

## Agenda item 2.2.

Paragraph 6 of the annotated agenda, Annex 1

# Financing and use of the CDM by international finance institutions

**CDM EB 99**

Bonn, Germany, 23 to 26 April 2018



# Historical background

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- ✓ **CMP.1** (3/CMP.1, Annex, para B 4(d)): COP/MOP shall *assist in arranging funding* of CDM project activities, as necessary
- ✓ **CMP.1** (3/CMP.1, Annex, para C 5(i)): CDM-EB shall make publicly available information on *projects needing funding* and *investors seeking opportunities*
- ✓ **CMP.11** (6/CMP.11, para 8): encouraged the Board to explore opportunities for *financing the CDM through international financing institutions*, such as the GCF\*
- ✓ **EB-88, EB-90, EB-91, EB-94, EB-97** *initiated neutral, unbiased, non-commercial support for several activities* and added several additional
- ✓ **CMP.12** (3/CMP.12, para 4): encouraged the Board to continue its *activities* in response to CMP.11 above
- ✓ **CMP.13** (-/CMP.13, para 2): encouraged the Board to continue its *cooperation with financial* institutions in response CMP.11 above



## Purpose

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The purpose of this note is to provide the Board with an **update** of the support provided by the secretariat to activities for Q1 2018 (**January 2018 to March 2018**)

Progress **prior** to this **period** was **reported** at EB 97

All support carried out has been done with kind **assistance** and in **collaboration** from the **Regional Collaboration Centres (RCC)**



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# Key issues and proposed solutions

Board approved activities:

**Green Bond** support development of CDM project financing via green bonds

**Baker  
McKenzie.**

ClimateMundial



**bettervest**  
nachhaltig · effizient · rentabel

**Crowd-finance** for projects via crowd-investing & -funding platforms



**EADB** support to the East African Development Bank



**BOAD** support to the West African Development Bank



**IDBZ** support to the Infrastructure Development Bank of Zimbabwe



**UDB** support to the Uganda Development Bank



**ASEAN\*** loans and bonds for CDM projects in south east Asia

**IGES** Institute for Global Environmental Strategies



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\*members of the Association of Southeast Asian Nations (Brunei Darussalam, **Cambodia**, Indonesia, **Lao PDR**, Malaysia, **Myanmar**, Philippines, Singapore, **Thailand** and Viet Nam)

## Results - Green Bond

### Agreed actions:

Sharing **information** on the concept with market players, CDM project developers and DNAs;

Providing **technical support** on design specifics to ensure alignment of eligibility conditions for CDM project inclusion with investment requirements;

**Disseminating** information on the concept to prospective IFIs, credit-rating agencies and development banks, and DNAs;

Establishing **links** with other finance organizations and finance networks, and including outreach and web-based promotion.

### Results to date:

Information shared with Namibia (**Development Bank of Namibia**) and Zambia (**Development Bank of Zambia**) on green finance/bond market and CDM

Engaged & established links with African investors, asset managers and infrastructure funds at the annual **Bonds Loan Sukuk Africa 2018** in South Africa

**Grid-connected solar energy programme for IPPs in the Gambia** under development for registration as a CDM programme of activities; ca. 10 CPAs shall be financed via the green bond issuance

At **Africa Climate Week** in Nairobi, Kenya, in partnership with the *AfDB* showcased countries' experience in green bonds with the aim of using the proceeds to finance CDM projects



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## Results - Crowd-finance

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### Agreed actions:

For CDM projects selected by the facilities, supporting the gathering of **project details** from project developers and portfolio managers interested in using the platforms;

Maintaining a **direct relationship** with platforms to ensure that projects suitable for crowd-investing are connected and benefit from crowd-funding and other innovative funding sources;

Establishing **links** with new platforms and other networks, including outreach and web-based promotion of the sources of finance and opportunities.



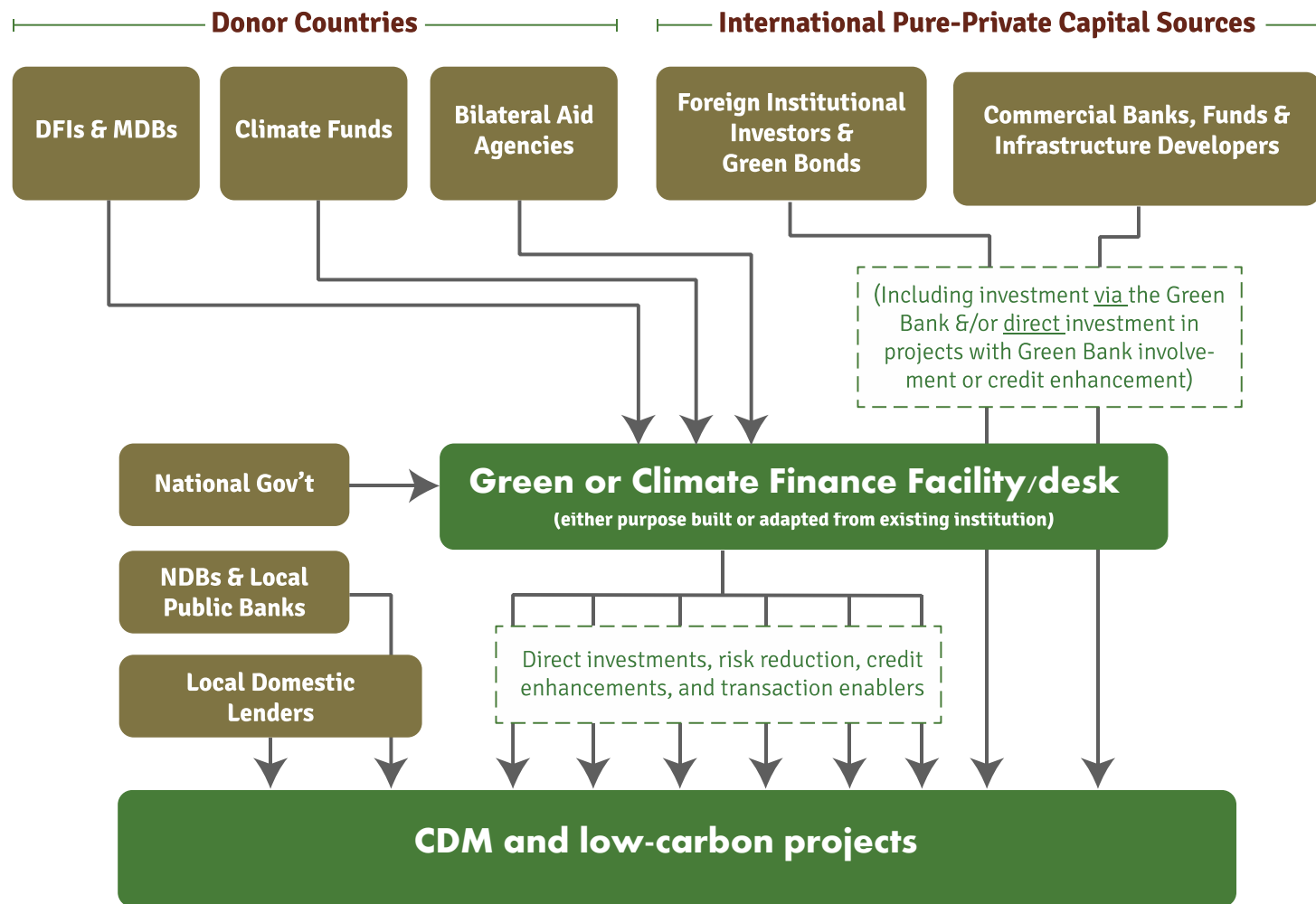
### Results to date:

Continued **maintenance of relations** with CDM projects interested in crowd-funding and assisted with project development on the CDM cycle, including advice on potential buyers of CERs

**Fact sheets** being compiled on the types and means of access of sources of finance and development opportunities for CDM projects, including information on the green investment catalyst process



# Local national development banks are key



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# Results – EADB

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## Agreed actions:

Providing support to the EADB in setting up an operational and **institutional framework** for using the CDM in climate finance, also drawing examples and lessons from the other activities;

Assisting the bank in **completing information** on CDM projects, as identified by the bank as suitable opportunities for its climate finance programmes;

Assisting in the establishment of a **climate finance desk** at the EADB, including capacity- and expertise-building on the use of the CDM in climate finance.



## Results to date:

A suite of **information** provided to the bank on the design and set-up of an operational and institutional framework for accessing climate finance;

Support provided to the bank during a process to recruit an environmental expert manager and a climate finance expert to assist the bank to create a **climate finance desk**;

Approached intermediary financial institutions, including partners of the bank, to **assist in identifying bankable** CDM projects in the region.





# Results – BOAD

## Agreed actions:

Providing support to the BOAD in setting up an operational and **institutional framework** for using the CDM in climate finance, also drawing examples and lessons from the other activities;

Assisting the bank in **completing information** on CDM projects, as identified by the bank as suitable opportunities for its climate finance programmes;

Assisting in the establishment of a **green bond programme** to finance CDM projects, including capacity- and expertise-building on the use of the CDM in climate finance.

## Results to date:

Supported the set-up of the operational and institutional framework to include the use of **CDM as a MRV tool** to recognize the mitigation outcome of BOAD-financed low-carbon projects;

Completed the **identification of a list of projects**, among the BOAD's portfolio, as potentially "eligible green assets" that will be suitable for CDM development;

Commenced the preparation and development of the BOAD **Green Bond Framework** to include provisions for use of the CDM for presentation to bank management and board in Q3/4 2018;

Assisted in the compilation of a **terms of reference** for the instalment of a green bond programme advisor for the bank.



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### Agreed actions:

Providing support to the IDBZ in setting up an operational and **institutional framework** for using the CDM in climate finance, including mainstreaming the CDM project cycle into the IDBZ's project development process;

Assisting in the establishment of a **climate finance desk** at the IDBZ, including capacity- and expertise-building on the use of the CDM in climate finance;

Providing **technical support** on design specifics to ensure alignment of eligibility conditions for CDM project inclusion with investment requirements;

Assisting the IDBZ in **completing information** on CDM projects as identified by the banks as suitable opportunities for its climate finance programmes and development of a green investment framework.

### Results to date:

Following the GIC roundtable held in December 2017, **endorsement received** from the permanent secretaries of the Ministry of Environment, Water and Climate and the Ministry of Finance

Solicited the support of the **Development Bank of South Africa** to provide support services in the set-up a climate finance facility/desk

Supported the bank in gaining approval from its **executive committee** on the approach and requirements

Supported the bank **funds** for the establishment of a green investment framework to provide financing solutions to include CDM projects



### Agreed actions:

Assisting in the establishment of a **climate finance desk** at the UDB, including capacity- and expertise-building on the use of the CDM in climate finance;

Providing **technical support** on design specifics to ensure alignment of eligibility conditions for CDM project inclusion with investment requirements;

Assisting the UDB in **completing information** on CDM projects as identified by the banks as suitable opportunities for its climate finance programmes, and development of a green investment framework.

### Proposed actions:

Commenced **initial engagements** with the bank. It is understood that the bank is undergoing an international credit rating process expected to be completed in mid-2018, after which the bank will wish to start discussions on the **establishment of a climate desk**. The bank has also indicated a need to restructure equity positions into loans and has shown **interest in green bonds**, but is awaiting the credit rating before going ahead..

### Agreed actions:

Supporting the **identification of green loan and bond market actors** that are interested in issuing green debt and bonds in at least two countries with mature capital markets and two in developing capital markets to include CDM project debt;

Raising interest in green loan and bond actors in providing refinancing for CDM projects through **capacity-building activities** to further enhance understanding of green loans and bonds for public and private sector bodies, including convening a green investment catalyst roundtable in the region, with relevant partners in 2018;

Providing **technical support** on design specifics to ensure alignment of eligibility conditions for CDM project inclusion with investment requirements;

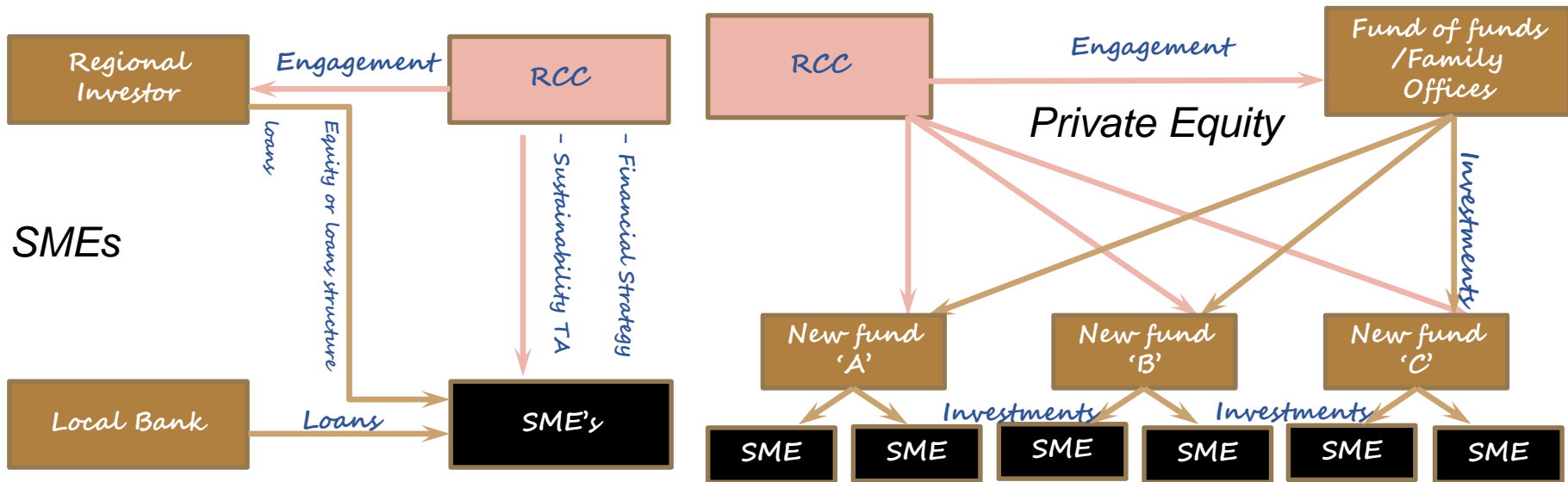
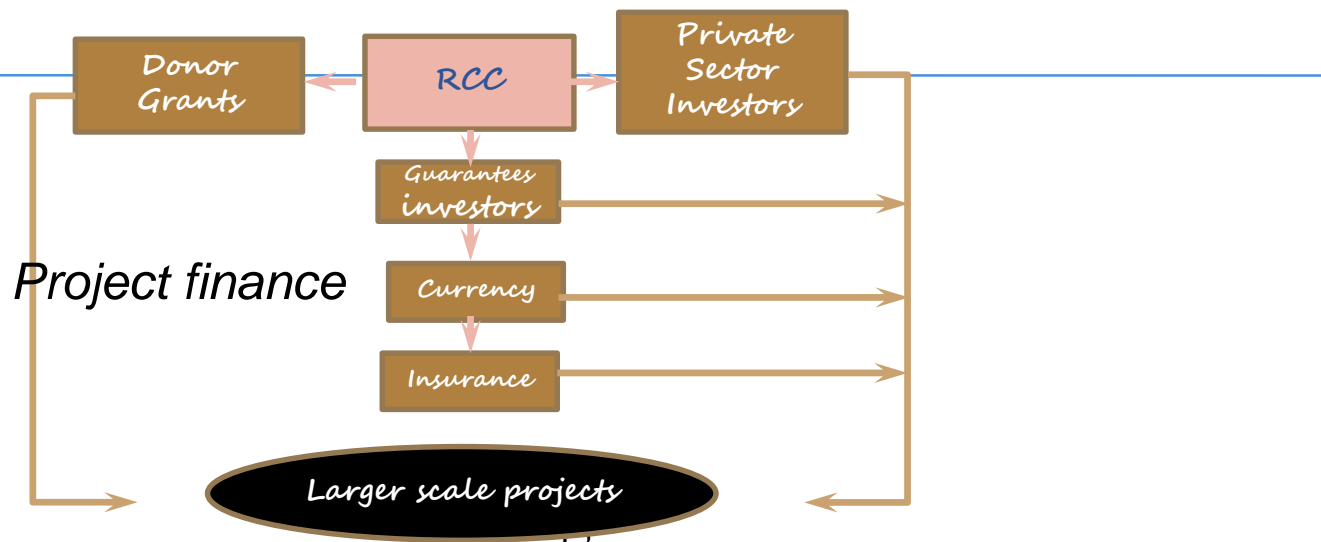
Establishing **links** with other finance organizations and finance networks, and including outreach and web-based promotion.

### Proposed actions:

Installed a senior finance **expert** and completed an action plan for ASEAN region. As part of the plan, initiated outreach in the **Mekong region** (Cambodia, Lao PDR, Myanmar), covering to date four commercial banks, one central bank and one microfinance institution, as well as several financial service providers (2 brokers, 1 credit rating agency, 2 guarantee providers) and four development partners in Thailand;

Work commenced on a **green investment catalyst roundtable** planned to convene and other relevant stakeholders in June in Singapore, in association with the Monetary Authority of Singapore, the Asian Securities and Financial Market Association, and UN-ESCAP

# Engagement models – under development



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## Impacts

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The work promotes use of the CDM by IFIs:

- ✓ contribute to **pre-2020** climate action
- ✓ mitigation action that is **verified, additional & internationally** tracked
- ✓ contribute to the **exploration other uses of the CDM**

The proposed work does not foresee any cost implications for the Board nor 3<sup>rd</sup> parties/stakeholders



## Subsequent work and timelines

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All the activities have been initiated and are likely to continue throughout 2018.....



## Recommendations to the Board

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The secretariat recommends to the Board:

Take note of the **progress of the support** provided by the secretariat and in collaboration with the RCCs for the period Q1 2018

