead instrument analysts representing The Lab Secretariat outlined the key elements of the instrument designs, alignment with Lab criteria, potential impacts and implementation pathways for each of the five final Second Cycle Lab instruments. Idea proponents were then asked to give a brief reply, offering background on the context, purpose and potential impacts of their idea.

Lab Advisors were then invited to join in a Q&A session with the Secretariat analysis teams and Proponents. Advisors noted the value of each idea and their relative strengths but also expressed a number of concerns and open questions, which are detailed below.

Adaptation / Resilience

2 nd Cycle Lab Instruments Adaptation	Key Comments
<p>Oasis Platform for Catastrophe and Climate Change Risk Assessment and Adaptation</p> <p>Proposed by Imperial College and Oasis LMF, this instrument provides open access to data, and open source modeling tools that enable risk assessments, as well as the transparent evaluation of economic and financial losses associated with extreme climate-related events.</p> <p><i>Overview presentation:</i> Chiara Trabacchi, Senior Analyst, Climate Policy Initiative</p> <p><i>Proponent reply:</i> Dickie Whitaker, CEO, Oasis LMF</p>	<ul style="list-style-type: none">• Strengths: Advisors underscored the critical role that access to quality data and risk modeling play in insurance underwriting and building climate resilience. Advisors noted that this instrument is of particular interest to re/insurance companies, and its entry into the market is timely.• Challenges: Advisors raised questions about the implementation pathway, the Platform's relationship to MFIs, and highlighted the need to establish partnerships instrumental to the piloting before the instrument is endorsed.

<p>Climate-Smart Lending Platform</p> <p>Proposed by F3 Life, this instrument brings together the tools, actors, and finance necessary to help lenders incorporate climate risk in their loan portfolios while incentivizing the adoption of climate-smart farming methods by smallholders.</p> <p><i>Overview presentation:</i> Angela Falconer, Senior Analyst, Climate Policy Initiative</p> <p><i>Proponent reply:</i> Mark Ellis-Jones, Co-Founder, F3 Life</p>	<ul style="list-style-type: none"> • Strengths: Advisors expressed the value of having a land-use focused Lab instrument, the innovative nature of the platform and the value of supporting climate adaptation for smallholder farmers. • Challenges: Advisors highlighted the strong need for partnerships to support the work of the Proponent, and a project anchor or sponsor, as well as requesting additional clarifications on the model and implementation pathway.
<p>Water Financing Facility</p> <p>Proposed by the Dutch Ministry of Foreign Affairs, this instrument is a national level pooled bond facility providing long-term, local currency loans to public or private water utilities for projects to enhance climate resilience.</p> <p><i>Overview presentation:</i> Pdraig Oliver, Senior Analyst, Climate Policy Initiative</p> <p><i>Proponent reply:</i> Dick Van Ginhoven, Sr. Water and Sanitation Advisor, Netherlands MFA</p>	<ul style="list-style-type: none"> • Strengths: Advisors expressed that this instrument holds potential for private sector engagement in water projects and was designed in a way that is nimble enough for concept to be tested before it is scaled. • Challenges: Advisors expressed concerns around the complexity and viability of the global and national facility structure in practice, and requested additional clarification on the link to climate resilience, and how projects would be screened.

Mitigation

2 nd Cycle Lab Instruments Mitigation	Key Comments
<p>Mobilizing Equity to Drive Energy Efficiency Investments</p> <p>Proposed by the Inter-American Development Bank, this instrument is a private equity fund that relies on donor-backed equity capital and risk mitigation instruments to crowd in private investment in energy efficiency.</p> <p><i>Overview presentation:</i> Valerio Micale, Senior Analyst, Climate Policy Initiative</p> <p><i>Proponent reply:</i> Filippo Berardi, Senior Climate Change Consultant, Inter-American Development Bank</p>	<ul style="list-style-type: none"> • Strengths: Advisors noted the important role energy efficiency plays in supporting global mitigation efforts, and the potential that equity holds to catalyze investment. While the idea may not be a ‘silver bullet’, Advisors expressed that it could complement existing initiatives. • Challenges: Advisors inquired whether there was investor appetite for this type of fund model, how the funds could manage and mitigate risks, the viability of Energy Services Company models for energy efficiency, and the future replication potential of the instrument.

Small-scale Renewables Financing Facility

Proposed by **IFC** this instrument would provide new financing options for small-scale renewable energy projects in developing countries through two complementary facilities: a Discounting Facility that allows operational projects to refinance into lower-cost, long term debt and a Mezzanine Facility to provide new construction financing.

Overview presentation: Donovan Escalante, Senior Analyst, Climate Policy Initiative

Proponent reply: Reinhard Reichel, Senior Investment Officer, Renewable Energy Finance, International Finance Corporation

• **Strengths:** Advisors noted that the idea could potentially address a very specific financing gap in developing markets and, once concerns were addressed, that the instrument held promise to bridge this gap and generate a significant increase in renewable energy projects in target countries.

• **Challenges:** Advisors expressed concerns around the potential project pipeline in the target regions, the financing gap that the instrument bridges, sustainability of the financing approach, and wanted a clearer link between refinanced equity and investments in new renewable energy projects.

Next Steps & Strategic Direction

Following the instrument presentation, John Roome, Senior Director for Climate Change at the World Bank Group (WBG), Lab Principal and co-host of the meeting, kicked off the next portion of the meeting and discussed the WBG's prioritization of climate finance, and their close involvement with the work of The Lab, and how it plays key role in moving climate investments forward.

Instrument Endorsement

Lab Advisors then engaged in a roundtable discussion related to next steps and open questions on each instrument, and whether The Lab was ready to provide endorsement or if more analysis was needed.

After an active discussion, Advisors voted to move all five instruments forward. However, reiterating the value of Lab endorsement, they requested that the Secretariat work closely with Proponents and relevant Lab members over the coming weeks to address open questions (outlined above) before presenting the instruments for endorsement at the upcoming Principal's meeting in London on 27 June. As a result, The Secretariat will follow up with Advisors over the next several weeks to report on progress, working to address concerns and ensure each instrument is in the best position to receive Lab endorsement at the upcoming meeting.

Advisors also requested that the Secretariat take a bolder role in screening instruments, and recommending which instruments should go forward for endorsement in the future, noting that this role reflects the quality of analysis the Secretariat has provided in both Lab cycles.

Future Lab Cycles & Closing Remarks

Following the roundtable discussion on instrument endorsement, Dr. Buchner expressed that the Secretariat is conferring internally, and with the PMG to decide the direction of future Lab cycles, and exploring how to better align with complementary initiatives, the [India Innovation Lab for Green Finance](#) (India Lab), and [Finance for Resilience \(FiRe\)](#), in order to increase the impact of the Global Lab going forward, and would present an action plan to Advisors and Principals for feedback at the 27 June meeting.

She then closed the meeting by thanking the Advisors for their commitments to The Lab, and their active participation in the Meeting.

Following the meeting, attendees gathered at a reception hosted by the World Bank Group.