



**International
Finance Corporation**
World Bank Group

Climate Change and the Private Sector

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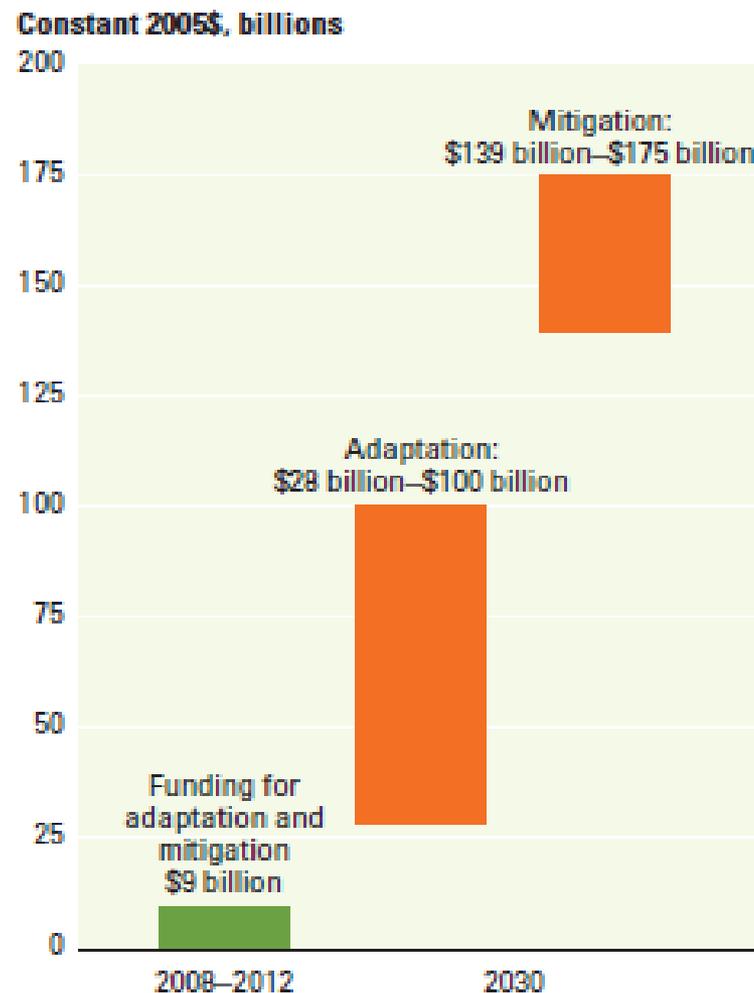
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Outline

- ❖ The global climate finance challenge
- ❖ From Copenhagen to Cancun
- ❖ IFC's approach to climate change
- ❖ Climate change and the private sector

The Global Challenge: Financing Climate Change

- Current levels of **annual** climate financing for developing countries (\$9 billion) fall short of annual estimated needs
 - \$140-175 billion for Mitigation
 - \$30-100 billion for Adaptation
- For this to be achieved and attained, private sector participation and financing is crucial
- Solutions need to integrate new business models based on:
 - Innovation
 - Scalability
 - Policy-based incentives and reforms



Source: World Development Report 2010

From Copenhagen to Cancun

- No agreement was reached on a global climate treaty in Copenhagen in 2009
- Copenhagen Accord: 106 signatories (>80% of global emissions); 72 declared reductions commitments
- Estimates of total reductions “promised” range from 50% to 70% of what is required to maintain CO2 emissions to 450 ppm
- Pledges of climate finance of \$10b p.a. by 2012 (Fast Start) and \$100b p.a. by 2020
- UN’s High-level Advisory Group on Finance: focuses on ways to raise climate finance
- Cancun meetings unlikely to achieve overall treaty
- Expectations are for progress in specific areas (eg forestry, fast start finance, technology transfer) to advance the climate agenda

Climate Business: Enabling Sustainable Prosperity

CLIMATE BUSINESS encompasses technology, products and services that:

- Improve the productive and responsible use of natural resources – “doing more with less”
 - Provide superior performance at lower costs
 - Greatly reduce or eliminate GHG emissions



ENERGY: Low carbon energy generation, storage, infrastructure and efficiency



TRANSPORTATION: Vehicles design, fuels and logistics



WATER: Filtration, purification, water conservation and waste water treatment



AIR & ENVIRONMENT: Emission control, trading and offsets



BUILDINGS: Low carbon strategy, efficient technologies, renewables and sustainable materials use.



MATERIALS/MANUFACTURING: Green nanotech/ biotech/chemicals, control, and RE/EE industries



AGRICULTURE & FORESTRY: Land mgmt, natural fertilizers, irrigation, forestry and biomass



RECYCLING & WASTE: Recycling services and waste treatment services

Climate business will only scale and have impact with significant private sector participation – where IFC has an important role to play

IFC's Climate Change Agenda

► *Grow climate-related business to 20% of annual commitments by 2013*

Thought Leadership

- Methodologies for setting and monitoring climate goals and standards across all sectors
- GHG accounting, impact assessment and efficiency guidelines
- Capacity building for private and public clients related to climate business/policy
- Engagement with IFIs, institutional investors, academia and civil society

Business Opportunities

- Develop scalable climate business models
- Invest in new and transferable technologies
- Develop relations with global and local climate technology companies
- Stay abreast with climate-related business solutions and markets

Financial Innovation

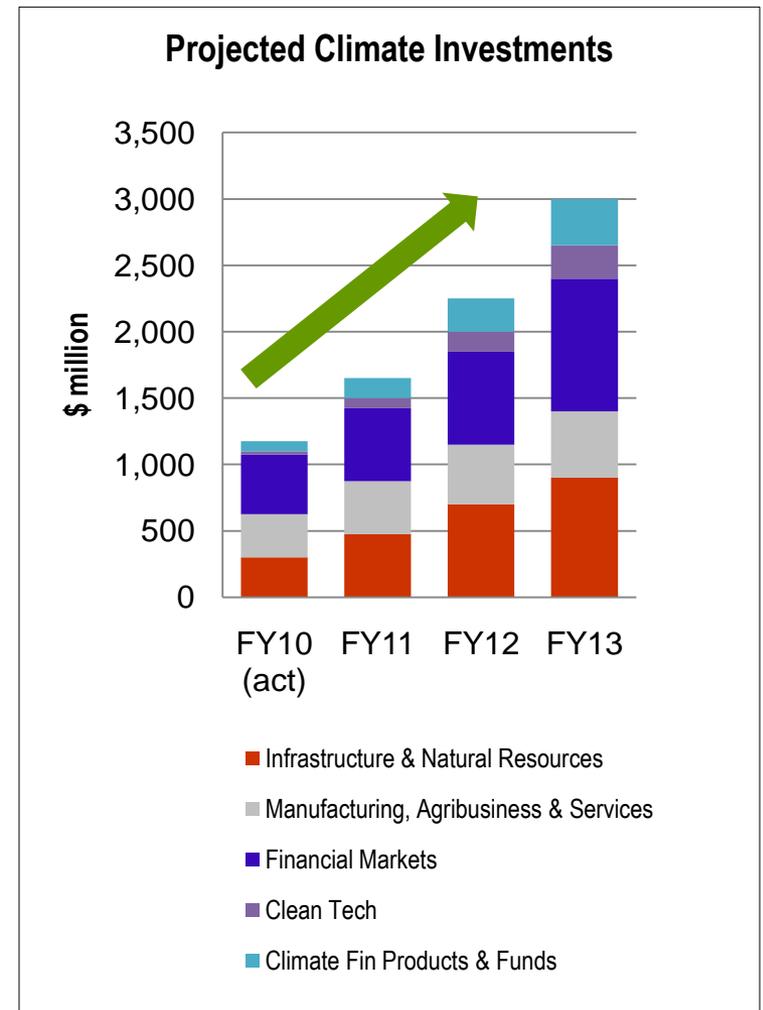
- Leverage and adapt existing financial products (e.g., carbon)
- Develop new innovative financial products
- Develop efficient mechanisms to leverage public funds with private investment: tap into new climate finance
- Scale up through intermediation with financial institutions and funds

IFC's Performance Standards and Climate Change

- IFC's Sustainability Framework
 - Policy and Performance Standards on Social and Environmental Sustainability
 - Policy on Disclosure of Information
- Revision currently underway – proposed Policy explicitly recognizes:
 - that climate change may impact economic and social development
 - the importance of the private sector's role in the reduction of GHG emissions and adaptation to climate change impacts
- PS 1: Assessment and Management of Social & Environmental Risks and Impacts
 - Proposes that the client establish and maintain a process for identifying the social and environmental risks and impacts of the project
 - Risks include those relating to climate change
- Other PS also have climate related language where appropriate – particularly PS 3 (Resource Efficiency and Pollution Prevention) and PS 4 (Community Health, Safety and Security)

Planned Climate Investments for IFC's Account

- IFC's plans to grow its commitment in climate-related investments for its own account from about \$1 billion/year in FY10 to **\$3 billion/year** by FY13
- By FY13, investments in climate-friendly projects will be scaled across IFC:
 - **Infrastructure & Natural Resources** finances on/off-grid renewables; efficiency in power/T&D, transport & ICT; water – \$900 M/year
 - **Manufacturing, Agribusiness & Services** finance industrial EE & CP; renewables supply chain; green buildings; agri and forestry – \$500 M/year
 - **Financial Markets** works through FIs to finance small/medium green investments and climate-related projects – \$1000 M/year
 - **Clean Technology** – investments in innovative, transferable, scalable climate technologies – \$250 M/year
 - **Climate Financial Products & Funds** across all sectors – \$350 M/year



Why should the private sector care about climate change?

Business case

- Rising cost of energy
- Unstable energy supplies
- Competitive pressures
- Regulatory pressures

Chinese offshore development blows past US. “What the US doesn’t realize is that China is going from manufacturing hub to the clean-tech laboratory of the world” – Peggy Liu, Joint US-China Collaboration on New Energy (NYT Sep 2010)

Opportunities!

- Falling costs of new technologies
- Favourable policy regimes and incentives
- Availability of climate finance

British government launches Capital Markets Climate Initiative to make London a global hub for green investment. The CMCI aims to help meet the \$100 billion of new investment needed per year by 2020 to tackle climate change in developing countries (Reuters Sep 2010)

Creates new business opportunities

Why should the private sector care about climate change?

Climate-related events have far-reaching consequences

- Unprecedented forest fires in Russia led to wide-spread destruction of crops and ban on wheat exports
 - *Steep rise in cost of wheat prompted by a Russian export ban and questions looming over harvests in other parts of the world because of drought or flooding....10 people died in Mozambique during clashes ignited partly by a 30% leap in the cost of bread (NYT Sep 2010)*
- Flooding in Pakistan attributed to changes in strength of monsoon, linked to surface temperature of the Indian Ocean
 - *Josette Sheeran, executive director of the World Food Programme...warned of more dangerous long-term effects. People face a triple threat: loss of crops, loss of seed for the next planting season and loss of a daily income (NYT Sep 2010)*

Can affect all aspects of business viability: financial, technical, environmental, social

Why should the private sector care about climate change?

Climate change exacerbates pressures on land, resources

- Supply of arable land decreasing in China due to erosion, desertification and development; water is an additional constraint
 - *China committed \$5 billion for agricultural development in Africa in 2008. China is sending expatriate farmers to Africa to cultivate the land and export the grain directly back home to ensure a consistent supply of grains. According to the Chinese Ministry of Commerce, over one million Chinese are farming in Africa dispersed throughout 18 countries. (Seeking Alpha, investor website, Aug 2010)*
- Water shortages on Peru's Pacific coast are expected to get worse as climate change shrinks the glaciers that feed the Ica river system.
 - *Industrial production of asparagus in Peru's Ica Valley is depleting the area's water resources. The asparagus beds developed in the last decade require constant irrigation...local water table has plummeted since 2002 when extraction overtook replenishment. (The Guardian, Sep 2010)*

Creates new business risks

Thank you!

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