IFC CLIMATE BUSINESS:
BUILDING FINANCIALLY SUSTAINABLE CLIMATE MARKETS
CLIMATE CHANGE AFFECTS KEY STABILITY LEVERS

Climate change is the fundamental threat of our lifetime – all investments today occur amidst instability and vulnerability affecting many of the WBG client countries.

- Food insecurity
- Conflict & Migration
- Pollution & Health

Without addressing climate change, $100 million additional people could fall into extreme poverty by 2030.

Rising temperatures and extremes of weather will affect food growth and food security – both on land and in the acidified oceans.

Scarce resources and rising seas will result in intensified conflicts and a potential 200 million climate refugees are expected by mid century.

Growth that is not green will result in severe pollution and adverse health effects.

It is increasingly important to help WBG client countries build markets and involve private sector where possible, as demand for public resources is expected to grow.

IFC is focused on creating the markets designed for the world of the future:
- Resilient to impacts of climate change
- Energy independent/secure
- Food secure
IFC CLIMATE IMPLEMENTATION PLAN:
4 CORPORATE OBJECTIVES THROUGH 2020

- Scale Climate Investments to 28% of IFC Overall
- Leverage $13 BN in Private Sector Capital
- Maximize Impact
- Account for Climate Risks
CLIMATE FINANCE NEEDS ARE LARGE AND IMMEDIATE. IFC WILL ACCELERATE PRIVATE SECTOR FINANCING TO MEET THESE NEEDS

IFC’s role in direct investments in climate-smart industries, mobilizing private capital to address climate finance gaps, and innovative financial products is key to leverage the private sector’s critical role in climate change mitigation and adaptation.

Examples of Climate Market Potential from 21 Countries:

- **Green buildings in East Asia:** $16 trillion potential, mostly concentrated in new green buildings
- **Sustainable transport in Latin America:** $2.6 trillion potential, almost 60% for transport infrastructure
- **Energy efficiency and transport in Eastern Europe:** $665 billion potential, where energy efficiency is a priority sector
- **Renewables (RE) in Middle East and North Africa:** $265 billion potential, over one third for RE generation & 55% for urban solutions
- **Climate resilient infrastructure in South Asia:** $2.5 trillion potential, for green buildings, transport, and energy efficiency
- **Accessible clean energy in Africa:** $783 billion potential, including $123 billion for RE generation

Source: Climate Investment Opportunities Report, IFC 2016. Note that these estimates are for a sample of 21 countries.
GOOD POLICIES CREATE STRONG MARKETS

Private sector has solutions that can help countries meet their climate goals, but companies and investors need clear and transparent policies, structures and incentives.

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<tr>
<th>STREAMLINING REGULATIONS: Scaling Solar</th>
<th>CONNECTING NDCs TO ACTION: Private Sector Roadmaps</th>
<th>GREEN BANKING SYSTEMS: Sustainable Banking Network</th>
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<tr>
<td>Scaling Solar streamlines project preparation, getting solar projects operational in only 2 years.</td>
<td>• IFC is exploring the potential for private sector road maps tied to NDCs.</td>
<td>• IFC-led Sustainable Banking Network (SBN) is scaling peer learning, improving performance standards in client countries, and launching WBG-UNEP Roadmap to greening financial systems.</td>
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<td>IFC created standardized legal agreements (term sheets, finance agreements, and PPAs).</td>
<td>• Example could include helping Cote d’Ivoire attract private sector investment to meet its 42% RE goal by 2030</td>
<td>• The SBN aims to support green banking/financial sector regulations and industry standards in 25 countries by 2020.</td>
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<td>Zambia, Senegal, Madagascar and Ethiopia.</td>
<td>• Mobilizing business support for carbon pricing via the CPLC in India, Mexico and Brazil.</td>
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<td>Auctions in Zambia resulted in some of the lowest tariffs in Africa.</td>
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Green bonds enable corporations and banks to raise capital for green assets. Early participation by WBG created the standards (eligibility criteria and reporting) that enabled wider use of green bonds globally. IFC is helping clients issue green bonds.

### NEW FINANCIAL PRODUCTS:

**Forest Bond**
- IFC Forest Bond gives investors the option of getting repaid in either forestry (carbon) credits or cash.
- The $152 million, 5-year bond was oversubscribed and listed on the London Stock Exchange.
- It is an important demonstration example of leveraging markets to support a sector that needs $75 - $300 billion of investments in the next decade.

### PROJECT BUNDLING:

**Jordan’s Seven Sisters**
- Since solar projects are often small, IFC bundled 7 separate projects in Jordan to reduce transaction and financing costs, providing a $200mn financing.
- All projects used the same documentation, thereby reducing transaction costs.
- Lenders were able to price for larger volumes and spread internal costs across a larger portfolio of assets.

### NEW ASSET CLASS:

**Green Bonds**
- Green bonds enable corporations and banks to raise capital for green assets.
- Early participation by WBG created the standards (eligibility criteria and reporting) that enabled wider use of green bonds globally.
- IFC is helping clients issue green bonds.