

**MRV OF FINANCE:  
EU SHARE OF CONTRIBUTIONS AND PRIVATE FINANCING  
LEVERAGING RATIOS - CONCLUSIONS DRAWN FROM  
AVAILABLE DATA AND INFORMATION**

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# Financial flows as per main information sources

# DATA ON AND MRV OF CLIMATE FINANCE FLOWS

## – **Observations :**

- Many sources, mostly offering partial information and using own definitions and methodology.
- More information on public finance flows than on private ones.
- Research on private flows in early stage (studies by CPI, OECD, ODI), but growing interest.
- Growing complexity of finance flows.
- Less data on multilateral flows compared to bilateral flows.
- Private finance flows leveraged by public flows to account for the 100 bn US\$ pledge.
- Little information about leverage ratios available, few sources and methodologies.

## – **Limitations :**

- Short deadline
- Limited public available data and sources

# DATA SOURCES ANALYSED

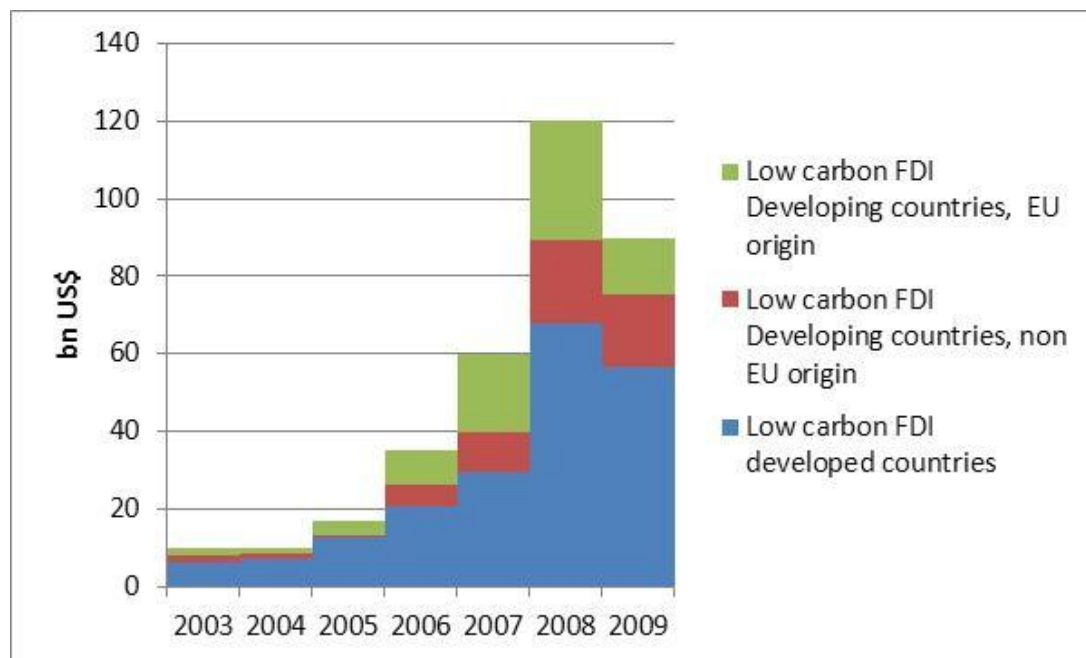
- **UNCTAD FDI**
- **OECD (DAC CRS)**
- **Others (Bloomberg, Risoec, UNFCCC)**

- **Data on Foreign Direct Investments (FDI) by country**
- **Inward and outward flows**
- **Annual reports and studies (World Investment Report)**

## Key data :

- FDI flows affected by crisis (2009-2008 : -38%)
- 90 bn US\$ low carbon business investments in 2009, 33 bn US\$ in developing countries originating from developed countries
- Estimated EU share in low carbon business investments : 43% in 2009

*Figure : Estimated low carbon FDI flows by origin*

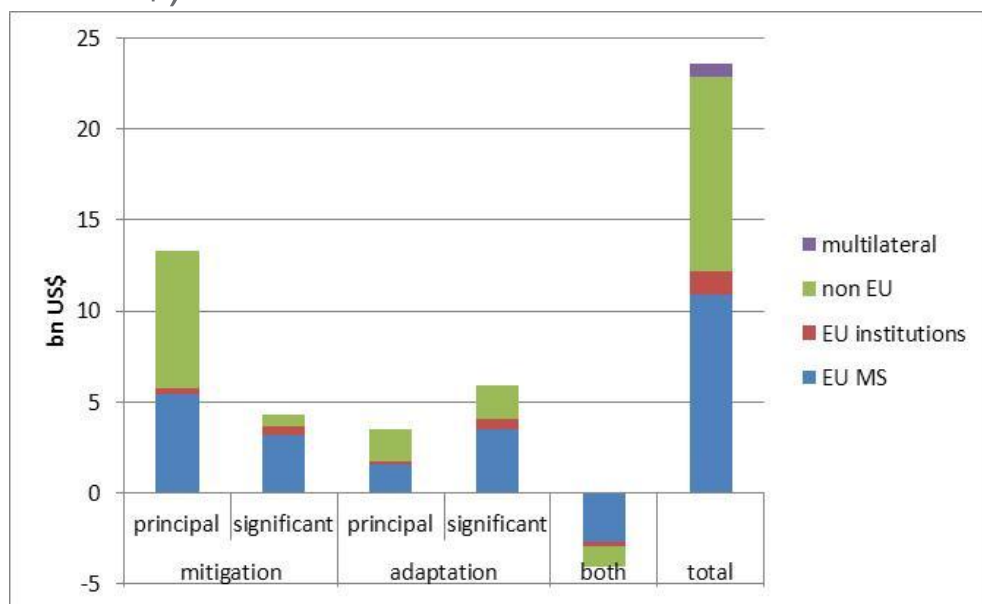


- Data on public and private flows
- Detailed data on public flows (ODA and OOF)
- Rio markers for public flows related to climate change
- Bilateral and multilateral flow data per sector

Bn US\$		2008		2009		2010	
<b>EU public flows</b>		Total	Climate change	Total	Climate change	Total	Climate change
<b>ODA</b>	bilateral	28.7	1.6	31.5	2.5	33.9	4.2
	multilateral	8.6	0.3	8.7	0.3	8.5	0.3
<b>OOF</b>	bilateral	2.4	0.1	2.3	0.1	1.9	0.0
	multilateral	0	0	0	0	0	0
<b>ODA + OOF</b>	Total	39.7	1.9	42.6	2.9	44.3	4.5
<b>EU share in ODA + OOF</b>	Share	45%	46%	44%	55%	42%	56%

# OECD (CONT'ED)

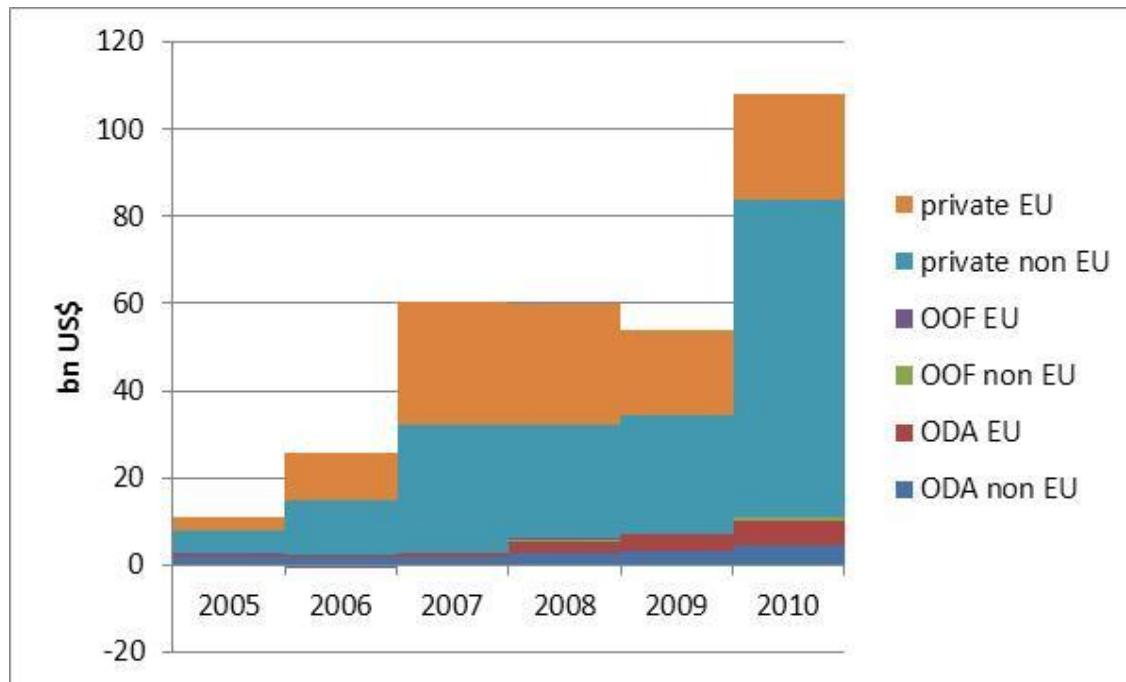
- **OECD also reports on climate aid commitments, using Rio markers, distinguishing mitigation and adaptation**
  - Most activities reported in 2010 to be mitigation targeted (17.6 bn US\$, 64%)
  - Some activities (4 bn US\$) both mitigation as adaptation
  - EU DAC MS share 46% in total climate aid commitments (23.6 bn US\$)



*Figure : 2010 climate aid commitments from DAC countries*

# OECD (CONT'ED)

- **Public and private flows by donor country, total 503 bn US\$ in 2010.**
- **No sectoral detail, climate change part estimated.**
- **Main recipient regions of EU flows:**
  - of public flows : Africa and unspecified developing countries;
  - of private flows: Americas and Asia

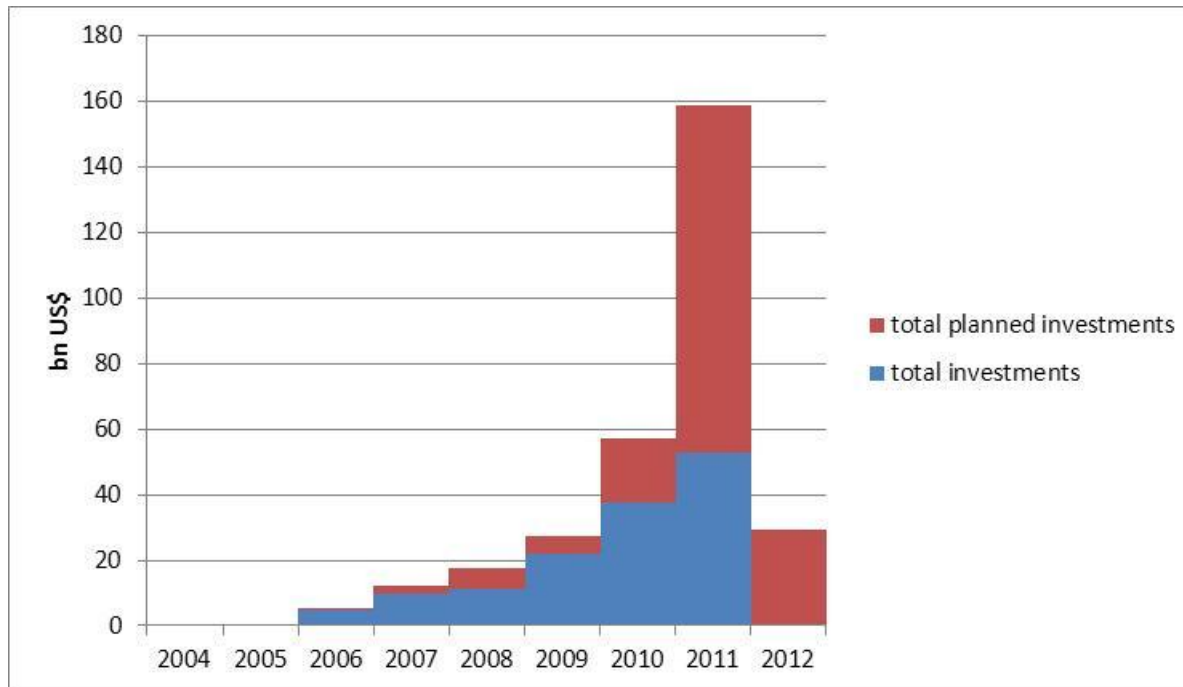


*Figure : Estimated public and private climate change flows by origin*



# OTHER DATA SOURCES

- **Risoe: CDM project database : investments and CERs issued**
  - 9500 projects covered
  - Information on origin of credit buyer, not on origin of investments
  - EU : 70-88% of credits



*Figure : reported actual and planned CDM investments*

# OTHER DATA SOURCES

- **Bloomberg New Energy Finance : renewable energy project database with origin of project owner**
  - 32000 projects listed
  - Many projects owned by host countries
  - Many projects north-north
  - Total investment cited :
    - 211 bn US\$ in 2010, 237.2 bn US\$ in 2011
    - of which in developing countries : 72.2 bn US\$ in 2010, 70.5 bn US\$ in 2011; EU share not estimated
  - In 2011, China attracts most financing (45.5 bn US\$), after EU (64.7 bn US\$) and USA (48 bn US\$)
- **UNFCCC Nat Com 5:**
  - 44 bn US\$ contributions to multilateral banks and UN bodies, 20.3 bn US\$ from EU

# Leveraging Private Finance

# LEVERAGING PRIVATE FINANCE – A DEFINITION

- **Private sector capital mobilised as a consequence of the use of public sector finance and financial instruments (Brown and Jacobs, ODI)**
- Some widen the definition by including private sector capital mobilized by public policies

# LEVERAGING PRIVATE FINANCING – M&R BY COUNTRIES

- **No country presents clear data on the leveraging ratios**
- **When data is presented, it relates to a specific financing instrument or policy, not the whole public financing**
  - US: *“the \$1.3 billion of Overseas Private Investment Corporation FY 2011 financing leveraged at least an additional \$2.3 billion of private investment.”*
- **EU MS: only few qualitative assessments.**
  - UK some scarce references without details of methodology: *“the leveraging ratio for private sector financing” mobilized as a result of UK funding in the Climate Investment Funds, would increase from baseline 1:7.5 to expected 1:8.25. “*

# LEVERAGING PRIVATE FINANCING – RATIOS DETERMINED FOR DIFFERENT FINANCING INSTRUMENTS

- **The UN Secretary-General’s High-level Advisory Group on Climate Change Financing (AGF)**
  - leveraging ratios vary considerably according to the barrier being addressed, the geographical location, the instrument used and project specific characteristics.

Financing instrument	Average Leverage Ratio
Non-concessional debt	US\$1:2 to US\$1:5
Debt financed via grant (concessional) funds	1:8 to 1:10
Equity and guarantees financed via grants	1:20
Equity investments by MDBs	1:8 to 1:10
Donor financed climate funds (part concessional)	US\$1:3 to US\$1:8.5
Carbon offset mechanisms	US\$1:4.6 to US\$1:9
Forestry	US\$1:5

# LEVERAGING PRIVATE FINANCING – RATIOS DETERMINED FOR DIFFERENT FINANCING INSTRUMENTS (CONT'ED)

- **The Global Climate Network's (GCN) memorandum prepared by the Center for American Progress, includes an analysis of a set of financial tools (being used as part of an international climate fund) and their respective leveraging ratios.**

Financing instrument	Average Leverage Ratio
Loan guarantees	6x -10x
Policy insurance	10x
Foreign exchange liquidity facility	n.d.
Pledge Fund	10x
Subordinated equity fund	2x

# CONCLUSIONS AND RECOMMENDATIONS

- **Considerable uncertainty exists to estimate climate finance flows, both public and private.**
- **The reported range of 70 to 119 bn US\$ in 2010 in the OECD study may even be wider.**
- **Only with an agreed and applicable methodology to MRV public and private climate finance flows**
  - uncertainties can be reduced
  - comparability and trust increased
- **Start exercise on MS and EU finance flow tracking, identifying causality between private and public flows.**





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