

# Shaping The Role of Climate Finance For Sustainable Transport – What Are The Levers And How to Make Them Work

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## Outline

- Case Studies
- Conclusions
- Recommendations



## Objective and Scope

- How can climate finance be used to leverage sustainable transport?
  - What is the best use of CF money?
  - How can CF be used to increase the funding for sustainable, low carbon transport projects?
- The project is:
  - Focused on land transport, includes both passenger and freight
  - Covers only mitigation measures and not adaptation measures
  - Include a diversity of potential funding structures
  - Focus of the project is on developing countries



## Six Case Studies

Project	Country	Status <sup>1</sup>	Description	Size
Lanzhou Sustainable Urban Transport Project (ADB, GoL, BoL)	China	C	BRT, NMT, Road network renewal, traffic management	\$480 M
National Public Transport Program –Colombia (WB, IDB, CTF, GoC, City Governments)	Colombia	O	Capacity building, BRT, Road Renewal	USD 1 B (since 2004)
Mitigation of Climate Change through -- E-Trikes (ADB, CTF, GoP)	Philippines	O	Increased Energy Efficiency and the Use of Clean Energy, electrification of trike fleet	USD 500M
Guangdong Green Trucks Project (GEF, Guangdong Provincial Govt., Private sector)	China	O	Demonstration of 6 emission reducing technologies	USD 14 M
EcoParq On-street Parking Management Project (Private sector, numerous local city departments)	Mexico		Formalisation of parking sector as TDM	USD 9 +4.5 M
Efficiency labeling & Fuel Economy Standards (GEF, FIA Foundation, IEA, UNEP, GoChile)	Chile	PC	Labeling and fuel standards	USD 3.2 M

C – Completed, O – Ongoing, PC – Partially completed



## Lanzhou BRT

- ADB funding crucial for BRT, NMT, and TDM in master-plan
- Land development is potentially an important source of revenues
- Technical assistance was important part in success of BRT system
- **LESSON 1 – FUNDING SHOULD BE USED TO ELEVATE DISCUSSION ABOUT SUSTAINABLE TRANSPORT FROM THE PROJECT TO THE POLICY LEVEL**
- **LESSON 2 – TECHNICAL CAPACITY FOR PLANNING AND IMPLEMENTATION IS A CRITICAL FACTOR IN THE SUCCESS OF A PROJECT**



## NUTP - Colombia

- **LESSON 1 – PROGRAM RATHER THAN PROJECT FOCUS HAS BEEN AN IMPORTANT**
- **LESSON 2 – RIGOROUS PROJECT PREPARATION PAYS DIVIDENDS**
- **LESSON 3 – SOME OF THE BIGGEST BARRIERS TO IMPLEMENTING SUSTAINABLE TRANSPORT PROJECTS ARE NON-TECHNICAL**



## e-Trikes - Philippines

- **LESSON 1 – INNOVATIVE FINANCING ARRANGEMENTS CAN HELP OVERCOME UP-FRONT INVESTMENT BARRIERS FOR ADOPTION OF NEW TECHNOLOGY**
- **LESSON 2 – WELL PREPARED & STRUCTURED PROJECTS HELP ATTRACT AND INVOLVE BUSINESS/INDUSTRY IN DEVELOPING AND IMPLEMENTING SOLUTIONS**



## Guandong Green Trucks Project (2)

- The project developed innovative solution to real barriers (up-front investment costs, unwillingness of commercial banks to lend to small logistics service providers)
- Good project management unit and technical assistance have been essential for the successful implementation of the project
- The project has succeeded despite the lack of a proper policy framework (for example, nose cones were considered illegal because they are attached externally)
- **LESSON 1 – DEMONSTRATION PROJECTS HELP “PROVE” USEFULNESS OF TECHNOLOGIES & THEIR ACCEPTANCE**
- **LESSON 2 – TECHNICAL ASSISTANCE & CAPACITY BUILDING ARE IMPORTANT**
- **LESSON 3 – INDUSTRY ACCEPTANCE IS IMPORTANT IN IMPLEMENTING CREDIBLE SOLUTIONS**





## EcoParq – Parking Management

- Parking revenues are financing development and recovery of public spaces
- **LESSON 1 – DEMAND MANAGEMENT IS A LOW COST, COMMERCIALY FEASIBLE WAY TO REDUCE CONGESTION IN LOCALISED AREAS**
- **LESSON 2 – STRICT ENFORCEMENT IS NECESSARY FOR SUCCESS OF SUCH DEMAND MANAGEMENT POLICIES**



## Fuel Economy Labeling and Standards

- Labeling has been introduced but fiscal incentives to promote purchase of low emission vehicles has not
- **LESSON 1 – THE INTERNATIONAL TECHNICAL EXPERTISE TO SUPPORT THE DEVELOPMENT OF THE LABELS AND STANDARDS WAS ESSENTIAL**
- **LESSON 2 – SUCCESS REQUIRED INVOLVEMENT & COOPERATION OF MULTIPLE CITY DEPARTMENTS**

# CONCLUSIONS



## Overarching Conclusions - Infrastructure

- Subsidies are not a sustainable form of financing. Attractive loan terms help stimulate development of sustainable low-carbon options
- Fare-box collections cannot cover operating and O&M costs, alternatives like land value capture need to be considered
- A well developed policy framework is essential for developing and implementing sustainable transport projects
- Co-benefits (safety, mobility) of low-carbon transport projects should be considered in cost-benefit analysis of projects
- Local capacity and expertise is often lacking
- MRV requirements of CDM makes it unattractive



## Overarching Conclusions – Technology

- Innovative financing can stimulate and accelerate adoption of emission reducing technology
- Communication about the benefits of technology adoption is an important element in the widespread diffusion of a technology
- Policy frameworks need to support (not inhibit) the adoption of low-carbon technologies



## Overarching Conclusions – Policy

- Policy projects are effective, low cost ways to realise the goal of reducing harmful emissions
- Grants and/or technical assistance are needed to support policy development, adoption, and implementation encourage adoption of sustainable transport policies
- Enforcement mechanisms are critical to the success of policy projects



## Overarching Conclusions - Barriers to Investing in Sustainable Transport Projects

- Commercial feasibility of project
- Unproven technologies
- Inadequate capacity for preparing and structuring projects
- Lack of an enabling policy/regulatory framework
- Financial obstacles to investment
- Weak governance structures
- Small project size

# RECOMMENDATIONS





## A Proposed Focus For Traditional Climate Finance

1. Building capacity and technical assistance

2. Building enabling policy environments

3. Removing barriers to investment

4. Catalysing investments

5. Facilitating and financing demonstration/pilot projects

~~6. Financing projects~~



## Increasing Capital Available For Investing in Sustainable Transport

- Increasing role for private investors
  - Guarantees (export & loan guarantees, subordinate debt, exchange rate)
  - Profit repatriation
  - Bonds
  - PPP, Viability gap funding
- Innovative financing schemes
  - Land value capture
  - Real estate development
  - Taxes and fiscal incentives
- Attract institutional investors



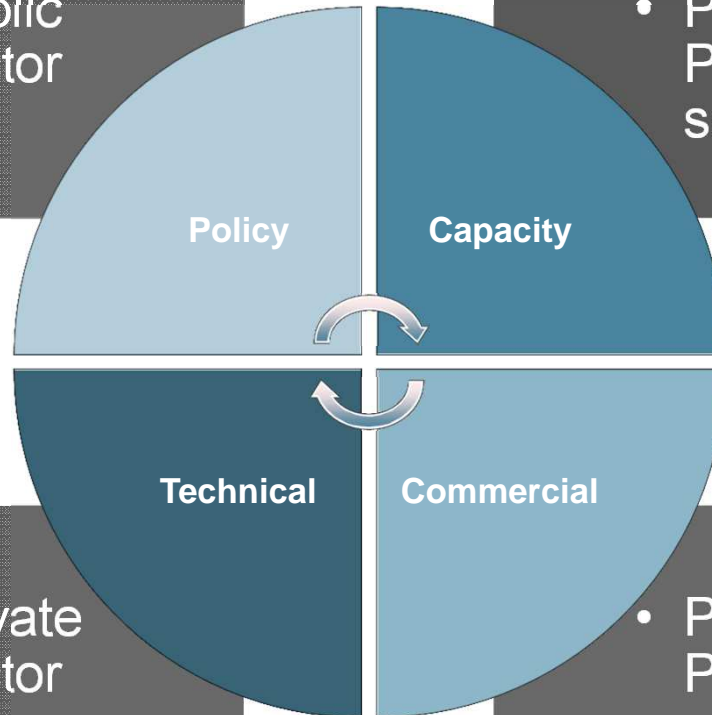
## Attracting Institutional Investors

- Making projects more attractive
  - Properly prepared projects
  - Enabling macro-economic and regulatory environment
  - Indexing to inflation
  - Ring-fencing project revenue streams
- Removing/mitigating legal and regulatory requirements (Basel III and ALM) for certain types of investments
  - Liquidity requirements
  - Risk
  - Returns

**THANK YOU**

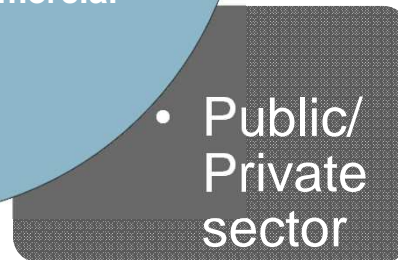
# Risks & Roles for Stakeholders in Providing Finance To Stimulate Sustainable Low Carbon Projects

- Policy/regulatory changes
- Inconsistent regulation and/or enforcement
- Nationalization, confiscation or expropriation of assets



- Planning
- Procurement
- Financial services
- Appraisal
- Policy
- Legal

- Demonstration projects
- Co-financing



- Tariff risk
- Non-payment
- Exchange rate
- Capital expropriation

**ALLOCATE RISKS AND ROLES TO PARTIES BEST ABLE TO BEAR THEM**