NDC Finance: Opportunities, Challenges and the Path Forward

Ministry of Planning and Investment, Vietnam
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CEO, Electric Capital Management
Run of show

- Overview of NDC Finance challenges and tools
- Country case study: Vietnam
- Panel discussion on clean energy finance barriers
- Outcomes from LEDS GP Working Groups
- Introduction to the ALP Communities of Practice
- Feedback from participants and country consultations
LANDSCAPE OF CLIMATE FINANCE IN 2015/2016

Global climate finance flows along their life cycle in 2015 and 2016. Values are average of two years’ data, in USD billions.

**Sources and Intermediaries**
Which type of organizations are sources or intermediaries of capital for climate finance?

**Instruments**
What mix of financial instruments are used?

**Recipients**
Does climate finance go through public or private channels?

**Uses**
What types of activities are financed?

**Key**
- Public Money
- Private Money
- Public Financial Intermediaries
- Private Financial Intermediaries
- Finance for Investors & Lenders
- NE: Not Estimated
NDC Investment Opportunities in Asia

<table>
<thead>
<tr>
<th>Region/Region and Sector</th>
<th>Wind</th>
<th>Solar</th>
<th>Biomass</th>
<th>Space-Hydro</th>
<th>Geothermal</th>
<th>All Renewables</th>
<th>Power/Transmission</th>
<th>Distribution</th>
<th>Industrial Energy Efficiency</th>
<th>Buildings</th>
<th>Transport</th>
<th>Water</th>
<th>Total Climate-Smart Investment Potential by Sector ($ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia Pacific</td>
<td>231</td>
<td>537</td>
<td>48</td>
<td>34</td>
<td>16</td>
<td>866</td>
<td>332</td>
<td>143</td>
<td>15,255</td>
<td>1,316</td>
<td>53</td>
<td>1000</td>
<td>&gt;1000</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>118</td>
<td>44</td>
<td>45</td>
<td>11</td>
<td>14</td>
<td>232</td>
<td>0</td>
<td>21</td>
<td>901</td>
<td>1,481</td>
<td>26</td>
<td>500-1000</td>
<td>&lt;500-1000</td>
</tr>
<tr>
<td>South Asia</td>
<td>111</td>
<td>211</td>
<td>16</td>
<td>0</td>
<td>0</td>
<td>337</td>
<td>0</td>
<td>85</td>
<td>1,542</td>
<td>255</td>
<td>13</td>
<td>250-500</td>
<td>&gt;250-500</td>
</tr>
<tr>
<td>Eastern and Central Asia</td>
<td>51</td>
<td>39</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>110</td>
<td>0</td>
<td>57</td>
<td>410</td>
<td>78</td>
<td>11</td>
<td>100-250</td>
<td>&gt;100-250</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>27</td>
<td>63</td>
<td>4</td>
<td>3</td>
<td>27</td>
<td>123</td>
<td>0</td>
<td>0</td>
<td>153</td>
<td>499</td>
<td>8</td>
<td>50-100</td>
<td>&gt;50-100</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>50</td>
<td>45</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>97</td>
<td>21</td>
<td>1</td>
<td>92</td>
<td>50</td>
<td>4</td>
<td>25-50</td>
<td>&gt;25-50</td>
</tr>
</tbody>
</table>

1. This estimate is for both public and private investment, and is based on sectors for which there is consistent bottom-up data available.

Source: CLIMATE INVESTMENT OPPORTUNITIES IN EMERGING MARKETS: AN IFC ANALYSIS, 2017
Rules for Private Sector Engagement in NDC Finance

What motivates the private sector?

But....
Impact Investing Emerging as Driver of Private Finance
How the Private Sector thinks about NDC finance

- The private sector considers the RISKS vs the RETURN (profit) for specific investment opportunities:

- Attracting the private sector into NDC finance requires RETURNS that are adjusted for RISK
Low Carbon Investment Opportunities often do not offer an attractive Risk Adjusted Return
### Addressing key gaps in NDC Finance

<table>
<thead>
<tr>
<th>Gap</th>
<th>Challenge</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Gap</td>
<td>Policy and regulatory constraints are key barrier to mobilizing capital</td>
<td>Properly structured framework can level playing field; ensure transparency</td>
</tr>
<tr>
<td>Project Preparation Gap</td>
<td>Lack of capital for early stage, high-risk projects</td>
<td>Targeted deployment of working capital - debt and equity instruments</td>
</tr>
<tr>
<td>Low Carbon Business Growth Capital Gap</td>
<td>Capital to support new businesses (angel, seed, VC) often absent in dev’ing markets</td>
<td>Early-stage, risk-tolerant capital is needed, coupled with capacity building</td>
</tr>
<tr>
<td>Gap</td>
<td>Challenge</td>
<td>Solution</td>
</tr>
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<td>------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Size and Scale Gap</td>
<td>Large pools of capital invest in projects above a minimum size, often &gt; $10 million</td>
<td>Develop new &amp; innovative aggregation vehicles</td>
</tr>
<tr>
<td>New Technology Reference Project Funding Gap</td>
<td>Lack of established capital sources for new technologies</td>
<td>Early-stage, risk-tolerant capital needed - both debt and equity</td>
</tr>
<tr>
<td>Currency Risk Gap</td>
<td>Currency fluctuation creates risk for long-term projects</td>
<td>Need to find ways to lower cost of currency hedging services</td>
</tr>
<tr>
<td>Guarantee Gap</td>
<td>Sponsoring governments require a sovereign guarantee from host government</td>
<td>Leverage existing international guarantee products</td>
</tr>
</tbody>
</table>
Join us!

Become a member of the FWG, request quick response advisory support, participate in a community of practice, and/or contribute a resource or lesson learned!

For more information, visit our website: http://ledsgp.org/working-groups/finance/ or contact: finance@ledsgp.org
Country Case Study: Vietnam


Mr. Jan Pavlik, Commercial Director, Enviros

Policies for a Clean and Sustainable Energy Sector in Vietnam

Mr. Trinh Quoc Vu, Deputy Director, Department of Energy Efficiency and Sustainable Development, Ministry of Industry and Trade
Panel Discussion on Clean Energy Finance Barriers

Moderator: Ms. Alexia Kelly, Co-Chair Finance Working Group

Speakers:
• Mr. Trinh Quoc Vu, Deputy Director, Department of Energy Efficiency and Sustainable Development, Ministry of Industry and Trade
• Mr. Nguyen Tuan Anh, Deputy Director, Department of Science, Education, Natural Resources and Environment, Ministry of Planning and Investment
• Mr. Hiep Huynh Dinh, Senior Analyst, Dragon Capital
• Mr. Jan Pavlik, Commercial Director, Enviros