

The Brasil Lab Selection Meeting

6 February 2017
Rio de Janeiro

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

Secretariat Summary

On 6 February in Rio de Janeiro, Brasil Lab Panel Members selected three ideas to undergo in-depth analysis, stress-testing, and development under the Brasil Lab, a group of public and private investors assembled by [the Global Innovation Lab for Climate Finance](#), with the aim to catalyze large-scale investment into climate action in Brazil.

The selected Brasil Lab Instruments include two instruments focused on accelerating renewable energy in key sectors, '**Distributed Generation for Agriculture Cooperatives in Brazil**', '**Green Receivables Fund (Green FIDC)**' and one instrument focused on sustainable land use, '**Climate Smart Cattle Ranching**'.

Advisors underscored the strengths of all of the eight Brasil Lab finalists, and discussed synergies with the Global Lab process, which has launched instruments attracting over USD \$600 million in seed funding in the two years since its inception.

The final Brasil Lab instruments were selected after an active discussion of their potential to meet Brazil's NDCs, as well to catalyze private investment, promote innovation in their respective sectors and potential to scale rapidly. The panel also emphasized that selected proposals demonstrated a clear value-add from The Lab. The selected instruments will now proceed to analysis and stress testing in the Instrument Design phase, which will conclude with a mid-Cycle virtual meeting to review progress in May 2017.

Meeting Objectives

The first face-to-face Panel Member Meeting of the Brasil Lab took place on 6 February 2017 in Rio de Janeiro. The main purpose of this first meeting was to allow Panel Members to discuss the top 8 ideas, and to identify the three most promising instruments to then move forward to an analysis and stress-testing stage through the Lab process. The meeting was also an opportunity to present the mission, purpose, and workplan of the Brasil Lab in more depth, as well as provide more background information on the Global Innovation Lab for Climate Finance (the Global Lab), out of which the Brasil Lab was launched. Finally, the meeting provided an opportunity to discuss the state of climate-related investments in Brazil, challenges & opportunities, and the role of the Brasil Lab in furthering Brazil's low-carbon economy.

Introduction

Dr. Barbara Buchner and Dr. Juliano Assunção of Climate Policy Initiative (CPI), Secretariat for the Brasil Lab, opened the meeting, and thanked all the participants present for their time and

commitment to the initiative, noting the strength and diversity of the Brasil Lab member base, and highlighting that the Brasil Lab represented the next step in the evolution of the Lab model,

The Brasil Lab Steering Group also welcomed meeting participants, stressing the importance of the Brasil Lab as a very valuable initiative to enable Brazil to meet its NDCs, and present solutions that could be replicated in other countries, advancing climate finance solutions elsewhere. The Steering Group also stressed the importance of bringing different actors and sectors of civil society together to discuss solutions.

Overview of the Global Lab

Dr. Buchner presented a brief overview of the Global Lab, its membership, and impacts through since its inception in 2014. She also introduced highlighted the work of the [India Innovation Lab for Green Finance](#) a sister initiative to the Global and Brasil Labs, whose region-specific approach helped to frame the context for the launch of the Brasil Lab.

Additionally, Ben Broche of CPI provided an overview of the screening process to refine the top ideas and a re-cap of the Brasil Lab methodology and selection criteria, to set the stage for the Panel Members' discussion and voting.

Brasil Lab Instrument Overviews

Donovan Escalante of CPI outlined the top four renewable energy and sustainable urbanization ideas while Tatiana Alves presented the top four agriculture, water and land use instruments shortlisted by Panel Members.

Following each round of Secretariat presentations, Panel Members were invited to join a roundtable discussion, which focused on the specific added value of The Lab, alignment of each idea with Brasil Lab criteria – innovative, actionable, catalytic, financially sustainable, and alignment with Brazil's NDCs – as well as the overarching transformative potential of each instrument for generating private-sector investment for climate finance in Brazil.

Proponents for each of the top 8 ideas were invited to participate in the selection meeting, either in person or through a dial-in system, to answer panel members' questions, and clarify points which were not explicit in their initial submissions.

Following the discussion, panel members voted to select three instruments, two focused on renewable energy, and one focused on land-use, that will be taken forward into the Lab's Instrument Design Phase. Key strengths and challenges are noted below – each of these points will be explored in the Instrument Design and Implementation Support phases of the Brasil Lab in the coming months.

Selected Instruments

Final Brasil Lab Instruments	Key Comments
<p>Climate Smart Cattle Ranching</p> <p>A prototype “Producer Services Enterprise” (PSE) that will implement Embrapa’s Good Agriculture Practices (GAP) with individual ranchers that register to comply with the Brazilian Forest Code, proposed by The Nature Conservancy</p>	<ul style="list-style-type: none"> • Strengths: Panel Members noted that this proposal could have a great impact in achieving Brazil’s NDC, given the relevance of GHG reduction through curbing the deforestation caused by cattle ranching in Brazil, and the broader priorities around sustainable land-use. • Challenges: Panel Members raised concerns about the potential difficulties of engaging with cattle ranchers, their willingness to implement practices, and finding the target market, all of which could pose a challenge to the proposed franchise model of the idea.
<p>Green Receivables Fund (Green FIDC)</p> <p>A fund that allows companies to raise capital by securitizing receivables and that would be used to finance greenfield projects through a subordinated structure and sell shares to private investors in Brazilian Capital Markets, proposed by Albion Capital and Get 2 C.</p>	<ul style="list-style-type: none"> • Strengths: Panel Members remarked that this idea was simple, straightforward and had great replicability and catalytic potential, which could cover multiple sectors and approaches within the scope of Brazil’s NDC. Panel Members also expressed that the proponents had identified the relevant implementation partners, and that the FIDC model was already tested in other sectors in Brazil, thereby increasing its actionability. • Challenges: The structuring the “green” component of the FIDC was noted as a key development challenge for the instrument design phase. Panel members also raised concerns around the pilot’s initial focus on biogas power plants, and suggested the Lab consider additional sectors.
<p>Distributed generation for Agriculture cooperatives in Brazil</p> <p>A project leasing model that allows cooperatives to finance solar and wind projects using savings generated in monthly electricity bills and that would make the generation system a property of the cooperatives, proposed by Renobrax.</p>	<ul style="list-style-type: none"> • Strengths: Members remarked that the idea provides more autonomy to cooperatives in Brazil, and targets high paying customers, and seemed quite catalytic / scale-able. The alignment between renewable energy and the agriculture sector in Brazil, as well as the track record of the proponent were also positive points expressed about this idea. • Challenges: Panel Members expressed concerns around regulatory barriers, and concerns around currency/cost stability and taxation.

Non-Selected Finalists

Brasil Lab Panel Members expressed that the other five instruments discussed in the meeting which were not selected also great potential to scale up private climate finance in Brazil, and support the achievement of Brazil’s NDC.

- **COSOL Community Solar:** an online marketplace of community solar and wind projects that connects energy consumers paying a monthly rent and investors receiving a fee.
- **Fund for Transit-Oriented Development (TOD) in Brazil:** a proposal to mobilize private capital for climate-smart ‘transit-oriented development’ (TOD) in Brazilian cities by developing a dedicated public-private partnership fund.

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- **Incentivizing Water Adaptation:** a vertical approach to develop a “Climate-Resilient Watershed Management Rating,” identification of potential “payers” establishing Payment-for-Ecosystem-Services (PES) schemes
 - **Low Carbon Agriculture Bonds for Small and Medium Producers:** proposes to support access to improved credit conditions for small and medium producers in Brazil that participate in results-based finance (RBS) schemes
 - **Resource Efficiency Program for Brazil’s Beef Supply Chain:** a lending facility that will provide loans to the entire beef supply chain - from ranches to supermarket shelves

Strategic issues related to the Brasil Lab and beyond

Next Steps

Dr. Buchner gave an overview of the Lab process and timeline, specifically focusing on plans to establish working groups with cross-sector experts (including Lab members) by late February, 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 instruments. An interim remote Panel Member meeting to review instrument progress will be planned for May 2017, after which the Brasil 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. Endorsement is defined as a signal by Lab Members at the conclusion of the Lab Cycle that they welcome the development of concrete pilot proposals to implement a Lab Instrument, and that they are willing to offer one or more forms of support.