Tracking Private Climate Finance
Research Collaborative: 
Recent Findings, Next Steps

Third Meeting of the Climate Finance Ministerial

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www.oecd.org/env/researchcollaborative

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Why measure private climate finance?

Big picture

- Closing the climate investment gap: finance needed vs. finance invested
- Are we shifting investment from the brown to the green?
- How to assess the effectiveness of climate policies

International negotiations

- Biennial assessment and overview of flows
- National Communications and Biennial Reports (developed countries)
- Developed countries’ commitment to mobilise USD 100bn annually by 2020
The tracking challenge: data and methodological gaps

Climate finance to and in developing countries USD billion commitments (average over 2 or 3 years)

Public multi- and bilateral *
- Higher bound
- Lower bound

Private renewable energy **
- South domestic
- North-South

Private total

Determining mobilisation

~ 30 - 50

~ 35

* 2-year average (2011-2012) climate ODA and Other Official Flows (excluding export credits) based on OECD Development Assistance Committee statistics;

Observed aggregate public-private finance ratio for renewable energy finance
(based on 2000-2012 BNEF data)

Snapshot of findings to date and work in progress
What data sources (beyond renewables)?

**Commercial databases**

- Bloomberg
- dealogic
- FACTSET
- FDI Intelligence
- prequin
- THOMSON REUTERS

**Public databases**

- OECD
- UNEP Risø Centre
- United Nations UNCTAD
- The World Bank

**Challenges to use**

- Partial datasets but may improve coverage of *climate-relevant* sectors
- Identifying *climate-specific* transactions (e.g. for adaptation)
- Approaches differ: classifications, definitions, data collection and reporting
- How to distinguish finance as public or private? How to assign a country of origin?

Defining mobilised private climate finance

- Country and market conditions
  - Indirect effect of public policy interventions
  - Direct effect of public finance interventions

What is defined as mobilised private climate finance
Econometric simulation of the effect of public interventions on private finance to and in the ‘South’

<table>
<thead>
<tr>
<th>Intervention</th>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable energy quota in destination country</td>
<td>1.8%</td>
</tr>
<tr>
<td>Feed in tariff in destination country</td>
<td>2.5%</td>
</tr>
<tr>
<td>Multilateral public finance</td>
<td>11.8%</td>
</tr>
<tr>
<td>Bilateral public finance</td>
<td>42.2%</td>
</tr>
<tr>
<td>All interventions</td>
<td>67.9%</td>
</tr>
</tbody>
</table>

Note: The effect of “All interventions” does not equal the sum of individual interventions because the model is non-linear. Even if it were, the means of the different interventions would have to be the same in order to obtain a total “net effect”.

→ Testing methods: exploratory results

→ Currently only possible for renewable energy (mostly wind and solar) and at aggregate level

→ Still missing data on key variables e.g. domestic investment conditions

Tapping the potential of domestic policies

Strengthening domestic public policies in the South will catalyse private investment: a simulation

Measuring mobilisation in a statistical system

Scope
Public finance aimed at mobilising private capital e.g. syndicated loans, shares in collective investment funds, guarantees

Attribution
Pro-rata by amounts invested not always most suitable option

Causality
Complex to measure statistically
→ Need for assumptions that:
  • Reflect reality
  • Are conservative
  • Are commonly agreed
  • Vary by financial instrument

Source: On-going OECD DAC work on the mobilisation effect of public development finance
Assuming blanket causality of finance: guarantee example

Alternative options:

- Total project cost (10m) → double-counting risk among public actors
- Gross exposure (2.8m) → likely to be too conservative

http://dx.doi.org/10.1787/5k407lx5b8f8-en
Looking forward
Potential ways forward

SHORT TERM: PRAGMATISM AND PROXIES

• Pilot estimates: based on available data and existing definitions
• Make conservative estimates, avoid risk of double-counting
• Collective reporting: no attribution to individual countries
• Transparent about assumptions and inputs - engage and consult
• Build trust and common language

LONGER TERM: BUILD DATA SYSTEMS

• Define core concepts and agree key assumptions e.g. build on OECD DAC work to cover private flows
• Build capacity for systematic data collection e.g. private co-financing
• Increase breadth of public finance and policy intervention coverage as well as depth and granularity of estimations
• Incentivise climate and development finance co-operation

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Extras
Research Collaborative participants: 3 groups

Research organisations - contributors

IFIs - input providers, reviewers

Government partners - advisors, funders
Work plan and potential future work

2013-2014 work plan

1. Private climate finance mapping, data and tracking methods

2. Methodological options for measuring mobilised private climate finance

Potential future work

Data and proxies
Data on e.g. de-risking instruments, adaptation, small-scale/informal flows; Possible proxies in absence of data.

Estimation methodologies
Instrument-specific methodologies; Further methodological developments for public policy interventions.

Pilot measurements
Actors i.e. institutions and countries
Sectors e.g. transport
Instruments e.g. syndicated loans

Research Collaborative on Tracking Private Climate Finance
Data and proxies: example for transport

**Statistical data or reported estimates**

- Use DAC statistics, Rio-marker to identify transport projects with private participation

**Top-down aggregate methods**

- ISIC taxonomy and climate definition to analyse transport data
- FDI and transport emission improvements to develop proxy measures

**Proxies**

- Proxy from non-financial data such as tonnes of freight moved

**Bottom-up: project level**


http://dx.doi.org/10.1787/5jz15qwz4hs1-en
## Drivers of private finance

<table>
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<tr>
<th>Public finance interventions</th>
<th>Public policy interventions</th>
<th>Country and market conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant at project, company or programme level</td>
<td>Regulatory policy e.g. laws, plans and targets, standards, quotas</td>
<td>Market characteristics e.g. growth in energy demand, Energy prices</td>
</tr>
<tr>
<td>Lending (debt), both concessional and non-concessional</td>
<td>Fiscal policy e.g. taxes, subsidies and tax reliefs/credits, market support</td>
<td>Investment conditions and maturity of financial sector</td>
</tr>
<tr>
<td>Equity investment, both direct and via equity funds</td>
<td>Innovation policy e.g. licenses/patents, knowledge and technology transfer,</td>
<td>Macroeconomic indicators e.g. GDP per capita</td>
</tr>
<tr>
<td>De-risking instruments e.g. guarantees, export credits, insurance</td>
<td>Information policy, e.g. education and awareness, data and statistics</td>
<td>Socio-cultural factors e.g. common language*, common legal system*</td>
</tr>
</tbody>
</table>

**Between source and destination countries of private finance**