

## Asia LEDS Partnership NDC Finance Community of Practice: accelerating investment into clean energy across Asia



### Why an Asia NDC Finance Community of Practice?

Countries in Asia are developing rapidly and moving to implement their Nationally Determined Contributions (NDCs) under the Paris Agreement. Investment in low carbon infrastructure and large-scale renewable energy deployment is central to realizing these commitments and moving towards the clean, sustainable and high-growth economies of the future. Attracting climate finance and investment—particularly from the private sector is essential to meeting these objectives.

The IFC has estimated a need for over \$1 trillion for three countries in the region alone: Vietnam, Indonesia and Philippines<sup>1</sup>. In 2016, IRENA and the ASEAN Center for Energy (ACE) found that an annual investment of \$27 billion would be required for Southeast Asia to get 23% of their primary energy from renewables by 2025. To put this in context, development banks have only invested around \$6 billion into renewables across all South East Asia over the last seven years<sup>2</sup>. There is an urgent need to accelerate deployment of capital into clean energy across the region.

<sup>1</sup>Climate smart investment figures are estimates based on national climate change commitments and underlying policies. Source: IFC (2016), Climate Scope (2016) SPG (2012) [https://www.ifc.org/wps/wcm/connect/51183b2d-c82e-443e-bb9b-68d9572dd48d/3503-IFC-Climate\\_Investment\\_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/51183b2d-c82e-443e-bb9b-68d9572dd48d/3503-IFC-Climate_Investment_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES)

<sup>2</sup>IRENA Renewable Energy Market Analysis Southeast Asia 2018

Strong partnership and linkage between the public and private sector on enabling environments for finance mobilization, combined with targeted capital market interventions to address existing gaps in the climate finance landscape, are urgently needed to accelerate progress. To answer this call, the LEADS GP and Asia LEADS Partnership, with support from the Finance Working Group, are launching an **Asia NDC Finance Community of Practice (Asian NDCF CoP)**. The NDCF-CoP will be an applied and interactive network for national and subnational governments, with engagement from business and private sector actors, technical institutions, non-profits and other international organizations.

## What will the Asia NDC Finance Community of Practice Do?

The NDCF CoP will address real-time finance, policy and technical challenges to rapidly accelerate investment flows into clean energy NDC implementation efforts across the region. To accomplish these objectives the CoP will support members to develop strategies and interventions that lower the cost and risk of capital for renewable energy finance. It will do this by bringing together key government and private sector decision makers to:

1. Rapidly identify key barriers to investment mobilization in clean energy at the *political, regulatory and financial* levels on a country-by-country basis
2. Capture, synthesize, and disseminate emerging best practice and lessons from across the globe
3. Develop quick-response political, regulatory and capital markets interventions to address these barriers
4. Coordinate with partner country governments, donors, philanthropy and the private sector to implement the identified interventions and solutions in a targeted and cost-efficient manner

Based on feedback from Asia LEADS Partnership members, the NDC Finance CoP will give initial priority to learning and technical collaboration on two topics:

- **Blended Capital:** Acceleration of private capital flows is necessary in order to meet investment mobilization requirements for NDC implementation. Blended finance uses public and philanthropic sources of capital to accelerate private capital flows into key sectors and instruments. The NDCF-CoP will focus on design and development of blended capital structures and approaches to scale up private investment.
- **Green Bonds:** A green bond is a debt instrument that is issued to raise capital specifically to support climate-related or environmental projects, including for mitigation and adaptation and resilience. Issuers of bonds can be private companies, supranational institutions (such as multilateral banks), and public entities (municipal, state, or federal). Bond markets are key to unlocking local and international sources of lower cost debt to scale investment in low carbon infrastructure. NDCF-CoP work in this area will focus on targeted capacity building and technical assistance among and between entities, particularly

## What is a community of practice?

Communities of practice are comprised of a network of engaged experts and practitioners from a shared sector or working area (e.g. renewable energy finance) who form a group to regularly engage in peer-to-peer learning and exchange to improve their personal and collective knowledge, identify shared solutions, and drive more effective change on the ground. They promote engagement both inside and outside of formal communication channels and provide an inclusive, member-driven experience. A community of practice approach has been developed by the LEADS GP at the request of its members as an alternative to conventional knowledge-sharing networks that tend to engage in top-down development assistance.

national and subnational governments, interested in developing green bond product offerings.

**The NDCF CoP will further examine various country and region-specific interventions in relation to these two priority topics based on inputs from the members.**

### **LEDS GP Finance Working Group in action: driving clean energy deployment through corporate demand**

Beginning in late 2017, the LEDS GP FWG, in collaboration with the Clean Energy Investment Accelerator (CEIA), has engaged with the recently formed Renewable Energy Buyers Alliance-Vietnam (REBA-V) on key policy and regulatory matters related to corporate and industrial procurement of renewable energy. The members of the FWG are working with partner implementing organizations to provide direct input into key Vietnamese regulatory agencies, including ERAV and MPI, on the emerging direct power purchase agreement rules for direct contracting between private sector buyers and renewable energy generators. This is an important step in strengthening the finance and regulatory environment for renewable energy in Vietnam. In 2018, the FWG will work with partners to continue to identify key policy recommendations and to explore opportunities to leverage corporate procurement of renewable energy as a key driver for policy, regulatory and political advancement, as well as opportunities for corporate finance of supply chain renewable energy deployment across the region.

## **Who are the members of the Asia NDC Finance Community of Practice?**

The Asia NDCF-CoP brings together government representatives from departments such as the Ministries of Energy and Environment, Ministries of Finance and Investment, and National Energy Commissions with representatives from the private sector, utilities, academia and international organisations that design, finance and implement renewable energy projects. Experts, both regional and international, in specific areas such as regulation, investment, development modelling and finance are called in for specific sessions requested by CoP members.

Participation from national and subnational governments is a priority and officials from these offices comprise the bulk of the CoP membership. However, the CoP welcomes participants from technical institutions, private firms, NGOs and/or international organizations working on renewable energy analysis, finance, policies and deployment. The direct and active involvement of these stakeholders across Asia is key to the success of the NDCF-CoP.

**For Asian policy makers and implementers, the Asia NDCF CoP offers a valuable opportunity to:**

- Learn with and from other Asian countries through direct and collaborative peer-to-peer exchange
- Work with clean energy and climate finance pioneers from around the world to design policy and regulatory frameworks and create enabling financial environments to meet national and sub-national development, electrification and climate change-related objectives
- Engage with the private sector development and investment community to understand what is needed to unlock private investment and accelerate financial flows
- Access new tools and technical assistance to develop country-specific, tailored policy, market and finance solutions

### **How will the Asia-CoP operate?**

The Asia-CoP is a member-led initiative supported by LEADS GP. Technical assistance in the focal areas of Blended Capital and Green Bonds will be led by the LEADS GP Finance Working Group. In 2018, the Asia NDC Finance CoP will focus on peer learning, knowledge exchange, and expert assistance on these two topics and may address additional issues over time based on participant interests.

This work will take place through bilateral and direct country technical assistance interventions, as well as larger in-person and remote group capacity building, peer exchange and training sessions. The direct assistance work will feed back to the larger CoP group through workshops, meetings, webinars and knowledge products such as case-studies and guides that capture country and practitioner learning and experience.

Webinars and case studies will be developed in collaboration with key market practitioners who are actively engaged in the design, development and deployment of the priority topics in order to give CoP members real-time examples that can be applied to their local market and conditions.

#### **Activities**

The Asia NDC Finance CoP may conduct the following activities depending on demand from its members:

- Regional peer learning and training workshops
- Peer-to-peer site visits and exchanges
- Country-specific expert and peer advisory support
- Cross country collaboration on common measures
- Web seminars
- Online, moderated discussions
- Joint work products and proposals on capital market interventions, regulatory frameworks, etc.
- Case studies and sharing of tools and methods

Urgent action is needed in order to accomplish the ambitious infrastructure, climate change mitigation and

resilience objectives that Asia NDCF CoP members have identified as part of their NDC commitments. The CoP participants will work together to develop a work plan, along with refined goals, activities, and outcomes.

**Timeline of activities in 2018:**

<b>Task</b>	<b>Timeline</b>
1. Identify priority focal topics (Blended finance and Green bonds) <sup>3</sup> and draft CoP work plan for 2018	July
2. Convene first online CoP meeting for members to introduce blended capital and green bond work, share experiences and challenges, and refine activities of interest & work plan within the two selected priority topics (blended capital and green bonds)	mid-August
3. Share existing introductory resources on the two priority topics with members	September
4. Convene second online CoP meeting on blended capital financial instruments and policy reforms with members	mid-September
5. In-person CoP workshop (2 day-workshop focused on sovereign green bonds and also covering blended capital)	mid-October
6. Convene third online CoP meeting	December
7. Delivery of country specific deep-dive technical assistance to two selected Asian countries	July-December
8. Collaboration across members on improved technical resources and/or case studies	July-December
9. Develop CoP activities summary report for 2018 and CoP work plan for 2019	December

## Who are we?

The Asia LEDS Partnership is a voluntary network of government and nongovernmental partners working to advance LEDS and green growth in Asia. It builds on, and cooperates with, existing regional Asian networks and initiatives, and links efforts in Asia with related work in other regions. Representatives from over a dozen Asian countries are actively engaged in the Asia LEDS Partnership, as well as numerous international partners. The Asia LEDS Partnership is one of four regional partnerships of the Low Emission Development Strategies Global Partnership (LEDS GP). The LEDS GP was founded in 2011 to facilitate peer learning, technical cooperation and information exchange on the formation and implementation of climate-resilient, low-emission development strategies.

## Join us!

Membership is free and is open to individuals or organizations. You can become an ALP member by completing a cost-free membership [sign-up form](#). For further information on the Asia LEDS Partnership please visit <http://www.asialeds.org>. You could also write to us at [alpsecretariat@iclei.org](mailto:alpsecretariat@iclei.org).

<sup>3</sup> Blended finance and Green bonds are identified as priority topics based on the feedback and priorities indicated by NDCF CoP members