

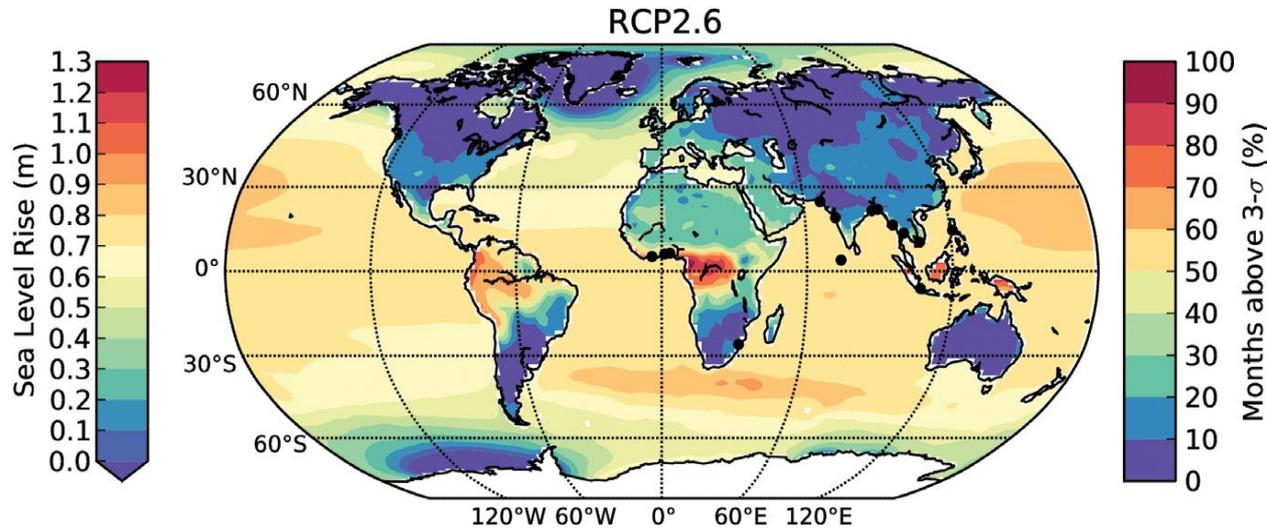


WORLD BANK GROUP
Climate Change

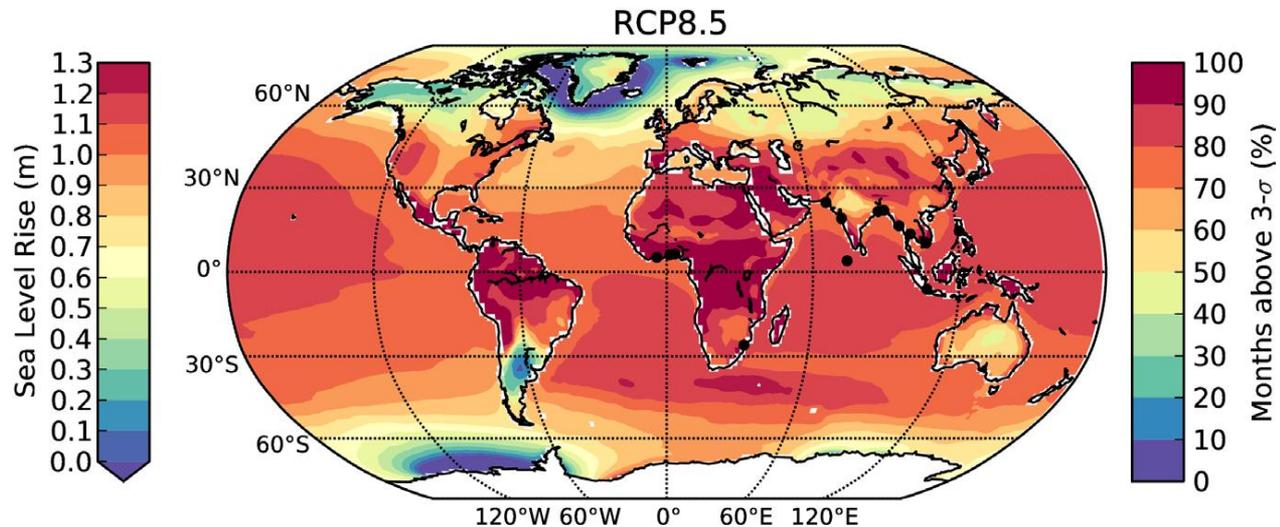
Mobilizing finance to drive low-carbon climate-resilient development



Climate change: the challenge of our generation



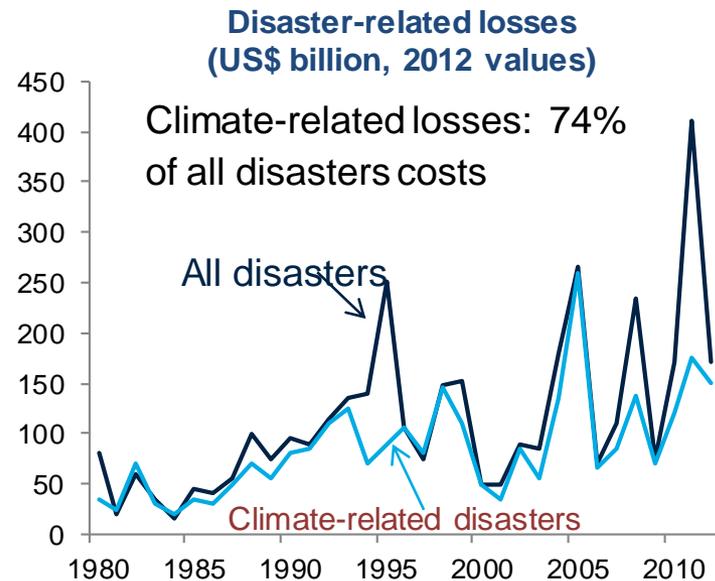
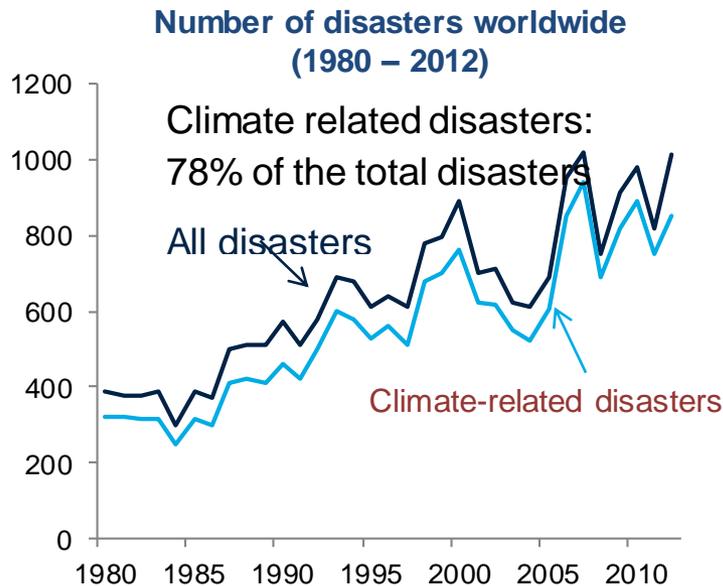
A 4C warming would lead to much larger impacts on the poor than a 2C one



Climate Finance: challenges and opportunities

The challenge – rising costs and unmet needs:

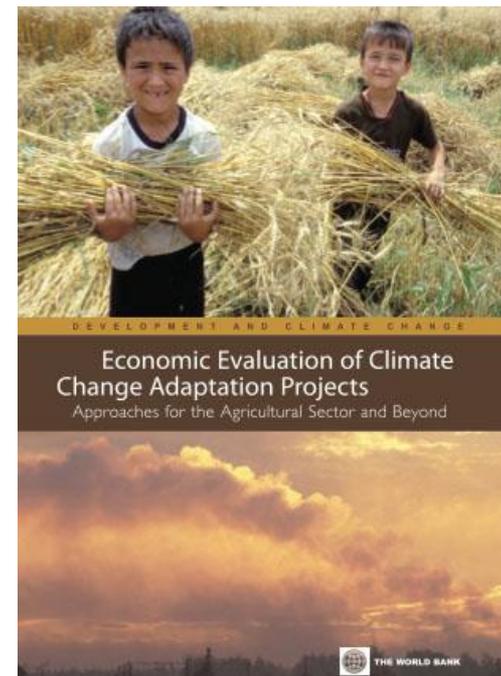
- Climate change increases the costs of development in the poorest countries by between 25 and 30 percent.
- Weather-related losses and damage have risen from an annual average of about \$50 billion in the 1980s to close to \$200 billion over the last decade.
- The annual green infrastructure financing needs of developing countries are around \$1.2 -1.5 trillion with a \$700 billion annual gap.



Source: World Bank estimates based on data from Munich Re © 2013 – as of January 2013

Climate Finance: challenges and opportunities

- The opportunity and how to access it:
 - Developing countries offer attractive renewable energy and infrastructure markets for private investment.
 - The combined efforts of all actors, development banks, financial institutions, export credit agencies, institutional investors, public budgets and the private sector are needed to address this challenge.
 - Climate and disaster-resilient development is cost-effective over the long-run. It will save lives and livelihoods and protect the poor from climate shocks.
 - Much is known already on how to build resilience, but it needs better cooperation between climate and disaster risk management.

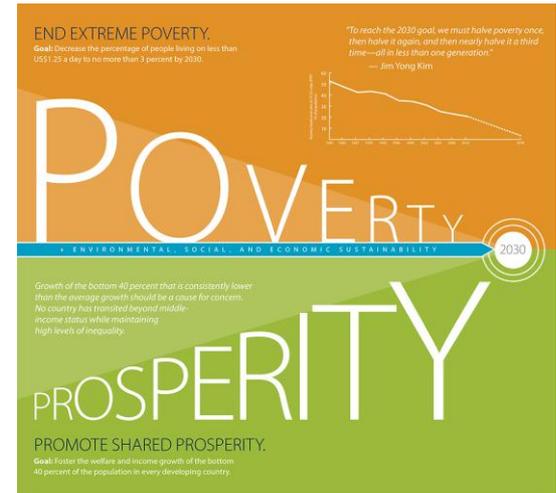


WBG approach to climate finance

- WBG – looking at all options to scale up long-term finance:
 1. Leverage the combined strengths and comparative advantages of IDA, IBRD, IFC and MIGA
 2. Grow the business, be more efficient, and deliver more through existing channels of development finance
 3. Expand WBG assistance through new and existing channels such as IDA
 4. Explore and innovate new market and performance based mechanisms and instruments
 5. Work to mobilize greater private sector investment
 6. Continue to shape the debate on how climate finance will be sourced, transferred, and used for the benefit of our clients

1. Leverage the combined strengths and comparative advantages of IDA, IBRD, IFC and MIGA.

- The Bank Group strategy has two goals – ending extreme poverty by 2030 and boosting shared prosperity.
- Mobilizing finance from the public and private sectors, especially for the poorest countries, is a priority for the WBG.
- We have stepped up our mitigation, adaptation, resilience and disaster risk management work, leveraging the respective expertise of WBG agencies.
- In fiscal year 2013, IDA provided \$2.3 billion to mitigate climate change and \$2.1 billion for adaptation, MIGA issued more than \$1 billion in guarantees for mitigation, and IFC invested \$2.5 billion in renewable energy, energy efficiency and other climate-smart solutions.



2. Grow the business, be more efficient, and deliver more through existing channels of development finance

Deploy Climate Finance

Finance climate action

- ✓ \$5.9-10.2 bn p.a. in WB lending since FY11, or 20-30% of commitments
- ✓ \$2.5 bn for mitigation at IFC in FY13, doubling from FY12
- ✓ \$407 m in new guarantees for clean energy in FY12 at MIGA

Package & leverage instruments

- (e.g., risk-mitigation, policy and institutional reforms, capacity strengthening)
- ✓ x 3-6 for products on commercial terms
 - ✓ x 5 for guarantees
 - ✓ > x 8-10 for concessional blended finance

Mobilize Resources

Innovative concessional finance

- avoid fragmentation
- ✓ \$8 bn for Climate Investment Funds

Access to climate finance

(e.g., carbon finance, CIF, GEF, Montreal Protocol)

- ✓ \$1 bn p.a. FY12-13 (WB)
- ✓ \$126 m in FY13 (IFC)

Capital markets & investors

- ✓ \$5.6 bn, WB Green Bonds
- ✓ \$3.4 bn, IFC Green Bonds
- ✓ \$280 m, IFC Catalyst Fund

Build Readiness

Policy & institutional platforms

- ✓ \$4.8 bn, WB Development Policy Operations in FY11-13
- ✓ Climate Public Expenditures and Institutional Reviews in Morocco, the Philippines, and Vietnam

Groundwork for new instruments

- ✓ \$260 m, 36 countries with the FCPF
- ✓ \$127 m, 17 implementing countries and 1 technical partner with the PMR

Bankable projects & programs

- ✓ ESMAP, CIF

Catalyze Markets

Broaden scope & reach of carbon markets

- ✓ \$3.4 bn through 15 carbon funds and facilities
- ✓ 150 projects in 65 countries, reducing over 181 million tons

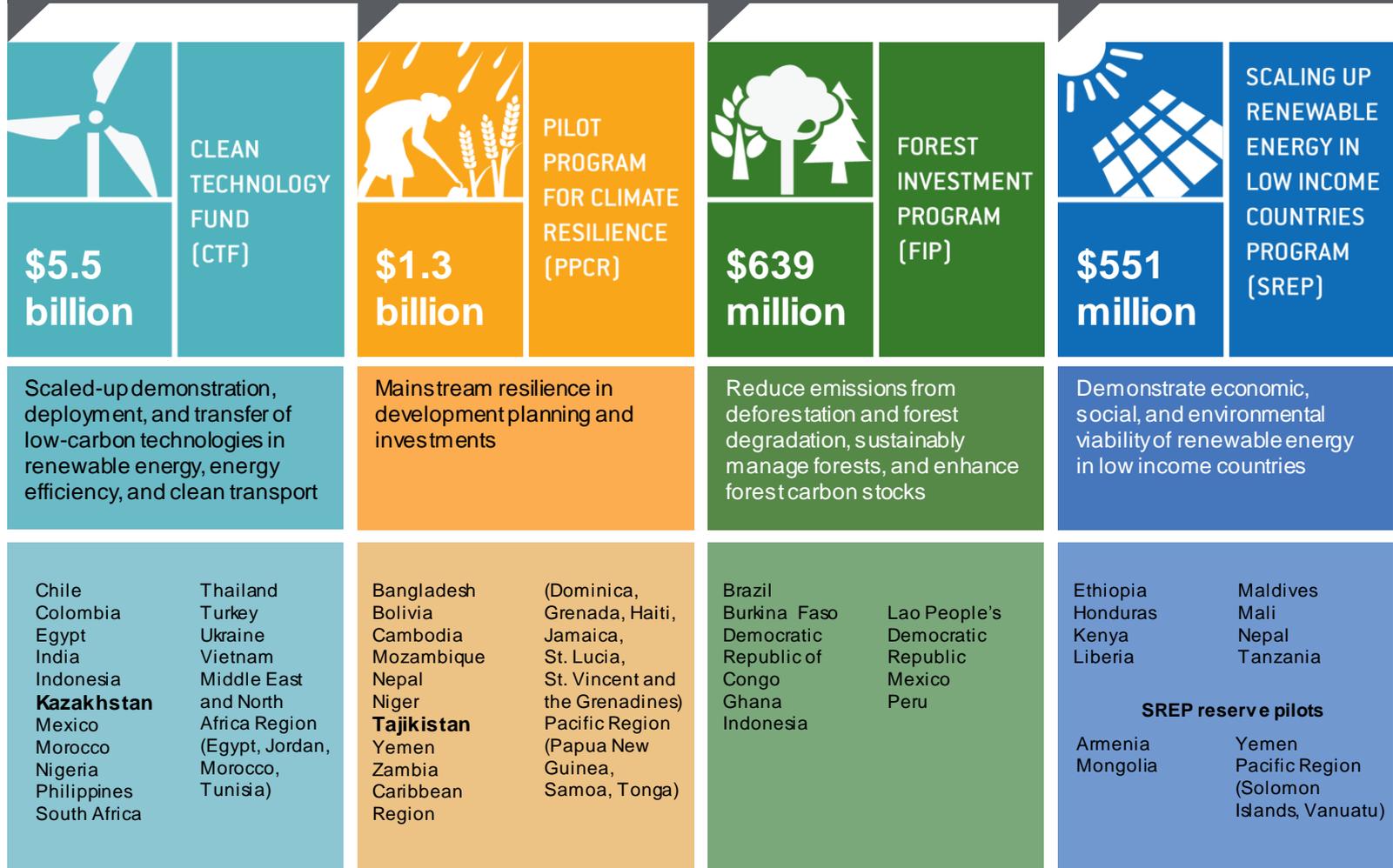
Pilot performance-based approaches

Innovative products and advisory services for CAT-risk financing

- ✓ 24 governments covered through WBG operations since 2005
- ✓ 1 million farmers and herders benefit from WBG schemes

2. Grow the business, be more efficient, and deliver more through existing channels of development finance (cont'd)

CLIMATE INVESTMENT FUNDS (CIF) \$8 BILLION



STRATEGIC CLIMATE FUND (SCF) \$2.4 BILLION

3. Expand WBG assistance through new and existing channels such as IDA

Analysis

- Mainstream climate and disaster risk management into analysis of country development challenges and priorities
- Screen operations for short- and long-term climate change and disaster risks
- Develop and consolidate the necessary data, tools and capacity

Planning

- Support preparation of country-led, multi-sector plans and investments that manage climate and disaster risk
- Develop and implement policy for longer-term outcomes
- Establish multi-sector institutional coordinating mechanisms

Action

- Package and leverage grants and credits from bilateral donors, private sector
- Provide implementation support
- Design monitoring and evaluation frameworks to measure outcomes

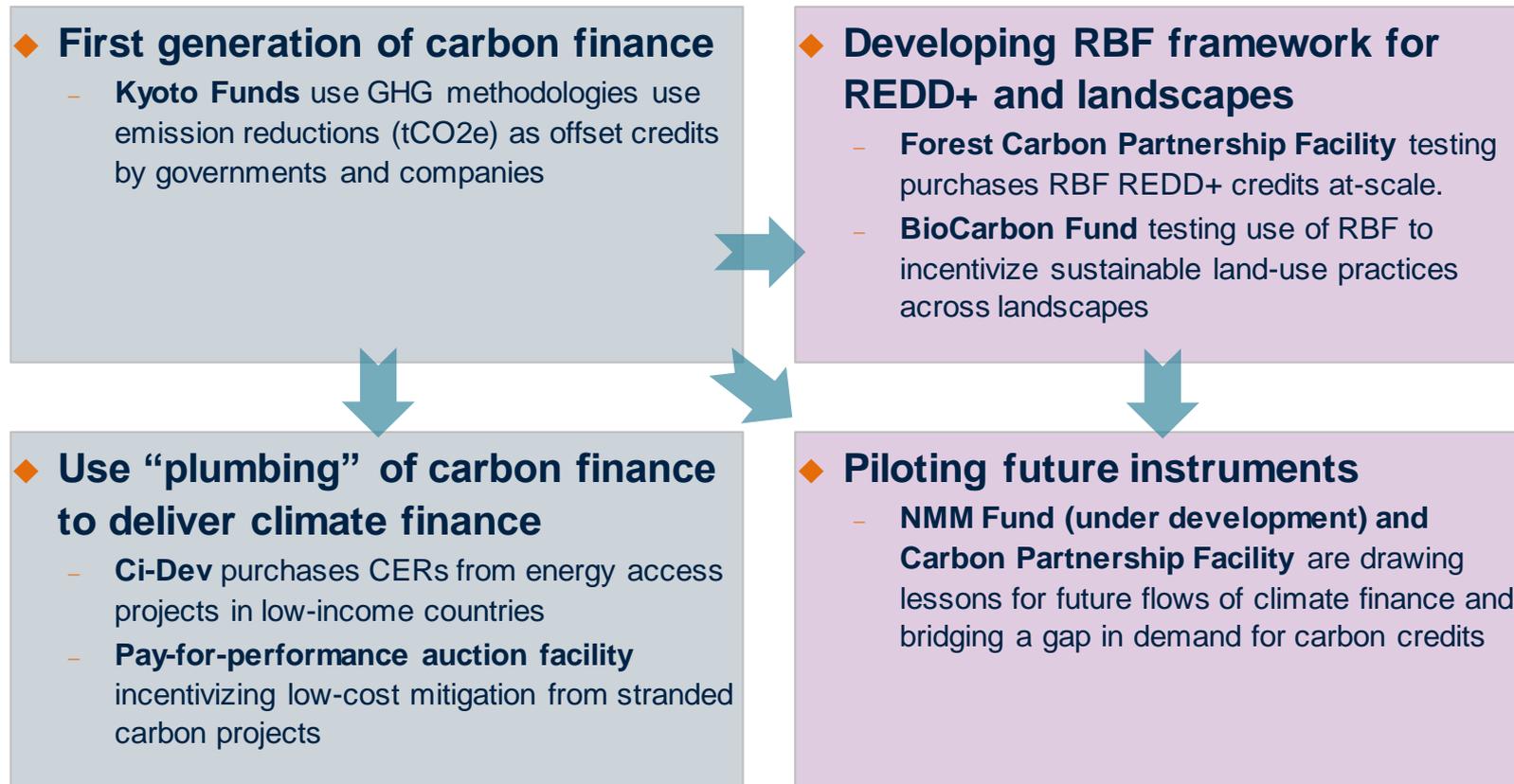


3. Expand WBG assistance through new and existing channels such as IDA (cont'd)

- Almost \$3 billion IBRD/ IDA lending commitments are expected to provide adaptation co-benefits and over \$4 billion mitigation co-benefits in FY13
 - IDA maintained a steady commitment to climate action: mitigation support in IDA remained around \$2.3 billion in FY13
 - Sub-Saharan Africa had the highest climate-related lending commitments among regions
 - At \$2.3 billion, clean energy continues to account for the largest share of mitigation support in FY13
 - At \$910 million, Water, Sanitation and Flood Protection represented one-third of adaptation financing in FY13



4. Explore and innovate new market and performance based mechanisms and instruments



➔ *Lessons for climate finance*

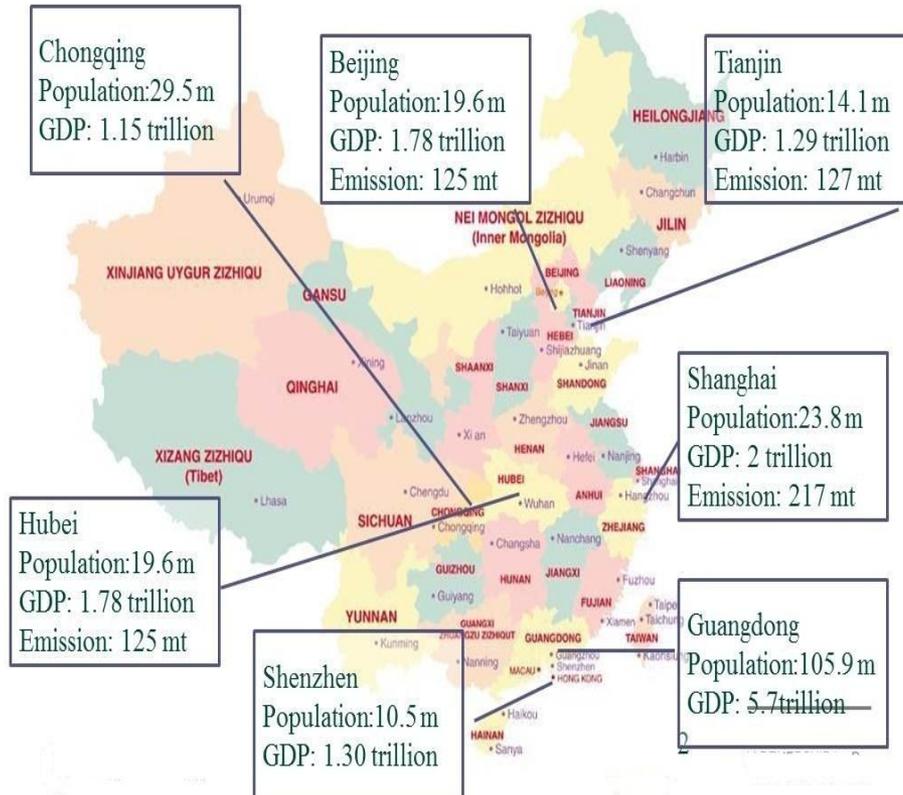
■ *Project scale*

■ *Sectoral / national / sub-national scale*

5. Work to mobilize greater private sector investment

- IFC is working to deliver 20% of its long-term finance commitments as climate business by 2015
- Since 2005, IFC has invested \$10.5 billion in climate-related investments – including \$2.5 billion in FY13
 - Renewable energy now 2/3 of IFC's power generation investment each year
 - New growth in Green Buildings, industrial EE, sustainable cities, agribusiness
 - First adaptation investment in 2012
 - Blended finance also leading to high-impact demonstrations
- Attracting institutional investors is a key priority
 - IFC's total green bonds issuance is \$3.4 bn, attracting a range of investors including the central banks of Germany and Brazil and corporations like Ford Motor Company and Microsoft
 - IFC's Catalyst Fund was launched in 2013 focused on climate business
 - Exploring other products and tools

5. Work to mobilize greater private sector investment (cont'd) – Example of China Carbon Market Development



IFC's Support to China's Carbon Trading

- ✓ The Shenzhen Emissions Trading Exchange and IFC signed an agreement to develop new carbon trading products - most likely to focus on some **type of carbon futures contract or other derivative**
- ✓ China-based exchanges **launched six commodity futures contracts last year** - coking and thermal coal, bitumen, iron ore, short-grain rice and eggs - most of them drawing strong volumes

6. Continue to shape the debate on how climate finance will be sourced, transferred, and used for the benefit of our clients

- The Green Climate Fund (GCF) is an integral part of the international climate finance architecture, and has taken important steps towards operationalization.
- Governments must deliver a clear strategy for mobilizing the \$100 bn in climate finance, keeping in mind that public finance for climate action is a highly valuable commodity and plays a crucial role in leveraging private finance to come to scale.
- The Warsaw International Mechanism for loss and damage aims to set out better understanding around risk management and strengthen dialogue and coordination for climate and disaster resilient development planning.

GCF
Green Climate Fund





WORLD BANK GROUP
Climate Change

Neeraj Prasad

Manager and Acting Director

WBG Climate Group – Climate Policy and Finance

nprasad@worldbank.org

