

»» Financing in a changing Climate

Austrian Climate Change Workshop

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Bank aus Verantwortung

KFW

»» Financing in a Changing Climate



Mechanisms

- Development Finance
- CDM + JI
- PoAs
- NAMAs
- NMM
- INDC

Instruments

- Grants
- Loans
- Guarantees
- Insurances
- Certificates
- Green Bonds

- Innovation
- Transformation
- Paradigm Shift
- Ambition

Requirements

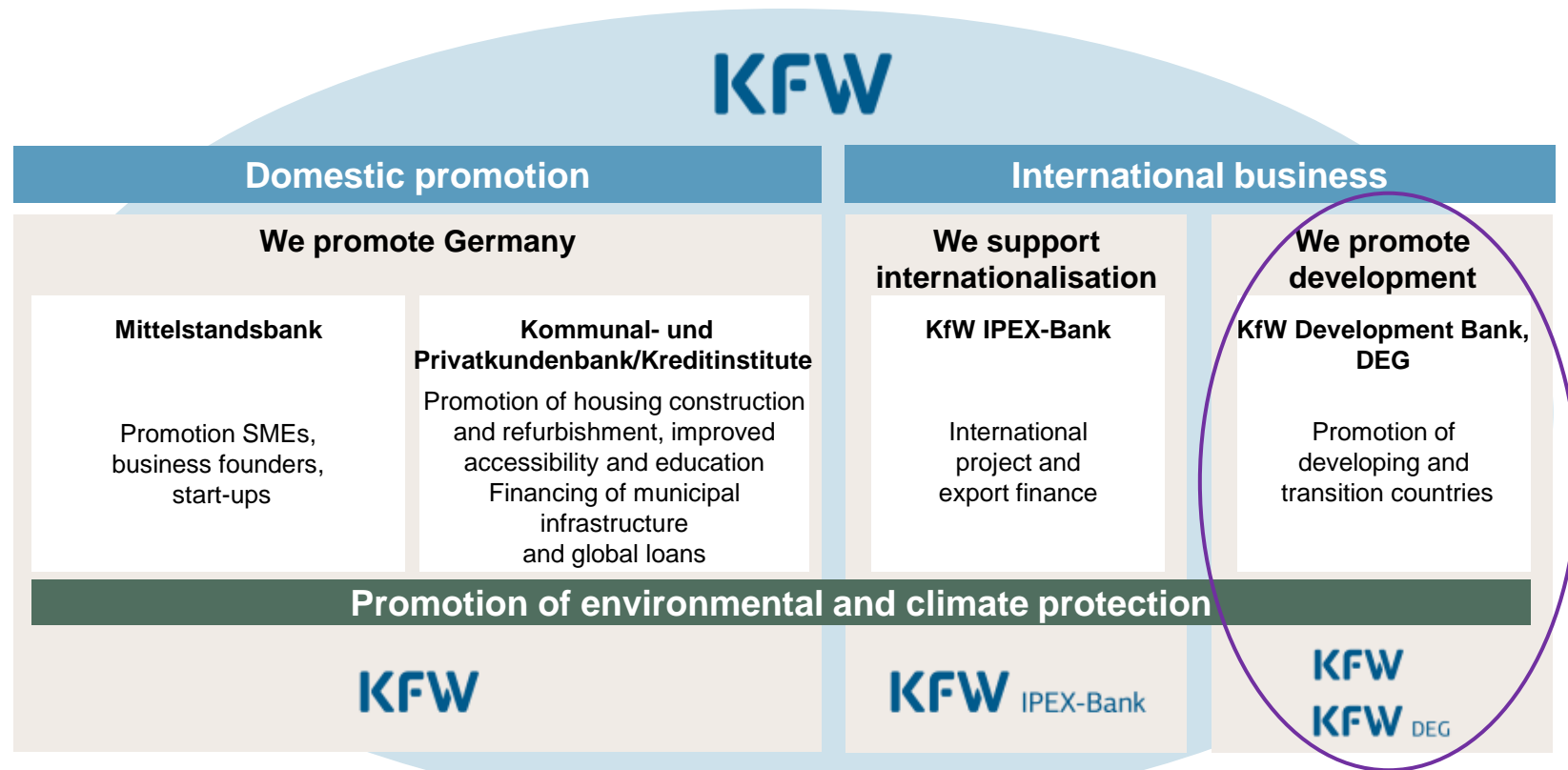
- CO2 Reduction
- Social development
- Economic improvements
- Environment
- Gender
- Health

Sources of Funding

- Bilateral / Multilateral
- Host Governments
- Private Investors
- GCF
- Various Climate Funds / Facilities
- Households
- Corporates

»» Green Finance by KfW Group: 36 bln. USD in 2014

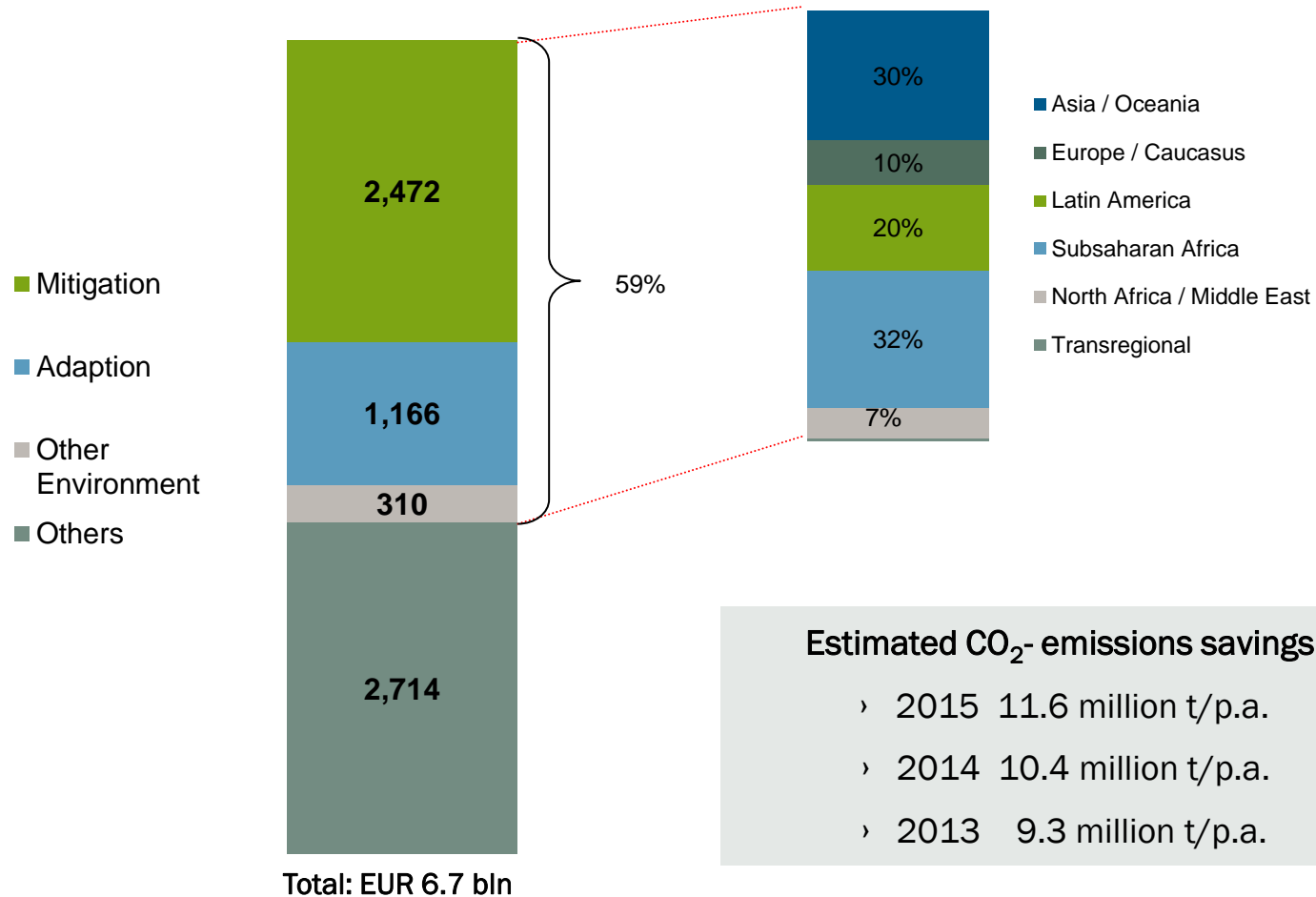
Instruments: Grants – Concessional and Commercial Loans – Equity – Mezzanine Finance



KfW is a development bank owned by the German government with a broad domestic, European and international mandate - implemented by KfW, KfW Development Bank, DEG and KfW IPEX

»» Commitments for environment and climate

Commitments 2015 of KfW Development Bank by sectors



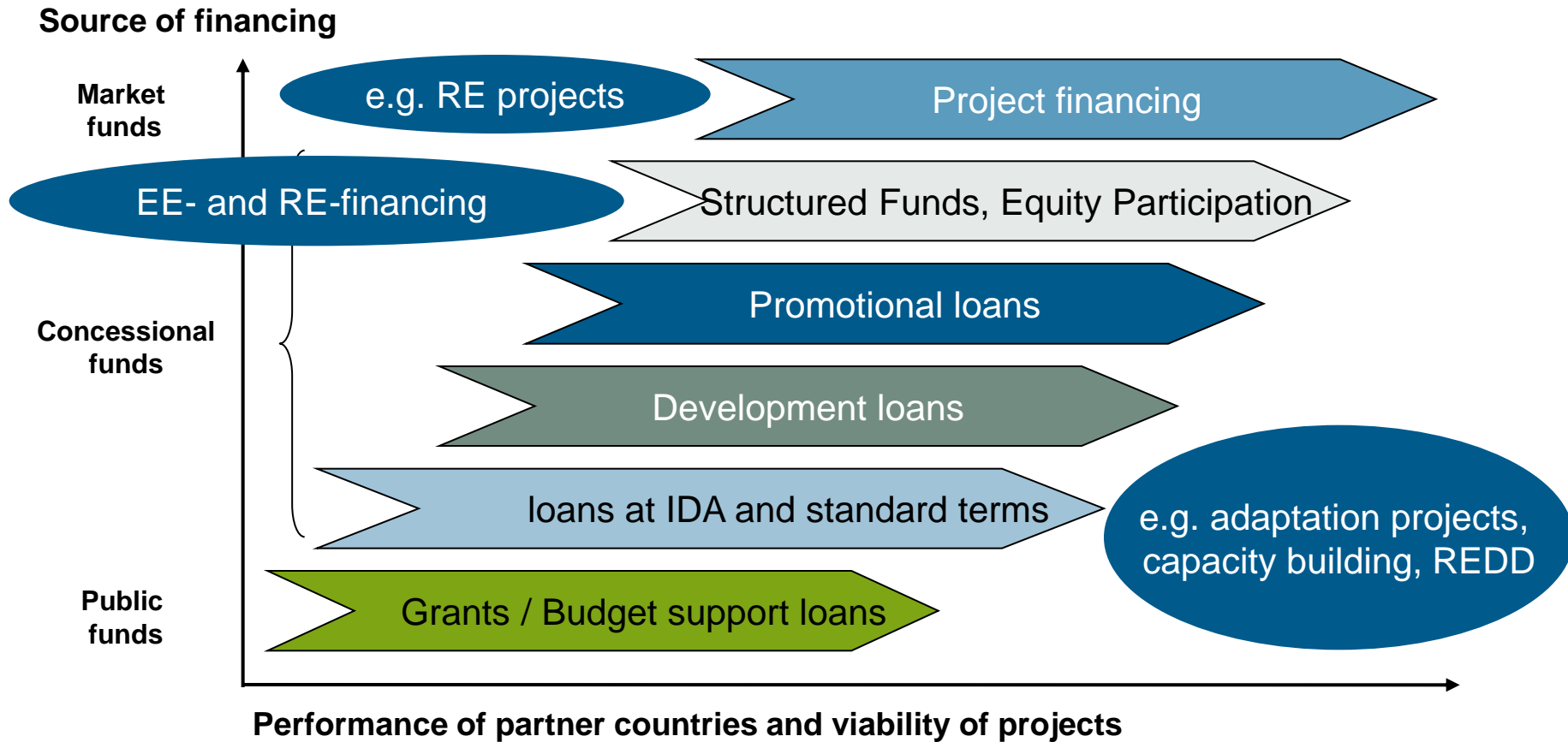
Estimated CO₂- emissions savings:

- › 2015 11.6 million t/p.a.
- › 2014 10.4 million t/p.a.
- › 2013 9.3 million t/p.a.

The commitments for climate and environment account for 59% of total commitments.

»» Financial Instruments – Overview

Diversity of business models and regional foci and mandates



»» Solar Power Plant (CSP) Ouarzazate I in Morocco

First power plant-sized solar-thermal facility in the MENA region

Challenge

- › Growing energy requirements & capacity bottlenecks
- › Dependence on imports & environment pollution
- › High but underutilized solar energy potential



Approach

- › KfW loan (plus co-financiers) for the construction of a solar-thermal parabolic trough CSP plant in Ouarzazate (turnkey)
- › Public-private partnership (PPP approach)



Impact

- › Increasing supply security with regulating energy
- › Introducing environmental friendly technology to the market
- › Saving 230.000 tonnes of CO2 and ~ 85.000 tonnes of fossil fuels
- › Stimulation of local economy

Volume of financing:

KfW: EUR 115 million within international consortium

(total KfW Finance for all phases: EUR 880 million)

»» African Risk Capacity Pool (ARC) Drought Insurance for Africa

Challenge

- › African countries are exposed to severe droughts and floods
- › Climate change will increase the intensity and frequency of these weather events
- › Insufficient access to insurance schemes



Approach

- › Establishment and capitalization of ARC Insurance Company Ltd.
- › Only for countries with certificate of good standing
- › 4 principles: insurance of extreme droughts, financial sustainability, affordable premiums through risk pooling, high complementarities with other initiatives



Impact

- › Improved food security and support of adaptation to climate change
- › Meeting demand for innovative approaches to loss and damage

Volume of financing:

KfW finance: EUR 50 million

»» Climate Resilient Infrastructure Mainstreaming (CRIM)

GCF financed adaptation in Bangladesh

Challenge

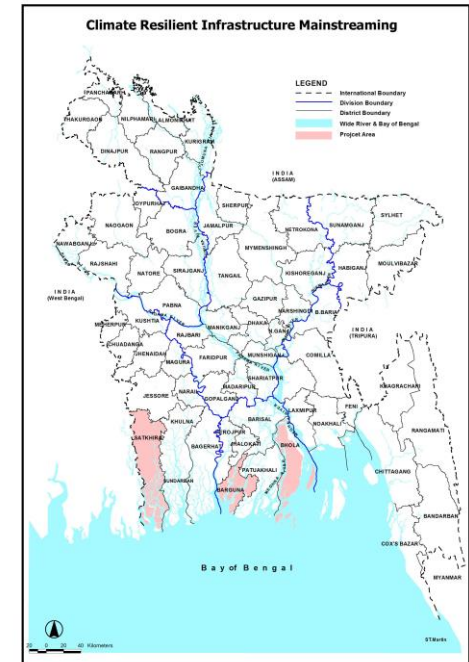
- › Bangladesh - one of the most vulnerable countries to climate risks (frequent cyclones, floods etc. cost 1% of GDP p.a.)
- › Large gap in infrastructure (polders, cyclone shelters, early warning) for protecting lives
- › Climate proofing not systematically taken into account in infrastructure planning

Approach

- › Set up Climate Resilient Local Infrastructure Centre (CReLIC) at LGED
- › Build climate resilient rural local infrastructure (65 shelters and 80 km roads)
- › Build climate resilient urban local infrastructure (City of Satkhira)
- › Integrated institutional development and project investments

Impact

- › Increase adaptive capacity of more than 134,000 people to Climate Change
- › Benefit indirectly 10,4 million people with country-wide climate resilient infrastructure planning



Volume of financing:

USD 80 million total
USD 40 million GCF
USD 25 million GoB
USD 15 million Germany

»» Climate Finance: Lessons Learned

- › Increase of climate finance vs. continued shortage of bankable projects
- › Grant funding is needed: feasibility studies, risk coverage and cost differentials
- › Simple selection criteria, transparent decision making process, predictability
- › Reduce complexity, focus on main impacts
- › Don't start from zero – build up on experiences
- › Creative use of existing instruments
- › Realism about
 - › Transformative effects
 - › Ambition
 - › Innovation
 - › Mobilization of private investment

»» Contact Details

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