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# Towards a Green Climate Finance Framework

## 1. BACKGROUND

In November 2010, when it looked like the upcoming UNFCCC talks in Cancún might result in deadlock, I described in the Bloomberg New Energy Finance VIP Brief and in Businessweek<sup>1</sup> how a 'Coalition of the Committed' could still provide up to \$100bn in annual climate-related investment from the developed world to the developing world by 2020, in line with the commitments made in Copenhagen. I outlined how a combination of grant funding, sovereign guarantees and insurance of various sorts, allied to good energy policy and the signature of an investment treaty by recipient countries, could result in significant capital flows.

Contrary to most people's expectations, Cancún did not end in deadlock. Instead, it saw agreement on the creation of a Green Climate Fund to manage 'a significant portion' of the funding committed in Copenhagen. There was agreement that private money would be involved, although there was no agreement on whether the 'significant portion' of public money should mean 10%, 50% or 90% of the \$100bn. A Transitional Committee was charged with recommending how the fund should be set up, and this year, after suitably agonising negotiations, its 40 members were appointed.

Membership of the Transitional Committee is divided between 25 members from the developing world and 15 from the developed world. Despite the stipulation that it should have "necessary experience and skills, notably in the area of finance"<sup>2</sup> not a single member is from the world of private investment. Although the technical advisors appointed to support it include operators from the world of concessionary finance, again there is no one from a hard-core private finance background. Not surprisingly, now that the Transitional Committee has begun its work, its direction of travel is towards the creation of a single multilateral institution designed to administer mainly public funds.

Although the Transitional Committee is meant to focus on the design and governance of the fund, rather than the sources of any monies it ends up managing, it is clear is that the majority of members expect the fund to be filled mainly from developed-country public coffers.

According to the initial output of the Transitional Committee's subcommittee on 'Operational Modalities', the Green Carbon Fund should be made up of different 'windows', effectively sub-funds focusing on different markets or types of finance.<sup>3</sup> While the Committee has acknowledged that there will be some role for private finance, there is no agreement on how it should be attracted or administered. Meanwhile numerous members have pointed out at every juncture that private finance must play a subordinate role to public finance, and that it should not count towards the \$100bn commitment made by the developed world at Copenhagen and underlined in Cancún.

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1 How to Get Private Financing for Green Projects. Bloomberg Businessweek, Nov 2010. [http://www.businessweek.com/technology/content/nov2010/tc20101123\\_604549.htm](http://www.businessweek.com/technology/content/nov2010/tc20101123_604549.htm)

2 Report on the Conference of the Parties, 16th Session, Cancún. UNFCCC, March 2011. <http://bit.ly/nyFxMA>

3 Workstream III, Operational Modalities, Finance Entry Points. UNFCCC Transitional Committee, June 2011. <http://bit.ly/qlA0tU>

**The Green Climate Fund – as it is currently envisaged – will not deliver investment of \$100bn per annum**

A second Transitional Committee workstream on institutional arrangements<sup>4</sup> is looking at ways of ensuring that recipient countries have “Direct Access” to the Green Climate Fund. This is shorthand for ensuring that recipient countries can access funds to support their domestic priority programmes, rather than on a project-by-project basis, and with limits on the role of countries providing finance or institutions representing them.

Let us be in no doubt: this is a recipe for failure. Investment flows of the order of \$100bn per annum can only be achieved if the bulk is provided by the *private* sector, not the *public* sector. The global investment industry, even after the financial crisis and recent market turbulence, sits on assets of over \$100 trillion in the form of pension funds, mutual funds, exchange-traded funds, insurance funds, private equity funds, hedge funds and sovereign wealth funds. By contrast, the Transitional Committee members must have noticed that the developed world governments which made the funding commitments in Copenhagen are almost without exception under extreme fiscal – perhaps even solvency – pressure.

It must also be acknowledged – however unpalatable it may be in development circles – that any solution to the \$100bn climate finance challenge has to be politically feasible *in the countries which are providing the funds*. There is simply no point in advocating global taxes on shipping, aviation and financial transactions, and/or a global carbon price, when there is zero chance of these being adopted in the current political cycle – possibly ever. If we are honestly focused on financing mitigation of greenhouse gas emissions and adaptation to unavoidable climate change, then negotiations must remain in the domain of the achievable, focused on practical solutions, not posturing.

The current workings of the Transitional Committee may appear to represent an unfolding triumph for the developing world, with the emphasis on the creation of a single monolithic Green Climate Fund, institutionally ready to receive the dominant share of \$100bn of public money from the developed world. Such an outcome would, however, represent a purely pyrrhic victory. There will never be a \$100bn, government-to-government funds transfer, nor anything approaching it. There is therefore no point in creating an institution to manage the mirage of funds which will never materialise.

**Instead, what is needed is a Green Climate Finance Framework, comprising a range of instruments, with the majority of funds coming from the private sector – not the public sector**

What is needed instead, in order to drive flows of \$100bn per annum in climate-related investment from the developed world to the developing world by 2020, is the creation of an integrated Green Climate Finance Framework. This would be made up of a full set of instruments, which can be deployed flexibly and efficiently on a blended basis, and which between them could manage large-scale funding flows. Wherever possible, funds would be provided by the private sector, with public money or guarantees deployed in a surgical way only to deal with specific risks and viability gaps which the private sector cannot take on. Critically, each instrument should be designed in such a way as to allow competition between different providers, so that price discovery, efficiency and the elimination of rent-seeking are built into the system from the very start.

In such a Green Climate Finance Framework, the role of the Green Climate Fund would be to administer the smallest possible subset of grants, investments or guarantees which are required in order to enable private finance to flow.

## 2. CHEAP DEBT

By the nature of the mitigation and adaptation challenge, the bulk of the \$100bn which is required will take the form of asset finance – either for large-scale projects or distributed solutions. This means the biggest challenge will be to come up with around \$70bn of debt per annum, assuming fairly standard leverage levels.

4 UNFCCC Transitional Committee, *Workstream II: Governance and Institutional Arrangements*, July 2011. <http://bit.ly/pf3obB>

About 30% of the necessary cheap debt could come from multilateral and national development banks...

This is not to say that finding \$30bn of equity will be easy. However, equity markets are almost without exception more advanced than debt markets in most developing countries. If there are good projects – and investment in capacity building will certainly be required to ensure there are enough – equity sponsors will emerge among local economic and political elites, as well as among specialist global investors. Similarly, investment in technology development, especially if the building of factories is counted under asset finance, is likely to account for less than 10% of the funds and will not be the main bottleneck.

What is needed, though, is not just any old \$70bn of debt: it must be \$70bn of *cheap* debt. As Bloomberg New Energy Finance has shown, the cost of finance is of critical importance in determining the cost of clean energy.<sup>5</sup> By starting with a pool of cheap debt, you reduce any cost differential between clean and dirty solutions – minimising the 'viability gap' for which some additional form of concessionary support will always be required.

The first place to look for cheap debt is to increase the volume of concessionary finance provided by development banks. These already invested \$13.5bn in utility-scale renewable energy projects worldwide in 2010, and billions more on energy efficiency, grid infrastructure and other energy- and climate-related investment. The multilateral development banks could increase their commitment to clean energy significantly – perhaps to as much as \$20bn – by shifting lending out of fossil-fuel-related projects. Frankly, it is unclear why the developed world should continue to fund the deployment of polluting technologies in the developing world under any circumstances.

This may not satisfy those who demand the entire \$100bn must consist entirely of new funding commitments. Experience with the \$30bn of so-called 'Fast-Start' funds also promised at Copenhagen shows that, without even an agreed methodology for judging what is 'new and additional', there is no way of resolving the debate even if the principle is agreed.<sup>6</sup> If dealing with climate change is so urgent, then we must not delay in applying funds at the required scale. The question of whether or not multilateral banks are to be recapitalised to increase overall investment in the developing world can and should be part of a different discussion

...with the remaining \$50bn to come from private providers, with investment covered by some form of sovereign guarantee

The remaining \$50bn or so of debt needs to come from private providers. The key question, then, is under what terms western pension savers and taxpayers can be expected to allow their money to be invested in infrastructure development in the world's poorest countries. The answer, of course, is when it's not going to disappear down the plug hole. This means it needs to be covered by some form of sovereign guarantee backed by developed world countries – in the form of a credit default swap, first loss provision or other mechanism – such that it qualifies for an investment-grade rating. The rating is critical if institutional investors are going to be able to hold the resulting paper. How this should be achieved is described below.

### 3. RISK MANAGEMENT

Western taxpayers cannot be expected to underwrite climate-related debt in any system where the biggest risk is that of policy change or some form of nationalisation within recipient countries. Simply providing a developed world sovereign guarantee against any form of default would shift risk from western savers to western taxpayers – who are of course the same people, plus or minus some generational transfers. One of the key objectives of the Green Climate Finance Framework must be to reduce risk, not just move it around.

In part, the answer lies in helping recipient countries strengthen their domestic energy policy frameworks. No energy market is ready for investment if generators cannot earn a fair return, if power-take-off agreements cannot be structured to take into account inflation, or if licences to

5 Bloomberg New Energy Finance, *Green investing 2011: reducing the cost of finance*, World Economic Forum, April 2011. <http://www.weforum.org/reports/green-investing-2011>

6 Bloomberg New Energy Finance, *Broken promises on \$30bn fast-start finance?*, August 2011. <http://www.bnef.com/Insight/2604> (subscription only)

Developing countries should be helped to strengthen their domestic energy regulatory frameworks

An Investment Treaty will be required to protect investors from energy policy changes and asset confiscation by recipient countries

operate are shorter than the lifetime of the assets in question. There are a large number of initiatives aiming to identify and promote best practices in energy regulation, most notably the Clean Energy Ministerial,<sup>7</sup> the UN Sustainable Energy Finance Initiative, the UK-backed Climate and Development Knowledge Network<sup>8</sup> and Capital Markets Climate Initiatives,<sup>9</sup> and the International Renewable Energy Agency.<sup>10</sup> The World Bank, together with the cross-platform UN-Energy initiative, recently convened a conference in New York in an attempt to promote coordination among all the different approaches.<sup>11</sup> Key to the success of any attempt to drive large-scale climate-related finance will be the availability of grant funding to support regulatory reform and capacity building in developing countries.

It must also be clearly acknowledged, however, that no infrastructure investment can be secure in a country with a history of confiscation of shareholders' property, or of endemic corruption. It is no accident that the countries which are failing to attract their share of existing clean energy investment flows are the same countries which are seen as poor homes for foreign direct investment in general.

In order to reduce risks to investors, the acceptance of the very cheap Green Climate Finance Framework debt should be conditional on the signature of an Investment Treaty, which would protect investors against the most common ways in which assets could otherwise be confiscated. This is the only way to ensure that the risk of domestic policy uncertainty remains exactly where it belongs: with developing world governments themselves.

Private finance providers' main concerns relate to decisions which can harm the cash flows of their projects: changes to energy policy which harm revenues, regulations which increase costs, the ability to repatriate profits and so on – and these items must be covered in the treaty. When multilateral banks invest in major projects, they effectively protect themselves on a case-by-case basis. If we are talking about \$100bn of climate finance annually, however, the scale of the funding is too large relative to project size, and private investors lack the relevant skills and resources; protection can therefore only be achieved by providing recourse at the sovereign level.

The Investment Treaty might also require recipient countries to commit to national climate action plans – agreeing to phase out fossil fuel subsidies, refraining from investing in dirty energy, protecting forests, undertaking land-use changes, etc. However, these are essentially political trappings, assuming the goal really is simply to spur investment, rather than to achieve public negotiating victories.

The signature of an Investment Treaty does not, of course, preclude a natural disaster, coup or national default from rendering the debt worthless. These are risks which would appropriately be covered by a western sovereign guarantee. It will also be critical to insure against foreign exchange risk – but only for that part of the total investment which relates to unavoidable hard currency costs. The World Bank's Multilateral Investment Guarantee Agency (MIGA)<sup>12</sup> might play a role here, but it would need to scale up very considerably from its currently modest volume of business. There are many other institutions to which one could outsource this activity, and indeed the world's commercial banks would be well-placed to play a role.

7 The Clean Energy Ministerial provides a global forum for energy ministers to share best practices in promoting clean energy. <http://www.cleanenergyministerial.org>

8 The Climate and Development Knowledge Network is funded by the UK's Department of International Development. <http://cdkn.org>

9 The Capital Markets Climate Initiative was set up by the UK Department of Energy and Climate Change: <http://bit.ly/aPycgN>

10 International Renewable Energy Agency, established by Statute in January 2009, is supported by 149 member states and the European Union. <http://www.irena.org>

11 World Bank, *Sharp minds converge to talk low-emissions development*, July 2011. <http://bit.ly/nPcDV0>

12 The Multilateral Investment Guarantee Agency (MIGA) is a member of the World Bank Group. <http://www.miga.org/>

The use of local content in projects would also reduce exposure to foreign exchange fluctuations, and would provide a useful market-based incentive for technology transfer.

#### 4. MULTILATERAL VS BILATERAL

When it comes to administering the Green Climate Finance Framework guarantees, rather than having this done by a single institution, a full range of providers should be allowed to compete. Multilateral banks, national development banks and export trade finance agencies already have considerable understanding of risk management in developing world infrastructure, as do private insurance companies and banks.

Developed countries, or groups of them, should be free to contribute to any number of Green Climate Guarantee Facilities, managed by different public and private institutions. As long as they commit sufficient underwriting volume and put into place effective mechanisms such that it is distributed, there is no reason whatsoever for funds to flow through a central pool.

If there are concerns that certain countries or types of project will miss out, then committing countries can either ring-fence facilities for these countries or uses, or a relatively modest central facility could be created.

Efforts should also be made to bring in commercial insurers to take on specific risks – such as construction risk, or maintenance performance, where their superior knowledge makes them effectively lower-cost providers than governments. The fact that sovereign risks have been removed should make this an attractive business; if not then modest fiscal incentives (tax breaks on resulting profits) could be used to bring in an insurance element to the Green Climate Finance Framework.

Allowing the widest range of multilateral, plurilateral, bilateral and even national providers to compete in this way will result in improved transparency and reduced cost.

#### 5. GRANT FINANCE & THE GREEN CLIMATE FUND

If debt costs can be brought into line in this way with those in Germany, the UK, Japan or the US, then up-to-date, real-world data show that clean solutions would be only marginally more expensive than the alternatives.<sup>13</sup> However, whatever differential still remains – the viability gap – must still be funded. This should be the main role for the Green Climate Fund: as the provider of grant funding to cover residual cost differentials.

Having put together other elements of their project proposals – including all required permits and approvals, conditional debt and insurance commitments – project developers should have to bid to secure tranches of Green Climate Fund grants. Awards would go to those projects which promise the maximum amount of green infrastructure with the minimum amount of money from the Green Climate Fund. This would ensure the most efficient leverage of public funds provided by the developed world. Ensuring that each dollar of support goes as far as possible is essential to retain political support for the process.

Green Climate Fund payments would only become due as power is generated, energy saved, or mitigation benefits delivered. Otherwise there would be an incentive to distort the scale of expected benefits in order to win grant commitments. Green Climate Fund cash should be paid out over project lifetimes, not upfront, and subject to annual performance audits.

A Green Climate Fund set up in this way could provide grant finance for all climate-related purposes, either mitigation- or adaptation-related. The bidding process would need to reflect the situation of different regions or countries and different uses, using different 'windows' or variable

<sup>13</sup> Bloomberg New Energy Finance, *Quarterly levelised cost of energy outlook*, July 2011. <http://www.bnef.com/Insight/2556> (subscription only)

Opening the field to allow a wide range of funding providers to compete would cut costs and enhance transparency

The Green Climate Fund's role would be restricted to providing grant funding to cover residual cost differentials between clean and fossil fuel solutions

rules. In the case of more advanced or rapidly developing countries such as China or Brazil, the proportion of funding to be met from the Green Climate Fund would be more limited than for slower-developing countries.

For energy projects, the viability-gap grants could be delivered in any number of possible ways, including feed-in tariff payments or premiums for the life of the project. This is entirely consistent with the Get FiT approach promoted by Deutsche Bank,<sup>14</sup> though with an important difference of emphasis: under Get FiT the cost of capital for projects will be driven down primarily by providing security of revenue, using overseas support to fund feed-in tariffs in developing countries. However, as we have seen in almost every case where they have been used as the primary driver of clean energy roll-out, feed-in tariffs tend to drive excessive rents to project developers and investors, as well as boom-bust cycles in the supply chain. The emphasis in the Green Climate Finance Framework is first on driving down the cost of debt, and only then making up the remaining cost disadvantage with transparent and competitively tendered viability-gap funding.

For adaptation projects, the revenue could be met up to 100% by the Green Climate Fund. The total required annual size of the Green Climate Fund will depend on the cost trajectory for clean technologies, the leverage ratios which can be achieved, and the proportion of resources earmarked for adaptation versus mitigation. Detailed analysis is required to establish a budget, but the scale of current viability gaps by technology suggests an upper limit of \$10bn per annum could well suffice – at least for mitigation projects.

Since the Green Climate Funding relates purely to meeting viability gaps, it would need to be raised exclusively from public sources, NGOs and foundations. Although the capital markets could be used to 'frontload' availability of funds through the issuance of Green Bonds, there is little to be gained by this approach, since grants are paid out to cover annual operating shortfalls, not upfront capital spend.

As an aside, it should be noted that adaptation funding really should be levied pro rata to cumulative historical emissions, not from some arbitrary group of currently developed countries. This means that over time, an increasing proportion should come from rapidly developing countries themselves.

**Carbon markets cannot be the primary source of funding for climate-related investment...**

**...but they can play a role if countries accepting project-based credits are allowed to reduce their commitments to other elements of the Green Climate Finance Framework accordingly**

## 6. THE ROLE OF CARBON MARKETS

Carbon markets too can play a role in the Green Climate Finance Framework. The EU ETS's future is assured, and there are schemes up and running in New Zealand and New England; California and Australia may be lurching towards launching markets; and a range of other countries including South Korea and even China are talking about following suit.

However, although carbon markets will continue to exist at municipal, state, national and regional levels, it is surely time to accept that there will never be a single global carbon market. If carbon markets are seen only as supplementary sources of finance for the shift to low-carbon energy in the developed world, surely we should not expect them to be the primary source of funding for the developing world.

Where carbon markets do exist, they can easily be integrated into the Green Climate Finance Framework. The way to do this is for countries or regions which accept project-based carbon credits to be released from their obligation to contribute to the Green Climate Fund and to sovereign guarantee facilities, in proportion to the funding they provide via the carbon markets.

Countries or regions would need to be able to link the acceptance of project-based carbon credits with the use of their own Green Climate Finance Framework elements. Otherwise developers

<sup>14</sup> Deutsche Bank, *GET FIT Plus*, April 2011. <http://bit.ly/qSMIYh>

could 'double dip' by taking advantage of deep concessionary finance from the US, where there is no carbon market, but then sell carbon credits into the EU ETS.

Initiatives like Emission Reduction Underwriting Mechanisms (ERUMs) can be useful to create long-term floors under carbon prices in markets where they exist.<sup>15</sup> However, given that carbon finance will remain just one among a number of mechanisms that can be chosen by the providers of climate finance, they are far from being the whole answer to the \$100bn investment goal. Above all it is not realistic to expect countries which have rejected carbon markets to implement ERUMs, which in their case would provide a notional future price for a commodity unlikely ever to trade.

## 7. QUALIFYING PROJECTS

As described, rather than being a single \$100bn per annum pool of money, the Green Climate Finance Framework would resemble a certification standard for qualifying projects. Approval of a project would make it eligible for a range of different financing programmes, administered by any number of public and private institutions.

A list of qualifying technologies or methodologies would be managed by a central agency – in much the same way as CDM methodologies have been managed by the UNFCCC (though, it is hoped, with more consistency and fewer controversies).

Once a project is certified, the developer would put together a bundle of energy sales or other revenue agreements, debt, Green Climate Finance Facility Guarantees, carbon credits, insurance, and any other inducements on offer from different players. The developer would then bid for whatever grant funding from the Green Climate Fund is required to enable the project to proceed. Bidding for funding in this way ensures that Green Climate Funds will be applied to those projects which offer the greatest climate benefit for the lowest cost.

Qualification as a Green Climate Finance Framework project would confer considerable benefits:

- Investors (and providers of insurance, guarantees, etc) will be spared the cost of duplicate due diligence on climate benefits.
- For the developer, certification will act as a quality mark, improving access to sources of finance, in some cases earmarked for specific project types.
- Certification will automatically bring projects under the umbrella of the Investment Treaty, protecting investors from a range of significant domestic policy risks.
- Totting up commitments to Green Climate Finance Framework projects will be a simple way of keeping score of commitments by investors and their sovereign backers, based on a transparent, agreed methodology.

One great attraction of this approach – in addition to its efficiency in allocating scarce resources – is that it minimises requirements around measuring, reporting and verification (MRV). Once a project has been certified as using a technology or methodology on the approved list, all it would require is the same sort of due diligence as any other asset-based investment.

Since there is no additionality requirement and no credits issued for emission reductions, there is no *de facto* need for baselines, Project Design Documents or any of the other paraphernalia of current Kyoto project-based mechanisms. The success of the framework does not depend on the creation of a new class of financial asset, nor does the value of support fluctuate with market sentiment: it is locked in at the time the project is initiated.

Qualifying investments would of course be announced publicly, so the flow of climate-related investments can be added up and scrutinised by whoever feels the need. It is worth noting that

<sup>15</sup> Climate Change Capital Think Tank, *Signal failure? Real economy signals for developing country climate finance and the future of the Green Climate Fund*, July 2011. <http://bit.ly/p9GW7a>

The Green Climate Finance Framework would be like a certification standard for projects, bringing with it considerable benefits, rather than a single big pool of money

Such an approach would also reduce the complexity of the project development process

there has never been agreement on what the \$100bn Copenhagen commitment actually represents. Is it the total volume of climate-related investment? Or just the excess cost of clean solutions over dirty? Does it include flows to China and Brazil, currently among the world's leading clean energy investors, which in Copenhagen appeared to agree not to draw on the funding? The Green Climate Finance Framework approach outlined here focuses on getting funds flowing at scale, rather than on the virtue of measurement for measurement's sake.

## 8. GETTING STARTED

The Green Climate Finance Framework could be set up very quickly to achieve scale and impact. Opening up each element of the framework to multiple providers ensures that all of the myriad institutions currently active in the climate finance field can play a role.

The underlying model of the Green Climate Finance Framework is not in fact vastly different from the existing approaches of export finance banks, the World Bank and other multilateral finance institutions, regional and national development banks and other institutions. The EU in particular has deployed several 'blended mechanisms', which combine grants and concessionary loans, as a preferred structure to deliver its overseas aid in an effective and efficient way.

The first step in setting up the Green Climate Finance Framework would therefore be to certify existing programmes and investment which already qualify. Funding mechanisms in operation around the world could be submitted to a panel for adjudication as to whether they qualify – in whole or in part. For instance the EU-Africa Infrastructure Trust Fund – one of the EU's flagship blended mechanisms – has started to move decent amounts of money into Africa. It provides a combination of grant-funded capacity building, long-term loans with interest rate subsidies, grants for environmental and social components of projects and risk mitigation solutions designed to crowd in additional (private) funds. Each of these elements separately look very much like Green Climate Finance Framework mechanisms, and could be certified as such.<sup>16</sup> This would then allow blending not just across that one programme, but across multiple programmes.

The EBRD's Sustainable Energy Finance Facilities provide another example of a blended approach offering a mix of capacity building and concessionary finance, requiring very small amounts of additional grant funding – and producing extremely attractive rates of return. Much of the funding provided by OPIC, Exim Bank, the World Bank, KfW and others follows a similar blended model, and relevant programmes and projects could be certified as Green Climate Finance Framework compliant.

One of the extra benefits of this exercise would be that it would produce a rock-solid benchmark for the volume of funding already flowing for climate-related projects. Any scrutiny of the effectiveness of the Framework could use this as the starting point. By starting with existing programmes and growing them, rather than starting from scratch, the Green Climate Finance Framework can draw on existing institutions and skills, rather than competing with them. This would reduce risk of turf wars and avoid the risk of reinventing the wheel.

## 9. AND FINALLY...

Of course many questions remain in the detailed design of a Green Climate Finance Framework. The main point, however, is that it can be done. The promise of \$100bn of climate finance for the developing world can be met, with sufficient creativity and flexibility all round.

The final advantage of the Green Climate Finance Framework approach is that no one can hold it hostage, because of its distributed structure.

<sup>16</sup> European Think-Tanks Group, *EU blending facilities: implications for future governance options*, January 2011. <http://bit.ly/qPyZSD>

To get up to speed quickly, the first step would be to certify existing programmes and investments which qualify

The Green Climate Finance Framework is the only realistic approach to deliver the \$100bn a year of investment promised in Copenhagen



If there is no agreement on the structure of the Green Climate Fund, or if it is ultimately set it up in such a way that it garners only modest amounts of public funding, then the world will in any case default to a framework-type solution: individual countries or groups of countries will set up bilateral mechanisms that mimic the Green Climate Finance Framework – though at far higher cost and with much poorer prospects of scaling.

Equally, if there is no agreement on the Green Climate Finance Framework – perhaps because developing world countries find the associated conditions too arduous or because they fall short of their negotiating expectations – then a less effective and efficient framework will be the *de facto* result, matching providers and recipients of climate-related finance bilaterally – my 'Coalition of the Committed'.

In any case the Green Climate Finance Fund is dead – long live the Green Climate Finance Framework!

## ABOUT US

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