The EBRD and Climate Investment Funds

European Bank
for Reconstruction and Development

2011

The Climate Investment Funds (CIF) are a global financing instrument designed to promote and sustain the transition towards low-carbon and climate-resilient development with investments channelled through multilateral development banks (MDBs). The World Bank acts as a trustee and is jointly implementing the CIF. Implementation partners are the International Bank for Reconstruction and Development, the International Finance Corporation, and the Regional Development Banks (RDBs), including the African Development Bank, the Asian Development Bank, the EBRD and the Inter-American Development Bank.

At a glance

Donor countries

Australia, Canada, Denmark, France, Germany, Korea, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States

Total amount of pledges

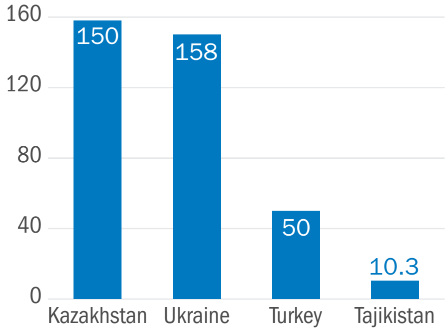
US$ 6.4 billion

Total Clean Technology Fund (CTF) finance available for EBRD 2010-13

US$ 358 million

Innovative governance arrangements, with donor finance implemented by joint multilateral development banks (MDBs) cooperation.

EBRD countries recipient of CIF funds
US$ millions



MDBs and CIF

The CIFs were established in 2008 in support of the Bali Action Plan, to ensure that additional financial resources are provided to developing countries to assist them in meeting the costs of mitigation and adaptation measures in response to the challenge of climate change. The CIFs also aim to develop and test approaches for future delivery of climate finance, to help inform the United Nations Framework Convention on Climate Change (UNFCCC) negotiations. Within the UNFCCC, the CIFs are a delivery channel for fast-start finance.

The MDBs, with their ability to provide large scale financing, are in a unique position to scale-up the multilateral push for market transformation through finance and technical cooperations (TCs). This scale-up is required to effectively address the challenge of climate change while simultaneously enabling development, economic growth and transition to a low-carbon economy.

As a frontline player in the provision of sustainable energy financing, the EBRD's Office of General Counsel (OGC), Energy Efficiency and Climate Change (E2C2), Environment and Sustainability Department (ESD) and Official Co-financing Unit (OCU) teams have been involved in the development of the CIFs from the very early stages in 2007, contributing their private sector perspectives to the operational and legal development and implementation of the CIFs.

The Clean Technology Fund and the Strategic Climate Funds

The CIFs comprise:

The **Clean Technology Fund (CTF)**, which aims at promoting scaled-up deployment and transfer of clean technologies by funding low-carbon programmes and projects that have significant potential for long-term greenhouse gas (GHG) emissions savings. To date, it has received endorsement of 14 investment plans for 13 countries and the Middle East and North Africa (MENA) region for a total funding of US$ 4.5 billion in the area of renewable energy, energy efficiency and sustainable transport. About 37 per cent of the CTF pipeline includes projects in the private sector in which the EBRD plays a key role by leading the structuring of climate-driven transactions.

The **Strategic Climate Funds (SCF)** constitute US$ 1.9 billion in pledged funds, which consist of the following three programmes: the Pilot Programme for Climate Resilience (PPCR), dedicated to climate change adaptation, with the aim of demonstrating ways to integrate climate risk and resilience into developing countries' planning; the Forest Investment Programme (FIP); and the Scaling-Up Renewable Energy in Low Income Countries Programme (SREP). The EBRD is contributing to the development of the PPCR and SREP.

The EBRD and CIF

The EBRD CIF Special Fund has been set up to enable the Bank to access CIF financing. It allows the Bank to considerably expand its climate change mitigation investments, as well as to deepen its capabilities in adaptation financing.

During 2009-10 the Bank has participated in developing three CTF Investment Plans, taking the lead in Kazakhstan and contributing to Turkey's and Ukraine's plans, jointly with the World Bank and the IFC. The total resource envelope to be defined by the EBRD for the three countries is US$ 358 million in concessional co-financing and grant funding for projects in renewables, district heating refurbishment, small and medium-sized enterprises (SMEs) and residential energy efficiency.

In the PPCR, the EBRD is engaged in Tajikistan. Alongside the World Bank and the Asian Development Bank, it supports Tajikistan's government in developing a Strategic Programme for Climate Resilience (SPCR) with a total CIF envelope of US$ 50 million. Under Phase I of the PPCR the EBRD has received a US$ 300,000 grant to conduct an assessment of the climate change vulnerability of the hydropower sector in Tajikistan. Building on this work, a US$ 10 million grant under PCCR Phase II is now in preparation to help integrate climate change resilience into the rehabilitation of a pilot hydropower facility.

Supporting the Turkish Sustainable Energy Finance Facility

Turkey imports 75 per cent of its energy needs and energy demand in the country is forecast to double by 2017. Supporting sustainable energy investments is therefore a key element of the EBRD's strategy in Turkey.

The Bank has launched the Turkish Sustainable Energy Financing Facility (TurSEFF), worth up to US$ 245 million, for on-lending to businesses and households via local partner banks. The proceeds of the facility are used to finance energy efficiency and small-scale renewable energy investments, including geothermal, solar, biomass and biogas, implemented by Turkish businesses and households, helping them to cut their carbon footprint by reducing energy wastage. The TurSEFF benefits from US$ 50 million in concessional and grant co-financing through the CTF, combined with about US$ 7.5 million in TC funding from the EU in collaboration with the Turkish Treasury.

The TC funds are used to support the participating banks in developing energy efficiency financing instruments, to help sub-borrowers design and implement such projects, as well as to increase the awareness about the benefits of sustainable energy investments.

TurSEFF is part of the EBRD's wider effort to help its countries of operations reduce their energy intensity. There are currently 19 similar EBRD facilities operating in 16 countries. Overall the EBRD has committed over US$ 1.1 billion to Sustainable Energy Financing Facilities (SEFFs).

Looking forward

CIF funding represents a new scale of concessional funding mobilisation for the EBRD in line with the strategy set out in Phase II of its Sustainable Energy Initiative (SEI).

Building on the SEI and CIF funding, the Bank intends to:

- transform markets by bringing into the SEI new sectors which are inaccessible without concessional funding, for example, complex thermal rehabilitation of post-Soviet multifamily buildings, and developing renewable energy markets in countries with no experience of investing in renewables
- pursue new and cleaner technological options which are out of reach without concessional funding, for example automated substations in district heating networks, or anaerobic digesters for organic waste
- introducing new financing solutions to investment in energy efficiency in markets where local banks are not yet engaged in the sector
- continue to develop new approaches and activities to support adaptation to climate change.

Contact

European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom
Tel: +44 20 7338 6000

Andreas Biermann
Senior Manager
Energy Efficiency and Climate Change
Tel: +44 20 7338 7358
Email: biermana@ebrd.com

Marta Simonetti
Principal Manager
Official Co financing Unit
Tel: +44 20 7338 7259
Email: simonetm@ebrd.com

Climate Investment Funds web site
www.climateinvestmentfunds.org/cif/

TurSEFF web site
www.turseff.org