

Unlocking Climate Finance: Bold Ideas to Increase and Optimise Mitigation & Adaptation Finance

South Asia Forum for Distributed Energy 2023

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Session Host: Sustain Plus Energy Foundation



Background: As 2030 approaches, the upcoming years take on a pivotal role in propelling global climate action and building resilience against increasingly devastating climate change impacts. Amidst this urgency, climate finance emerges as a vital catalyst, especially in South Asia, to accelerate low-carbon transitions in the immediate and near term. However, the availability of adequate low-cost, concessional, and grant-based climate finance has fallen severely short of what is needed. In the last decade, only 16% of total climate finance was concessional (crucial in managing risks and uncertainties related to nascent technologies and markets). A mere 5% has taken the form of grants, while the majority remains tied to debt financing. It is estimated that 45 billion in annual funding is required to achieve universal energy access by 2030. There is an urgent need for innovations and new funding models to meet the climate financing gap.

At the South Asia Forum for Distributed Energy, we brought together a distinguished panel of experts hailing from global financial institutes, inter-governmental organisations specialising in renewable energy, environment, and climate action advisory experts, as well as national agencies experienced in utilising financial instruments.

UNLOCKING CLIMATE FINANCE - PANELISTS	
Anjali Garg	Climate Finance Specialist, IFC
Divyam Nagpal	Program Officer- Energy Access, IRENA
Sandeep Bhattacharya	Climate Change Advisor, GIZ India
Swapan Mehra	Founder & CEO, IORA Ecological Solutions
Vinay Patel	Innovation & Project Management Cell, NDDB
Bigсна Gill, <i>Moderator</i>	Program Manager, Sustain Plus Energy Foundation

The key insights from the discussion were as follows -

Role of public financing in accelerating the pace of climate action in India

Public financing goes beyond catalysing private capital influx into decentralised renewable energy (DRE). It can establish the foundational elements of sustainable markets and DRE, encompassing incubation centres, R&D, skill development, and supporting factors. An ecosystem is paramount for meaningful, long-term impact and scaled adoption. Countries in South Asia have the advantage of well-established institutions, channels, and instruments. Leveraging these robust institutions, Public finance needs to be funnelled using these existing channels toward identified gaps and needs. This can be in the form of equity, debt, or grant and use push or pull marketing strategies.

Development Financial Institutions paving the way forward

Climate finance is not expanding due to various gaps in the sector. Firstly, financial institutions lack awareness and have a limited understanding of the market potential. A lack of information on the market and opportunities and risks within the sector further exacerbates this knowledge gap. This is compounded by the lacuna with respect to policy support for science-based taxonomy from the government. Development financial institutions are paving the way to support regulatory clarity, ecosystem-supporting factors, and building capacities of financial institutions on green financing. This nudges banks to set sustainability targets and align business strategies and portfolios.

Climate Finance from an international investment perspective: Presently, countries in the West are viewing climate finance as an investment opportunity rather than the need of the hour. Risks and opportunities unique to climate projects are not normalised within the investment world. India must prioritise on domestication of climate financing and has the opportunity to pioneer adaptation financing by building an ecosystem of risk financing and taxonomy.

Designing climate-sensitive financial instruments from an end-user perspective: Financing DRE technology solutions for climate adaptation, especially in rural India, concentrates on the economics and financial viability of the product. Designing instruments can follow after successful pilot testing, incorporating user feedback, and development of a sound post-sale ecosystem for sustained use. After these stages financing instruments solutions can bolster large-scale market access and adoption. At present, climate finance is a push market involving a more tedious process, but slowly gaining traction.



Accessing climate finance for clean cooking transitions: The session also witnessed an experience from the practitioner’s view on accessing climate finance through carbon credits for clean cooking transitions. The carbon credits generated from the installation of Biogas plants on a large scale are passed on to the end users and the implementation agency, in order to ensure regular monitoring and maintenance, including means to

incentivize users to utilise cow dung as a source of cooking fuel. Another method was through an arrangement between the implementation agency and the international carbon market through voluntary carbon credit. This helped in reducing the upfront cost of the Biogas unit, resulting in more acceptance from the community.

South Asia Forum For Distributed Energy

GOGLA, with support from Good Energies, organized the South Asia Forum for Distributed Energy (SAFDE), from 23-24 August 2023 at the India Habitat Centre in New Delhi, India. Sustain Plus was a supporting event partner at the forum and hosted several dialogues on DRE and climate finance. Formerly known as the India Distributed Energy Forum (IDEF), the South Asia Forum for Distributed Energy (SAFDE) was aimed at being the foremost broad-based Distributed Renewable Energy (DRE) event of the South Asian region. The forum was the centrepiece of the Indian and South Asian distributed energy community's efforts to chart the business-driven route to improved energy access for households and the way forward to enhance the Productive Use of Energy (PURE) for improved livelihoods. With public-private collaboration as the central theme, the event drove dialogue around the future potential and continued relevance of DRE and weak grid markets.