



CIF



**CLIMATE
INVESTMENT
FUNDS**

Clean, green and better: Policy priorities in a post-COVID-19 world

Wednesday, September 9, 8:00 AM (EDT)

Webinar: Climate Investment Funds

An unprecedented crisis, an unparalleled opportunity

Peter Martin, Principal Economist | Wednesday, September 9, 8:00 AM (EDT)



Three scenarios for the post-pandemic future

Will Covid-19 accelerate the energy transition?



Full recovery

- Vaccination ends the pandemic
- Fiscal and monetary stimulus revives economies
- Global GDP growth returns to 2.5% per annum trend rate over 2025-40
- World trade and travel return to previous trends
- Oil demand growth resumes, reaching a peak in the late 2030s
- Coal demand hits a plateau



Go it alone

- Vaccination effectiveness is limited
- Slower recovery from the world recession
- Governments put up more barriers to trade
- Industries shorten supply chains
- Global GDP growth weaker; averages 2% per annum over 2025-40
- Weaker international action to curb emissions



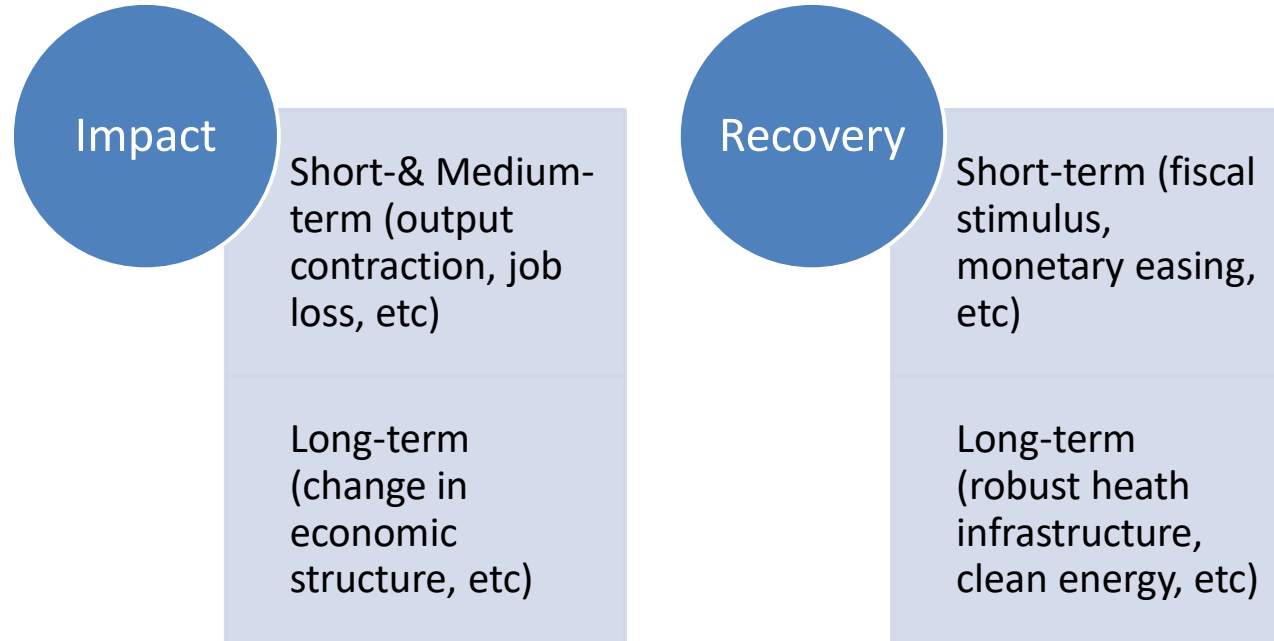
Greener growth

- Fiscal stimulus includes measures to accelerate the energy transition
- Renewables, EVs, storage and grid supported by grants and tax breaks
- Global GDP growth 2.5% trend rate
- Carbon pricing strengthens in most leading economies
- Trade and travel reflect costs of carbon
- Regulation and incentives accelerate energy efficiency gains

Economic Impact of COVID-19 on Indian Economy

Sachin Chaturvedi
Director General, RIS

COVID-19: The Exit Plan?



Macroeconomic Impact

Output

- Real GDP growth in second half of 2019-20 is 3.6%, the lowest registered in recent years (as per 2011-12 prices)
- Negative output gap, estimated to be (-) 12% of potential output.
- Services sector growth -5% in 2019-20, lowest in last three decades.
- Merchandise exports and imports declined by 5.1% and 7.8% respectively.

Consumption & Investment

- Govt. consumption (11.8% in 2019-20) continues to be the saviour for the economy during COVID period
- Factor income loss (capital and labour) of 68 days lockdown

Macroeconomic Impact (2)

Employment

- Industrial Outlook Survey and Consumer Confidence Survey indicating pessimistic employment conditions in Q4 of 2019-2020.
- Self-employed and casual labourers account for 51.3 % of urban workforce. The entire segment was affected during the lockdown period.

Macroeconomic Impact (3)

- Long Term Repo Operation (LTRO) in Feb 2020 for durable liquidity at policy repo rate for 1-3 years.
- Targeted LTRO (TLTRO) in March 2020 for 3 years basically to address the credit freeze and rollover issues
- TLTRO 2.0 in April 2020 for NBFC liquidity crisis.
- Special Refinance to NABARD/SIDBI/NHB

V-, U- or L-Shaped Recovery?

- Green shoots are visible, but not credible yet.
- “Unlock phases” characterized by gradual opening of sectors are not unlocking fears and boost businesses and activities as expected.
- *Atmanirbhar Bharat*, despite being a radical economic package is unlikely to help in short-term recovery.
- Demand for separate ‘fiscal stimulus’ package needs to be examined.
- Recovery would depend on response of domestic industry to incentives and capital support announced as part of *Atmanirbhar Bharat* scheme.

Renewable Energy: New Initiatives

- 'First World Solar Technology Summit
- 175 GW cumulative RE installed capacity by 2022
- Solar power capacity increased by 14 times in last 5 years
- Global rank of 4th and 5th in wind and solar power deployment
- During 2013-19, RE power deployment doubled creating 10 million man-days of employment
- Domestic manufacturing of solar PV

Transition to Clean Energy

- Closure of transport, construction and manufacturing sectors
- Investing in Least cost energy solutions (e.g. LED bulbs at affordable prices)
- RE projects during COVID-19, extended the completion of project period and more incentives.
- ISA aims to create a World Solar Bank with authorised capital of \$15 billion to fund projects through a SPV.
- Government announced about US \$1.4 Billion worth of lines of credit (LOCs) for covering 27 solar projects across 15 countries.

GREEN RECOVERY PHASE – MAKING CAPITAL FLOW AGAIN



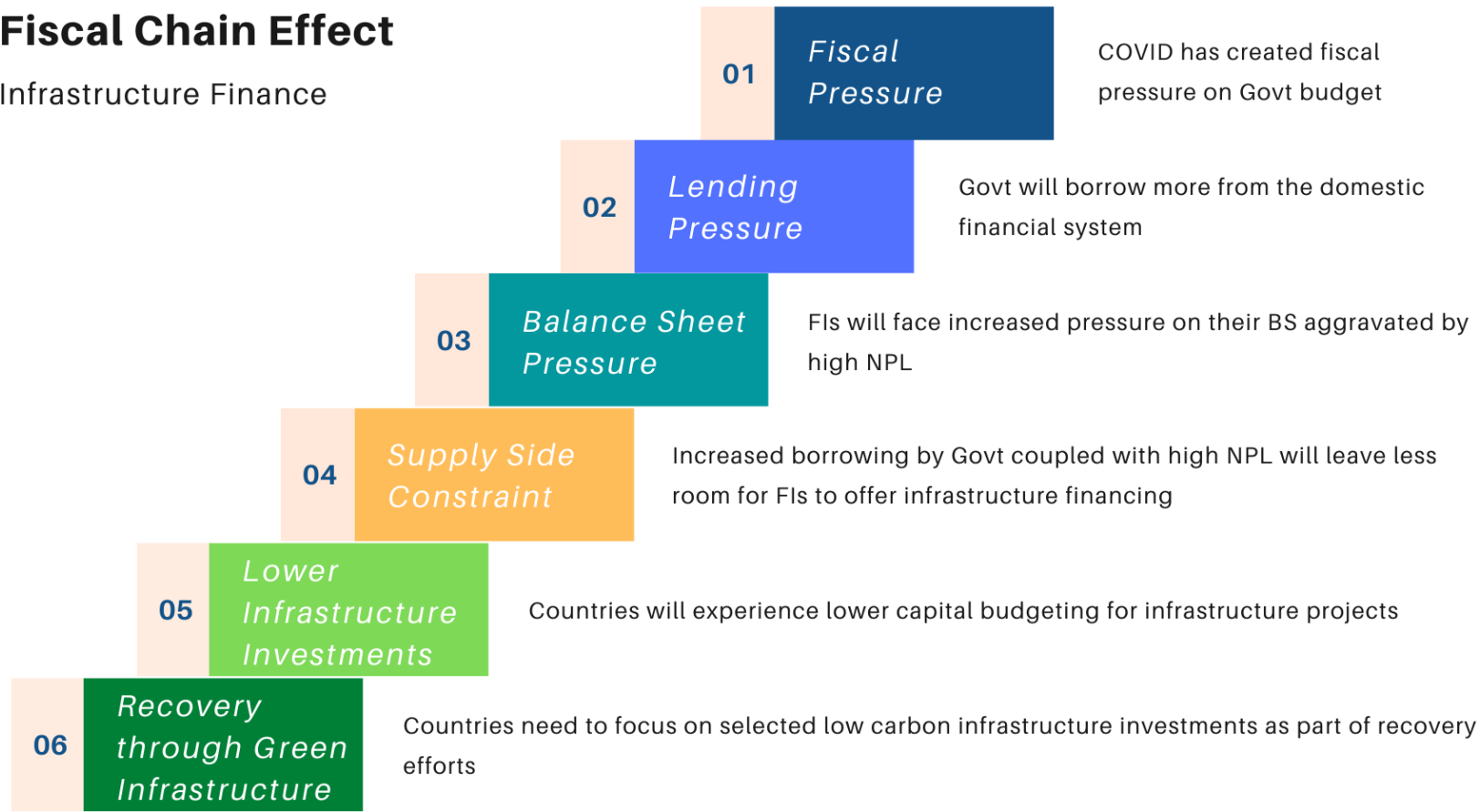
THE WORLD BANK

IBRD • IDA | WORLD BANK GROUP

COVID-19 : FISCAL CHAIN EFFECT AND CAPITAL FLOW CONSTRAINTS

Fiscal Chain Effect

Infrastructure Finance

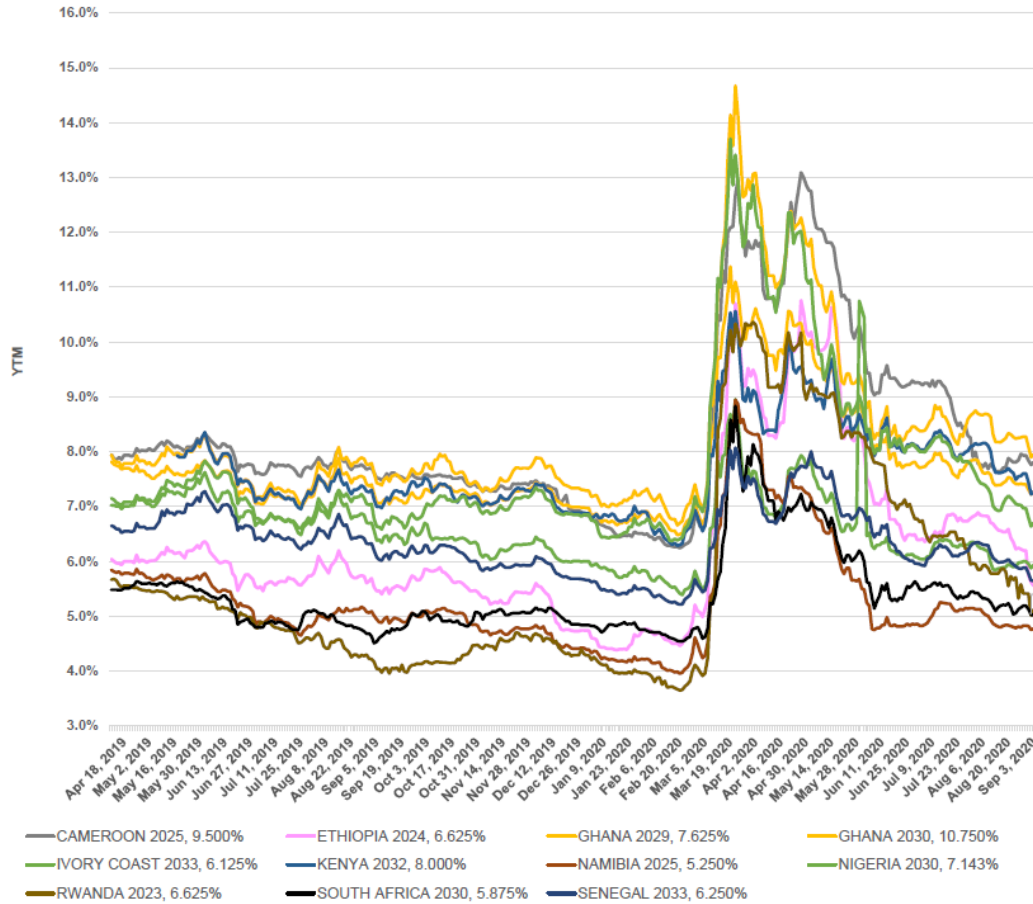


Impact on Capital Investments

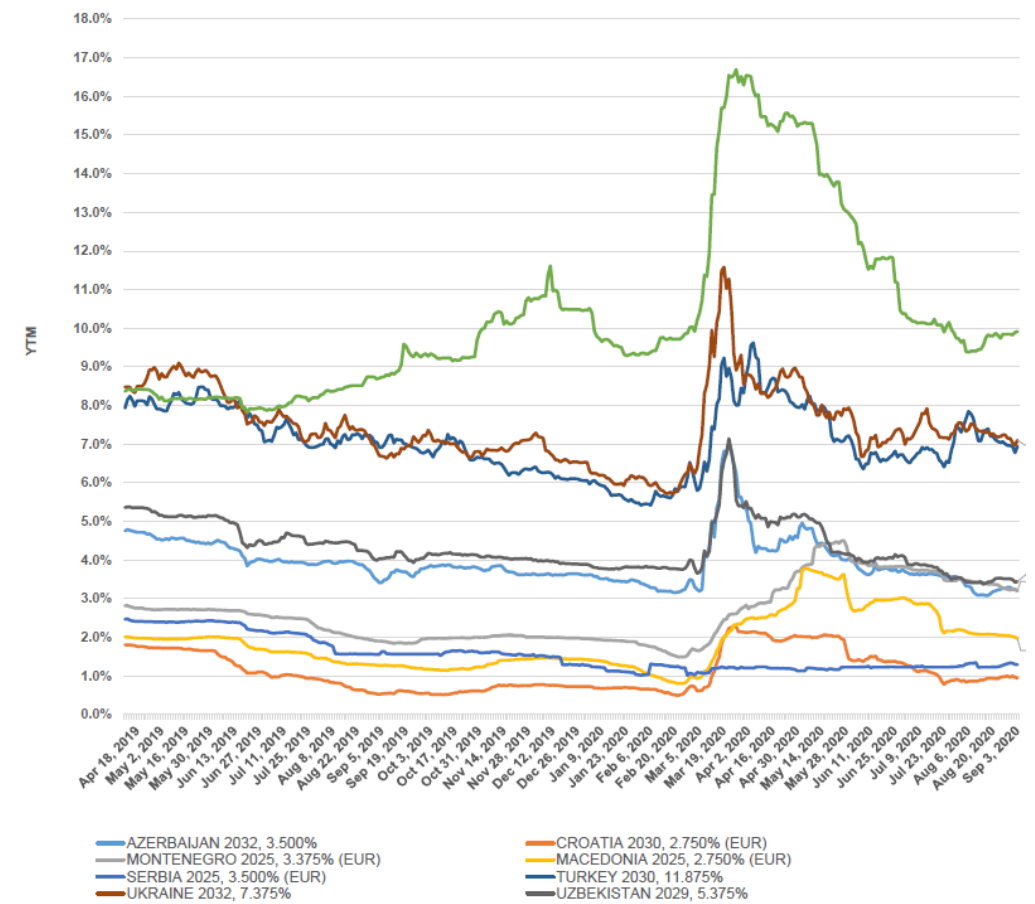
- Under tight fiscal space and competing social priorities, capital investment programs gets postponed or cancelled
- Borrowing for recovery phase has direct impact on credit rating and pricing for EMDEs
- 'Build Back Better' – recovery with green infrastructure through leveraging scarce public financing

EXAMPLE TRENDS IN INVESTOR RISK PERCEPTIONS OF EMDEs

Yields of Sovereigns in the Africa Region



Yields of Sovereigns in Europe & Central Asia Region

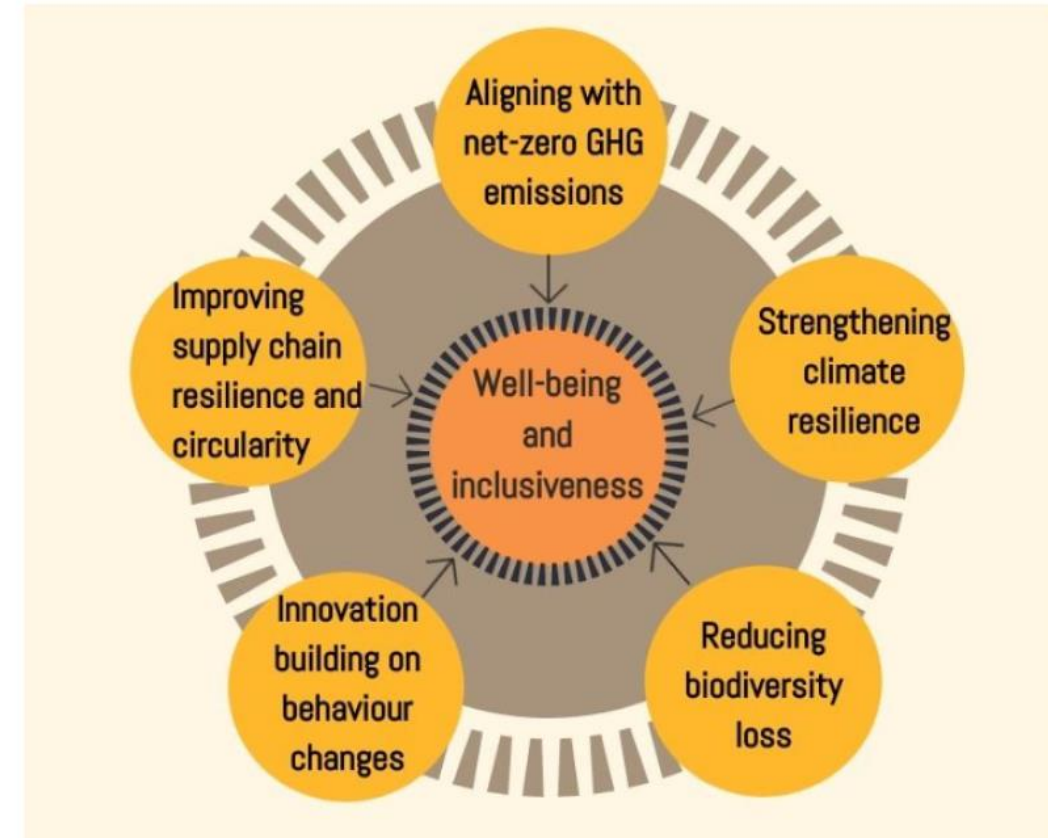


Around 40% of sovereign issuances in international capital markets in the last 4-5 months are from EMDEs, but the risk perception and pricing premium remains higher than pre-crisis levels.

MOBILIZING CAPITAL FOR BUILDING BACK BETTER

- Recovery efforts and financing can facilitate the transition through building enabling environment for green infrastructure, including building institutions, policy and regulatory framework
- Stimulus better targeted with long-term perspective, but also makes policy choices that mitigates negative externalities.
- New capital flow for recovery should focus on shovel ready clean energy and green infrastructure projects with private sector participation can enhance multiplier effect
- Without specific policy measures, EMDEs may not revert to clean energy and low carbon infrastructure investments in their restructuring and recovery phases.

Key dimensions for Building Back Better



Source: OECD

GREEN RECOVERY – FOCUS ON WHERE AND HOW TO INCREASE CAPITAL FLOW

- Not all EMDEs are considering green stimulus or include green infrastructure spending for recovery. There are clear exceptions in the middle-income space with at/near investment grade countries.
- Clean Energy policy measures (such as scaling up renewable energy, energy transition strategies, energy efficiency improvements) are focus areas of some middle-income countries (e.g., India, South Africa,)
- In addition to Clean Energy, policy measures for green transport (e.g., Public Transit systems, Sustainable Mobility, Electric Buses) are incentivizing capital investments in Chile and Colombia
- **How to increase capital flow in EMDEs - with increased private investments**
 1. Increased role for multilaterals, bilaterals, DFIs, climate funds and green finance to improve policy framework and address financing gap and complement private financing/PPPs. Project financing has not reverted to pre-COVID levels.
 2. Domestic development banks have an active role in minimizing sovereign public finances. Examples include IREDA (India), BNDES (Brazil), FDN (Colombia), etc.
 3. Innovative structures, intermediary facilities and risk mitigation and credit enhancement instruments are critical to mobilize private investments.
 4. ESGs are key investment criterion for global investors

Policy Priorities for a Green COVID Recovery

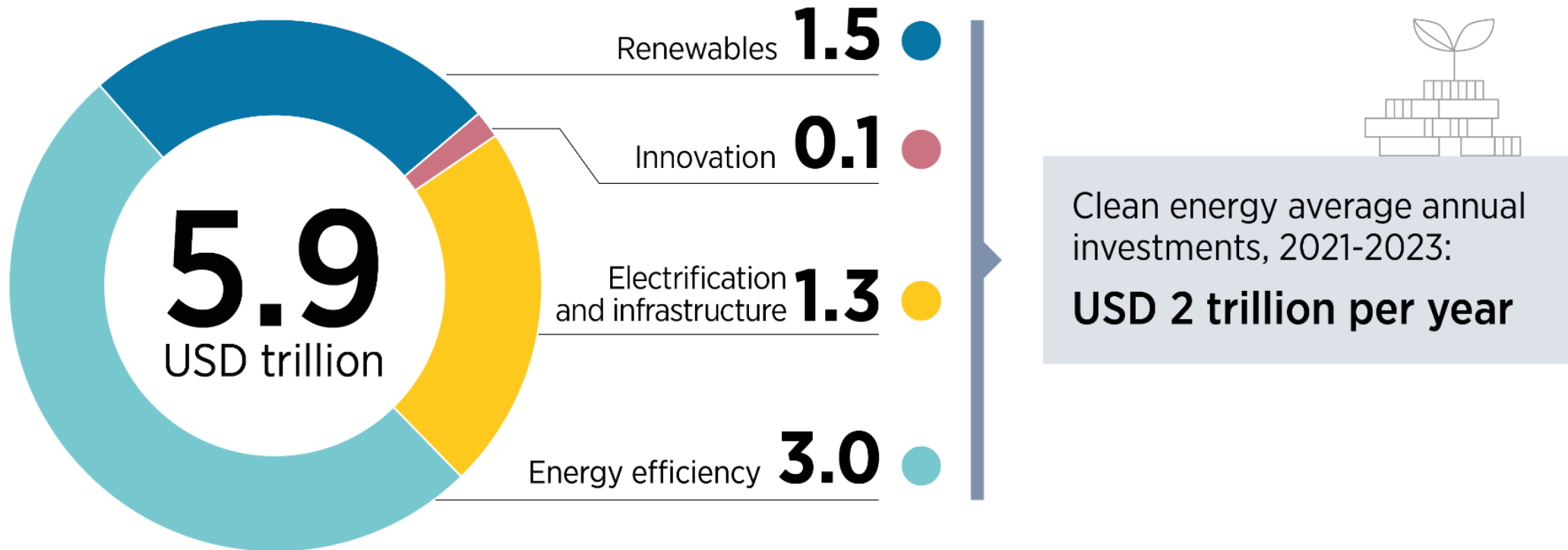
Elizabeth Press

Director, Planning and Programme Support, IRENA

Webinar: Accelerating clean energy investments: policy priorities for a green (COVID) recovery

Energy transformation investments to 2021-2023

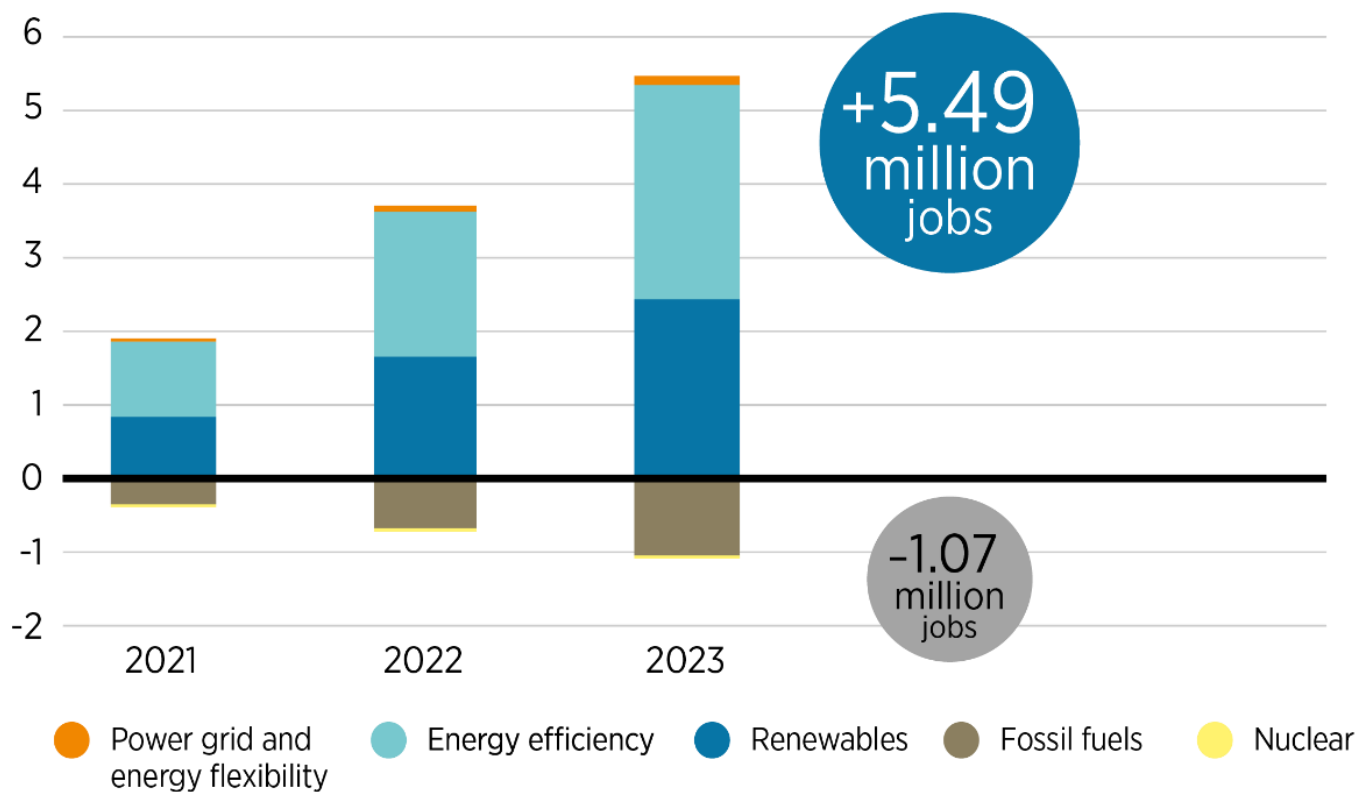
Cumulative clean energy investments between 2021 and 2023
in the Transforming Energy Scenario (USD₂₀₁₉ trillion)



Immediate employment and GDP benefits

Changes in energy sector jobs resulting from transition-related investment
(Transforming Energy Scenario compared to Planned Energy Scenario, 2021-2023)

Difference in energy sector jobs from PES,
million jobs



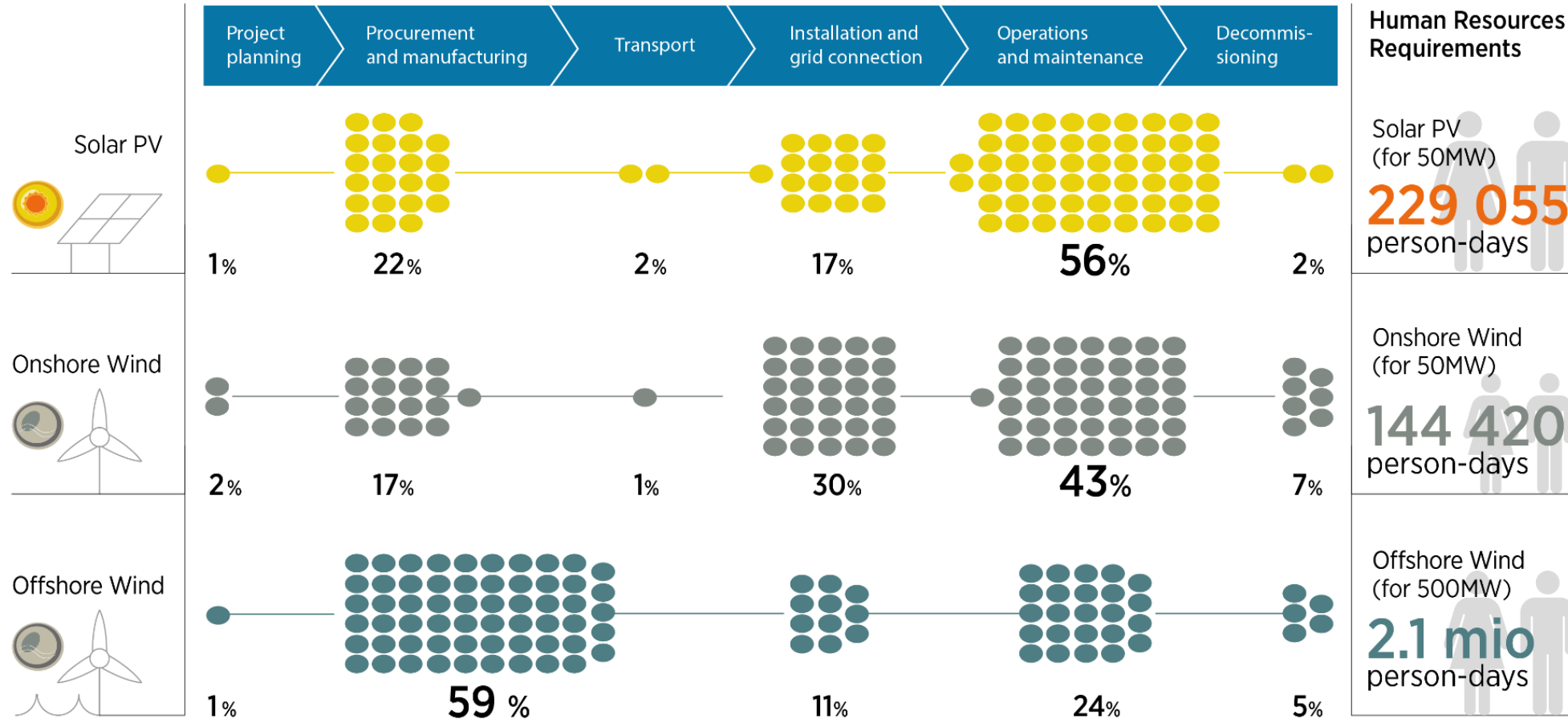
+5.49 million jobs

-1.07 million jobs

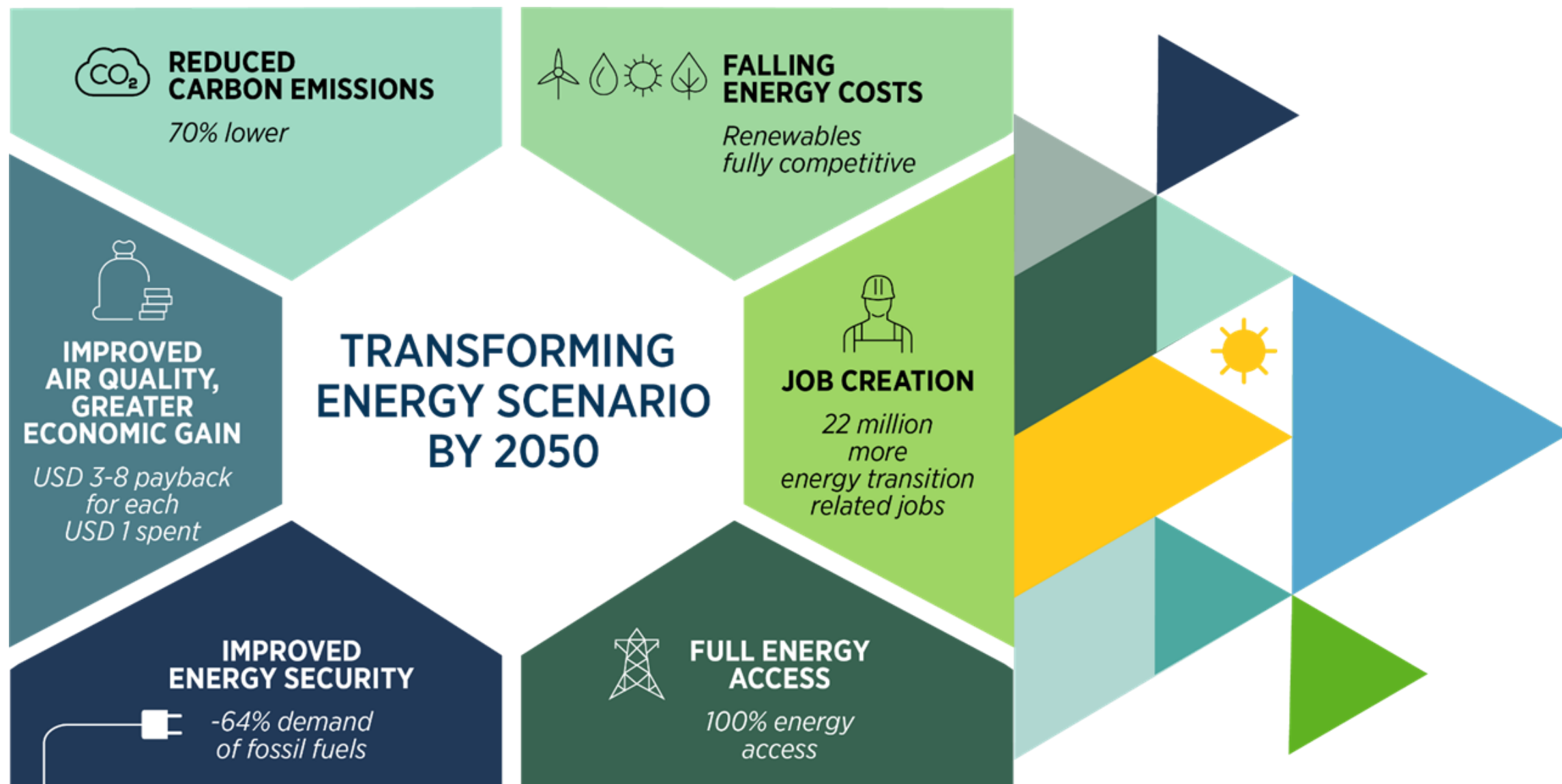


+ 1.0% GDP on average between 2020 - 2023 compared to PES

Employment along several important renewable value chains



Transformed energy = resilient economies and societies





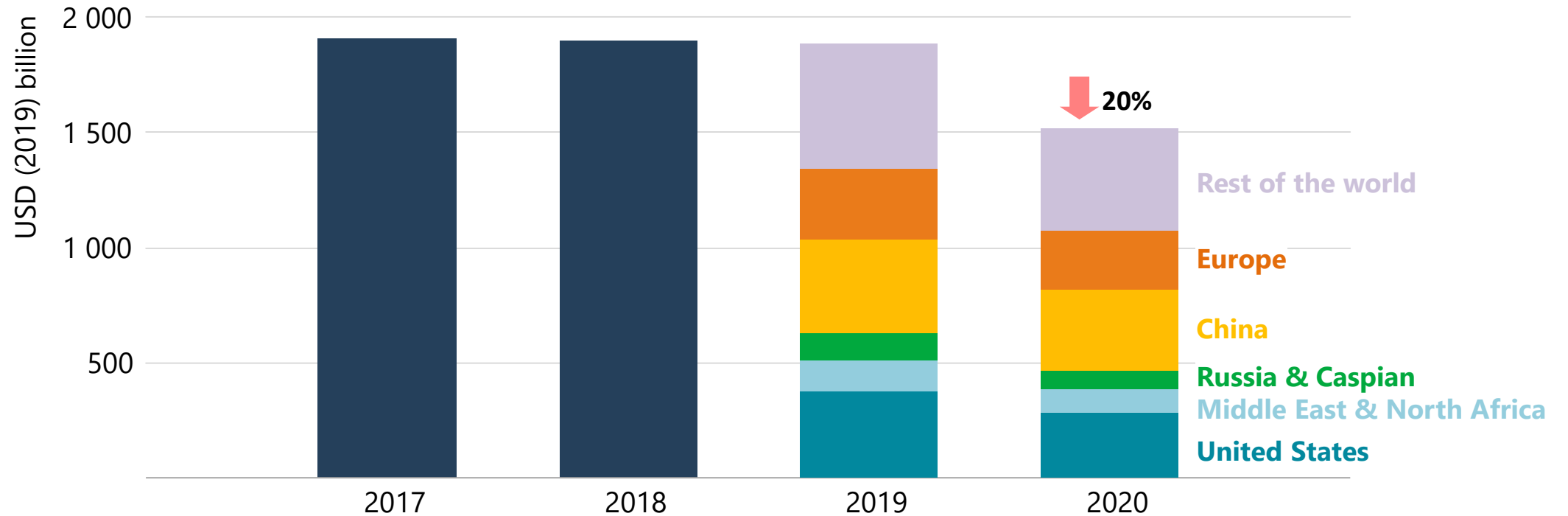
Innovation is a priority for sustainable recovery

Simon Bennett, International Energy Agency

CIF webinar on Policy priorities in a post-COVID-19 world, 9 September 2020

An unparalleled decline in energy investment

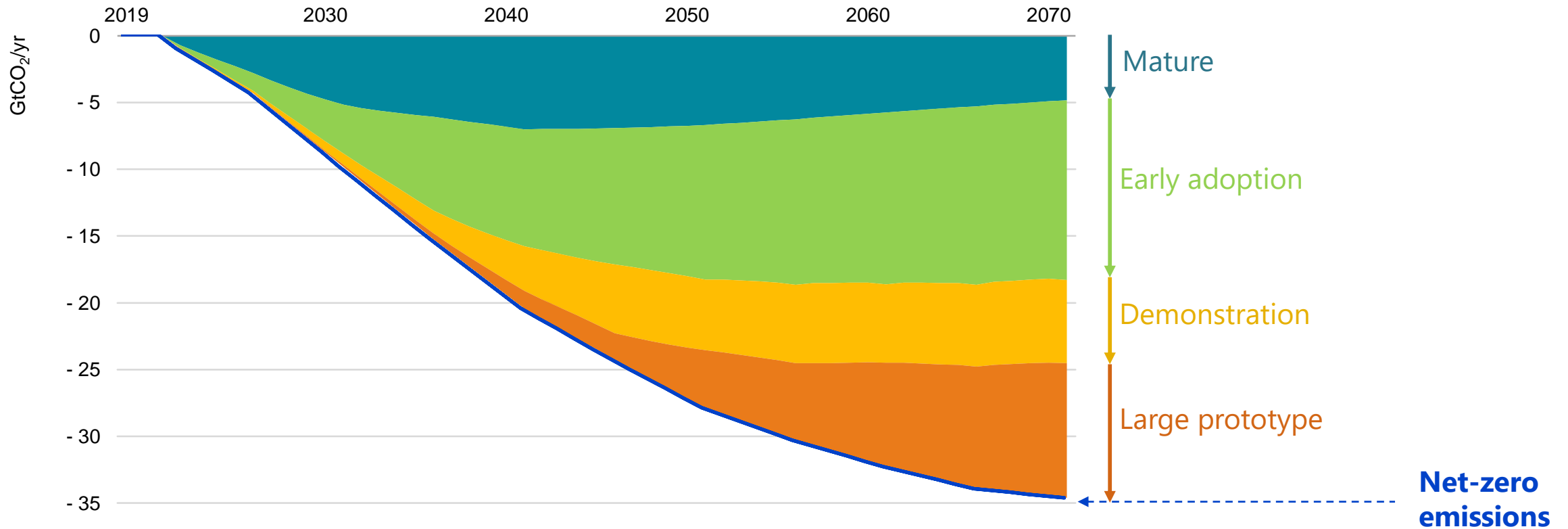
Total global energy investment



Disruption from Covid-19 is expected to push 2020 energy investment down by almost \$400 billion. All parts of the world are affected, but major producers of oil & gas have seen the largest falls

Net-zero emissions is not viable without a lot more innovation

Global CO₂ emissions reductions in the Sustainable Development Scenario, relative to baseline trends

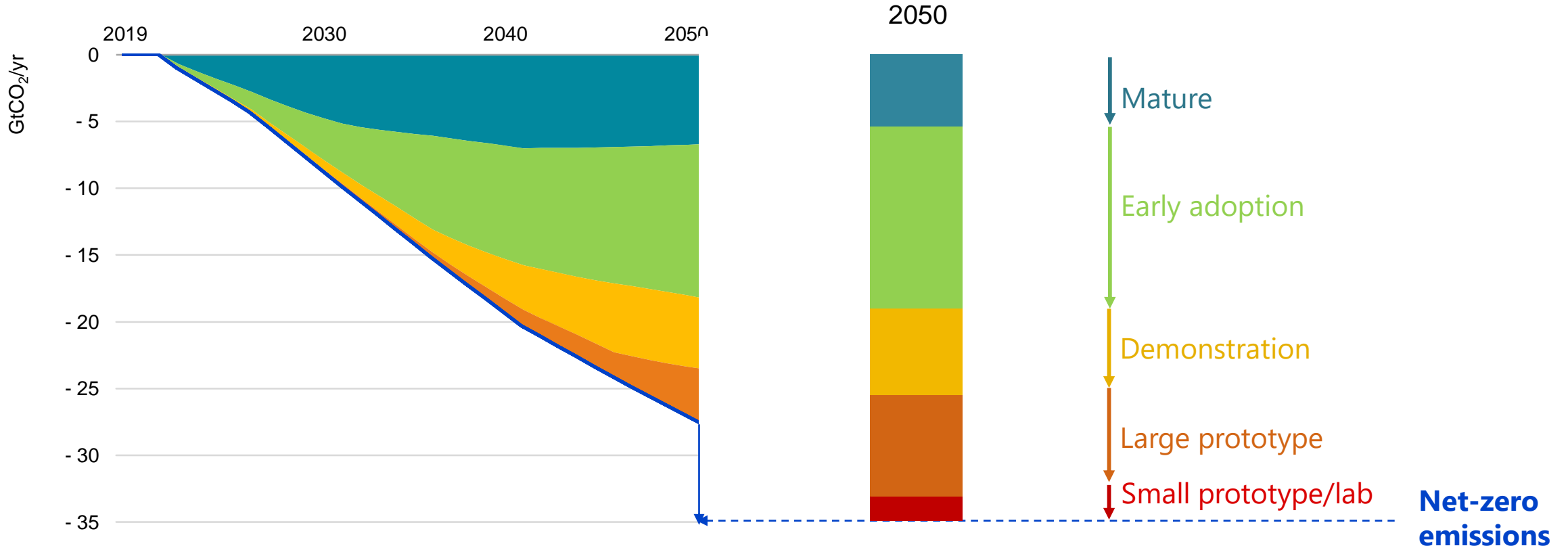


Technologies at prototype or demonstration stage today contribute almost 35% of the emissions reductions to 2070; a further 40% comes from technologies that are at early stages of adoption.

Net-zero emissions is not viable without a lot more innovation

Global CO₂ emissions reductions in the Sustainable Development Scenario, relative to baseline trends

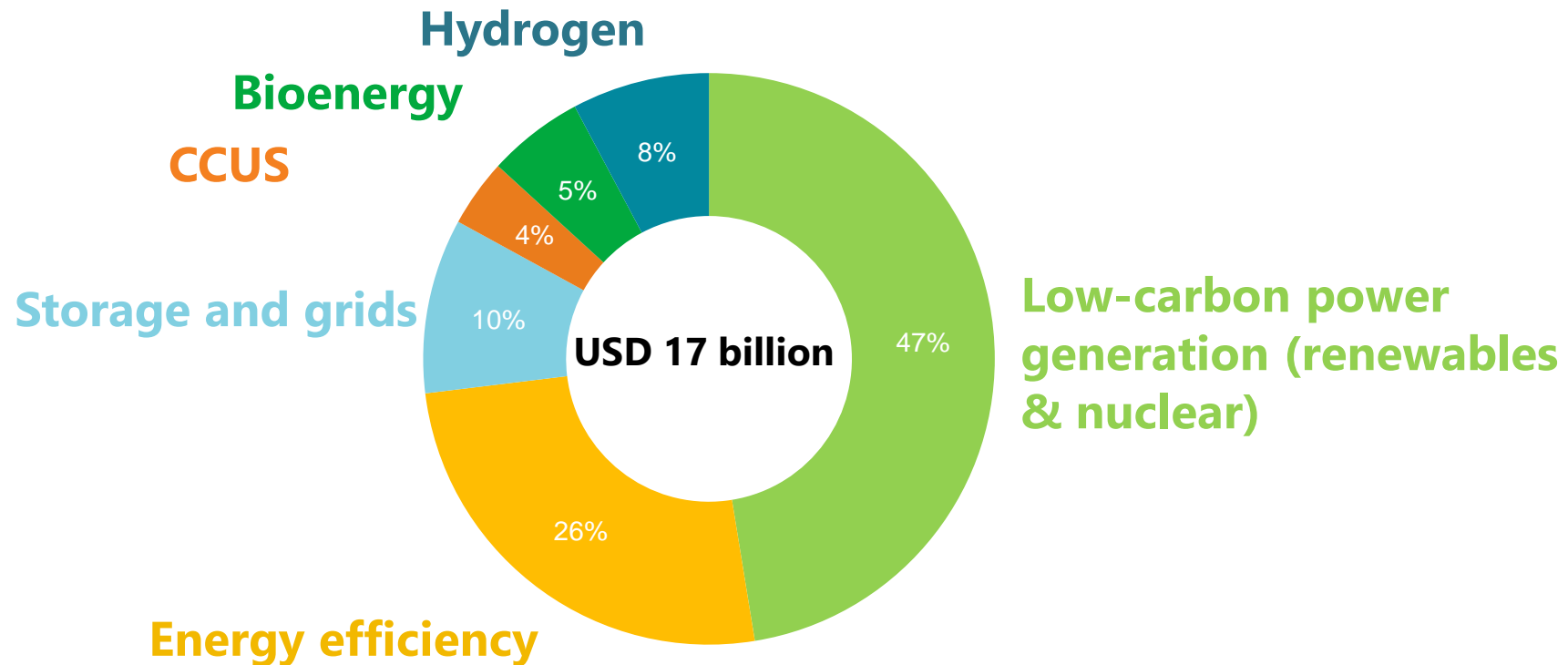
Faster Innovation Case



Rapidly commercialising today's newest & most promising technologies would help save enough CO₂ emissions to reach net-zero by 2050. Lack of policy support could delay achieving net-zero emissions.

R&D spending on net-zero emissions priorities is not sufficient

Global public low-carbon energy R&D allocated to specific technology areas, 2019



Note: total public R&D for low-carbon energy technologies is USD 25 billion

Today, only around one quarter of public R&D spending applied to low-carbon energy technologies is for electrification, CCUS, bioenergy and hydrogen, the key areas for reaching net-zero emissions.

Five key principles to fast-track clean energy innovation

1. Prioritise, track and adjust.
2. Raise public R&D and market-led private innovation.
3. Address all links in the value chain.
4. Build enabling infrastructure.
5. Work globally for regional success.

These five key innovation principles were presented to the IEA Clean Energy Transition Summit on 9 July 2020.

The IEA is working to support several major emerging economies to integrate them into policy.

iea





CLIMATE FINANCE AND COVID-19 RECOVERIES

Lessons from the
Climate Investment Funds



CIF CO-FINANCING

\$6.5 B

CIF FUNDING
UNDER
IMPLEMENTATION



\$60 B

EXPECTED
CO-FINANCING

25.3 GIGAWATTS
IN CLEAN POWER
CAPACITY
WORLDWIDE AND
10,300
GIGAWATT-HOURS
OF ENERGY
SAVED



BROADER ENERGY ACCESS
FOR 8.8 MILLION PEOPLE



300+ PROJECTS IN 72 COUNTRIES

STRENGTHENED
CAPACITY OF 45.2
MILLION PEOPLE
TO COPE WITH
CLIMATE CHANGE



30 MILLION HECTARES OF
SUSTAINABLE FORESTS

CTF | 5.7B

SREP | 0.7B

PPCR | 1.2B

FIP | 0.7B



WORLD BANK GROUP

THE WORLD BANK
IBRD - IDA

IFC | International
Finance Corporation

CLIMATE FINANCE AND COVID-19 RECOVERY: LESSONS FROM CIF



BOOSTING GREEN ECONOMIC RECOVERY

Renewable Energy

Provides **new jobs and supports sectors, MSMEs** hit hard by global recession (Mexico, India)
Increases **energy security**; strengthens **local supply chains; reduces costs** (Morocco, Maldives)

Energy Efficiency

Boosts **productivity** while **reducing costs**, assisting businesses and households in recovery (Turkey, Mexico)



STRENGTHENING POLICIES AND INSTITUTIONS

Policy Reform

TA and capacity building coupled with large investments can help **trigger or support clean energy policies** (Mexico, Kazakhstan, Kenya)

Institutional Strengthening

Institutional capacity strengthening can support **greener, more resilient COVID-19 recoveries** while preparing for future **shocks and transitions** (Morocco, Maldives)



SUPPORTING VULNERABLE POPULATIONS

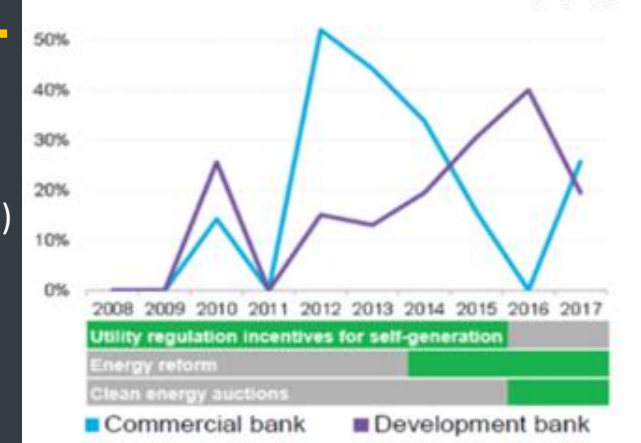
Energy Access

Improves **health, education, and livelihoods** for COVID-19-affected communities, individuals, and households (Nepal, Ethiopia, Kenya, Honduras).

Cleaner Energy

Sustainable transport and clean cookstoves can **decrease susceptibility to COVID-19 and other respiratory illnesses** (Colombia, Honduras).

Mexico: Share of new wind investment, by type





Q & A
Thank you!

A WORLD-LEADING MULTILATERAL CLIMATE FUND
A LEARNING LABORATORY
A PIONEERING FUND