



THE GLOBAL INNOVATION LAB FOR CLIMATE FINANCE

Impact and Lessons Learned,
2014-2020

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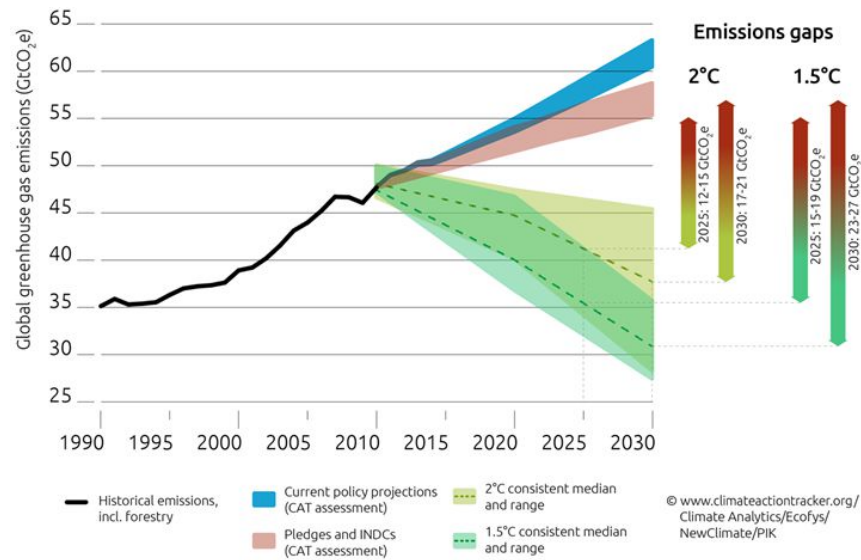
Case studies of many of the Lab's solutions are highlighted throughout the report.

DRIVING SUSTAINABLE INVESTMENT: THE NEED FOR THE LAB

Sustainable investment is critical to tackle the key global challenges of the 21st century

Climate Change

Meeting the Paris Agreement goals and ramping up ambition in emissions reductions

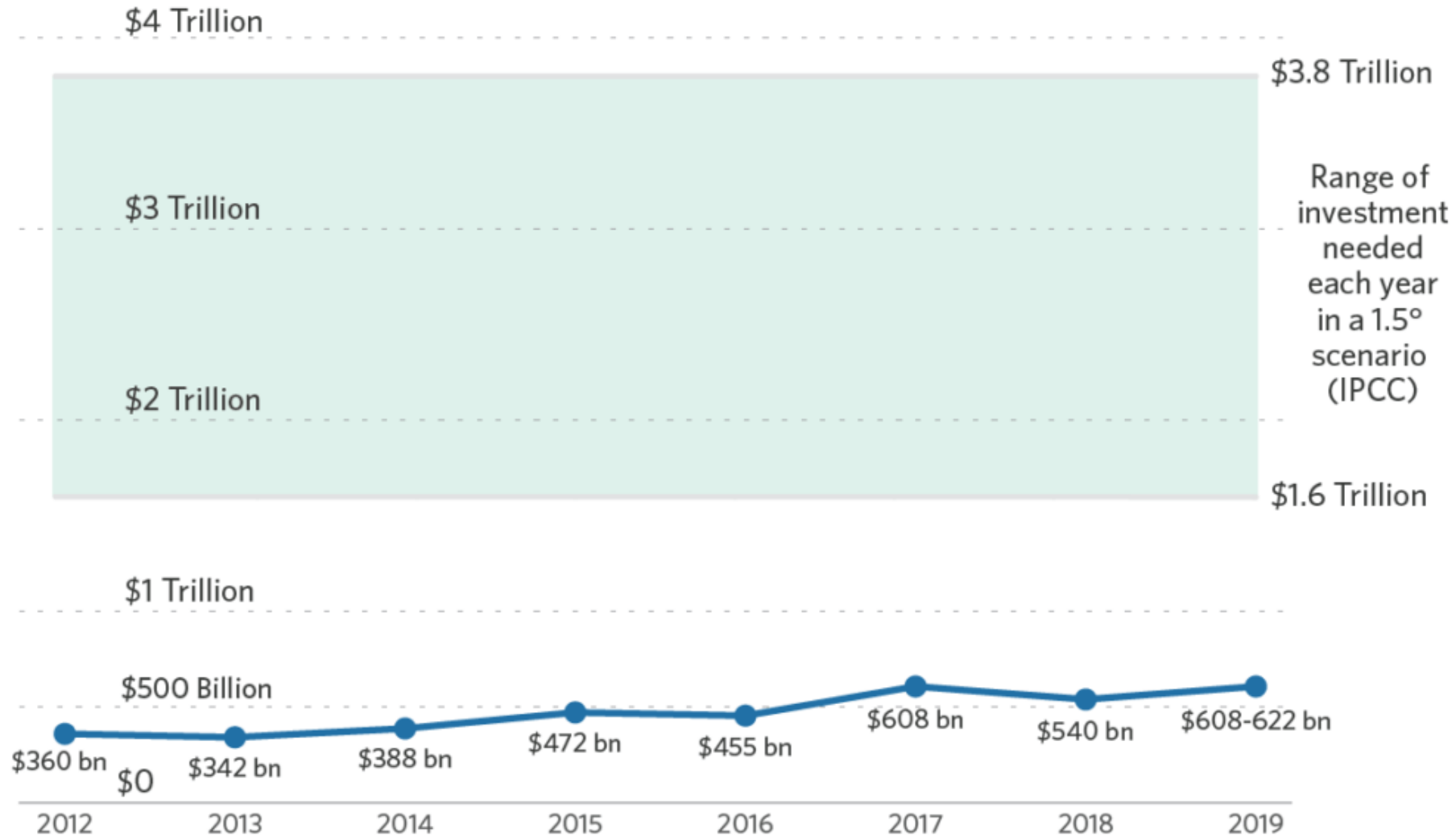


Sustainable Development

Meeting the Sustainable Development Goals



Climate investment is increasing, but falls short of global needs





The Lab identifies, develops, and launches innovative finance instruments that can drive billions in private investment to action on climate change and sustainable development.

49 instruments launched

70+ public and private Lab Member institutions

300+ supporting experts, nearly half from developing regions

The Lab brings together over 70 institutions to address the sustainable investment gap

FUNDERS



MEMBERS



PAST FUNDERS



\$2.4+ bn

mobilized by
49 instruments for climate
action in developing countries

\$370+ mn

invested by Lab Member institutions

\$2.0+ bn

catalyzed in
additional investment

Lab instruments have
mobilized

200x

what funders have invested
in the Lab Secretariat

Global and Regional Synergies

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The Global Innovation Lab for Climate Finance was established in 2014 and accepts submissions for ideas in all developing country regions.

The Lab program in Brazil was established in 2016 to identify, develop, and support implementation of finance solutions to drive **funds for the country's** national climate priorities.

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The Lab program in India was launched in 2015 and focuses on solutions to finance infrastructure for renewable energy and other channels for green growth in India.



In 2020, the Lab created a program for Southern Africa countries, tailored **to suit the region's market** for climate finance instruments.

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LAB IMPACT HIGHLIGHTS: 2014-2020

Since 2014, the Lab has launched 49 solutions that tackle investment barriers in the **most critical sectors and regions** for action on climate change

Number of Lab instruments:



Renewable
Energy
21



Sustainable
Cities
19



Climate
Risk
15



Agriculture, Land
Use, Forestry
15



Energy
Efficiency
9



Energy
Access
9



Asia
22



Africa
20



Latin America
18



Global
7

Lab Member
investments have
catalyzed an additional
\$2 billion

More than **5X** their
original investments

Invested by
Lab Member
institutions

\$370mn

Invested in
instruments by
other investors

\$1.58bn

Project co-investment
and/or replication of
instruments

\$430mn

Lab instruments
have successfully
mobilized over
\$800 million
in investment from
the private sector

More than 90% of measured private finance has come from institutional investors and commercial banks. A small amount has also come from private equity investors.

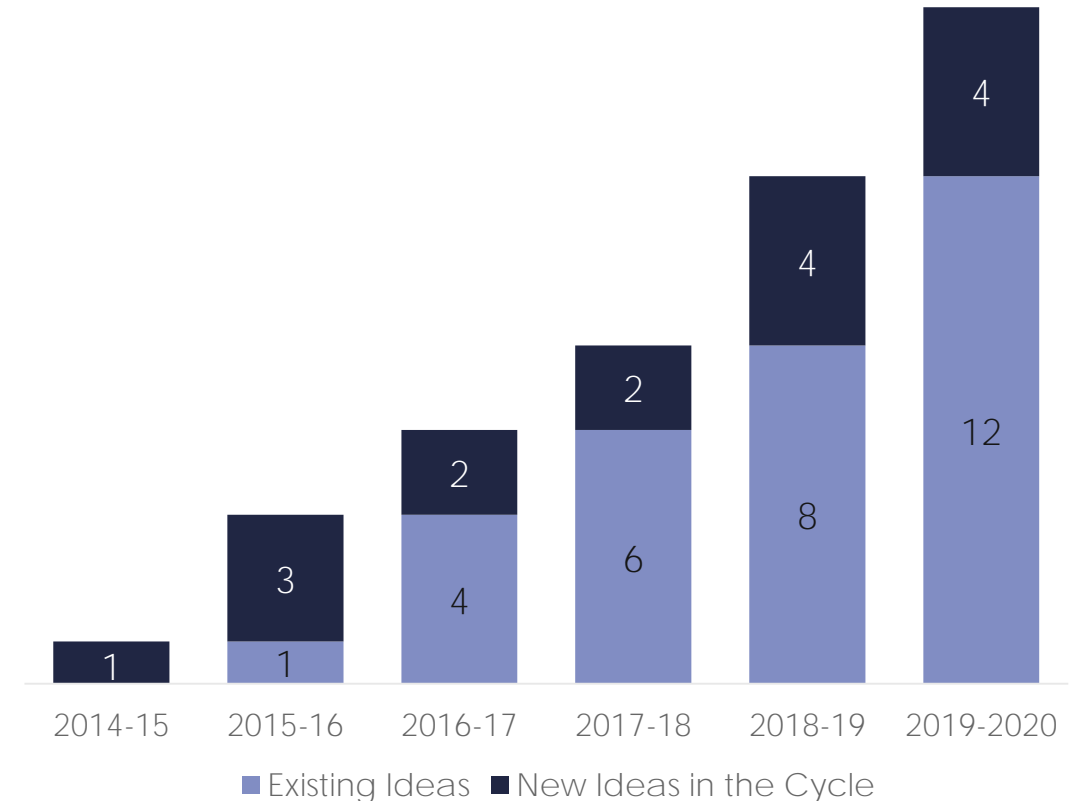
Private investors also co-invest in projects on the ground, which is more difficult to measure.

The Lab has prioritized innovation in adaptation finance by supporting instruments that tackle critical barriers to investment

To date, 16 Lab instruments address climate change adaptation challenges. They include:

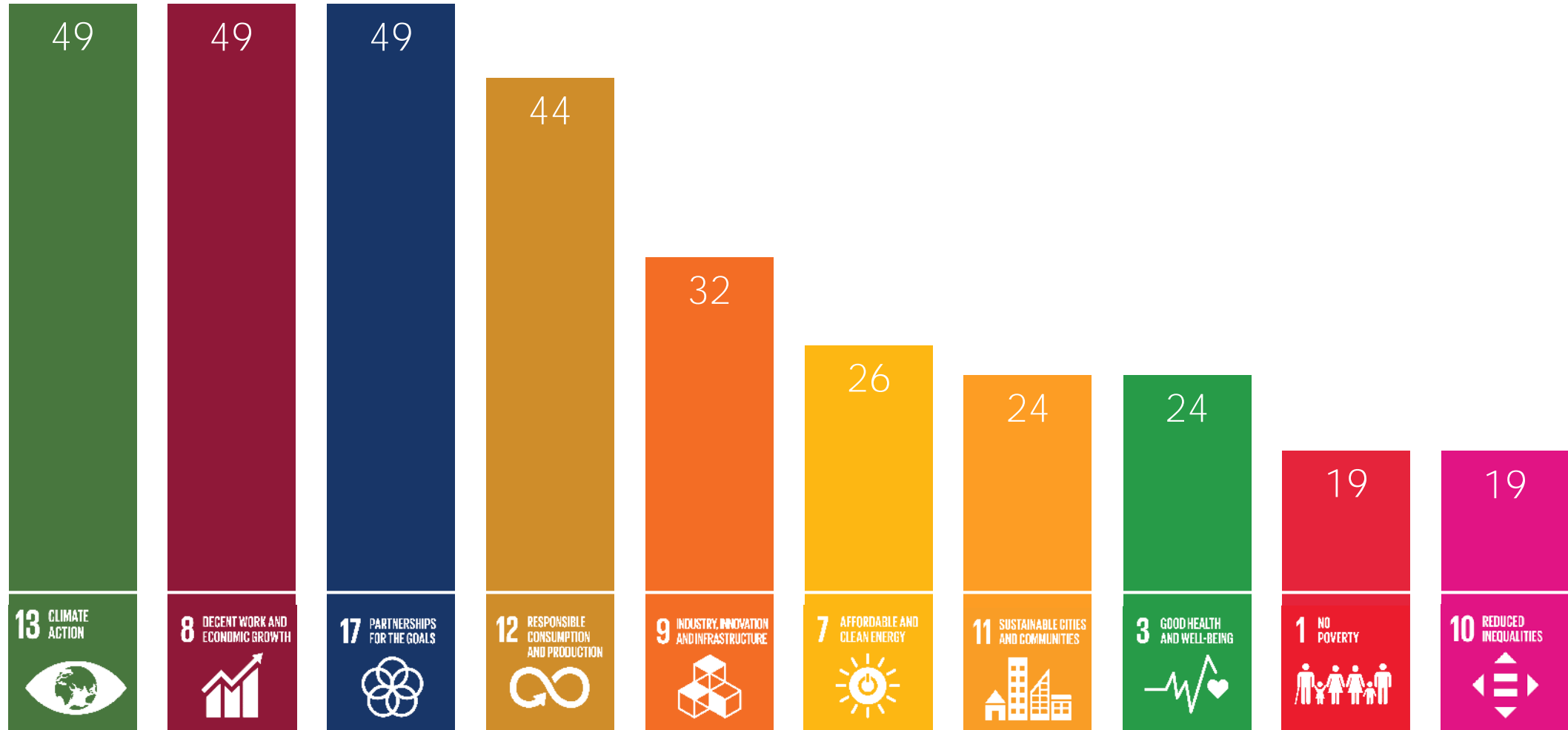
- Monetizing Water Savings – A collaborative “pay for performance” approach to accelerate sustainable agriculture practices in water-stressed regions, piloting in Mexico.
- Climate Adaptation Notes – Streamlines water scarcity adaptation project financing into a single instrument through a partnership between commercial banks and institutional investors.
- Rural Prosperity Bond – Accelerates land restoration efforts by combining financing and capacity-building for restoration enterprises that are too small for commercial banks and too large for microfinance.

Lab Ideas Addressing Adaptation by Year



Lab instruments support the Sustainable Development Goals

Number of Lab instruments by SDG:



HOW THE LAB WORKS: FROM IDEA TO IMPACT

The Lab's three ingredients to success



Public-Private Collaboration

Strengthened partnership between the public and private sectors builds capacity and knowledge to identify and deploy effective climate finance solutions.



Innovation & Transformative Solutions

Innovative, actionable, catalytic, and financially sustainable solutions reduce risks and barriers to investment in sustainable development.



Mobilizing Finance

Catalytic finance from Lab Members and the broader network enables piloting and implementation of transformative solutions.

The Lab process has five steps

1.



Call for Ideas

The Lab publicizes an open call for innovative sustainable investment solutions

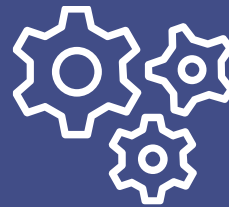
2.



Selection

Lab Members select the most promising ideas to take forward in each annual cycle

3.



Development

Selected ideas benefit from 7 months of analysis, stress-testing, and guidance from experts and investors

4.



Endorsement & Launch

Lab Members vote to endorse and launch the ideas for piloting

5.



Implementation

The ideas move into action and fundraising to launch pilots, with continued support from the Lab network

The Lab's structure fosters cross-sector cooperation and enables solutions to overcome investment barriers

300+ experts from around the world have participated in the five Lab cycles.

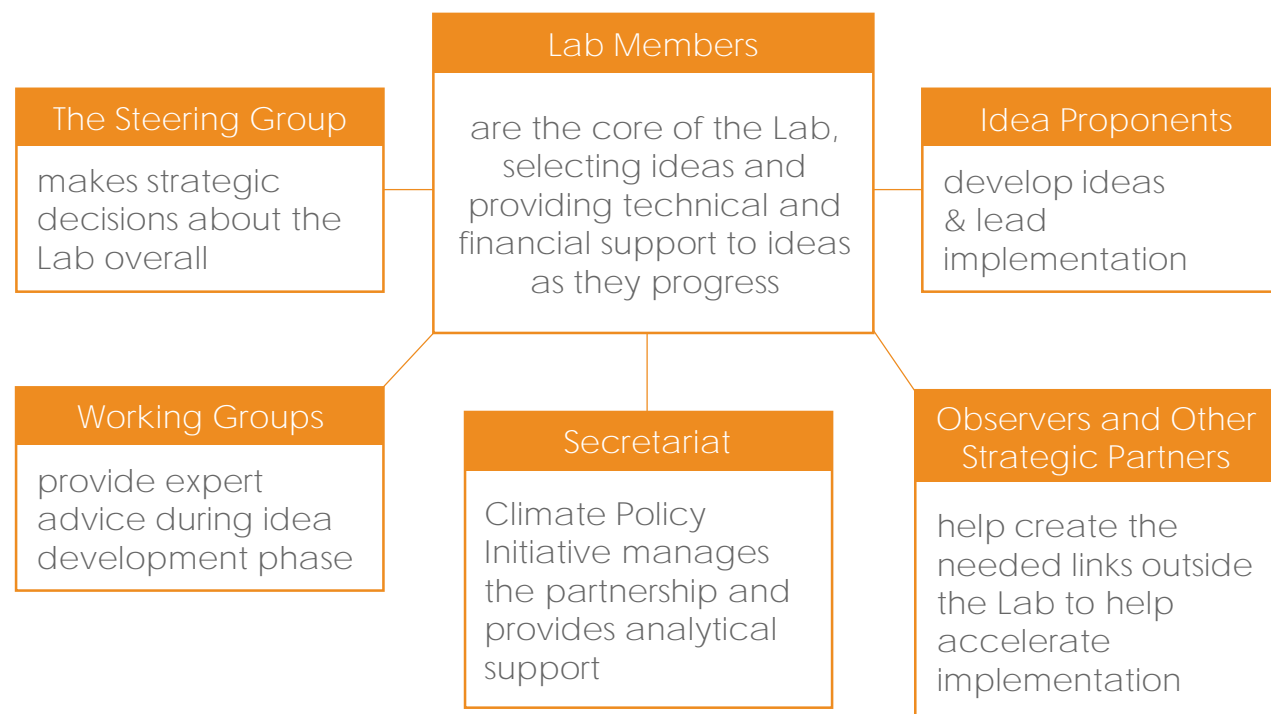
Nearly half of our participating experts come from developing regions. Our regional programs leverage the strengths local networks, market knowledge and depth of context.

Half of the Lab's participants come from the private sector and half from public institutions, including government agencies and ministries, and development banks.

The Lab has strong representation from the financial sector. A quarter of partners are from development banks and another quarter are from financial services.

The Lab also utilizes observers and other strategic partners, who help create linkages outside the Lab to funding opportunities and other technical support, including to help scale ideas once proven.

The Lab's Participants



Lab Members from diverse sectors and regions drive innovation



Karine Bueno,
Head of
Sustainability/
Corporate Social
Responsibility,
Santander

“The Lab is a great example of how a focused, technical, and collaborative approach can identify and leverage innovative business solutions to some of the great challenges we face as society.”



Alan Synnott,
Managing
Director,
BlackRock Real
Assets

“It has been exciting to partner with the Lab to support the identification and development of early stage concepts into more developed instruments that now actively mobilize global capital for climate finance. The Lab format brings together a diverse set of stakeholders, skills and perspectives, and through active knowledge sharing, discussion and debate, helps incubate and accelerate the commercialization of viable ideas.”

Lab ideas meet four key selection criteria



Actionable

Identifies

1. The type of entity(ies) that could implement it
2. The pathway towards implementation, including the timeframe, activities, and key milestones, and
3. Possible challenges to implementation and related management strategies.



Innovative

Demonstrates the ability to address, directly or indirectly, barriers to private climate finance that

1. Have not yet been addressed or
2. That will be addressed more effectively compared to other instruments in the market.



Catalytic

Demonstrates potential to

1. Mobilize private climate capital within a sizeable market,
2. Be scaled up or replicated in other contexts and,
3. Achieve socioeconomic, development, and environmental impacts.



Financially Sustainable

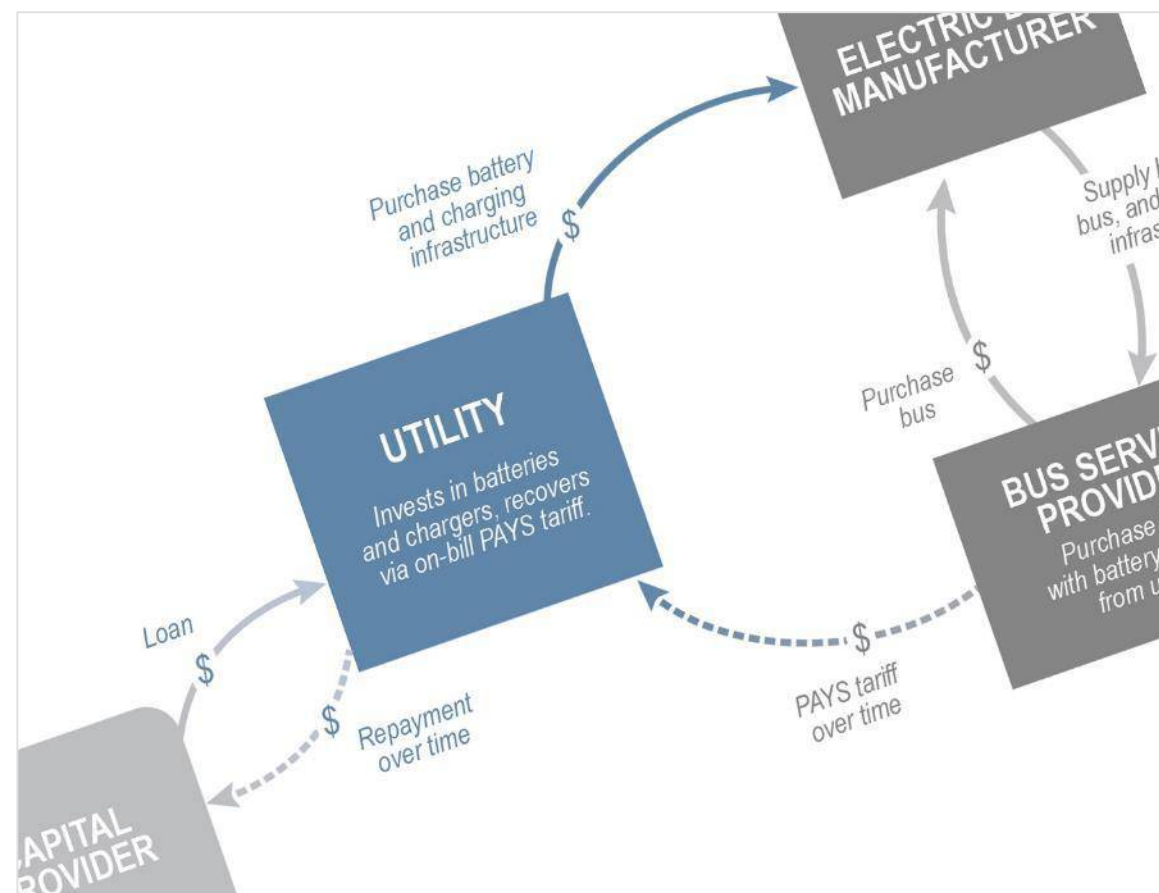
Identifies

1. A strategy to phase out public financial support, thereby achieving market viability and
2. Possible challenges to achieving its intended objectives and related management strategies.

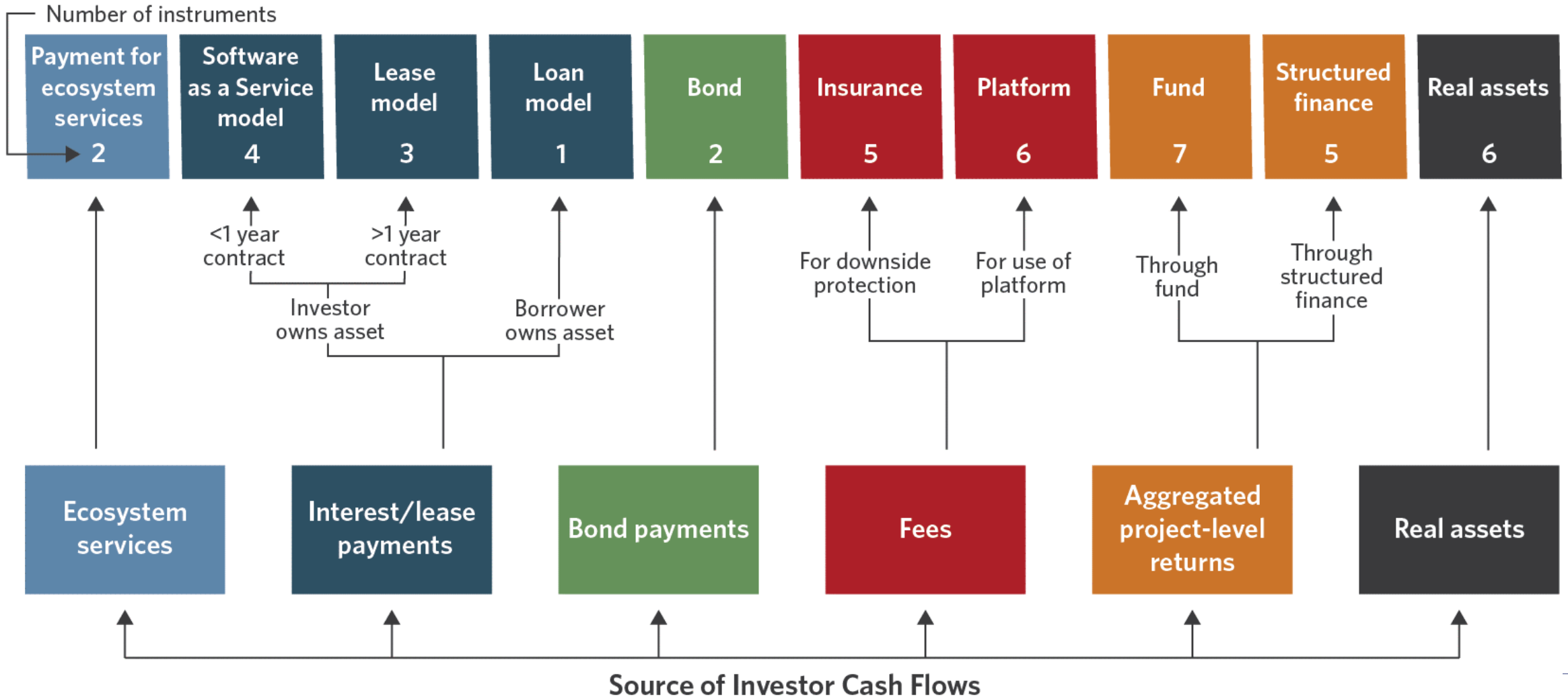
Lab instruments are structured to meet a variety of needs for climate solutions in emerging markets

Lab instruments represent a range of financial innovations that help scale climate action. They are proposed by enterprises, fund managers, and market experts to overcome market barriers to investment.

They use a variety of finance sources: 32 make use of equity, 27 use commercial debt, 18 use preparation-stage grants, 15 use concessional debt, and 12 employ guarantees, among others.



Lab instruments represent a diverse array of financial mechanisms



Proponents are supported throughout the Lab process and beyond



Lab ideas receive USD 250k of in-kind analytical and communications support from the Lab.

Ideas also receive guidance and support from Lab Members who contribute expertise, political capital, and financial capital.

After endorsement and launch, Lab instruments benefit from continued support, including bespoke analytical support and continued connections with the Lab investor network and beyond.

COVID-19 Response & Resilience

COVID-19 response integration

- Instrument analysis
- Working groups
- Endorsement focus

Developed **Fundraising in the Era of COVID** proponent guidance

- Health outcomes
- Job creation
- Supply chain resilience

Highlighted shovel-ready Lab instruments

- Matches COVID pivot of many funders/investors
- Aligns with green recovery goals



The 2020 Lab Instrument Conexsus Impact Fund launched a USD 2 million emergency credit line to assist members of the fund's target base that are suffering the economic effects of the pandemic.

Instruments benefit from the support of a robust Lab network



Joan Larrea,
CEO,
Convergence

“By providing early stage analysis and market scoping for bold concepts, the Lab plays a vital role in bringing innovative finance mechanisms to market. More specifically, the Lab has moved forward some very interesting blended finance vehicles that Convergence has been able to engage with at a later stage.”



Leena Klossner,
Vice President,
Nordic
Development
Fund

“Supporting the core principles of the NDF strategy, the Lab provides a good channel for NDF to identify innovative climate financing initiatives for further financing and development in the risky early phases. As a clear signal of the importance of the Lab, NDF is proud to hold the position as the institution which, to date, has funded the largest number of early-stage financial instruments developed through the Lab.”

Case Study

From idea to impact: Climate Resilience and Adaptation Finance and Technology Transfer Facility (CRAFT)

2017 Lab Instrument

CRAFT is the first commercial investment vehicle to focus on technologies and solutions for climate adaptation.

Using a blended finance structure, it invests growth equity in companies delivering climate intelligence or physical products and services for resilience.

THE LAB'S ROLE

- Helped develop and refine CRAFT's blended fund structure
- Engaged critical working group audiences to test investment thesis of the fund
- Facilitated intros and pitches to key investors and funders, particularly on the public/DFI side
- Led a deep dive design study examining structures of comparable technical assistance facilities to inform CRAFT's TA delivery mechanism

PROGRESS TO DATE

- Reached first close with investments from Lab members The Rockefeller Foundation and KfW as well as Lab observer EIB alongside other public and private investors
- Identified 20 relevant climate resilience market segments totaling \$130 bn+ of current spending and mapped more than 700 companies within these segments



Sanjay Wagle, The Lightsmith Group and proponent of CRAFT

"The Lab was ideal at the early stage to incubate and develop a nascent idea and formalize it before it was taken out into the world...The questions that Lab advisors asked were the same ones that investors and governments would ask us later."

Case Study

From idea to impact: Sustainable Energy Bonds

2017 Lab Instrument

Sustainable Energy Bonds are a class of bonds to drive impact investment to sustainable energy projects in India by offering debt exposure, sufficient returns, and standardized impact measures.

Target projects include distributed renewable energy (small-scale and off-grid solutions), energy efficiency for buildings and industry, projects for increasing energy access, and projects to encourage sustainable urbanization.

THE LAB'S ROLE

- Reached out to potential investors to understand common impact measures and confirm definitions of measures
- Helped formalize impact measures to give standardized information to investors and engaged with investors and the market

PROGRESS TO DATE

- Raised \$3 mn from CalCEF in 2018 towards first issuance to finance:
 - 75% rooftop solar
 - 20% solar pumps and other energy access projects
 - 5% energy efficiency
- \$15 mn second issuance anticipated in the near term



Pawan Mehra, cKers Finance and proponent of SEBs

“Lab support was really valuable in helping to formalize impact measures so that we could give needed information to investors. Standardization was crucial. The Lab liaised with investor groups to understand what was needed in this space.”

Case Study

From idea to impact: Green Receivables Fund (Green FIDC)

2017 Lab Instrument

The Green FIDC is a project finance instrument that allows clean energy and energy efficiency projects to secure financing based on future cash flows from energy sales.

In 2019, the team received a \$300k design grant from Convergence and two pilots are underway with private developer Órigo Energia to finance up to 750 MW of distributed and community solar systems helping to drastically reduce energy costs.

The next step is to reach financial close for the pilot Green FIDCs and scale the concept to other sectors.

THE LAB'S ROLE

- Helped Green FIDC navigate development finance and supported fundraising efforts
- Modeled climate and development impacts, helped communicate these effectively
- Provided validation and network to support investor engagement

PROGRESS TO DATE

- Raised \$10+ mn towards \$25+ mn close for pilot
- Secured Convergence design grant to structure a community solar Green FIDC
- Ongoing discussions to scale the concept to energy efficiency and water infrastructure sectors



Paulo Todaro, Albion Capital and proponent of Green FIDC

"The Lab was able to not only provide us with valuable networking, but also guide us to navigate the complexities of aligning concessional and commercial capital effectively."

WHAT'S NEXT?

In 2020, the Lab launched a new class of instruments

SOUTHERN AFRICA



Climate Adaptation Notes

A new funding source for water and waste-related climate adaptation infrastructure projects in Southern Africa that have struggled to attract long-term sustainable financing.

BRAZIL



Conexus Impact Fund

A business platform to develop financial products to specific communities and enterprises, addressing the gap in the way small-scale farms and forest-dwellers access available financing.

ENERGY ACCESS



GreenStreet Africa Development Company

An energy as a service model to allow private ownership, operation and financing for distributed solar generation projects to supply Nigerian public facilities.

INDIA



GROVE: Forestry Smart Ledger (FSL)

Combines satellite monitoring and remote sensing with blockchain verification of restoration agreements to create performance rewards for Indian communities.

NATURE-BASED SOLUTIONS



Monetizing Water Savings

A "pay-for-success" model to monetize water conservation and efficiency, creating incentives and revenue streams in areas where users often lack the necessary financial resources.

SUSTAINABLE AGRICULTURE



Rural Prosperity Bond

Allows SMEs who sell products and services that support sustainable agriculture to offer their products to smallholders on financially reliable credit.

SUSTAINABLE CITIES



Sub-National Climate Finance Initiative

Creates a blended investment vehicle that increases the flow of capital for mid-size (USD 5-75M) sustainable urban infrastructure projects.

BRAZIL



Sustainable Agriculture Finance Facility

Customized bundled loans that match the farmers' needs and takes into account specific ICLF (integrated crop-livestock-forest systems) parameters.

In 2021, the Lab will develop mitigation and adaptation ideas in sectors and geographies critical for climate action and a sustainable recovery



Adaptation and Mitigation

Transformative ideas in developing & emerging economies



Sustainable Food Systems

Improving sustainability throughout the food system



Sustainable Energy Access

Deployment of renewable energy for productive use



India



Brazil



Southern
Africa

This report was prepared by Climate Policy Initiative, the Global Innovation Lab for Climate Finance Secretariat



CLIMATE
POLICY
INITIATIVE

With deep expertise in finance and policy, CPI is an analysis and advisory organization that works to improve the most important energy and land use practices around the world. Our mission is to help governments, businesses, and financial institutions drive economic growth while addressing climate change. CPI has six offices around the world in Brazil, Europe, Kenya, India, Indonesia, and the U.S.

Climate Policy Initiative, as Lab Secretariat:

- Manages the Lab
- Leads analytical support
- Supports ideas to succeed and scale
- Communicates findings, impacts, and lessons learned
- Convenes the Lab and gathers public and private investors



THE GLOBAL INNOVATION
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www.climatefinancelab.org

