

The Global Innovation Lab for Climate Finance & the Fire Awards Selection Meeting

5 December 2016
London

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

Secretariat Summary

On 5 December in London, Lab Advisors selected three ideas to undergo analysis and stress testing under The Lab's Third Cycle. In addition, the Fire Awards Advisory Board selected four early-stage pilots and businesses to pitch their innovations at the BNEF Future of Energy Summit in April.

The selected Global Lab Instruments include two focused on enhancing climate resilience, **'Climate Resilience & Adaptation Finance/Transfer Facility** and **'Cloud Forest Blue Energy Mechanism'** and one mitigation-focused instrument, **'Renewable Energy Scale-up Facility'**.

Advisors unscored the strengths of the Lab finalists, and welcomed progress on First & Second Cycle Instruments which have attracted nearly USD \$600 million in seed funding. In selecting the three instruments, Advisors emphasized the need for proposals to demonstrate a clear value-add from The Lab, strength based on Lab criteria, and strong potential to catalyze private investment. The instruments voted in by advisors will now proceed to analysis and stress testing in the Instrument Design phase, which will conclude with a mid-Cycle meeting to review progress in April 2016.

In addition to the three ideas selected to move forward in the Third Lab Cycle, four initiatives were selected by the Fire Awards Advisory Board and Lab Advisors to move forward as finalists in the first cycle of the Fire Awards under the Global Lab. The four finalists selected were: **Electric Bus Battery Service Agreements, Global Fleet of Modular Moveable Mega-watt Scale Solar Assets, Online Financing of Clean Energy Projects, and Solar Agro-Processing Power Stations**. Two focus on the issue of energy access, which emerged as a key theme. Lab Advisors and Advisory Board members also emphasized the greater importance of team track record and initiative scalability within the context of Fire Awards.

SELECTION MEETING: THE GLOBAL INNOVATION LAB FOR CLIMATE FINANCE

Meeting Objectives

The first face-to-face Advisors Meeting of the Third Lab Cycle took place in London, hosted at Lab member Willis Group's headquarters, on 5 December 2016. The purpose of the meeting was to allow Advisors to explore the pros and cons of the top 8 ideas, previously selected by Advisors from 125 submissions received, and to identify the most promising three instruments to then undergo intense analysis and stress-testing through the Lab process. The meeting also provided an opportunity to discuss progress, updates & strategic direction.

Introduction

Dr. Barbara Buchner of Climate Policy Initiative introduced meeting host David Simmons, Managing Director, Willis Capital, Science and Policy Practice, who expressed the Lab was moving 'from strength to strength' and provided key updates on Second Cycle instrument the Oasis Platform, which Willis Group was closely involved in developing.

In addition, Ben Broche of Climate Policy Initiative provided a brief overview of the successes of the Third Cycle call for ideas and the launch of the ClimateFinanceIdeas.org platform, noting significant developing country participation, and the high quality and record number of ideas submitted. He also provided an overview of the screening process to refine the top ideas which Advisors voted to further narrow in the weeks leading up to the meeting.

Lab Third Cycle Instrument Overviews

Chiara Trabacchi and Donovan Escalante, representing The Lab Secretariat, outlined the top four adaptation/resilience instruments and top four mitigation instruments shortlisted by Advisors. Advisors were then invited to join a roundtable discussion, which focused on the specific added value of The Lab, alignment of each idea with Lab criteria – innovative, actionable, catalytic, and financially sustainable – and the overarching transformative potential of each instrument for generating private-sector investment as in climate finance.

Proponents for each of the top 8 ideas were invited to participate in the selection meeting, to answer Advisor questions, and clarify points which were not explicit in their initial submissions.

Following the discussion, Advisors voted to select three total instruments which, based on collective votes and discussion of relative strengths and weaknesses, resulted in two adaption / resilience ideas, and one mitigation-focused idea.

Adaptation / Resilience

Final 3 rd Cycle Lab Instruments	Key Comments
<p>Climate Resilience & Adaptation Finance/Transfer Facility (CRAFT)</p> <p>A commercial investment vehicle that blends private and public finance to provide growth capital and technical assistance for companies managing climate risk, proposed by the Global Adaptation & Resilience Investment Working Group</p>	<ul style="list-style-type: none"> • Strengths: Advisors underscored the promise of this idea with respect to the innovative structure, the replicability, the clarity and actionability of the proposal, the strength of the pipeline, potential to build resilience across the value chain, and the significant scale the Facility could achieve in a relatively short amount of time. • Challenges: There were some concerns expressed with respect to technology transfer, the role of the public sector, as well as the technical aspects of the Facility's structure. These will be explored in Phase 2 of the Lab process.
<p>Cloud Forest Blue Energy Mechanism</p> <p>A fund for restoration and conservation of cloud forests in Latin America, which can improve the productivity of hydroelectric plants, proposed by Conservation International and The Nature Conservancy</p>	<ul style="list-style-type: none"> • Strengths: Advisors noted cloud forests as being a key priority in Latin America, the highly innovative nature of the idea, the strong case made in the proposal for actionability & financial sustainability, and the mutual adaptation/resilience & mitigation benefits of the idea. • Challenges: Advisors raised concerns about the difficulties establishing PPAs in the target countries, and that there was little proof of concept, potential for displacement of communities & other negative externalities, and questions about the financial structure & viability. These will be explored in more depth in Phase 2 of the Lab process.

Mitigation

Final 3 rd Cycle Lab Instruments	Key Comments
<p>Renewable Energy Scale-up Facility</p> <p>A platform to drive private institutional equity into the riskier, earlier stages of renewable energy projects in emerging markets, to expand project pipelines, proposed by Baker McKenzie and Get2C</p>	<ul style="list-style-type: none"> • Strengths: Advisors expressed broad consensus that this idea represented a strong, and Lab-worthy concept. They noted how it addressed a clear barrier, and that the utilization of equity options as both innovative and promising. They also expressed the idea was highly scaleable and replicable. • Challenges: Advisors expressed that the market demand for the idea will need to be proven, while there were also concerns around the complexity of the structure, and uncertainty about geographic context. These will be explored in more depth in Phase 2 of the Lab process

Past Cycle Instrument Updates

Following votes for the Third Cycle instruments, Dr. Barbara Buchner, provided a brief update to report on the progress of The Lab's First & Second Cycle instruments.

Lab 1 st Cycle Instruments	Instrument Progress
Agricultural Supply Chain Adaptation Facility A value chain finance platform where multilateral development banks partner with agribusiness companies to provide technical assistance and finance for climate-resilient investments to the farmers in their supply chains.	<ul style="list-style-type: none"> •Ongoing piloting of the ECOM Coffee Renovation Facility in Nicaragua •Proponents are developing a number of promising proposals, which are due to be finalized in the coming months •Strong interest from potential corporate partners
Climate Investor One Combines three innovative investment facilities into one to finance early-stage development, construction, and refinancing in order to fast-track renewable energy projects in developing countries.	<ul style="list-style-type: none"> •USD 400 million in funding commitments •Contracts signed for large-scale projects in the Philippines, and sub-Saharan Africa, with one solar-hydro facility set to provide grid-connected electricity to just under 1 million Rwandan citizens
Energy Savings Insurance An insurance product that covers the expected value of savings generated by energy efficiency investments for energy service providers and equipment providers.	<ul style="list-style-type: none"> •ESI received USD \$21.7M in funding from the Green Climate Fund to launch in El Salvador, a huge milestone, this summer •Launched successful pilots in 2016 in both Peru and Brasil •Received endorsement from the India Lab to expand the pilot into the Indian marketplace
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.	<ul style="list-style-type: none"> •Since December 2015, the instrument has supported USD 52M in hedging transactions in sub-Saharan Africa under the SE4All program •As it continues to scale it could support USD 1.5 billion in clean energy investment projects over the next several years

Lab 2 nd Cycle Instruments	Instrument Progress
Climate-smart Lending Platform 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	<ul style="list-style-type: none"> •CSLP team submitting promising proposals to private and public sector funders •Netherlands announced interest in funding CSLP at the December 2016 Lab meeting •UCN committed supporting development of climate-smart lending plans in Rwanda

Energy Efficiency Enabling Initiative A private equity fund that relies on donor-backed equity capital and risk mitigation instruments to crowd in private investment in energy efficiency.	<ul style="list-style-type: none"> •Initial USD \$5M funding provisionally approved by IDB •First fund has made 13 investments totaling USD \$41M •Pipeline of interest of over USD \$80M •IDB team working closely with fund manager MGM Innova to assess market opportunities & continue to fundraise for first & second fund •Conducting outreach to pension funds and other investors in Europe and Japan
Oasis Platform 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.	<ul style="list-style-type: none"> •Platform received formal endorsement from high-profile international and local actors for pilot •Team has made significant progress in advancing development of the Platform, including a launch of the E-Market 'HUB', a web-based marketplace that will link the demand and supply for risk analytics
Water Financing Facility A national level pooled bond facility providing long-term, local currency loans to public or private water utilities for projects to enhance climate resilience.	<ul style="list-style-type: none"> •USD \$5M in initial funding from the Netherlands •Kenya pilot progressing rapidly •Proponents have submitted several promising proposals and are testing the concept in other geographies in Africa

Strategic issues related to the Third Lab Cycle and beyond

Next Steps

Dr. Buchner gave an overview of the Lab process and timeline, specifically plans to establish working groups with cross-sector experts (including Lab members) by mid-January, after which time the Instrument Design phase will kick off in full to develop the instrument mechanics, with a focus on the innovative and financially sustainable aspects of the instrument. An interim Advisor meeting to review instrument progress will be planned for April 2017 (Advisors discussed several potential dates at the meeting), after which the Lab's analysis will focus on the Implementation Design and pilot support, with a focus on the actionability, and catalytic nature of relevant instruments. The Secretariat then plans to host a meeting to discuss and endorse the final instrument designs in July 2017.

Update on India & Brasil Labs

Dr. Buchner also presented updates on the regional applications of the Global Lab's work - the India & Brasil Labs.

The **India** Lab just completed its first cycle, endorsing three instruments: A rooftop solar financing facility, a new lending platform for green investments, and a currency exchange instrument.

In addition, the **Brasil Lab** was officially launched at COP22, has confirmed a strong panel of experts on the climate finance needs and opportunities of Brasil, and has planned its inaugural selection meeting for February 6, 2017.

Lab Membership

Advisors expressed the need to expand the Lab membership to improve the Lab's diversity, expertise, and network. Dr. Buchner took the chance to re-introduce a participant from FONERWA, Rwanda's national climate fund, who attended the meeting as an observer, noting a recommendation for Rwanda to join the Lab to further improve developing country representation in the membership. The Secretariat plans to discuss additional recommendations for expanding the membership with Advisors in early 2017.

Closing Remarks

Lab funders gave closing reflections on the meeting, which included: optimism about The Lab's growing maturity, the strength of the all the Lab finalists and the need for continued engagement with all proponents who submit to the Lab, the importance of prioritizing both mitigation and adaptation, and an eagerness to being a part of the Instrument Design phase. Dr. Buchner then closed the meeting by thanking the Advisors for their commitments to The Lab, and their active participation in the Meeting.

SELECTION MEETING: THE FIRE AWARDS

Meeting Objectives

The Fire Awards Selection Meeting for its first cycle, under the Global Lab, took place in conjunction with the first Lab Advisors Meeting on 5 December 2016, at the Willis Group headquarters in London. The purpose of the meeting was to present the top 8 Fire Awards initiatives from 125 submissions received, and to select four finalists to move forward and present in a competitive pitch process as the BNEF Future of Energy Summit in April 2017. The meeting also provided an opportunity to discuss progress, updates, & strategic direction.

Introduction

Dr. Barbara Buchner of Climate Policy Initiative introduced the session with a brief update on the current status of The Fire Awards, including progress on 2016 Winners, improvements to the design of the Fourth Cycle under the Global Lab, the selection process and objectives of the meeting.

Past Instrument Updates

As part of the introductory remarks, Dr. Barbara Buchner provided an update on the 2016 Fire Winners.

Fire Awards 2016 Winners	Instrument Progress
Affordable Green Homes Replicates IHS's existing fund model, using capital from both 'catalytic' and commercial investors to pay for the additional costs to green homes under construction.	<ul style="list-style-type: none">• IHS formally listed on the Social Stock Exchange (SSX)• Expects to achieve a successful close to Fund II• Recognized at UNSG launch event for its innovative approach

<p>Developing Harmonized Metrics for the PAYGO Solar Industry</p> <p>Will develop harmonized company and industry KPIs that are combined with data sharing and benchmarking to help unlock commercial finance for pay-as-you-go solar, which has emerged as a leading business model for alternative energy systems.</p>	<ul style="list-style-type: none"> •Currently being piloted by WBG •BNEF published a white paper on the latest progress of work and possible structured finance solutions •IFC presented the initiative's work on a panel at the BNEF EMEA Summit
<p>Global Renewable Independent Power Supplier</p> <p>A platform that will use all-equity financing to fund the construction of portfolios of off-grid, grid-parallel and grid-supported projects through tailored PPAs between the platform and the businesses that need reliable and affordable energy. Grips will substitute diesel generators for a hybrid system, using at least 50% renewable energy, enabling clean, low-emissions energy where it was not available before.</p>	<ul style="list-style-type: none"> •Currently in conversation with investment partners to launch pilot •Invited to participate in a technical workshop to set up a UN-led platform to scale-up finance for the Sustainable Development Goals
<p>Investor Confidence Project</p> <p>Accelerates a global asset class for energy efficiency investment in buildings by standardizing projects, from initial design through measurement and verification.</p>	<ul style="list-style-type: none"> •A new partnership for the scale-up of ICP was announced. •The Green Business Certification, Inc. (GBCI) which also administers the LEED, EDGE, PEER, WELL, SITES, GRESB, and Parksmart certification programs, will lead the partnership. •Roundtable to build momentum for new partnership to be held 7th Dec.

Setting the Scene for the Fire Awards

Following an introduction and update on the 2016 Fire Winners, Dr. Barbara Buchner invited Abyd Karmali, Managing Director, Climate Finance at Bank of America Merrill Lynch, to provide some opening remarks to help set the scene for the Fire Awards session. In particular, the role of the Fire Awards as an important and complimentary program to the Lab was highlighted, with its potential to engage the mainstream capital markets noted as strength within the context of the effort to reach the \$100 bn/year target.

Fire Awards Initiative Overviews

Gloria Coleman, representing The Lab Secretariat, outlined the top 8 submissions shortlisted by the Secretariat. Advisors and Advisory Board members were then invited to join a roundtable discussion, which focused on the specific strengths and weaknesses of each submission within the context of the Fire Awards criteria – innovative, actionable, catalytic, and financially sustainable – as well as in terms of the proof points, such as team and track record, indicating the overall transformative potential of each initiative for generating private-sector investment.

Following the discussions, Advisors and Advisory Board members scored each of the eight initiatives on a 5-point scale (1=weak, 5=strong) based on alignment with the Fire criteria. Based on the aggregate scores and a final discussion of relative strengths and weaknesses, as well as fit with the Fire program, four finalists were selected to move forward.

Fire Awards Finalists	Key Comments
<p>Electric Bus Battery Service Agreements</p> <p>Submitted by Proterra, a battery electric bus company that has introduced a new, battery-lease financing model, which lowers the upfront cost of its zero-emission buses to purchasers, making its buses the same price or cheaper than diesel buses. With a demonstrated technology and ~60 buses in operation, the company is looking to scale.</p>	<ul style="list-style-type: none"> • Strengths: Advisors and Advisory Board members highlighted the strong team, track record, and potential to scale. • Challenges: The main question raised was how quickly and in how many countries the initiative could be scaled.
<p>Global Fleet of Modular Moveable Mega-watt Scale Solar Assets</p> <p>Submitted by SunSHIFT, a subsidiary of Laing O'Rourke that provides modular and moveable solar farms, as stand-alone systems or turn-key solutions. Following (1) a successful pilot of 0.1MW MVP in 2015 and (2) a 1MW pilot planned for March, SunSHIFT plans to raise equity for a new asset facility backing a global fleet of moveable solar farms, deploying 10MW in year one.</p>	<ul style="list-style-type: none"> • Strengths: Advisors and Advisory Board members noted the innovation this model introduced to the solar industry and if successful, its strong potential for scale. • Challenges: The main concerns raised were surrounding the unknowns of a new asset class, the value of the assets, and logistics (i.e. quantity of inventory and cost to move it).
<p>Online Financing of Clean Energy Projects</p> <p>Submitted by RePower Capital, which is an online project financing platform that focuses on matching mid-sized (\$3-100M) renewable energy projects with debt, equity, and tax investors. To be matched, projects must pass pre-screening and due diligence. RePower is operational, with \$75B profiled, 34 bankers signed on, 2 projects approved, and ~\$500M in the pipeline.</p>	<ul style="list-style-type: none"> • Strengths: Advisors and Advisory Board members noted the innovative scoring system and matching model, with the potential to lower transaction costs and open the market for mid-sized RE projects. • Challenges: The main concerns raised were surrounding the number of metrics (i.e. 250) relied upon and lack of details surrounding the assessment process and matching process.
<p>Solar Agro-processing Power Stations</p> <p>Submitted by Village Infrastructure Angels (VIA), which provides 3-5 year lease agreements for solar solutions tailored to local community needs in rural villages. The initiative has introduced a focus on agro-processing equipment, which shows potential for a strong impact, particularly on women through its pilot projects. VIA aims to reach 200,000 HH by 2020, and is on track to reach 10,000 by 2018.</p>	<ul style="list-style-type: none"> • Strengths: Advisors and Advisory Board members noted the improvement in approach (i.e. increase in commercial viability) from Barefoot Power, innovation in terms of focus on productive-use of energy, and potential for strong impact on women in terms of time-saving. • Challenges: The main concerns raised were surrounding the role of concessional finance and scalability.

Next Steps and Final Wrap Up

The Secretariat will work with the Fire Awards finalists to prepare for their pitch at the BNEF Summit in April 2017. As part of this process, the Secretariat will also match the finalists with a Fire coach to provide feedback and support in pitch preparations.