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第七届生态补偿国际研讨会

黄山 *2018 Huangshan*

The 7th International Conference on Eco-compensation and PES

Day 2: Introductory Session on Green Finance

Bikram Chaudhury

Founding Partner, GreenArc Capital

www.greenarccapital.com

The basic mission of finance is to set up arrangements whereby people may pursue risky opportunities without themselves being destroyed by this risk, and arrangements that incentivize people to behave in a socially constructive manner.

Robert Shiller

Green Finance Explained

What?

Green Finance is the engagement of traditional capital markets in creating and distributing a range of financial products and services that deliver both **investable** returns and **environmentally positive** outcomes.

How?

The focus can be on greening of existing infrastructure spending or mobilizing additional investments in key sectors, such as clean energy, sustainable transport, natural resources management, **ecosystem services**, biodiversity, sustainable tourism, and pollution prevention and control.

Why?

Promoting green finance on a large and economically viable scale helps ensure that green investments are prioritized over business-as-usual investments that perpetuate unsustainable growth patterns. As an example, Protecting and restoring forests, Producing food more sustainably. Improving land use. These natural climate solutions can deliver 30% of the climate solution needed by 2030. But receive less than 3% of climate funding.

Why is Green Finance Important?

Developing Asia will need to invest $1.7 trillion annually in infrastructure between 2016 and 2030. As shown in Figure 1, this estimate covers transport, power, telecommunications, water supply and sanitation, and other urban infrastructure .

In addition , the UN estimates that $6tn of investment will be needed annually over a 15-year period to meet its sustainable development goals (SDGs) globally .

Figure 1: Estimated Climate-Adjusted Infrastructure Investment Needs in Developing Asia (2016-2030)

Source: ADB. 2017. *Catalyzing Green Finance*. Manila. p. 13; and ADB. 2017. *Meeting Asia's Infrastructure Needs*. Manila. p. xiv.

Green Bonds Market Overview

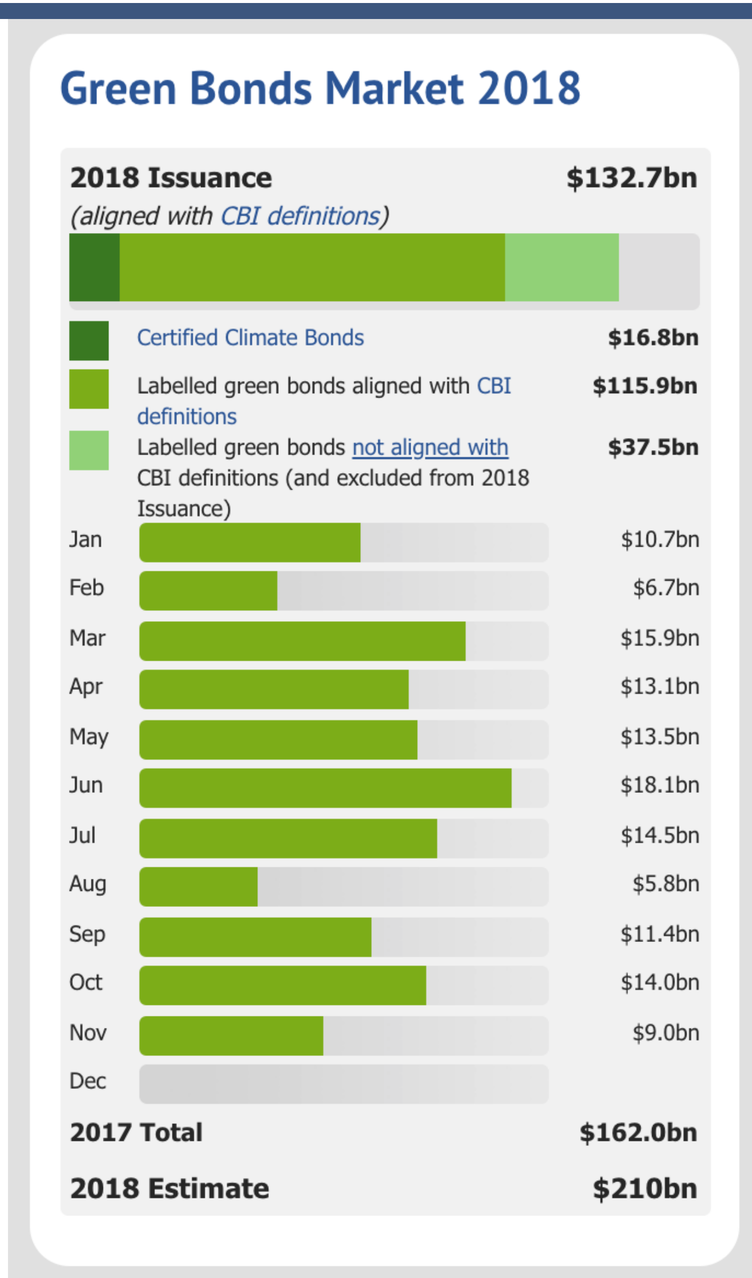
The green bond market has been growing rapidly since 2015 and the milestone of $1 trillion in green finance by end 2020 is increasingly seen as a target for global finance to deliver.

However , there is still a long way to go. Moody’s estimates that the green bond market accounts for about 2 per cent of global fixed income issuance.

In the past years, China has cemented its position as a key player in the global green bond market. China issued 40% pf global bonds in 2016 and 15% in 2017.

China’s regulators continue to encourage green finance growth.

Its issuer base is expanding and diversifying and both regulators and issuers implementing measures to align with international best practice.



Source: https://www.climatebonds.net/

What is the role of the private sector in Green Finance?

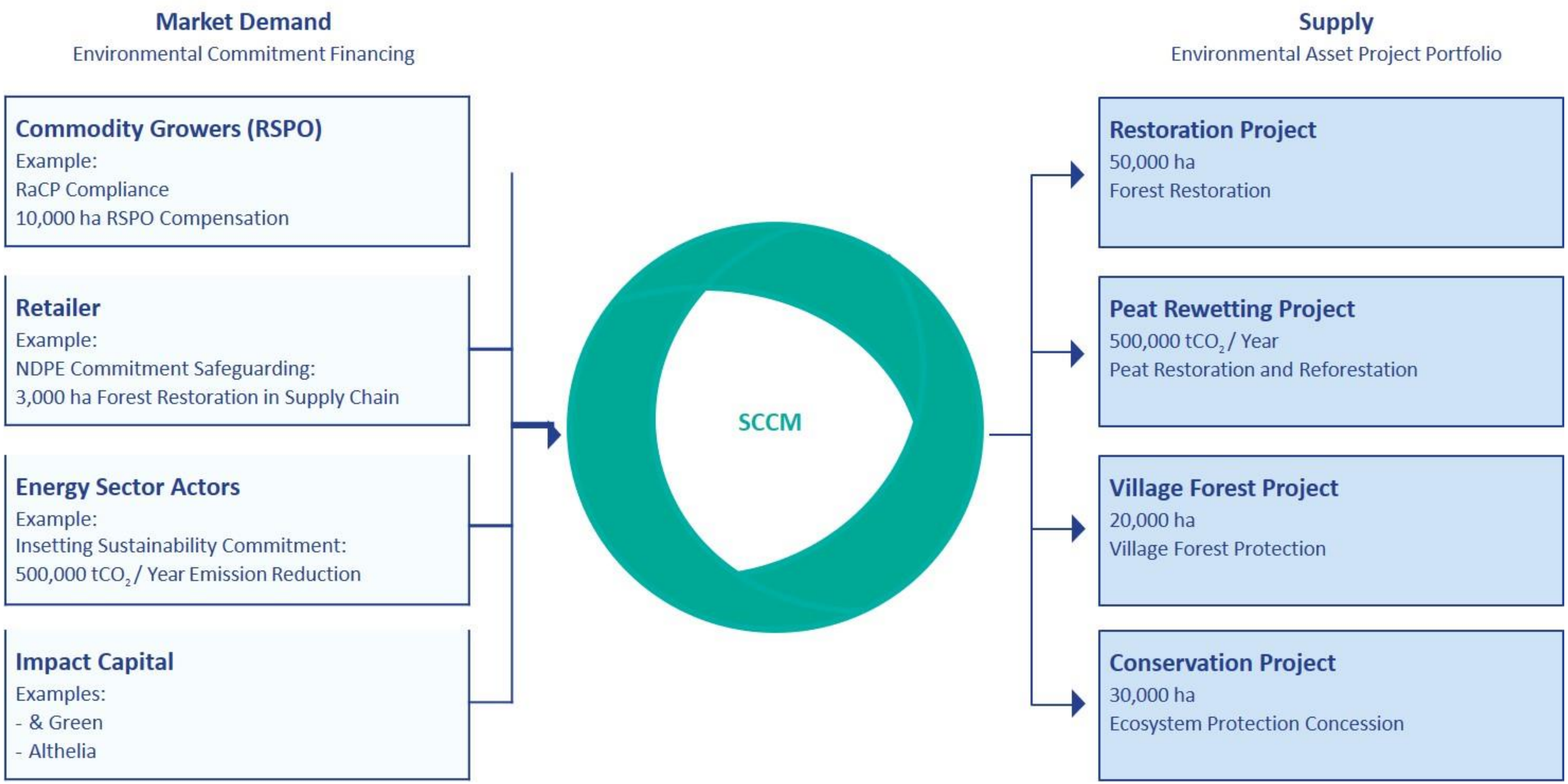
Public sector funds and development assistance can supply only a small portion of green investments. The private sector needs to fill financing gaps for green investments over the long term. For example, it is estimated that over 85% of the total green investment in the People's Republic of China's (PRC) will need to be financed by private capital*

The financing deficit, can only be met through a larger and more proactive effort to catalyze all private sources of finance, especially institutional and retail investors including pension and insurance funds, private debt and equity funds, corporate social responsibility funds, and commercial banks.

Pension and insurance funds in Asia already hold about $10 trillion in assets, which will grow as the sector penetration gets deeper from a low base.

The Sustainable Commodities Compensation Mechanism

A Case Study in connecting Markets to Conservation in SE Asia



GreenArc Capital worked in partnership with Lestari Capital ( ) to develop and launch the SCCM Eco-Payments mechanism

Sustainable Commodities Compensation Mechanism

The SCCM is a platform designed to scale up market-linked conservation finance. It captures the opportunity to generate new demand, deliver efficiency and secure private sector capital in the conservation space.

Has launched its 1st "proof-of-concept" transaction in partnership with Cargill at the THK forum in Bali October 2018. Cargill provides 25 years of financing for a community forest project in the Indonesian Heart of Borneo via the SCCM. Payments are linked to RSPO certification compliance

Details on https://www.cargill.com/2018/lestari-capital-launches-innovative-finance-mechanism

Issues

- Conservation and forest restoration projects are undercapitalized
- Private sector capital is required to scale conservation & forest restoration efforts.
- Corporates are falling under

Solution

- Develop innovative, systemic demand sources beyond CSR
- Help attach a value to natural capital
- Provide a concrete, transparent solution for companies to act upon sustainability commitments and

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THANK YOU

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