CLIMATE FINANCE SOURCES

UNFCCC FINANCIAL MECHANISMS

- Operating Entities of the Financial Mechanism
  - Global Environment Facility (GEF)
  - Green Climate Fund (GCF)

- Kyoto Protocol “Mechanism”
  - Adaptation Fund (AF) (Revenue levy on CERs)

NON UNFCCC MULTILATERAL; BILATERAL AND OTHER SOURCES

- Climate Investment Funds (CIFs)
- Multilateral Development Banks (World bank, African Development Bank)
- Bilateral Development Banks (AFD, KFW)
- Bilateral Donors (Germany, France, Norway, ETC)
- Philanthropic and Foundations
GLOBAL ENVIRONMENT FACILITY

BACKGROUND AND MANDATE

• Since its establishment in 1991, the GEF has allocated over US$10 billion, supplemented by more than co-financing of US$ 47 billion, incorporated in over 2800 projects in 168 countries. It unites 182 member governments in partnership with international institutions, civil society, organizations and the private sector to address global environmental issues.

• The GEF serves as financial mechanism for the following conventions:
  – Convention on Biological Diversity (CBD)
  – United Nations Framework Convention on Climate Change (UNFCCC)
  – Stockholm Convention on Persistent Organic Pollutants (POPs)
  – UN Convention to Combat Desertification (UNCCD)

• The GEF, although not linked formally to the Montreal Protocol on Substances That Deplete the Ozone Layer (MP), supports implementation of the Protocol in countries with economies in transition.
GLOBAL ENVIRONMENT FACILITY

FUNDING MODALITIES

• Grants and non-grant instruments based on a (4 year Replenishment cycle)

• *All projects require GEF Focal Point Endorsement (DEA)*

• GEF Focal Areas: Climate Change, Biodiversity and land degradation funding based and allocations per country and International waters, Chemicals and Waste

• Incremental cost financing i.e. requires co-financing from Developing Countries

• Utilizes Implementing Agencies (18 AGENCIES - UNDP, UNEP, World Bank, UNIDO, IFAD, etc and Pilot Direct Access – DBSA)

• Small Grants (US$ 50 000), medium size (US$ 1 million) and full size (>US$ 1 million)
GLOBAL ENVIRONMENT FACILITY: SA PORTFOLIO

- **Capacity Building Programme to Implement South Africa's Climate National System Life** (US$ 1,100,000 - Co Financing US$ 2,289,065) (UNEP). To enhance human and institutional capacity related to transparency in South Africa.

- **Cities-IAP: Building a Resilient and Resource-efficient Johannesburg: Increased Access to Urban Services and Improved Quality of** (US$ 8,093,171 - Co-Financing US$ 124,439,330) (Development Bank of Southern Africa) - The project will foster city level resilience, resource efficiency, emission reductions and other co-benefits through area-based pilot demonstrations, systems analysis (food), and improved integrated planning.

GLOBAL ENVIRONMENT FACILITY: SA PORTFOLIO

- **Cleantech Programme for SMEs in South Africa** (UNIDO) (US$ 1,990,000 - Co-Financing US$ 6,000,000) - Promotion of clean energy technology innovations and innovative clean energy technology entrepreneurship in South Africa through Clean Energy Technology Innovation Competition and Entrepreneurship Accelerator Programme.

- **Energy Efficient Low-carbon Transport** (US$1,300,000 - Co-Financing US$ 7,115,000) (UNIDO) - Promotion of the widespread use of electric vehicles (EVs) and non-motorized transport (NMT), and the development of the necessary infrastructure, as part of the Green Transport and Green Cities initiatives of South Africa.

GLOBAL ENVIRONMENT FACILITY: SA PORTFOLIO

• “Improvement of industrial energy efficiency in South Africa through mainstreaming the introduction of energy management systems and energy systems optimization.” (UNIDO) (US$ 5,776,484) - Co-Financing US$ 38,439,000)
- To accelerate and expand the introduction of Energy Management Systems (EnMS), Industrial Energy Systems Optimization (ESO), and the Energy Management Standard ISO50001 within the South African industrial (and selected commercial) context in order to realize increased investment in industrial energy efficiency through the wide-scale adoption of the two methodologies and ISO 50001 under (i) enhanced institutional frameworks and regulatory environments, (ii) technical and implementation assistance to industry and (iii) multi-level engineer, technician and operator capacity building programmes.
GLOBAL ENVIRONMENT FACILITY: SA PORTFOLIO


• **Global: Preparation of Intended Nationally Determined Contribution (INDC) to the 2015 Agreement under the United Nations Framework Convention on Climate Change (UNFCCC)** (UNEP) (US$ 220,000)
GEF 7 - NEW POLICIES

• New Entities – *Retain the current network of 18 Agencies.*

• Establish an *Ad-hoc working group on governance* of the GEF Partnership and to make recommendations for consideration by Council to further improve efficiency, accountability, and transparency.

• Non-Grant Instruments – *Increased use.* (GEF 6 US$ 115 million – GEF 7 US$ 136 million)

• *New GEF Policy on Gender Equality,* which promotes a *gender-responsive approach.*

• Trustee to develop options for a *responsible investment strategy* for the financial management of the GEF funds held in trust, for consideration by the Council and consistent with international best practice for environmental, social and governance (ESG) standards.
Co-Financing Policy

• Co-financing means “resources that are additional to the GEF grant and that are provided by the GEF Partner Agency itself and/or by other non-GEF sources that support the implementation of the GEF-financed project and the achievement of its objectives”.

• Investment mobilized means the sub-set of co-financing that excludes recurrent expenditures.

• Level of Ambition: GEF 7 increased co-financing ratio of at least 7:1.

• For the portfolio of projects and programs approved in countries that are subject to “expectations for greater co-financing” GEF aims to reach a ratio of investment mobilized to GEF financing of at least 5:1.

• Countries with the capacity to do so are encouraged to seek even higher levels of co-financing and investment mobilized. Over time, all countries should seek to mobilize greater investments.
Objective 1. Promote innovation and technology transfer for sustainable energy breakthroughs:

- De-centralized renewable power with energy storage
- Electric drive technologies and electric mobility;
- Accelerating energy efficiency adoption; and
- Cleantech innovation.

Objective 2. Demonstrate mitigation options with systemic impacts:

- Sustainable Cities Impact Program
- Food Systems, Land Use, and Restoration Impact Program
- Sustainable Forest Management Impact Program
GEF 7 CLIMATE CHANGE FOCAL AREA PROGRAMMING PRIORITIES

• Objective 3. Foster enabling conditions for mainstreaming mitigation concerns into sustainable development strategies

• Capacity-building Initiative for Transparency
  – Strengthen national institutions for transparency-related activities in line with national priorities;
  – Provide relevant tools, training and assistance for meeting the provisions stipulated in Article 13 of the Agreement; and
  – Assist in the improvement of transparency over time.

• NDC preparation and

• Enabling activities
**GEF 7 CLIMATE CHANGE FOCAL AREA PROGRAMMING**

<table>
<thead>
<tr>
<th>PROGRAMMING AREAS TO BE ADDRESSED THROUGH FOCAL AREAS INVESTMENTS</th>
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<tbody>
<tr>
<td>Climate Change Focal Area</td>
</tr>
<tr>
<td>- Innovation and technology transfer for sustainable energy breakthroughs</td>
</tr>
<tr>
<td>- NDC preparation and implementation</td>
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<tr>
<td>- Capacity Building Initiative for Transparency</td>
</tr>
<tr>
<td>- Enabling Activities</td>
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</tbody>
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<table>
<thead>
<tr>
<th>OBJECTIVES TO BE ADDRESSED THROUGH IMPACT PROGRAMS THAT PROMOTE CONVENTION PRIORITIES</th>
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<tbody>
<tr>
<td>Food Systems, Land Use, and Restoration Impact Program</td>
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<tr>
<td>- Land-based and value chain GHG Mitigation (sequestration and avoidance)</td>
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<tr>
<td>Sustainable Cities Impact Program</td>
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<tr>
<td>- Urban-related GHG emissions avoidance</td>
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<tr>
<td>Sustainable Forest Management Impact Program</td>
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<tr>
<td>- Protection of carbon-rich stocks</td>
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<td>- Forest related GHG emissions avoidance</td>
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## GEF 7 Climate Change Focal Allocation

<table>
<thead>
<tr>
<th></th>
<th>GEF 5 US$ million</th>
<th>GEF 6 US$ million</th>
<th>GEF 7 US$ million</th>
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<tbody>
<tr>
<td>STAR Country Allocations</td>
<td>1088</td>
<td>941</td>
<td>511</td>
</tr>
<tr>
<td>STAR Set-Aside</td>
<td>272</td>
<td>319</td>
<td>290</td>
</tr>
<tr>
<td>• Enabling activities and CBIT</td>
<td>80</td>
<td>130</td>
<td>165</td>
</tr>
<tr>
<td>• Integrated Programming</td>
<td>100</td>
<td>130</td>
<td>107</td>
</tr>
<tr>
<td>• Global and Regional Programs</td>
<td>92</td>
<td>59</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1360</strong></td>
<td><strong>1260</strong></td>
<td><strong>801</strong></td>
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</tbody>
</table>

- **46%**
- **26%**
- **36%**
GREEN CLIMATE FUND: BACKGROUND AND MANDATE

• The Transitional Committee chaired by South Africa, Norway and Mexico was tasked with designing the Governing Instrument of the Green Climate Fund.

• The UNFCCC COP 17 in Durban designated the Green Climate Fund (GCF) as an operating entity of the financial mechanism of the Convention under Article 11 of the Convention and approved the governing instrument designed by the Transitional Committee.

• The GCF is accountable to and functions under the guidance of the UNFCCC COP

• The GCF will support projects, programmes, policies and other activities in developing country parties.

• A Board comprising of 24 members with equal representation of developed and developing countries will govern the GCF.

• The fund has an independent Trustee and Secretariat as well as headquartered in an approved host country (Songdo, Incheon – South Korea).
GREEN CLIMATE FUND: FOCUS AREAS

PARADIGM SHIFT OBJECTIVE - Low emission and climate resilient development pathways

INITIAL RESOURCE MOBILIZATION 2015 – 2017 (US$ 10 billion)

• 2018 – US$ 7 billion materialized

ALLOCATION

• 50:50 mitigation and adaptation
• Floor 50% vulnerable, LDCS, SIDS, Africa
• Geographic balance (seek)
• Fair and reasonable access for all
GREEN CLIMATE FUND: STRATEGIC RESULTS AREAS
GREEN CLIMATE FUND: FUNDING MODALITIES

TYPE OF RESOURCES
• Grants; Concessional Finance; Guarantees and Equity

ACCESS MODALITIES
• Access to GCF resources is to all developing countries that are parties to the UNFCCC.
• Access is through Accredited Implementing Entities and Intermediaries (National, Sub-Regional and Regional, International)
• Requires no-objection letter from the National Designated Authority/ Focal Point (DEA)

INDICATORS
• Tons of CO2; Cost per CO2 decreased; Volume of finance leveraged; No of direct and indirect beneficiaries
GREEN CLIMATE FUND: SA PORTFOLIO

- Projects Approved:
  - Catalyzing private sector investment for renewable energy and energy efficiency projects across the developing world – European Investment Bank (Global Project – 30 Countries) US$ 265 million (Potential US$ 10 - 15 million for South Africa)
  - "DBSA Climate Finance Facility" – GCF US$ 55,6 million (loan) US$ 610 000 (Grant) ; Co-Financing US$ 114 million (loan) US$ 940 million (Grant) (Eswatini, Namibia, Lesotho, South Africa) The lending facility will consist of credit enhancements focused on first loss or subordinated debt and tenor extensions to catalyze private sector climate investments. The CFF will be a first-of-its-kind application based on the Green Bank model, adapted for emerging market conditions. It offers globally significant proof-of-concept value to middle and lower income nations seeking to address market barriers and quickly scale up the high levels of private investment required by Paris climate commitments.
GREEN CLIMATE FUND: SA PORTFOLIO

- Projects Approved:
  - "Transforming the Financials for Climate" – GCF US$ 241 million (Loan) US$ 35.8 million (Grant); Co-Financing US$ 469.4 million (loan) US$ 8.1 million (Grant) (Agence Française de Développement) (African regional program consisting 17 countries including South Africa)
    - Promoting access to an adapted and diversified financial offer, especially for vulnerable populations living in remote areas or those particularly exposed to economic shocks.
    - Ease of access to financial systems for MSMEs. Support the transformation of financial actors’ practices to promote sustainable development models. (strategy, risk management, marketing, etc.).
    - Support public authorities (Government, supervisors, central banks, etc.) in strengthening the financial system structure in order to ensure its stability.
GREEN CLIMATE FUND: SA PORTFOLIO

• Readiness Funding
  – Building SANBI’s capacity to develop GCF funding proposals and manage and monitor GCF projects in South Africa (US$ 380,000)

• Projects submitted but not yet approved:
  – SANBI (Adaptation – Enhanced Direct Access)
  – LandBank (Mitigation – Mobilizing finance at scale) Approximately US$ 40 million

• Project Preparation Funding - PPF (up to max of US$ 1.5 million)
  – Municipal Solid Waste Management Programme – (DBSA) US$ 1.3 million
  – Public Private Sector Energy Efficiency Programme (PPSEEP) (DBSA)
GREEN CLIMATE FUND: SA PORTFOLIO

• Concept Notes
  – Credit Enhancement Mechanism for non-Sovereign Backed PPAs - To source a first loss/guarantee facility, to be used as a credit support mechanism to support non-sovereign guarantee backed PPAs for RE Projects in South Africa (DBSA – US$ 253 million)
  – Water Resilient programme with City of Cape Town (City of CT/ DBSA – US$ 77 million grant and US$ 38 million loan)
The Adaptation Fund was one of three funds established under the Marrakesh Accords, adopted at COP-7 (November 2001).

The other two funds established under the Marrakesh Accords are – the Least Developed Country Fund, and the Special Climate Change Fund. (Under the GEF)

In Bali, in December 2007, Parties reached an agreement on the governance structure for the Adaptation Fund (AF).

The governance structure consists of an Adaptation Fund Board. The Adaptation Fund Board is constituted of 16 members and 16 Alternates, representing Parties to the Kyoto Protocol.
ADAPTATION FUND

BACKGROUND AND MANDATE

• The Adaptation Fund is established under the Kyoto Protocol. Revenue for the fund is generated from a 2% levy of Certified Emission Reduction (CERs) issued for CDM projects.
• The fund’s revenue does not come from grants/donor contributions (like the SCCF and the LDCF), instead the fund’s revenue is directly linked to the CDM mechanism.
• Future capitalisation in discussion.
• Adaptation Fund resources are accessed via Multilateral Implementing Entities (MIEs) and National Implementing Entities (NIEs)
• Initial country cap of USD10 million – but under revision
• Direct Access Modality – Pioneered by and an innovation of the Adaptation Fund
• SANBI is South Africa’s National Implementing Entity (NIE) of the Adaptation Fund
ADAPTATION FUND

FUNDING MODALITIES

• Grant Funding
• Full cost funding
• Revenue generated from the 2% CDM levy – Dependent on global carbon market price
• Allows for direct access as well as access through multilateral institutions.
• SANBI accredited as a National Implementing Entity
• Projects requires Designated Authority endorsement (DEA)
• Approval of projects by the AF Board.
• Country cap of US$ 10 million (SA has utilised its allocation)
ADAPTATION FUND: SA PORTFOLIO

Building resilience in the Greater uMngeni Catchment, South Africa (US$ 7.5 million)

• Early warning systems that support local communities and small scale farmers
• Climate-proof settlements (built and ecological infrastructure) and informing settlement planning
• Climate resilient agriculture
• Lessons learnt

Taking Adaptation to the Ground: A Small Grants Facility for enabling local level responses to climate change (US$ 2.5 million)

• Fund at least 12 small grants in 2 target areas valued at US$1,5 million 3 investment windows – “Climate Smart” agriculture; Climate Resilient; Climate Proof Settlements
• Approx. USD100 000 each
• Provide ongoing support
12 Small Grant Facility Projects Approved to date!
MULTILATERAL DEVELOPMENT BANKS – WORLD BANK CLEAN TECHNOLOGY FUND


• Development of a utility-scale wind power plant -- Phase 1 of Eskom’s Western Cape Province Wind Energy Facility, consisting of a 100 MW wind farm -- as well as support to pioneer private sector projects amounting to 100 MW new generation capacity - (CTF US$ 100 million – World Bank US$ 50 million and African Development Bank US$ 35.6 million)
MULTILATERAL DEVELOPMENT BANKS – WORLD BANK CLEAN TECHNOLOGY FUND

- South Africa Sustainable Energy Acceleration Program - CTF = US$ 77.5 million. This component addresses use of CTF funds to support private sector megawatt scale sustainable energy projects, including cogeneration energy efficiency projects and wind and solar renewable energy projects. More specifically the program seeks to encourage transformation of the private SE sector by establishing a series of direct, project level interventions in the wind, solar and cogeneration sectors, all of which are nascent but offer significant potential in South Africa.
  - Solar PV (US$ 42.5 million – African Development Bank)
  - Solar PV (US$ 42.5 million – International Finance Corporation)

The 100 MW KaXu Solar One project financed by the IFC is one of the first operational private sector utility-scale concentrated solar power (CSP) plant in the developing world - generating enough electricity to power 80,000 South African households; Winner of the UNFCCC Momentum for Change Award 2017
MULTILATERAL DEVELOPMENT BANKS – WORLD BANK CLEAN TECHNOLOGY FUND

• Scale up energy efficiency investments by catalyzing the expansion of bank lending to the commercial and industrial sectors through lines of credit to commercial banks, contingent financing to foster energy service companies (ESCOs), and financial incentives or risk products to market leaders, such as large industrial customers - CTF US$ 7.5 million. (International Finance Cooperation)

• Eskom Renewables Support Project - Pilot project with a large-scale distributed Battery Storage Program1 linked to continuation of South Africa’s Renewable Energy Independent Power Producers (REIPP) Program - CTF US$ 273 million (US$ 195.0 million softer-term loan, US$ 20.0 million for technical assistance – softer term loan (IBRD) and US$ 58.0 million softer-term loan (AfDB))
BILATERAL FINANCE

Germany

• EPBP – Energy Efficiency in Public Building Programme (DoE, DPW, DEA) Euro 4,764,400 (2017 - 2021)
• Climate Support Programme (CSP) - Phase III 9 (DEA) Euro 16,000,000 (2017 - 2020)
• “Climate Initiative for Urban Waste Water Treatment in Cape Town” – Aim is finance parts of Cape Town’s waste water programme via a local currency loan of 80 million euros. US$ 91 million

Government of Flanders

• Third Country Support Strategy (CSP III) Euro 25 million (2017 - 2021) focusing on Climate Change Adaptation

Norway

• Environmental Co-operation Programme Capacity Development Within the SA National Inventory Unit NOK 5 million (Norwegian kroner five million) (2014 - 2017)

US

• LEDS US$ 15 million (2015-2020)
NEW AND ADDITIONAL SOURCES OF CLIMATE FINANCES

- GCF (US$ 200 million approximately in the current resource mobilization period) and (1st Replenishment –Potentially in 2019)
- GEF 7 Replenishment (2018 – 2022) SA STAR Allocation US$ 10.15 million
- Bilateral Donors – This may however decline given the emerging view amongst Developed Countries that SA is a “middle income” country. Furthermore Developed countries are also of the opinion that so called “middle income” countries should be getting loans from multilateral funds (GEF and GCF) rather than grants.
- Private Sector – (Focus on catalyzing and leveraging the private sector utilizing the multilateral funds)
- New emerging Development Banks (Asia Infrastructure Bank)
- Potential New domestic financing facilities (Co-financed through multilateral financing)
- Philanthropic organization and Foundations
Mobilizing funding in access of US$ 1 billion in grants and concessional finance while leveraging an additional US$ 5.4 billion in Co-Financing.

- **GEF**
  - US$ 77,2 million (National); US$ 136,2 million (Regional and Global);
  - Co-Financing US$ 466,5 million and US$ 2,5 billion respectively.

- **Adaptation Fund**
  - US$ 10 million

- **GCF**
  - US$ 332 million ; Co-Financing US$ 592 million

- **CIF**
  - US$ 487 million; Co-Financing US$ 4,1 billion

- **Bilateral**
  - Approximately US$ 300 million (EU, Germany, UK, US, Denmark, Norway, Flanders, etc)
## CLIMATE FINANCE INFLOWS OVERVIEW

<table>
<thead>
<tr>
<th>SOURCES</th>
<th>GRANT US $</th>
<th>LOANS US $</th>
<th>CO-FINANCING US $ (in-Cash and in-kind) (* estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEF</td>
<td>77,290,565</td>
<td>15,000,000</td>
<td>466,569,011</td>
</tr>
<tr>
<td>GCF</td>
<td>36,790,000(*)</td>
<td>296,000,000(*)</td>
<td>592,040,000(*)</td>
</tr>
<tr>
<td>AF</td>
<td>9,937,737</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CTF</td>
<td></td>
<td>442,500,000</td>
<td>2,706,800,000</td>
</tr>
<tr>
<td>Bilateral Funding</td>
<td>300,000,000</td>
<td>91,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>424,018,302</strong></td>
<td><strong>844,500,000</strong></td>
<td><strong>3,765,409,011</strong></td>
</tr>
</tbody>
</table>
CURRENT STATE – WHERE ARE WE NOW?

• Finance Pledge – Jointly mobilize US$ 100 billion – variety of sources, instruments – mitigation and adaptation – meaningful action
  – Are we on track? No real evidence – Speculation and Assumptions – OECD
  – No multilateral review process apart from the SCF biannual assessment
  – South Africa (US$ 5,033,927,313 billion)

• Declining Finance
  o GCF (Pledged US$ 10.2 billion and only approx. US$ 7 billion will materialize)
  o GEF
    o GEF 6 US$ 1,260bn vs GEF 7 US$ 801m (-36%)
    o GEF 6 STAR US$ 941m vs GEF 7 STAR US$ 511m (-46%)

• Increased Co-Financing: GEF ratio 7:1 and an additional investment mobilized in a ratio of 5:1 for middle income countries.
CURRENT STATE – WHERE ARE WE NOW?

• Differentiation between and amongst Developing Countries
  o Grants vs Loan, Co-financing requirements, access requirements.

• Lack of political will and growing conservatism in Developed Countries
  o USA; Japan; EU; Nordics

• Shifting Responsibility
  o Do more with own resources; Leverage the private sector; Middle income countries to contribute more.

• Finance focus on mobilization and leverage
  o own domestic resources – private sector

• Climate Rationale: Adaptation

• Transparency
  o Lack of transparency; definition of climate finance; accounting modalities (OECD Rio markers) and Climate Finance = ODA
Thank You