

CLIMATE CHANGE CASE STUDY: UK International Climate Finance in Action

Private investment to help tackle climate change

Developing countries will require significant support to make the necessary changes to adapt to climate change and move to a low carbon development path. New investment is required in areas such as renewable energy, energy efficient new technologies and infrastructure to increase economic growth. Given the scale of resources required, we need to mobilise a significant amount of private sector finance along with public sector funding.

UK International Climate Finance

The UK Government established the **International Climate Fund (ICF)** in 2011 as part of its commitment to reduce poverty by helping developing countries adapt to climate change, take up low carbon growth and tackle deforestation. The ICF will provide **£3.87 billion of climate finance** from within the existing UK aid budget from **2011 to 2016**.

The ICF contributed to the UK delivering its pledge of almost **£1.55 billion “Fast Start” finance between 2010 - 2012**.

Stimulating new investment

The UK is working alongside the **Asian Development Bank** and **International Finance Corporation** in a joint effort to encourage large sources of capital, such as pension funds and sovereign wealth funds, into low carbon climate resilient investments.

The aim of the **Climate Public Private Partnership (CP3) programme** is to

demonstrate to private sector investors that climate friendly investments in developing countries are financially viable.



African Solar development © IFC Asset Management Company

UK support

The UK Government has committed **£130 million** to the **CP3** programme.

The UK is investing **£110m in two commercially run private equity funds**. Both funds are managed by professional fund managers that will pick the **best investments** (both direct investments and sub funds) in sectors such as water, renewable energy, energy-efficiency, low carbon transport and clean technology.

The aim is to create a **track record** of investment performance that **encourages further investment** and **demonstrates results** in countries that may otherwise be viewed as high risk investment environments. The UK is also providing £20 million of technical assistance to support lower income countries, new technologies and first-time fund managers.

“The Climate Public Partnership Platform has the potential to transform private sector investment, accelerating the private equity market.

This will help boost more cash flowing from large investors to help those who really need it.”

- Chris Huhne, former Secretary of State for Energy and Climate Change (January 2012)

Progress to date

In **2012/2013**, an Asian sovereign wealth fund and European occupational pension fund were the first to make significant investments in the IFC Asset Management Company **‘Catalyst Fund’** – investing \$50 million and \$65 million respectively.

As of October 2013, a total of \$396.5 million has been committed to one of the funds - the **‘IFC Catalyst Fund’**.

Results of investment

Over the lifetime of the CP3 investment, the projects in which CP3 invests are expected to **save an estimated 265 million tonnes of CO₂e**, equivalent to the amount that 66 million European cars typically emit in a year.



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The projects are expected to generate more than **7,000 megawatts of clean, reliable energy**, create an estimated **40,000 new jobs** and create energy savings broadly equivalent to the amount of electricity that the UK generates in eight months.