

**The Global Innovation Lab for Climate Finance  
Advisor & Principal Meeting  
27 June 2016  
London**

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

### **Secretariat Summary**

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On 27 June 2016 in London, Lab Advisors and Principals met to review [Second Cycle instruments](#), endorse their technical design, and indicate future backing. Principals endorsed four pilot-ready instruments to unlock investment in climate adaptation and mitigation in developing countries:

- 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;
- the [Energy Efficiency Enabling Initiative](#) will mobilize equity finance and deploy technical assistance for energy efficiency in developing countries;
- the [Oasis Platform](#) aims to provide access to transparent and standardized analytics to improve understanding and management of risks in regions vulnerable to extreme climate-related events; and
- the [Water Financing Facility](#) will mobilize large-scale domestic private finance and strengthen water utilities in countries subject to climate-related water stress.

Lab Members also looked at the strategic direction of the Lab more broadly. They supported the continuation of The Lab with minor refinements and canvassed plans for a Third Lab Cycle.

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### **Meeting Objectives**

The third and final face-to-face meeting of the Second Lab Cycle, convening Lab Principals and Advisors, took place at Bank of America Merrill Lynch in London on 27 June 2016. The objective of this meeting was to review and endorse the final second cycle instrument designs, and decide on the strategic direction of the Third and future Lab cycles.

The meeting was held in two sessions:

- A morning Advisor meeting included presentations by the Secretariat covering responses to questions raised by Advisors at the [4 May meeting](#), followed by a Q&A with proponents about the current state of the instruments, discussing progress over the past several weeks, noting any existing areas of concern and discussing the potential for endorsement in the following Principal session.
  - An afternoon Principal meeting, which included a screening of instrument summary [videos](#), followed by a brief discussion, after which Principals had the opportunity to vote
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to endorse each instrument, and provide concrete offers of support. This session concluded with a roundtable discussion on the future direction of The Lab.

## Advisor Meeting (27 June 10:00 – 12:30)

Dr. Barbara Buchner, head of The Lab Secretariat, opened by highlighting progress made by the Secretariat and proponents to address concerns raised at the 4<sup>th</sup> May meeting. Abyd Karmali of Bank of America Merrill Lynch (the meeting’s host) welcomed Advisors and highlighted continued challenges around climate finance, underscoring the salience of The Lab’s work.

### Instrument Presentations & Discussion

*In the next session, The Lab Secretariat outlined progress against open questions, and sketched implementation pathways for each of the five finalist instruments. Lab Advisors were then invited to join in a Q&A session with the Secretariat analysis teams and Proponents. Advisors acknowledged progress made since the May meeting while also raising a number of questions for proponents and implementation partners to seek to address as the instrument pilot phase begins. These are highlighted in the following table.*

### Adaptation / Resilience Stream

2 <sup>nd</sup> Cycle Lab Instruments   Adaptation	Key Comments
<p><b>Oasis Platform for Catastrophe and Climate Change Risk Assessment and Adaptation</b></p> <p>Proposed by <b>Imperial College and Oasis LMF</b>, 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>Lead Analyst: Chiara Trabacchi, Senior Analyst, Climate Policy Initiative</i></p> <p><i>Proponent: Dickie Whitaker, CEO, Oasis LMF</i></p>	<ul style="list-style-type: none"> <li>•<b>Strengths:</b> Advisors underscored the role access to quality data and risk modeling play in insurance underwriting and building climate resilience, welcoming progress since May, especially with respect to establishing key partnerships.</li> <li>•<b>Open Questions:</b> Advisors questioned the long-term financial sustainability of the platform, as well as the management and oversight structure, which were at least partially addressed by the Proponent in the meeting.</li> </ul>
<p><b>Climate-Smart Lending Platform</b></p> <p>Proposed by <b>F3 Life</b>, 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>Lead Analyst: Angela Falconer, Senior Analyst, Climate Policy Initiative</i></p> <p><i>Proponent: Mark Ellis-Jones, Co-Founder, F3 Life</i></p>	<ul style="list-style-type: none"> <li>•<b>Strengths:</b> Advisors welcomed progress forming key partnerships and potential sponsors, and further definition of ‘climate-smart agriculture.’</li> <li>•<b>Open Questions:</b> Advisors noted the importance of collaborating with other stakeholders &amp; working with existing lenders in target countries.</li> </ul>

<p><b>Water Financing Facility</b></p> <p>Proposed by the <b>Dutch Ministry of Foreign Affairs</b>, 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>Lead Analyst: Padraig Oliver, Senior Analyst, Climate Policy Initiative</i></p> <p><i>Proponent: Dick Van Ginhoven, Sr. Water and Sanitation Advisor, Netherlands MFA</i></p>	<ul style="list-style-type: none"> <li>•<b>Strengths:</b> Advisors highlighted this instrument’s potential to engage the private sector, noting that concerns about the climate relevance and facility structure had been addressed.</li> <li>•<b>Open Questions:</b> Advisors noted the importance of ensuring local and national governments have ‘skin in the game,’ and collaborating with relevant stakeholders and actors in the water space.</li> </ul>
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## Advisor Meeting - Mitigation Stream

2 <sup>nd</sup> Cycle Lab Instruments   Mitigation	Key Comments
<p><b>Energy Efficiency Enabling Initiative</b></p> <p>Proposed by the <b>Inter-American Development Bank</b>, 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>Lead Analyst: Valerio Micale, Senior Analyst, Climate Policy Initiative</i></p> <p><i>Proponent: Paola Pedroza Senior Investment Consultant, Inter-American Development Bank</i></p>	<ul style="list-style-type: none"> <li>•<b>Strengths:</b> Advisors noted that unlocking energy efficiency gains would be key to achieving global mitigation goals.</li> <li>•<b>Open Questions:</b> Advisors advised implementation partners to define further the investment strategy, and seek to ensure that the ambition level was not limited to ‘low-hanging fruit.’ They said that learning from the successes and failures of existing initiatives would be important.</li> </ul>
<p><b>Small-scale Renewables Financing Facility</b></p> <p>Proposed by a Reinhard Reichel of <b>IFC</b> 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.</p> <p><i>Lead Analyst: Donovan Escalante, Senior Analyst, Climate Policy Initiative</i></p>	<ul style="list-style-type: none"> <li>•<b>Strengths:</b> Advisors accepted the concept was promising, and noted the importance of developing financing solutions for small-scale renewables projects.</li> <li>•<b>Open Questions:</b> In light of the fact that the instrument does not currently have an implementation lead, Advisors expressed concern about endorsing it. If a partner is identified, the instrument could hold promise.</li> </ul>

## Principal Meeting (27 June 14:00 – 18:00)

### Introduction

Meeting host **Andrea Sullivan**, International ESG Executive at Bank of America Merrill Lynch (BAML) opened by highlighting BAML’s commitment to financing a transition to a more climate-resilient economy, and re-iterated the importance of The Lab’s work.

Lab Principals **Elizabeth Littlefield**, President and CEO of Overseas Private Investment Corporation (OPIC), and **Michael Liebreich**, Chairman of the Advisory Board and Founder, Bloomberg New Energy Finance, co-chaired the meeting.

Several Lab Principals made opening remarks highlighting their commitments to The Lab process, and the progress made during the Second Lab Cycle. Speakers included **Peter Betts** of Department of Energy and Climate (DECC), UK, **Linda Broekhuizen** of FMO, and **Norbert Gorißen**, of the German Federal Ministry for Environment, Nature Conservation, Building and Nuclear Safety.

## Instrument Discussion & Endorsement

After viewing [videos](#) summarizing the instruments, Lab Principals voted to endorse the technical designs of four of the instruments. They agreed each of the four met the Lab criteria of being Actionable, Innovative, Catalytic, and Transformative, with potential to drive large-scale private sector investment in mitigation and adaptation. Their main comments are presented below.

2 <sup>nd</sup> Cycle Endorsed Lab Instruments	Key Comments & Support
<b>Oasis Platform for Catastrophe and Climate Change Risk Assessment and Adaptation</b>	<p><b>Endorsement:</b> Principals acknowledged the importance of risk models in the insurance industry, and the challenge of limited availability for developing countries, in turn noting the role Oasis could play in improving underinsured, poorer countries' climate resilience. They highlighted the innovative nature of the platform, and the impact it would have on the insurance industry as a whole before voting to endorse.</p> <p><b>Challenges:</b> Lab members also highlighted the challenges ahead, the need to further develop partnerships with key insurance industry partners, and to integrate action-based monitoring into the platform pilot</p>
<b>Climate-Smart Lending Platform</b>	<p><b>Endorsement:</b> Principals and Advisors were vocal in their support for the innovative and impactful nature of the platform, the systemic challenges of smallholder financing, and the promise that the platform holds for reducing portfolio risk, mitigation and resilience in agriculture supply chains, and addressing the smallholder finance gap.</p> <p><b>Challenges:</b> Lab members also highlighted the early state of the initiative, the need to establish key partnerships, as well as the importance of integrating a gender equality component.</p>
<b>Water Financing Facility</b>	<p><b>Endorsement:</b> Principals and Advisors noted the promising nature of the instrument, the synergies with the NDCs coming out of the Paris Agreement and the Sustainable Development Goals (specifically Goal #6). Lab members voted to endorse the instrument, and <b>Ms. Broekhuizen announced a USD 3m commitment to piloting the instrument on behalf of the Dutch Government.</b></p> <p><b>Challenges:</b> Lab members noted the need to partner with additional stakeholders in the water sector, and the policy / credit challenges with scaling the platform to countries other than Kenya.</p>

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### Energy Efficiency Enabling Initiative

**Endorsement:** Principals and Advisors noted the importance of energy efficiency, the challenges that remain in financing projects in the sector in the developing world, the potential of the instrument to drive investments at scale, and the direct relevance of this project to Lab criteria. **Amal-Lee Amin of IDB announced a USD 5m commitment to piloting the instrument in Latin America.**

**Challenges:** Principals noted the broad range that the instrument covers, and the need to further refine the focus to specific sectors as the pilot is rolled out.

Principals did not vote to endorse the **Small-scale Renewables Financing Facility** at this time, in light of the fact that there is currently no implementation partner to take the instrument forward. However, there were several expressions of interest, and a consensus that The Lab should keep this instrument shortlisted for further development and seek to identify an implementation partner through the next Lab Cycle.

## Progress Review and Forward Strategy

### First Cycle Reflections

Proponents of endorsed First Cycle instruments were invited to summarize progress on funding commitments and pilot implementation.

- **Georges Beukering** of FMO representing Climate Investor One noted firm expressions of funding interest totaling USD 450m, and three signed term sheets for solar projects in Rwanda, Zambia, and the Philippines. He also highlighted the value of The Lab in bridging private and public sector interests, and expressed a need for further support from members.
- Secondly, **Harald Hirschhofer** of TCX, representing the Long-Term FX Risk Management Instrument, noted that they had completed USD 52m in hedging transactions, and made progress in building a pipeline with major development finance institutions. Harald echoed Georges in the difficulties of fundraising, and the need for further support from The Lab.
- **Amal-Lee Amin** of the Inter-American Development Bank, representing the Agricultural Supply Chain and Adaptation Facility (ASCAF) and Energy Savings Insurance (ESI) instruments, also noted the value of the Lab process for profile-raising and led to funding commitments from the Danish government. She also noted that ESI was currently being considered for funding by the Green Climate Fund.

### Third Cycle Options

On behalf of the Secretariat and its funders, and at the request of Advisors, Dr. Buchner presented a number of strategic recommendations to streamline and improve Lab processes.

1. Leverage the Lab's sister initiative, Finance for Resilience (FiRe) into a Lab program, "The Global Lab presents the Fire Prize"
2. Intensify monitoring and support for earlier instruments
3. Support and fund continuation of The Lab
  - Endorse a new, integrated Call for Ideas, launching in Fall 2016; and explore options for thematic focuses
  - Continue support and funding to traditional Lab program
  - Reflect on ideas for the Fire Prize

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Representing Lab and Finance for Resilience (FiRe) funder **Bloomberg Philanthropies**, Dan Firger expressed support for the work of The Lab to continue, as well as aligning FiRe under The Lab brand.

### **Roundtable Discussion**

Mr. Liebreich opened the conversation, posing the question whether the Lab should move into a third round, and what the future direction should look like.

Advisors and Principals expressed unanimous support for The Lab to move into a Third Cycle, supporting the Secretariat's suggestion to launch the new cycle at the margins of the UN General Assembly in September 2016 and to coordinate more closely with FiRe to continue a focus on private-sector led later stage instruments. A series of suggestions, related to strategic and thematic priorities, included:

- Rather than only serving as an incubation platform, The Lab should provide more robust mentoring and support for instruments which went forward in First and Second cycles, and support a network of 'Lab alumni.'
- To address areas with systemic financing challenges, such as energy efficiency and adaptation / resilience, The Lab should continue to include specialized calls for thematic priorities. In order to drive more private sector ideas and engagement, criteria to meeting the overall Lab goals should be refined accordingly, and industry-specific themes could be considered for future cycles (e.g., transportation or insurance).
- The Lab should target more strongly capital from the private sector, noting that this will come later in the process for Lab instruments than public finance actors, and prioritize instrument support and mentoring accordingly.
- Monitoring, evaluation, and producing thought leadership on lessons learned should be a key priority for The Lab going forward.

The Lab will integrate member comments into the planning for the Third Cycle, and is currently planning to distribute a survey on key decision points to members later in July.

Following the discussion, Mr. Liebreich, Ms. Littlefield and Dr. Buchner closed the meeting by thanking Principals and Advisors for their commitments to The Lab, and their active participation in the Meeting, which represent the foundation of The Lab's success.