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The 5th Annual
SEOUL Climate-Energy Conference 2018

Session Sketches

Plenary II

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Plenary 2: How to Finance the Change We Need to Have
Date / Time : 2018.11.16 / 11:35 – 12:45
Moderator : Park, Kwangwoo (Head and Professor, KAIST Graduate School of Finance)
Main Presentation : Frank Rijsberman (Director General, Global Green Growth Institute),
Speaker : Kilaparti Ramakrishna (Head of Strategic Planning, Green Climate Fund),
Noh, Hee Jin (Outside Director, SK Securities Co.,Ltd)
Lee, Jong Hun (Director, Ministry of Economy and Finance, Republic of Korea)

Plenary Session 2, titled "How to Finance the Change We Need to Have"

Frank Rijsberman

Development Aid, Government Spending and Private Sector Involvement

UNCTAD estimates a necessary investment close to $4 trillion/yearly in order to achieve the Sustainable Development Goals by 2030. Rijsberman points out that the current annual investment is $1.4 trillion, leaving the Financial Gap at $2.5 trillion, a long way to catch up.

There is a need to broaden the vision from development aid only, to mobilize the private sector in order to achieve the SDG goals at a capitalist market dynamic. Development funding of current investments goes mainly to governments; who receive aid and in turn are the biggest investors together with corporates in communications and energy predominantly. However, this is not the most efficient model that can be aspired to: there is a need for other industries to collaborate in the building of sustainable infrastructure, by investing in healthcare and education, but also harnessing the maturation of improved water supply, transport and energy.

In order to overcome the Finance Gap there is a need for tri-lateral cooperation between governments, private entities and development aid initiatives.

"If you come with good projects: money IS available"

The private sector is already participating in the marathon towards sustainability through guarantees, syndicated loans and shares in CIV. Funds also receive funding in the form of grants, a form that needs to change in order to speed up processes and projects. Results would be more prompt is developing financing was used in a more efficient way: blended finance between governments and private entities collaborating.

The general statement from governments is that there are no resources to support projects, and in the contrary, financial institutions say they have enough resources but they have not come across good projects. Bankable and positive investment projects are the most attractive. The remaining task would be for projects to create a more promising outlook in order to mobilize banks and venture funds among other institutional investors that have trillions of dollars available.

Showed himself optimistic about the new ways technologies can help solve the wider issue of Climate Change, how solar energy and batteries are increasingly more attractive commercially. Mr. Rijisberman gave example of the success of projects by the hand of the Global Green Growth Institute (founded in 2012), stimulating green growth, social inclusion and environmental sustainability in Vanuatu, India, Mongolia, Colombia and Senegal et al.

These projects were financed with grants, so Mr. Rijisberman used the changes to reiterate how an involvement of finance and innovation can make projects happen in months rather than years. Rijsberman pointed out how the bike sharing revolution in China was fast, at a capitalist market pace which went from nothing to high investment ownership, showing how the speed of growth innovation and finance is hard to match with development and government finance.

Kilaparti Ramakrishna

“Time to act is now: the cost of action is lower than the cost of inaction”

Ramakrishna explained how the Green Climate Fund has to report back to the UN in an effort to see results. Mr. Ramakrishna highlighted the importance of global negotiations under the United Nations hospices and the role of all parties involved. In concordance, Mr. Ramakrishna showed his aligned mentality to the P4G conference, although pointing out that negotiations are not entirely clear regarding funding proposals and millions invested yet.

Further, Mr. Ramakrishna exposed the role of industrialized countries and their efforts in international development as the Cameroon project, where the results of the money invested were not clearly explained, as the billion dollars pledged to the DCF. Hence, Mr. Ramakrishna enforced the need to act now and track the funding that is going to various channels, build confidence in development countries on how the money is contributing to reduce greenhouse emissions for instance and the vision ahead.

In a positive final note Mr. Ramakrishna anticipated there will be a stock deck in 2020 which will give a better understanding of where the money is going.

Lee, Jong Hun

The speaker asserted that in general in developing countries there is not enough fund for sustainable development, if we look up at the cost, investors might be able to raise fund for future generation. He also mentioned that Fund for climate change is to use smartly because it cannot do everything and the private sector must be involve in the raising for the future generation. He continued by saying, “we need to raise more fund by November 2019, we will complete”.
Korea as a developing country have donated a big amount of money in a short period of time and improve I quality and quantity the efficiency of GCF.
Mr. Lee ends his comment by suggesting developing countries to find good and bankable projects in order to be fund by GCF as it stand to fight against climate change, because all the money spent represent only the 16% of the fund.

Noh, Hee Jin

“How to Finance the Change We Need to Have: Financial strategy to accelerate Green Growth
We all agree that Green Growth seeks for economic development and environmental enhancement simultaneously and without proactive efforts it will be hard to achieve mitigation of GHGs, in order to implement green growth policy, financial supported (green finance) is needed, some strategies to develop green finance will be suggested.
That constitutes the introduction of the lecture addressed by Mr. Hee Jin Noh.
Mr. Noh then, explained some different concept, a scope of relevant terminology and need of Green Finance such as: Carbon Finance, Climate Finance, Green Finance, Environment Finance and Sustainable Finance.

Regarding Funding and Investment mechanism of green finance, the Speaker points out the difference between those of green finance and non green finance because green finance needs to consider environmental value in the financial activities as the Public investment is needed because the private Investment is not feasible due to high risks. So, the speaker illustrated several models of Public-Private Partnership (PPP) such as the:

Funds of funds used in Korea, which consist of the government provides seed money to persuade private investors to participate in the fund,

Yozma model used in Israel, which consist of the government provides capital as a limited partner and is not involved in the funds decision making,

SBA model, used in the US, which consist of the government guarantees loans and recognizes the achievement of job creation as social revenue, and

SIB Model, used in the UK, which consist of the government pays only if satisfactory and measurable outcomes are achieved.

For application to green finance, the Yozma model is recommended due to strong incentive to private investors, in the case of attracting developed countries to support developing countries more easily, the SIB model is recommended, adding green value to capital asset pricing model can explain the logics of green investment, unlike traditional investors, green investors gain utility from green value.

On Global Green Finance, the Speaker explained how some techniques have been designed such as: carbon market which the cap and trade system legally enforceable limit on emissions at the lowest possible cost to control the pollution, carbon markets which exist national and regional level in EU, US and ASIA. As currently green financial products are becoming more and more diverse, green financial institutions were given the opportunity to improve the market share for both traditional financial institutions and only financial institutions such as GIB. On that, the speaker suggested some clear financial strategies to stimulate Green growth, such as: improve rules and regulation of green finance; establish green investment corporation; utilize GCF; design code of conduct in green finance, develop new green financial products; integrate a global cooperative system and finally set up infrastructure. In addition, to develop a technical infrastructure and educate human resources.

[Q&A – moderated by Park Kwangwoo]

Q: Mr. Gi Bum Choi, in the context of green, how to induce private investment to become more efficient?

Frank Rijsberman: Think is a mistake to think that we need GCF for every private investment to become attractive, private investor's project can fund by itself, Renewable energy has become a form of energy, so many private investors don't invest in renewable energy, and still they can make money as in any other investment. In India there is emerging market and investment in renewable energy many other small developing countries don't have market yet, they need a GCF for the first project to open then the market, to reduce the risk, but if we reach the stage of private investors, we will not have enough money to, there is stage were we need to use the GCF smartly to make private investors commercial attractive.

List

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