

# **NDC Finance: Opportunities, Challenges and the Path Forward**

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# 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.

**410** BN USD ANNUAL AVERAGE



## SOURCES AND INTERMEDIARIES

Which type of organizations are sources or intermediaries of capital for climate finance?

## INSTRUMENTS

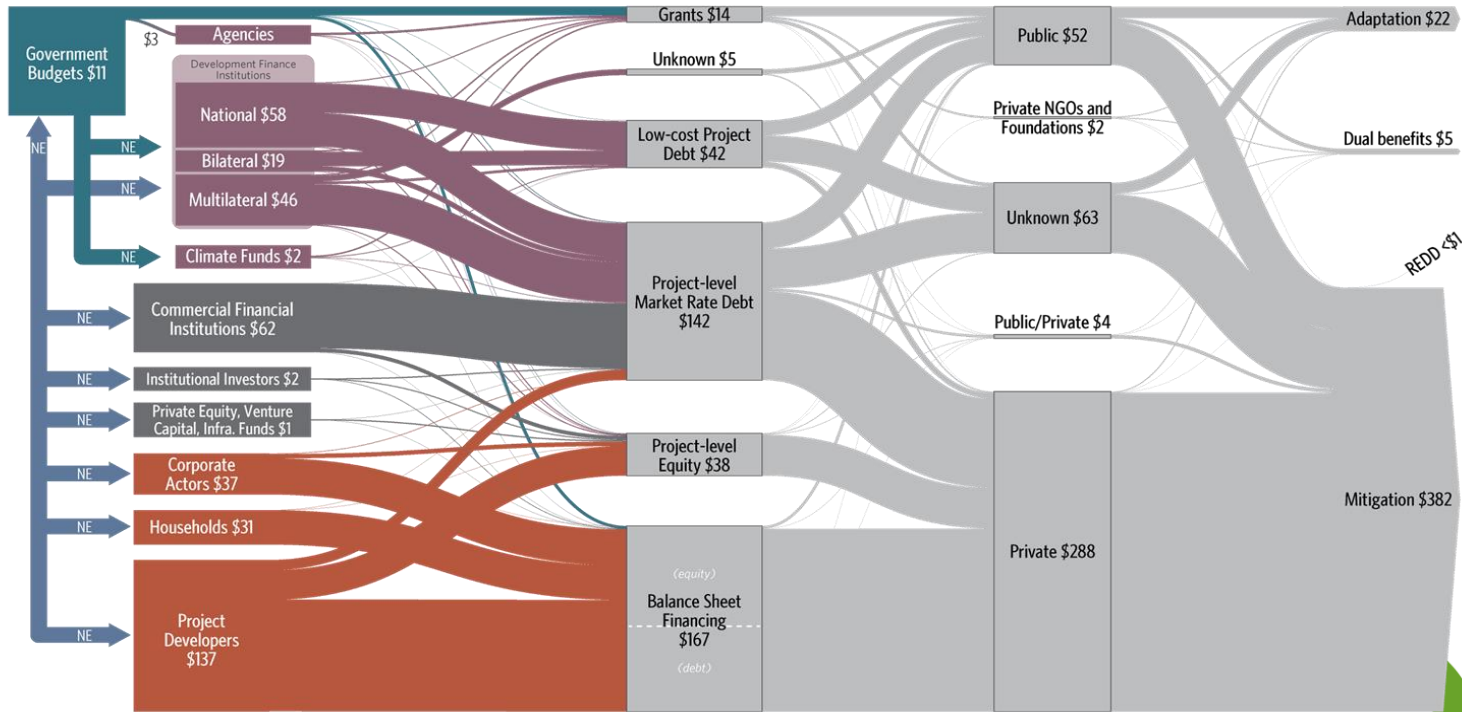
What mix of financial instruments are used?

## RECIPIENTS

Does climate finance go through public or private channels?

## USES

What types of activities are financed?



# NDC Investment Opportunities in Asia

SHADES OF GREEN: INVESTMENT POTENTIAL BY REGION AND SECTOR (\$ BILLION)

	Wind	Solar	Biomass	Small Hydro	Geothermal	All Renewables	Electric Transmission & Distribution	Industrial Energy Efficiency	Buildings	Transport	Waste	
East Asia Pacific	231	537	48	34	16	866	392	143	13,235	1,316	53	>1000
Latin America and Caribbean	118	44	45	11	14	232	0	21	901	1,461	26	>500<1000
South Asia	111	211	16	0	0	337	0	85	1,542	255	13	>250<500
Eastern and Central Asia	51	39	6	7	6	110	0	57	410	78	11	>100<250
Sub-Saharan Africa	27	63	4	3	27	123	0	0	153	499	8	>50<100
Middle East and North Africa	50	45	0	1	0	97	21	1	92	50	4	>25<50
Total Climate-Smart Investment Potential by Sector (\$ billion)	589	939	118	56	63	1,765	413	308	16,332	3,659	115	<25

<sup>1</sup> 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

Gap	Challenge	Solution
<b>Policy Gap</b>	Policy and regulatory constraints are key barrier to mobilizing capital	Properly structured framework can level playing field; ensure transparency
<b>Project Preparation Gap</b>	Lack of capital for early stage, high-risk projects	Targeted deployment of working capital - debt and equity instruments
<b>Low Carbon Business Growth Capital Gap</b>	Capital to support new businesses (angel, seed, VC) often absent in dev'ing markets	Early-stage, risk-tolerant capital is needed, coupled with capacity building

Gap	Challenge	Solution
<b>Size and Scale Gap</b>	Large pools of capital invest in projects above a minimum size, often > \$10 million	Develop new & innovative aggregation vehicles
<b>New Technology Reference Project Funding Gap</b>	Lack of established capital sources for new technologies	Early-stage, risk-tolerant capital needed - both debt and equity
<b>Currency Risk Gap</b>	Currency fluctuation creates risk for long-term projects	Need to find ways to lower cost of currency hedging services
<b>Guarantee Gap</b>	Sponsoring governments require a sovereign guarantee from host government	Leverage existing international guarantee products

# 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](mailto:finance@ledsgp.org)

# Country Case Study: Vietnam

## **Mobilizing Private Investment for Renewable Energy and Energy Efficiency in 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

