

Title: Climate Public Private Partnership Programme (CP3)

Background

Developing countries will require significant support to make the necessary changes to adapt to climate change and move to a low carbon development path. New investment is required in areas such as renewable energy, energy efficient new technologies and low carbon infrastructure to increase economic growth. The private sector's resources must be channelled in order to meet the financial requirements. Public finance alone is insufficient but can act as a catalyst.

Public investment in climate-focused private equity funds can help demonstrate to private investors that low carbon industries in developing countries have acceptable levels of risk and can deliver commercial returns on investments. Over time, this could attract different categories of institutional investors - such as sovereign wealth funds and pension funds – to invest in climate projects in countries that may otherwise be viewed as high risk investment environments. When we use public money in commercial investments, we also prioritise development focused results, such as clean energy generating capacity installed, jobs supported and greenhouse gas emissions reduced.

CP3 is a joint DFID and BEIS (DECC) initiative funded by the UK's International Climate Finance (ICF). CP3 forms part of the UK's contribution to the pledge made by developed countries to mobilise \$100bn of climate finance a year by 2020.

Theme

Mitigation - Private investment to help tackle climate change by reducing carbon emissions.

What is being done?

The UK Government has committed £130 million to the CP3 programme, of which £110m is invested in two commercial private equity funds. The Catalyst Fund is managed by the International Finance Corporation's (IFC) Asset Management Company (AMC), to invest in developing countries across Africa, Asia and Latin America. AMC is the IFC's platform for leveraging third party capital to both co-invest alongside IFC's existing development focused portfolio as well as fund new opportunities in emerging sectors (such as low carbon) in developing economies. Asia Climate Partners (ACP) created a consortium that involves the Asian Development Bank (ADB), Robeco and Orix (Dutch and Japanese Investment houses). A successful first fund for ACP will encourage investors to both consider the sector and similar or follow on funds for future investment. This would accelerate the flow of private sector capital towards climate smart development.

Both funds are managed by professional Fund Managers that will research and select promising investments in areas such as water, renewable energy, energy-efficiency, low carbon transport and clean technology. These funds will enable companies and initiatives with a good track record to grow further. The funds will invest directly in successful companies and developers as well as invest in smaller specialised funds that, in turn, invest in companies and developers with potential for growth.

Through CP3, the UK is also providing £20 million in the form of grants. CP3 has funded high quality studies that increase global knowledge about climate-focused investment in developing countries, including Mercer's 'Investing in a Time of Climate Change – 2015'. CP3 is supporting the second phase of the Seed Capital Assistance Facility (SCAFII), which helps private equity and venture capital funds and project development companies (DevCos) finance new low carbon, clean technology investments. SCAFII also provides support to first time fund managers, to increase the number of actors in early stage climate investment.

Expected results

Through CP3, the UK was an anchor investor in both the Catalyst Fund and ACP, successfully stimulating other public and private investors to join.

The Catalyst Fund closed its fund-raising stage in June 2014. Following the UK's anchor investment of £50m, the Fund raised a total of \$418m. The Fund has already invested most of the capital it raised. By September 2016, it had invested in ten smaller funds, with its capital invested in a total of 58 specialist companies. These companies operate in renewable energy, energy efficiency, water and waste management and manufacturing of clean technology.

ACP is due to end its fund-raising stage in late 2016. The UK's initial capital commitment of £60m has already helped ACP raise in the region of \$450m. ACP anticipates closing three deals in investee companies before the close of 2016.

CP3 is a long-term programme and its development-focused (non-financial) results - clean energy generating capacity installed, jobs supported, and greenhouse gas emissions reduced – are expected to take five to seven years to start becoming apparent.

In total, together with our co-investors, CP3 aims to create 2140 MW of clean energy; support 34,000 jobs, and achieve 53 million tonnes of CO2 emissions reduction, over its lifetime to 2026. The intended financial impact will unfold beyond the lifetime of the Funds as it seeks to promote, prove and accelerate commercial returns in low carbon sectors.

Links to further info

- [IFC Catalyst fund](#)
- [Asia Climate Partners website](#)
- [Seed Capital Assistance Facility website](#)
- [Investing in a time of climate change](#)