

WB Financing Support for Low Carbon Developments (COP-26 commitments)

- VEPG WG5



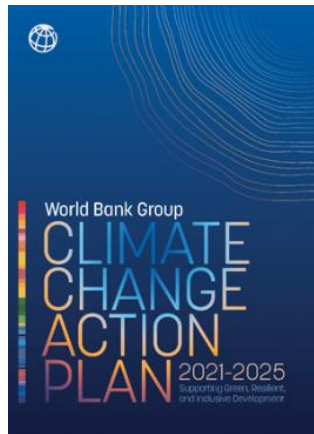
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May 23, 2024

WB Commitments to Climate Action

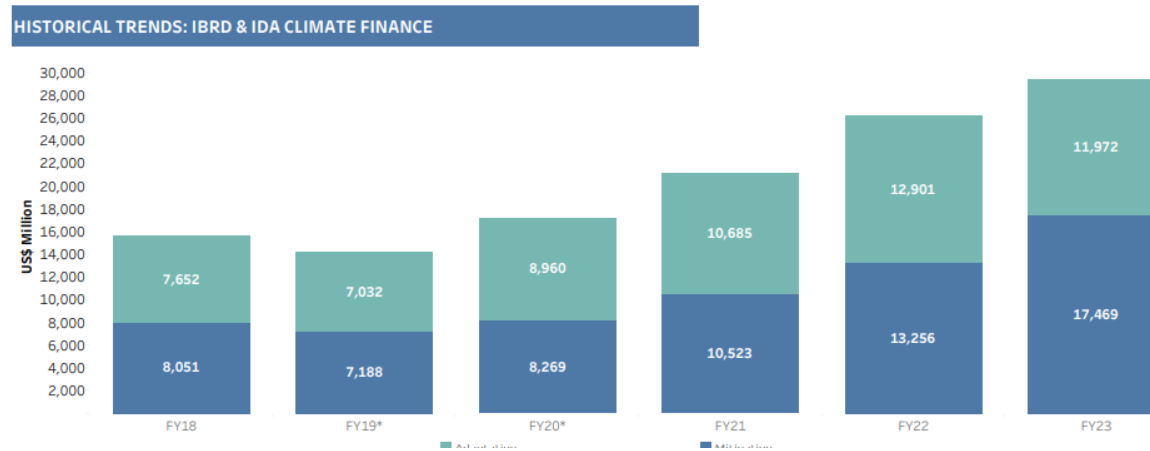
2021

from 28% to 35% of financing,
50/50 mitigation/adaptation



2023

record achievement of ~40% total financing devoted to climate action
~US\$29-38billion



2023 - COP28

from 35% to 45%
~US\$40billion/year



All operations aligned to the Paris Agreement from July 1, 2023

“new financing flows and guarantees provided by the WBG will be consistent with the objectives of the Paris Agreement and a country’s pathway towards low greenhouse gas emissions and climate-resilient development.”

Marrakesh (October 2023), co-signing of the MDBs PA Statement

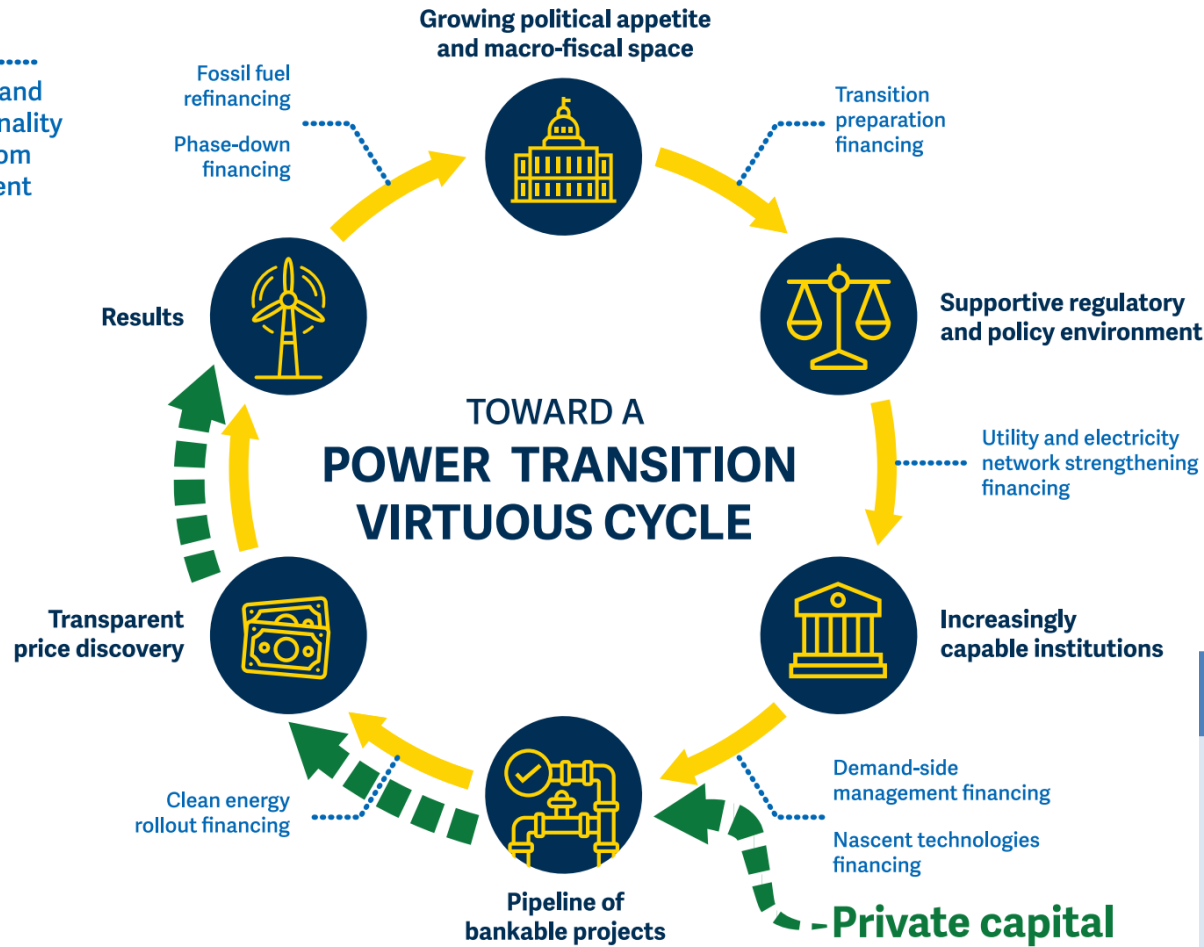


COP28 MULTILATERAL DEVELOPMENT BANKS (MDB)¹ JOINT STATEMENT

Increased ambition and continuous focus on both mitigation and adaptation

WB Approach to the Clean Energy Transition

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Financing and concessional support from development partners



Pillar 1: Reduce coal dependency

- Power/energy sector planning
- Pricing and incentive policies
- Coal power plant repurposing
- Coal mine closure

Pillar 2: Scale up clean energy

- Renewable energy
- Natural Gas
- Energy efficiency
- Grid enhancement
- Energy storage
- Industry/transport decarbonization
- Frontier solutions (hydrogen, CCUS, etc)

Pillar 3: Ensure a just transition

- Social service and assistance
- Workforce transition
- Active labor market policies
- Environmental remediation
- Land reclamation

Pillar 4: Improve sector governance

- Sector financial viability
- Electricity tariff reform
- Utility financial/operational reform
- Subsidy reform and fiscal management
- Market mechanisms

VN Engagement

Decarbonization of energy infrastructure	Resilient infrastructure	Growth Pathways
<p><i>Long-Term decarbonization plans and policy recommendations</i></p> <p><i>Offshore Wind Marine Spatial Plan and market readiness</i></p> <p><i>Hydropower, pumped storage, and floating solar PV (FPV) expansion *</i></p>	<p><i>Roadmap for network resilience and stability</i></p>	<p><i>Recommendations for Implementing the Clean Energy Transition Ensuring Sector Financial Sustainability</i></p>
Regulatory support		

GoV in the forefront of private capital mobilization

WB Mobilizes Concessional Funds and Monetization of Carbon Assets



US\$12.8 billion,
226 projects



US\$7.5 billion,
398 projects

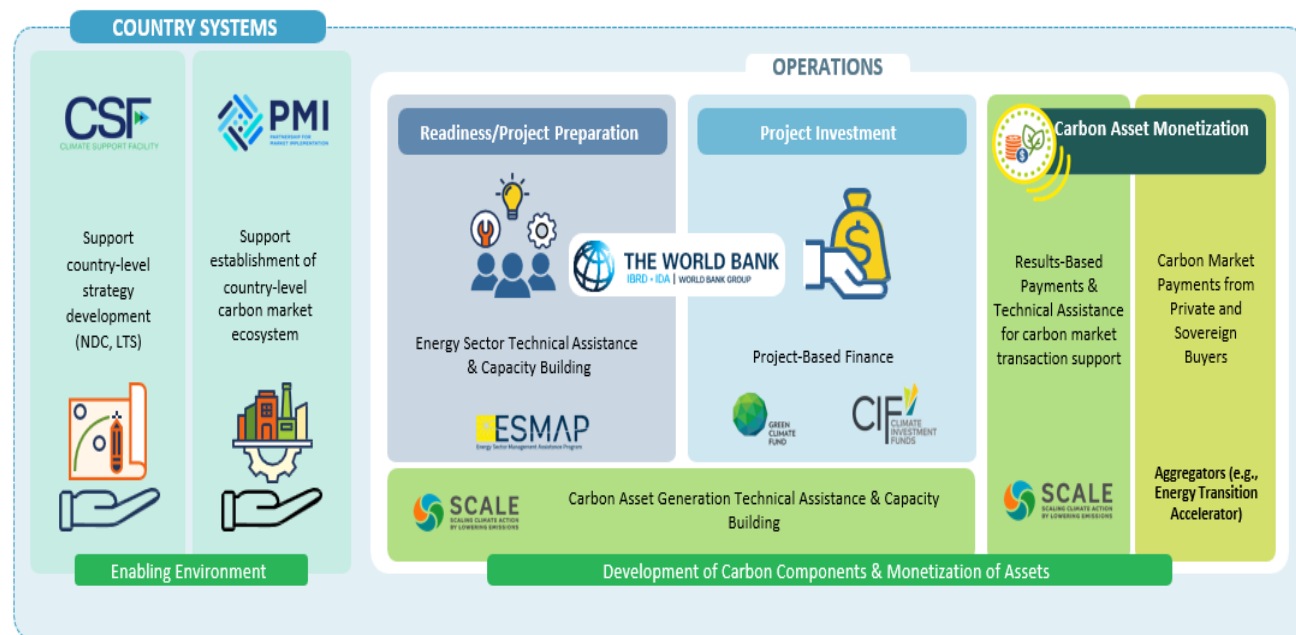
Accelerating Coal Transition (ACT) Investment Program

E.g., Indonesia:
US\$500mln mobilizing US\$5 billion in private sector investments

VN REACH Project

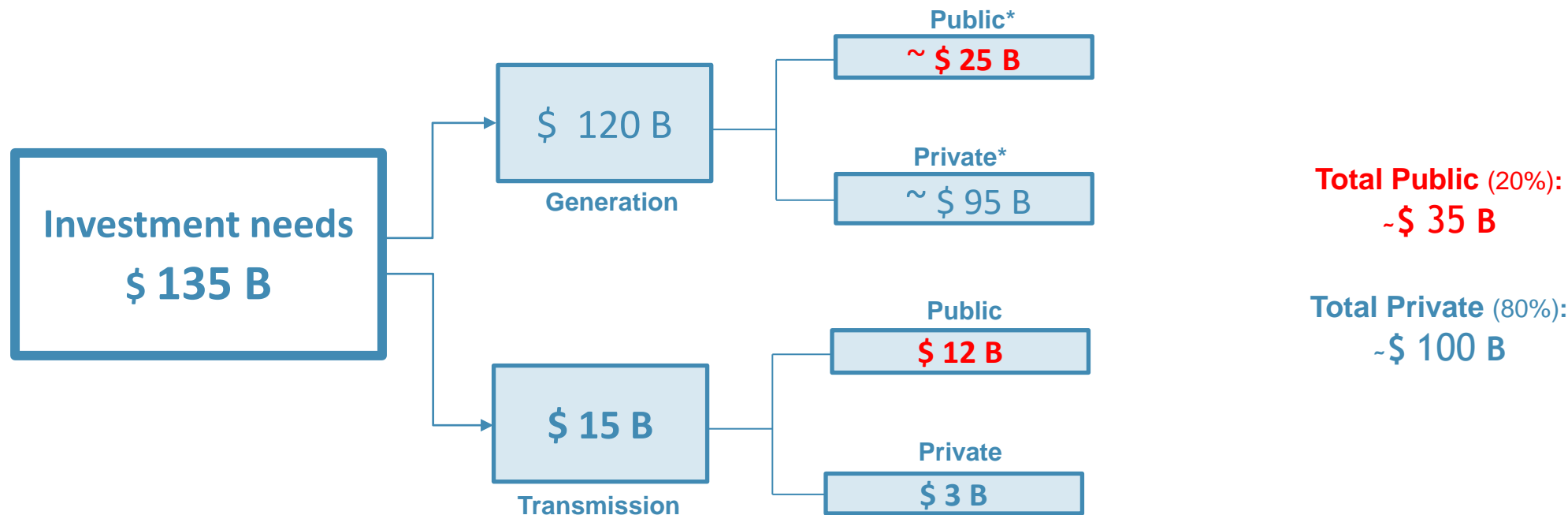
US\$ ~50 million from the **Canada Facility**
0.75% (fixed)
25y tenure
No fees

Lower terms and higher tenures than SOEs' domestic borrowing



Concessional funding plays a key role to decrease the cost of capital and LCOE impacts

PDP8 has Large Funding Needs and Limited Sources of Financing



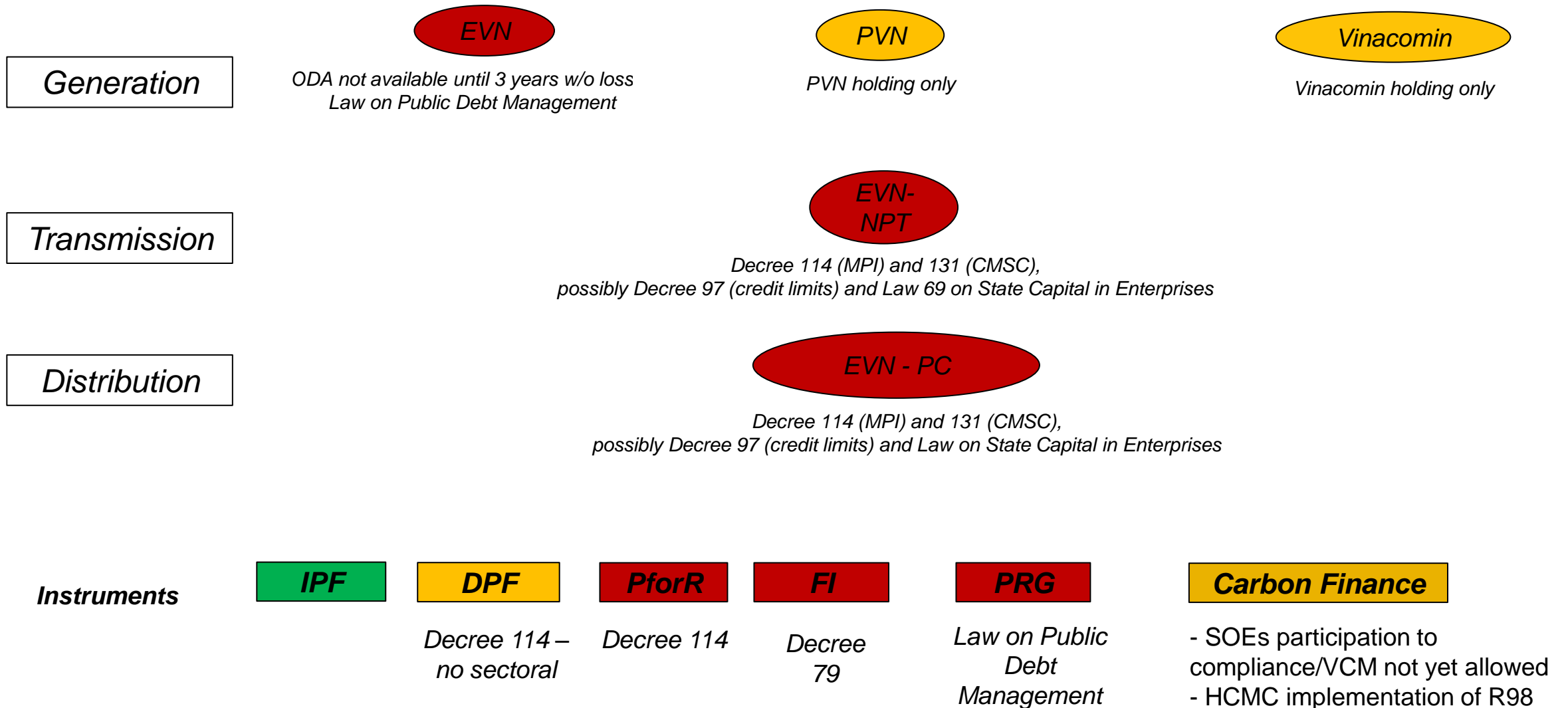
Commercial Banks Charter Capital: US\$ 39 billion	Total public investments as % of total charter capital	~92%	Public investments needs almost equal total charter capital
	ABL (25%) of charter capital, US\$, billion	~\$10 b	Max credit available, but EVN Group already close to ceiling (waiver for EVN in 2021)
	ABL as % of total public investments	~28%	If available, total liquidity could finance ~28% of public investments of the power sector (\$35 million overall needs)

WB Menu of Financing Instruments (excludes IFC and MIGA)

- **Investment Project Financing (IPF)**: provides financing to governments for activities that create the physical/social infrastructure.
- **Program-for-Results (PforR)** links disbursement of World Bank funds directly to the delivery of defined results, helping countries improve the design and implementation of their own development programs and achieve lasting results by strengthening institutions, enhancing systems, and building capacity.
 - Include support to Financial Intermediaries (FI) (e.g., commercial banks)***
- **Development Policy Financing (DPF)**: provides budget support to governments or a political subdivision for a program of policy and institutional actions.
- **Project-based Guarantees (PRG)** applied in the context of specific investment projects where governments wish to attract private investment (equity and/or debt). Provide risk mitigation for the viability of the investment
 - **Loan Guarantees** –risk mitigation to commercial lenders with respect to debt service payment defaults caused directly or indirectly by government failure to meet specific payment and/or performance obligations arising from contract, law or regulation.
 - **Payment Guarantees** –risk mitigation to private projects or to foreign public entities with respect to payment default on non-loan related obligations by government.
- **Carbon Finance**: Scaling Climate Action by Lowering Emissions (SCALE) Results Based financing; transaction support access to VCM and compliance markets

Ongoing Challenges for Channeling WB and ODA Financing

■ Not possible
■ Potential
■ Possible



Thank you!
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