

**Investment Approaches to Climate
Services:**
**In the Context of Private Sector Engagement
and the Development of Services to
Communicate Climate Information**



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Outline of the Presentation

- 1. The Goal of the Presentation**
- 2. Some Examples**
- 3. Challenges**
- 4. Recommendations**

The Goal of the Presentation

The Goal of this presentation is to enhance our understanding of Investment Approaches to Climate Services and be able to know what role the Private Sector can play in the Development of Services to Communicate Climate Information.

A Quote from International Climate Adaptation Business Challenge March 2014

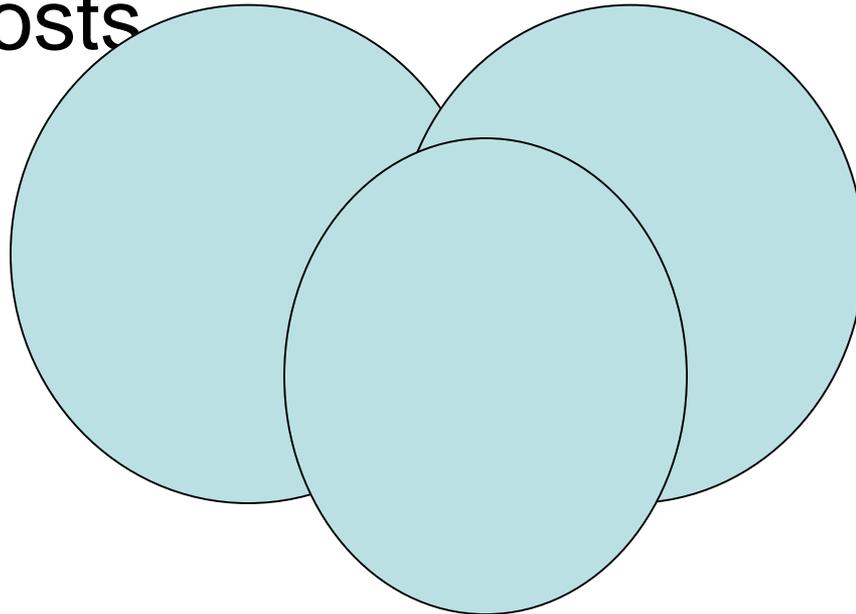
“Knowledge is developed within the research programme that is necessary to be able to assess investments to be made in spatial planning and infrastructure over the coming 20-50 years in terms of their resistance to climate change, and for making changes where necessary” to resist and or adapt to effects of climate change.

The Question is, Why Investments in Climate Services?

- Dissemination of Climate Information used by policy makers, business entities, public
- Identification of risks, assessment of risks, management of risks, mitigation and avoidance of risks
- Development of investment plans and strategies for economic development
- Monitoring, Evaluation, Reporting and Impact of Investments

Investment Approaches to Climate Services

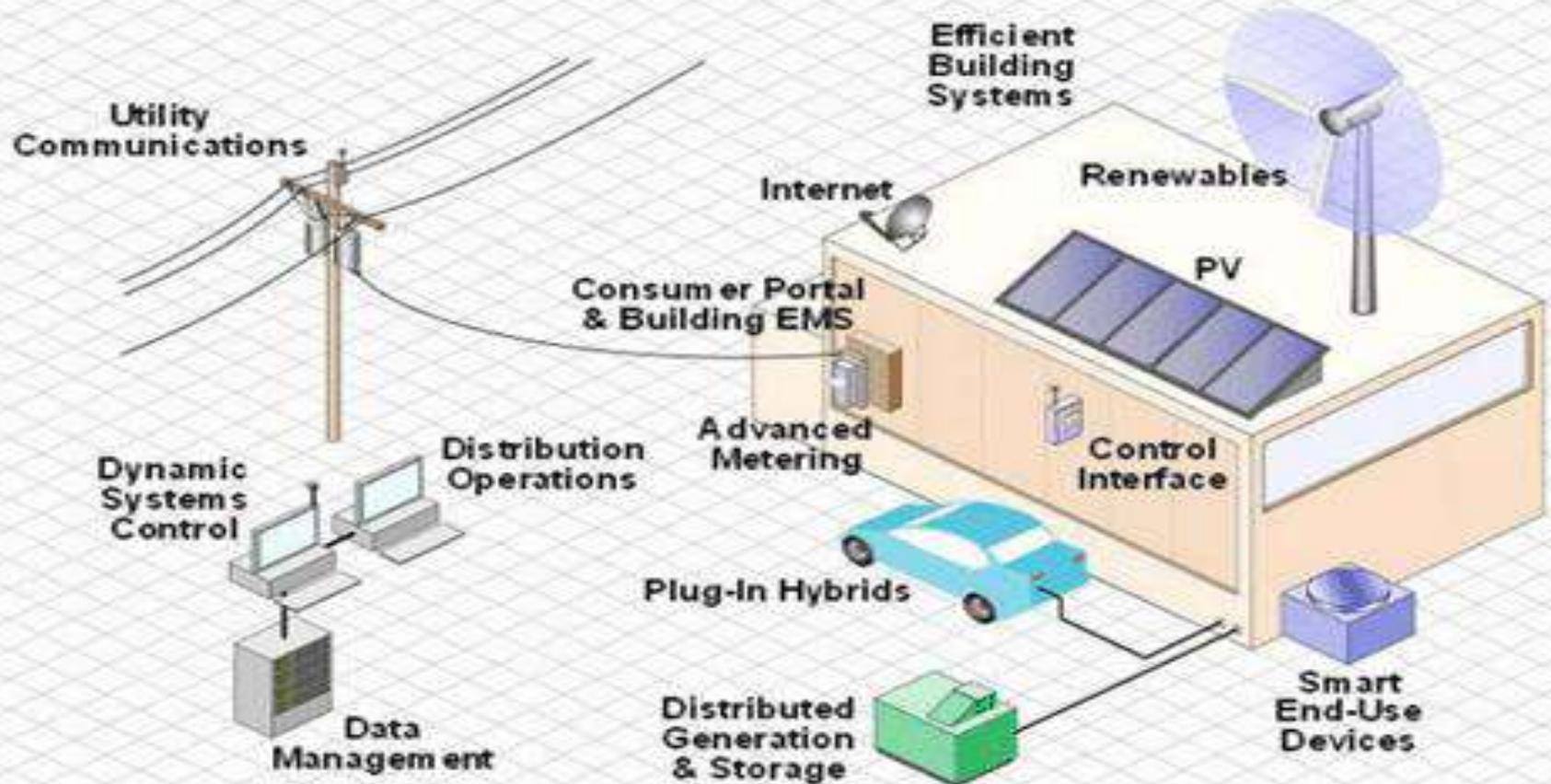
Through partnerships, investments can benefit climate services by sharing knowledge, skills, expertise, networks, technology and opportunity. Mitigate risks and lower costs



Example of Smart Grid

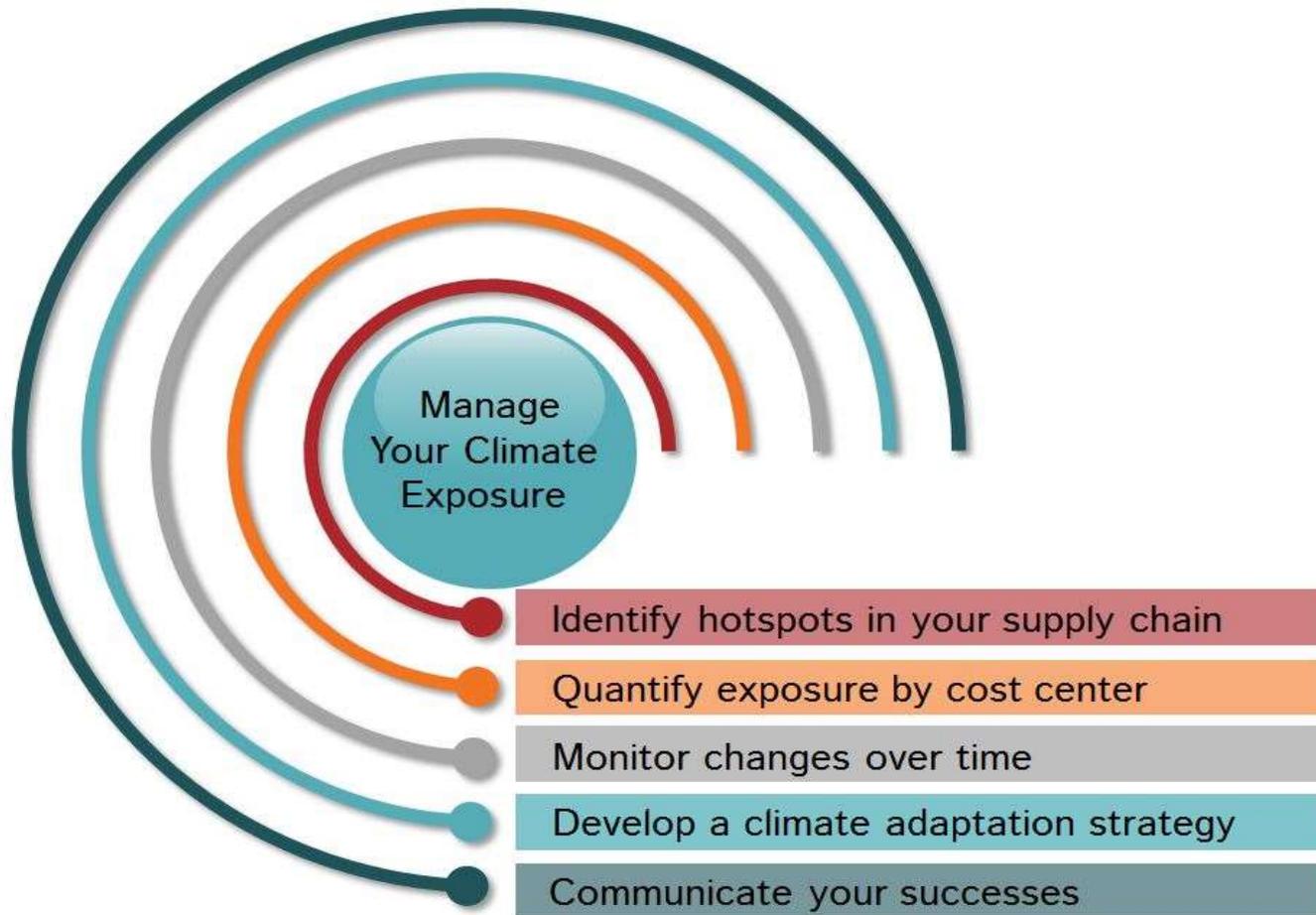
Source: www.oecd.org/greengrowth

Many components with Climate Services with economic growth estimated at US\$1 trillion per year



Management of Climate Risk Exposure

Source: Financial Times March 2014

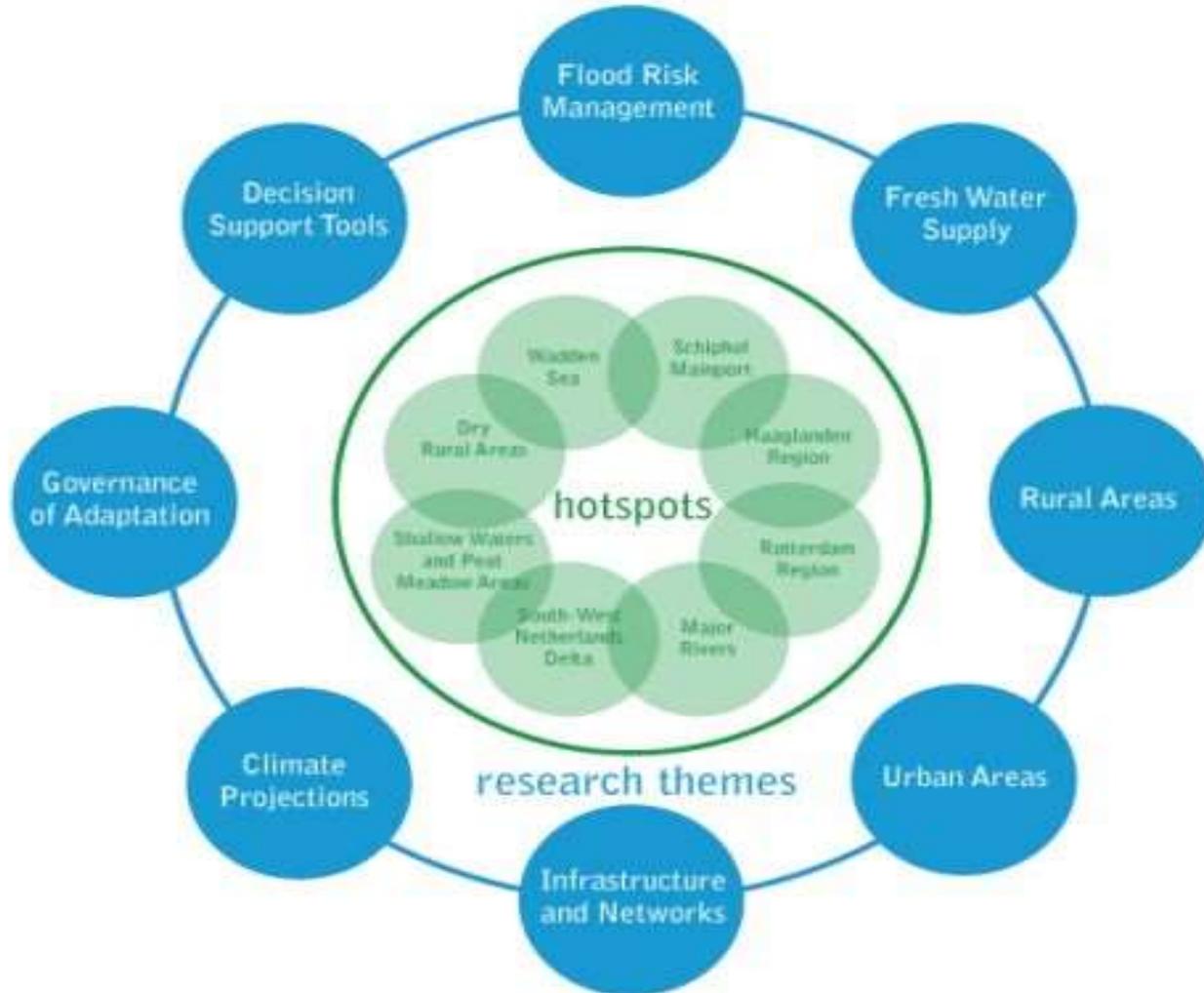


Drought Havocs In Kenya





Knowledge for Climate Services

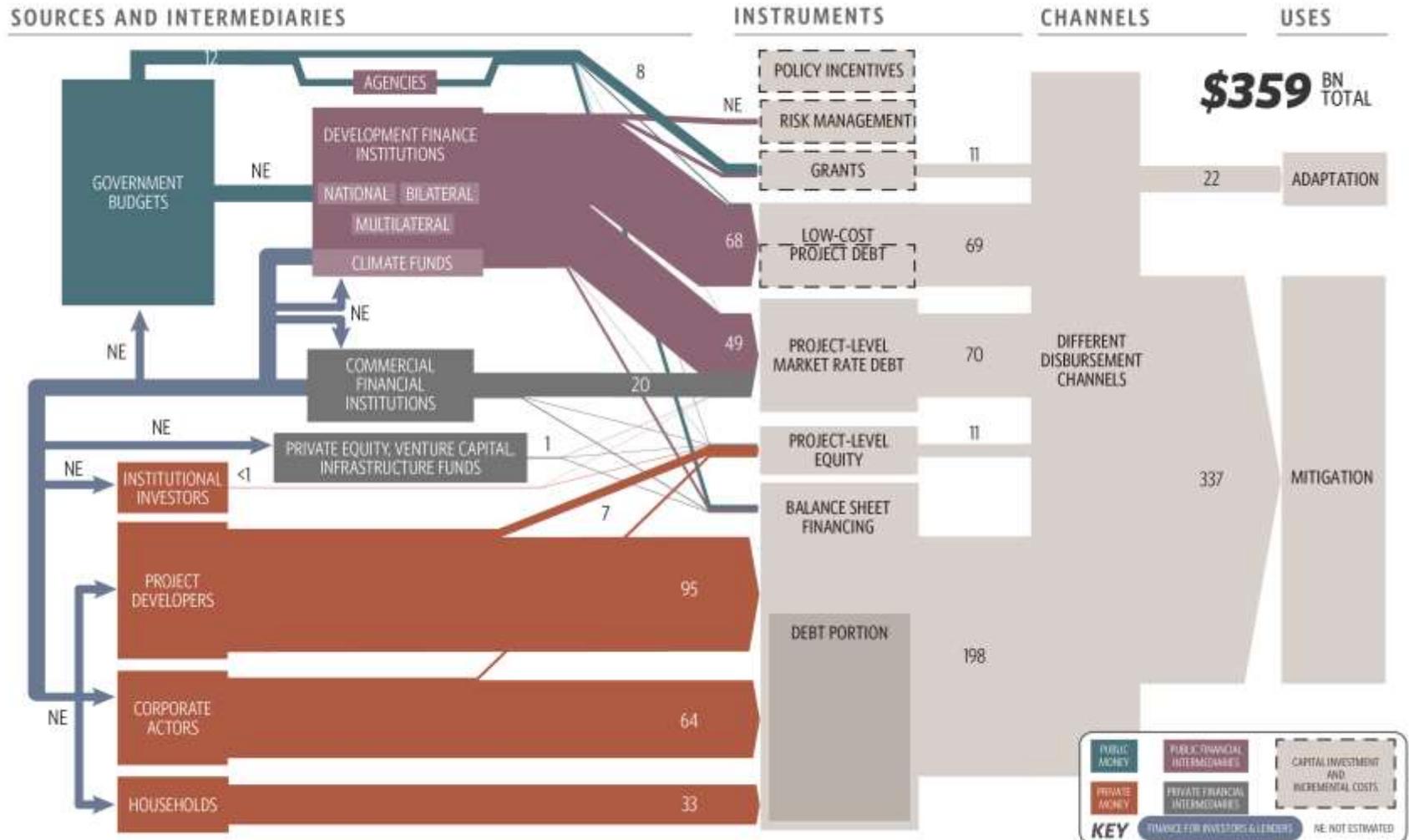


Source: <http://knowledgeforclimate.climate-research-netherlands.nl/projects>

Investment Approaches to Climate Services

THE FLOWS OF CLIMATE FINANCE 2013

The Flow of Climate Finance 2013, also known as the 'spaghetti' diagram, illustrates the landscape of climate finance flows along their life cycle for the latest year available, mostly 2012.



Notes: Figures are indicative estimates of annual flows for the latest year available, 2011 or 2012 (variable according to the data source). Flows are expressed in USD billion and rounded to produce whole numbers. Where ranges of estimates are available, the mid-point is provided. All data presented relates to commitments in a given year due to the limited availability of disbursement data. The diagram captures upfront capital investment costs of low carbon, climate resilient activities plus grants for e.g. capacity building and enabling environment activities. The diagram highlights with a dashed line those financial resources which contribute to paying for upfront incremental investment costs, that is the difference in investment cost between cheaper, more polluting options and costlier, climate-friendly ones. This includes some portion of low cost debt. As Landscape 2011 only tracks upfront investments and not NetZero inflows (revenues) or outflows (costs), our estimate of finance only includes policy incentives provided as grants or concessional loans, excluding the value of policy-induced revenues, such as feed-in tariffs or carbon market payments.

Investments in Climate Change

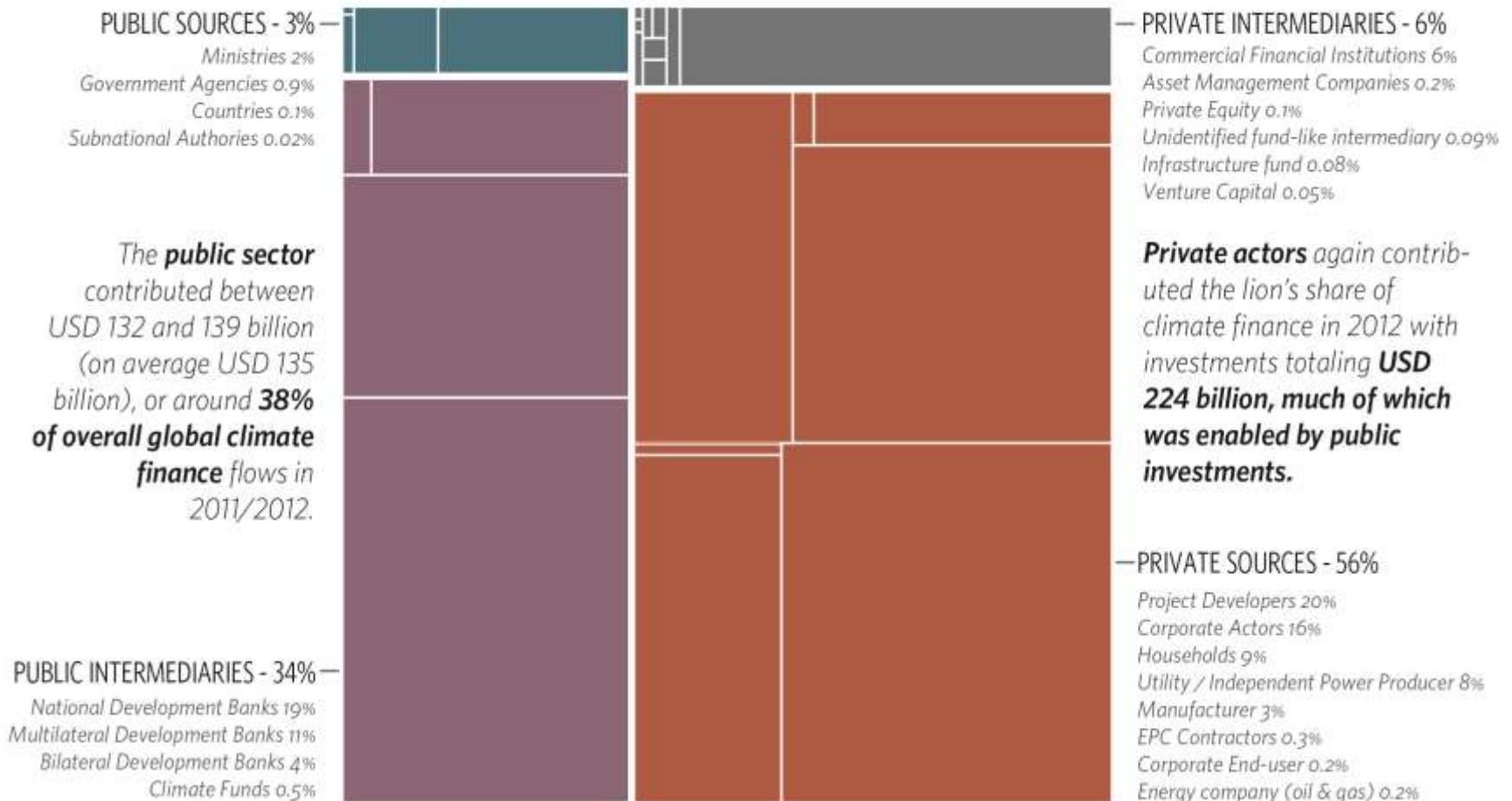
Source: www.ClimateFinancialLandscape.org

- In 2011, US\$364 billion in Climate Investment
- In 2012, US\$359 billion in Climate Investment
- In 2011 Clean Energy US\$263 Billion (PeW Env) and by 2020 estimates US\$5 trillion in clean energy (CPI 2013)
- Sources and Intermediaries
 - Government Budgets
 - Agencies (MDBs, Bilateral, Development Partners. Climate Funds)
- Instruments
 - Policy incentives
 - Risk Management
 - Grants for capacity building
 - Low cost options
 - Project debts
 - Equity
- Channels
 - Disbursements
 - Offsets (Debt for Nature Swap, Carbon Credits, PES)
- Users
 - Adaptation
 - Resilience
 - Mitigation



Investment Approaches

SOURCES OF CLIMATE FINANCE



The **public sector** contributed between USD 132 and 139 billion (on average USD 135 billion), or around **38% of overall global climate finance** flows in 2011/2012.

Private actors again contributed the lion's share of climate finance in 2012 with investments totaling **USD 224 billion, much of which was enabled by public investments.**

CHALLENGES

- Knowledge Gaps in adaptation, resilience investments, private sector finance and the role of private sector finance in climate services
- Lack of Research and Development on Private Sector in particular and its role in climate services
- Inadequate Information
- Expensive data sets and not accurate
- Institutional abilities are rigid and inflexible to embrace new ideas, innovation and creativity
- Technological and Financial Resources are limited
- Human Capabilities scanty, limited and inaccessible
- Interface and or interaction in **PPP** ineffective, inefficient and uncoordinated
- Crowding out effect due to new entrants, players, knowledge brokers, high risks

Recommendations

- Investments in improving climate prediction and climate effect models with established facilities at national and regional levels
- Investments in Research and Development
 - Tools for knowledge transfer and cooperation
 - Risk identification, scale up provision of new and improved risk mechanism and impact on investments in climate services
 - PPP, research and academic institutions collaboration
 - Strategic solutions to address climate problem
- Investments in networks
 - Knowledge sharing
 - Information dissemination
 - Application of skills and technology
- Investments in and use of public resources to facilitate low carbon and climate resilient projects
- Investments in scaling up and improving risk instruments to address liquidity and policy risks and enhance value addition of existing instruments for leveraging and complementing good practices by GEF, CIF (World Bank, IFC, AfDB, ADB, Inter American Development Bank), UNDP, GCF



In Conclusion

- Climate Service is inevitable to African Economic Growth
- Africa has 60% arable land still available for agriculture. Europe has experience in adding value. “Dlamini Zuma AU Chair at the EU-Africa Summit 1-2 April 2014”
- Investment Approaches to Climate Services should encourage Private Sector Participation to take advantage of partnership with Public Sector new funding in infrastructure development

Reference Materials

- Aid to Trade: Business Partnerships for Climate Compatible Development. Sept 2013, Alders Gate Group and CDKN
- Blending Climate Finance Through National Climate Funds: A guide Book for the Design and Establishment of National funds to Achieve Climate Priorities. Sept 2011, UNDP
- Climate Landscape Finance. Oct 2013, CPI
- Integrating Climate Change in the Post 2015 Development Agenda. March 2014, CDKN
- Adaptation to Climate Change in Water, Sanitation and Hygiene: Assessing Risks, Approving Options in Africa. March 2014. Naomi Oates, Ian Ross, Roger Carlow, Richard Carter and Julian Doczi
- Economic and Private Sector: Professional Evidence and Applied Knowledge Services-Global Energy Markets, What do African resource finds mean for global energy supply in relation to demand in coming years, by Joseph Holden and Nathan Associates, October 2012

Thank You

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