

Proposal for a TA Facility for Clean Energy Investment Mobilization

Context:

- Mobilization of mainly private investments and finance are needed to achieve clean energy objectives in line with Paris Agreement, NDCs and SDGs. Need to scale up clean energy investments in a short timeframe and avoid locking in high-carbon energy supply.
- MDBs are committed to increasing clean energy. Increasing focus on their role in mobilizing domestic financial institutions and catalyzing private finance, including from institutional investors.

Aim:

- Establish facility within the CIFs that will assist countries in accelerating investments and market development of clean energy in support of the clean energy transformation.
- Strengthen MDB support for enabling investment frameworks, in particular in the interface between private sector investment and public policy.
- Focus on technical support for investment-friendly regulation and measures that address risks and transaction costs, thereby mobilizing private sector investment and financing and bringing down the cost of capital.
- Aligned with CIF objectives. Does not prejudge decisions about the future of the CIFs. Complementary to existing programs. As only TA no reflow issues. Will help mobilize investments that may be funded from different sources.

Types of investment enabling interventions supported:

- Advisory on policy, regulation and planning directly relevant to private investment in clean energy and market development. Covers both energy, investment, and financial regulatory frameworks.
- Business models and other enablers of investment transactions.

Technical support for design and preparation of:

- Tools and instruments for risk mitigation, including with the use of blended finance
- Instruments to support pipelines of investable projects

Prioritized interventions

- Integrated approaches addressing the whole chain of investment enablers
- Involvement of ministries and regulators responsible for economic development, finance and planning
- Involvement by both the public and private sector arms of the MDBs.
- Partnerships across the public and private sector with e.g. IRENA, IPEEC, IEA/OECD, bilateral actors, financial institutions and investors.

Initial thematic and country focus - may be expanded with funding from other sources:

- Grid-connected renewable energy; Energy efficiency in buildings and industry.
- Focus on middle income countries/emerging economies with the highest mitigation potential (Asia, Latin America).

Implementation and governance:

- Implementation model builds on the “Knowledge from Evaluation for Learning in the Climate Investment Funds”:
- Special initiatives budget line under the SCF Administrative Budget. Will not burden the SCF admin. budget.
- Supported by Advisory Group.
- Senior specialist to lead the implementation of the Facility.

Process and timeline:

- Presentation of the concept at Joint CTF and SCF TFC meeting on 15 December.
- Preparation of a full-scale proposal 1st quarter of 2018.
- Formal approval of Facility in written procedure 2nd quarter of 2018.
- Commencement of operations and first funding commitments 3rd quarter of 2018.

Linkages:

- Paris Agreement: NDC implementation and finance flows.
- Investment focused initiatives by MDBs.
- Clean Energy Ministerial work on investment and finance.
- Financing for implementation of SDGs, in particular SDG7 on energy.
- G20 work on climate, energy and green finance.
- Clean Energy Investment Coalition toward UNSG Climate Summit in 2019.