

IFC CLIMATE BUSINESS: BUILDING FINANCIALLY SUSTAINABLE CLIMATE MARKETS



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CLIMATE CHANGE AFFECTS KEY STABILITY LEVERS

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



Threat to development

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



Food insecurity

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



Conflict & Migration

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



Pollution & Health

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.

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



Green buildings in East Asia:

\$16 trillion potential, mostly
concentrated in new green buildings



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



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.

STREAMLINING REGULATIONS: Scaling Solar

- Scaling Solar streamlines project preparation, getting solar projects operational in only 2 years.
- IFC created standardized legal agreements (term sheets, finance agreements, and PPAs).
- Zambia, Senegal, Madagascar and Ethiopia.
- Auctions in Zambia resulted in some of the lowest tariffs in Africa.



CONNECTING NDCs TO ACTION: Private Sector Roadmaps

- IFC is exploring the potential for private sector road maps tied to NDCs.
- Example could include helping Cote d'Ivoire attract private sector investment to meet its 42% RE goal by 2030
- Mobilizing business support for carbon pricing via the CPLC in India, Mexico and Brazil.



GREEN BANKING SYSTEMS: Sustainable Banking Network

- 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.
- The SBN aims to support green banking/financial sector regulations and industry standards in 25 countries by 2020.



INNOVATION IN PRODUCT STRUCTURING

IFC continuously looks to offer new financial products and solutions to the market.

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