

Climate Finance and Carbon markets

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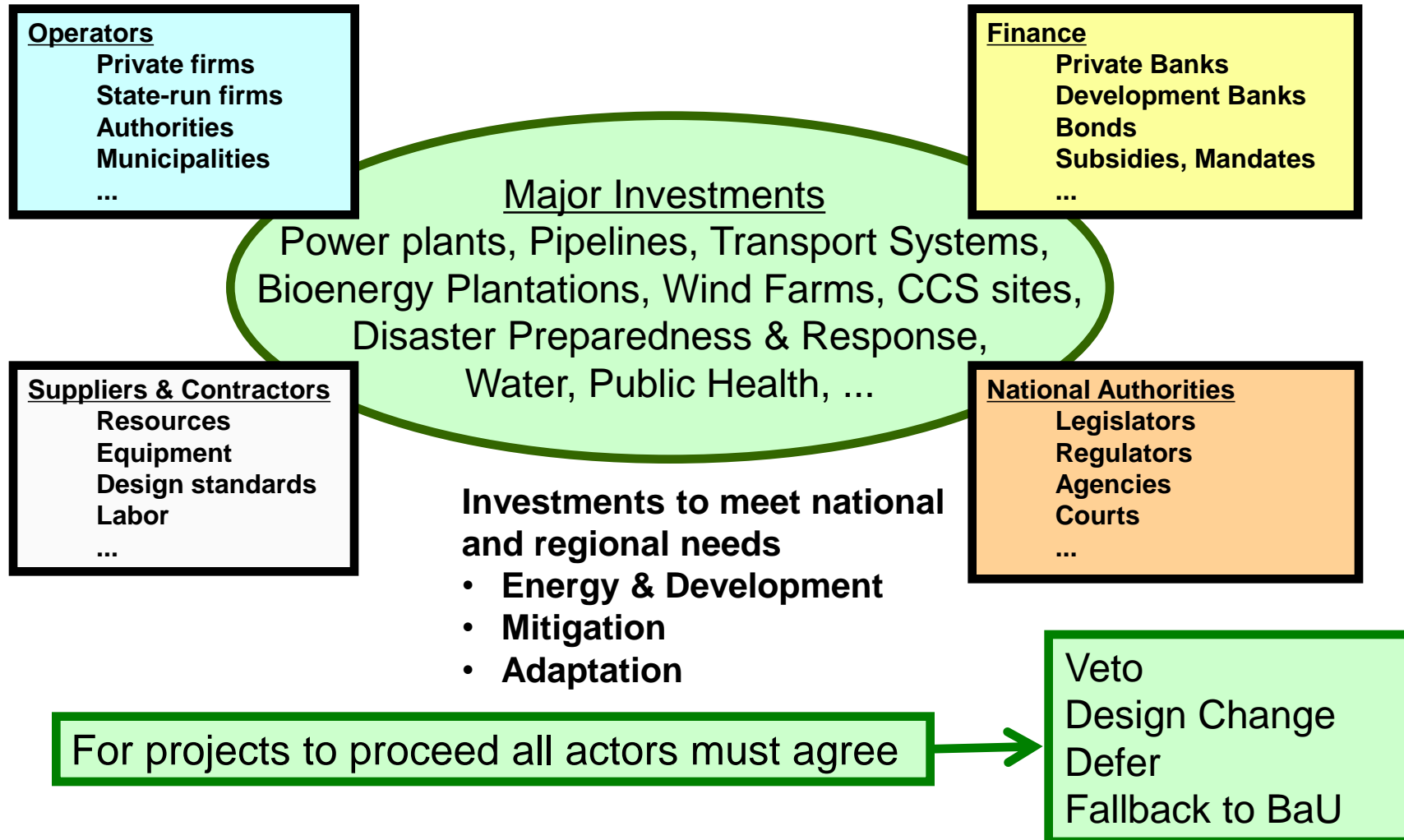
Investment Decision-making

- Decisions on major capital expenditures by private firms are based on a risk-adjusted expectation of adequate return on capital
- Many of the technology systems that show promise face high costs, limited or no commercial experience and political controversy
- Higher costs, potential for permitting or regulatory delays, public acceptance, and policy and legislative uncertainty add to perceived risks and raise costs
- Inadequate returns force firms to seek alternate approaches, defer decisions, or reject projects
- Effective policies will need to work with mainstream project investment and finance processes, and with local and national approval processes
- Business seeks sufficient clarity to plan, propose and implement projects with confidence that they will be commercially viable and will proceed in a timely fashion

The key issue in climate finance is not so much raising funds, as confidence in returns from successful projects

Investments and Decision-Makers

What actors, criteria and enabling frameworks are required?



Carbon Markets and Energy Intensive Industry

- Extensive range of CDM projects – for example, cement, metals, chemicals, pulp & paper etc.
 - ‘Climate Finance’ provided by Operating Companies, Investment Banks, Funds (such as World Bank), Government agencies etc.
 - In most cases, projects are not ‘infrastructure projects’
 - Main driver – CERs enabling a return on investment
 - Primary outcome – transfer of existing technologies

Future Climate Finance

- How can climate finance develop to encourage more company participation?
 - Most companies only ‘think’ project-based
 - Large scale investments, particularly in the energy sector (CCS, nuclear, etc), have long pay back periods making private investment difficult.
 - Availability of finance is only one part of a company decision
 - Market for products (local and export)
 - Enabling environments (local infrastructure, regulatory, legal, work force etc.)
 - Reduce risks for investments
- On-going uncertainty on current market mechanisms and outcome of COP-21
 - Further process to develop ‘new mechanisms’
 - Requirements from nations for international emission reduction ‘credits’

Final Thoughts

- Improving the investment climate in many developing countries will be essential to realise large-scale investments, such as those in the energy sector
- Private company investments require public approval but proceed based on inherently voluntary internal decisions
- To get the involvement of companies, the GCF must operate to objective, transparent guidelines based on clear technical – not political – criteria
- Project funding must also focus on sharing risk for early stage and demonstration projects to overcome the funding gaps where risks are high and rates of return are more difficult to predict

Thank you