

*****PRESS RELEASE*****

**COP21 Lima-Paris Action Agenda Focus on Private Finance
4 December 2015 from 10.15 to 13.30, Observer Room 12, Hall 4, Blue Zone**

Press briefing from 9.30 to 10:00, Press Conference Room 1, Hall 2 Blue Zone

Private Finance Climate Action: From Awareness to Action - From Pioneers to Mainstream

Paris, 4 December 2015 – Building on the targets and commitments announced at the UN Climate Summit, climate action from investors, bankers and insurers has increased tremendously. At the LPAA Focus on Private Finance, innovative initiatives will be showcased that accelerate and increase the private capital shift to finance the necessary transformation to a low carbon, sustainable global economy.

Climate action in the private finance sector far surpassed the level expected in 2014

Since the Climate summit in September 2014, climate action and voluntary commitments by the private financial sector have reached several key inflection points. Janos Pasztor, Assistant Secretary-General on Climate Change, United Nations, presented the report “Trends in private sector climate finance” demonstrating that financial institutions that made announcements last year are sticking to their commitments and have been joined by numerous other actors.

► 1000 investors are committed to climate action covering €30 billion of assets. Portfolio decarbonization is on track. Measuring assets carbon footprint must become common practice.

Major investors coalitions launched in September 2014 have surpassed their targets:

- the **Montréal Carbon Pledge**, joined by investors that measure their carbon footprint, has now been signed by nearly 120 investors representing more than USD 10 trillion in assets;
- the **Portfolio Decarbonization Coalition (PDC)** set out to convene investors willing to collectively decarbonize their portfolios surpassed its target by a factor of 6, having mobilized 23 investors worldwide with USD 600 billion of assets under current and future decarbonization schemes.
- through the **Divest-Invest Philanthropy Coalition**, 115 charities will divest from the top 200 fossil fuel producers and invest 5% of their portfolio into climate solutions.

At the Private Finance Focus, three investors reinforced their commitment towards a low-carbon economy:

- **Caisse des Dépôts**, French financial institution and long term investor, committed to dedicate €15 billion to direct green investments until 2017. It committed to a 20 % decarbonization target, covering the totality of its listed shares portfolio, amounting to €55 billion.
- **ABP**, the main Dutch pension fund commits to decarbonize the totality of its listed shares portfolio amounting to €100 billion by 25% in 2020.
- Both of the above are Montréal Pledge signatories, and have decided to join the Portfolio Decarbonization Coalition.
- The **New York Common Retirement Fund (CRF)**, the third biggest pension fund in the United States announced that it will apply a new risk controlled, low carbon emissions index to an initial portfolio of \$2 billion.

► **Banks: toward an orderly transition of financing sustainable development and growth**

By making financing choices – both from a risk and an opportunity perspective – banks can have a huge impact on the real economy. **More and more banks are aligning their policies with climate objectives** in order to pursue an orderly path from a fossil fuel economy to a low emitting one. Some have publicly announced that they have stopped financing high emitting sectors. Others have committed to issue or underwrite green bonds that allow for financing new low carbon projects such as renewable or energy efficiency.

A set of **five Principles for Mainstreaming Climate Action within Financial Institutions** has been developed by public and private financial institutions and will be launched at COP21.

During the Private Finance Focus, **Crédit Agricole Group** committed to structuring €60 billion in new financing over the next three years in order to combat climate change and commits to doubling its level of financing in renewable energies over the next two years. It will dedicate €5 billion in energy transition projects by 2020.

► **Insurance: The insurance sector is scaling up its efforts to respond to the climate impacts that are already locked in.**

70% of natural disasters that affect people's lives and livelihoods are still not covered by insurance. At the Private Finance Focus, the **International Cooperative & Mutual Insurance Federation (ICMIF)** launches the 5-5-5 initiative that we will protect 25 million more people in the poorest areas by 2020. This is 25% of the commitment made in 2015 by the G7 earlier this year of protecting an additional 400 million of the poorest people from natural disasters, which is crucial for global growth.

Insurance companies are also engaging as investors. At the UN Climate Change Summit in September 2014, the insurance sector set the target to double their \$42 billion investments in green finance by the end of 2015. Major actors of the sector have exceeded the initial target by collectively investing \$109 billion.

► **The emerging market of Green bonds: already \$38 billion reached in November 2015**

The green bond market reached \$36.6 billion of new issuance in 2014 and \$38.35 billion as of mid-November 2015, announced **Erik Jan van Bergen**, member of the **Green Bond Principles** executive committee and **Actiam's** CIO. **To achieve the 2°C scenario, an estimated annual \$500 billion will be required.** The green bond market needs to expand worldwide and to diversify.

The launch of new initiatives to increase and accelerate flows of green assets

But those promising voluntary commitments may be insufficient to complete the shift to a low emitting economy in the long term. To reach the level required by the 2 degrees Celsius objective, private climate finance still needs to overcome barriers. The whole financial system needs to be adapted to mobilize capital towards a green economy. New forms of blending of public and private finances need to be developed to address sectorial climate challenges.

National transition strategies described in countries' Intended Nationally Determined Contributions (INDCs) require new rules and offer new opportunities for the financial sector. The Long Term Infrastructure Investors Association's **program for financing sustainable infrastructure component of INDCs** is one example of the private sector taking advantage of the new opportunities that have arisen from the INDCs. This pilot program will provide implementation support to volunteering countries with regard to investments in particular for infrastructure projects which are part of their INDCs. Senegal is already a pilot partner and the program will initially include six countries.

Prominent innovative initiatives blending public and private finance were also presented at the Private Finance Focus:

► **EBRD: scaling-up energy efficiency financing**

The **European Bank for Reconstruction and Development (EBRD)** presented an innovative programme, supported by the **Global Environment Facility (GEF)**, for **scaling up energy efficiency financing through local private commercial banks** of emerging or developing countries. Through this program, up to **\$25 billion** could be provided for energy efficiency with **estimated carbon emissions reductions of 62 million tons per year**.

► **The IDB support of innovative energy efficiency green bonds in Latin America and Caribbean (LAC) countries, with the Green Climate Fund**

The **Inter-American Development Bank's (IDB)** will provide **up to \$450 million with additional support from the Green Climate Fund of up to \$217 million to this new program that** involves a guarantee to green asset-backed securitized bonds for refinancing of energy efficiency loans in several LAC countries. The carbon emission reductions from the underlying projects are expected to be **17,000 tCO₂e per million of US\$ invested** over the lifetime of the projects.

► **The Sustainable Energy Marketplace**

IRENA (International renewable Energy Agency) launched the **Sustainable Energy Marketplace**, a web-based platform that helps to identify promising renewable energy projects and links them to public and private financiers to help scale up investments in emerging markets. The Marketplace will be launched with regional hubs for Africa, the Caribbean and Latin American.

► **The Global Innovation Lab for climate finance: new climate finance tools, from incubation to implementation. TCX Investment Management Company B.V** announced that KfW will provide €30 million to one of the Lab projects, the **Long term foreign exchange risk management Instrument (TCX)** for renewable and energy efficiency projects in sub-Saharan Africa. The expected result is to **unlock up to \$1.3bn of private investment until 2025 and to achieve a CO₂ reduction of up to 500 000t per year**.

► **The Land Degradation Neutrality Fund (LDN Fund)**

This innovative investment vehicle aims to finance **the rehabilitation and sustainable management of 12 million hectares of land per year**. With the launch planned for the end of 2016, the LDN Fund is expected to offer investment opportunities that meet risk/return objectives of many institutional investors.

ABOUT LPAA

The Lima-Paris Action Agenda is a joint undertaking of the Peruvian and French COP presidencies, the Office of the Secretary-General of the United Nations and the UNFCCC Secretariat. It aims to strengthen climate action throughout 2015, in Paris in December and well beyond through: mobilizing robust global action towards low carbon and resilient societies; providing enhanced support to existing initiatives, such as those launched during the NY SG Climate summit in September 2014; and mobilizing new partners and providing a platform for the visibility of their actions, commitments and results in the run up to COP21. Learn more at <http://newsroom.unfccc.int/lpaa/about/>

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Event Programme online <http://newsroom.unfccc.int/lpaa/cop-21/#Events>

Nazca commitments platform Over 10.000 concrete actions, from cities, companies, investors, foundations, NGOs: <http://climateaction.unfccc.int/>

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