

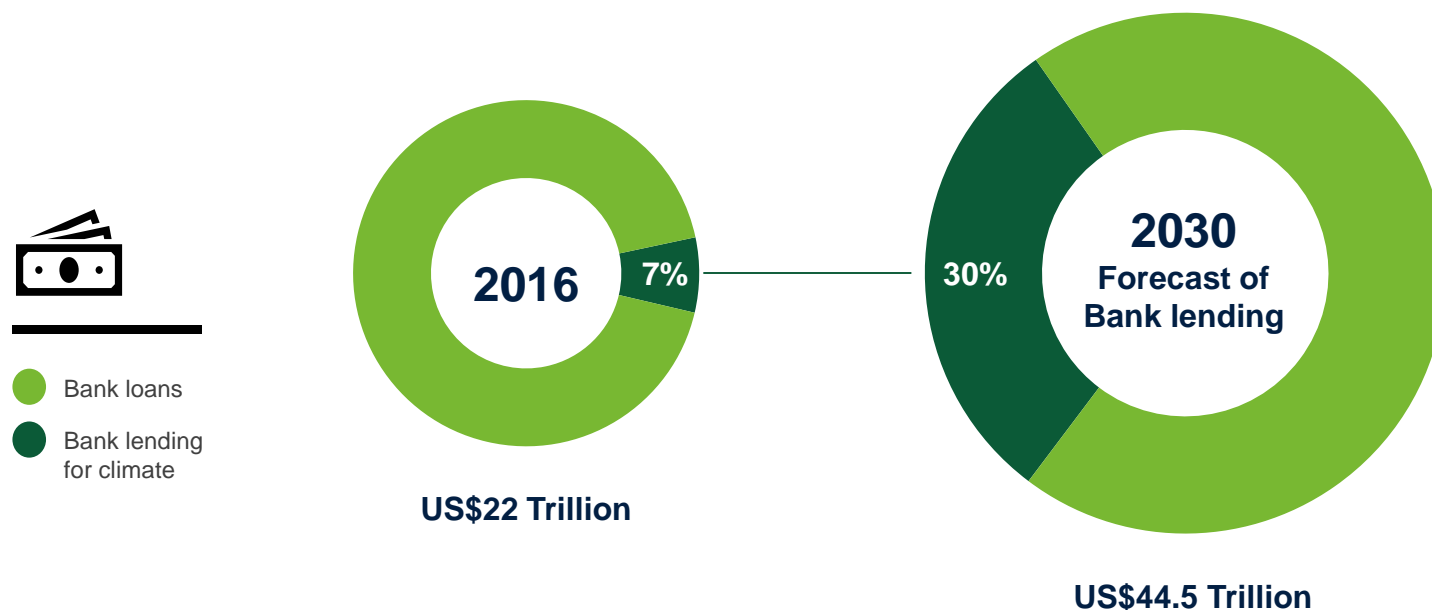
# CAFI - CLIMATE ASSESSMENT FOR FINANCIAL INSTITUTIONS PLATFORM



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Financial Institutions Group

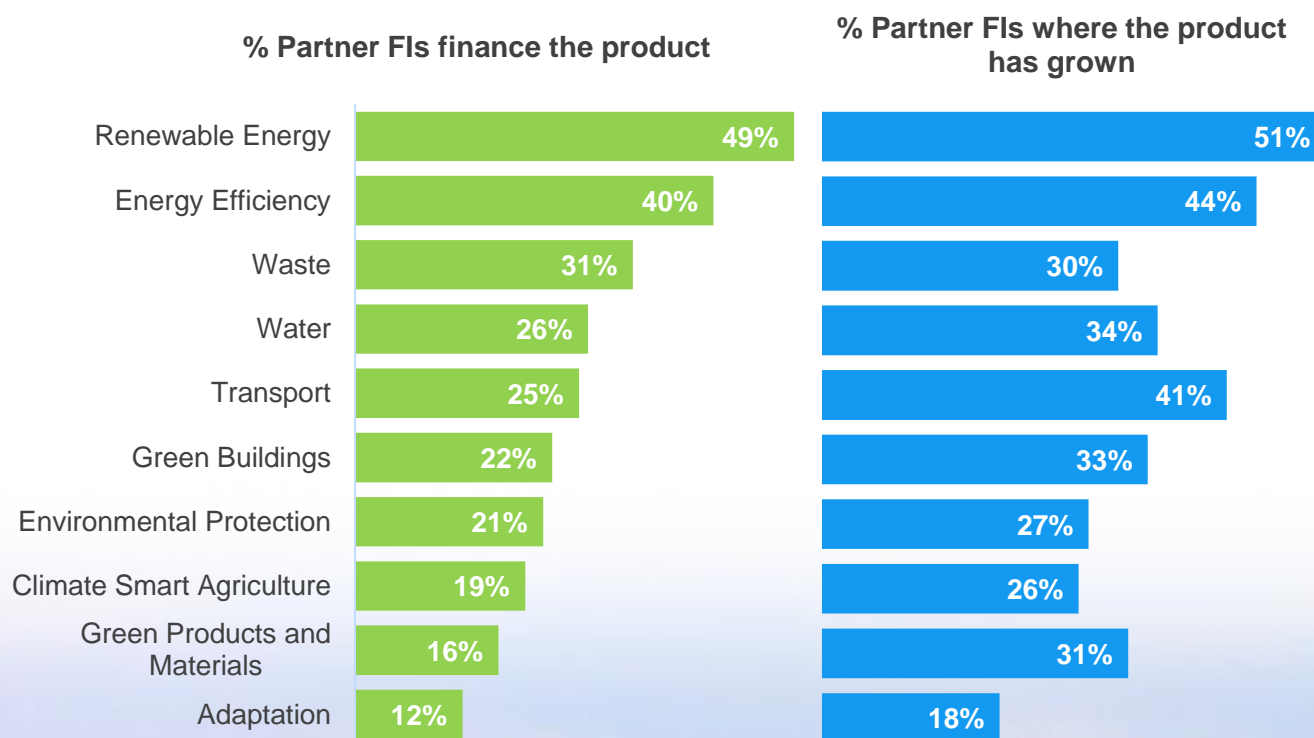
# GREEN FINANCE IS A HUGE MARKET OPPORTUNITY

- IFC study found that **21 countries\*** in Emerging Markets (EM) account for **89% share** of EM GHG emissions, and need **US\$23 trillion investment in climate finance by 2030**
- This presents the **single largest growth opportunity for banks in emerging markets** – Banks in EM could grow the share of green lending portfolio from 7% to 30% by 2030, increasing profitability and gaining market share vis-à-vis other market competitors
- **“Green Banking” will enable outperformance by successful banks** – not just by better managing environmental risks, but by being at the forefront of trillions of dollars of new business related to climate lending

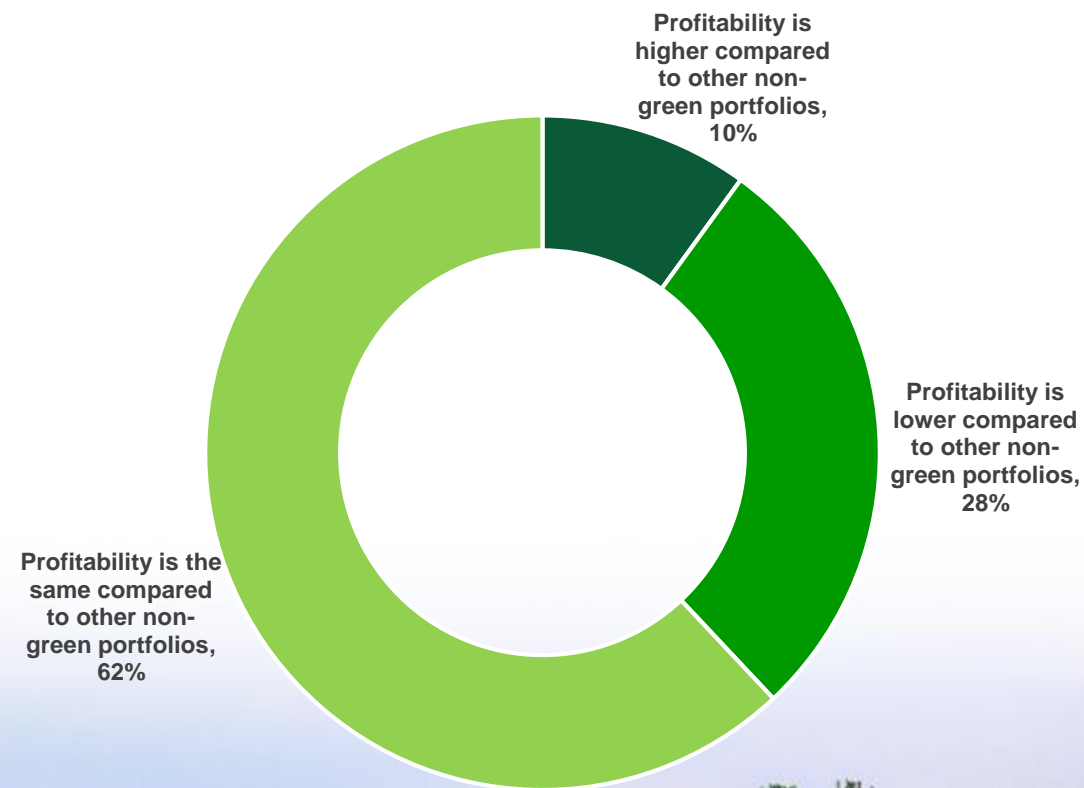


# PRIVATE BANKING COMMUNITY FOCUSING ON CLIMATE FINANCE

Of IFC client financial institutions, **over 70% provide climate financing**: top products are renewables, energy efficiency, transport, waste, and water



Climate Finance is a small but growing portion of banks' portfolios, with **72%** of bank respondents reporting **the same or higher profitability in the green portfolio** vs. non-green portfolio



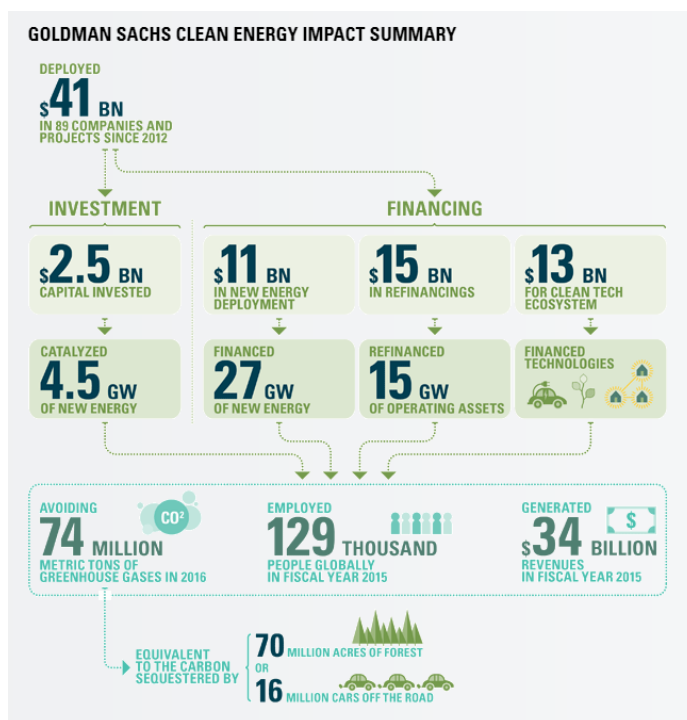


# CLIMATE COMMITMENTS BY GLOBAL BANKS

Several global private banks have increased their environmental investment programs and set public commitments:



Will deploy **\$150 billion** in financing and investment toward **clean energy** by 2025



Commits to sourcing renewable energy for 100% of its global power needs by 2020 and to facilitate **\$200 billion in clean financing** by 2025



Pledges to source 100% electricity from renewable sources by 2030 and provide **\$100 billion in sustainable financing** and investment by 2025



Commits to devote **\$100 billion to environmental finance**

**\$100 Billion Environmental Finance Goal: Financial Highlights, 2014-2018**



# INVESTOR COMMUNITY LOOKS FOR IMPACT MEASUREMENT

**“TO PROSPER OVER TIME, EVERY COMPANY MUST NOT ONLY DELIVER FINANCIAL PERFORMANCE, BUT ALSO SHOW HOW IT MAKES A POSITIVE CONTRIBUTION TO SOCIETY.” - LARRY FINK, BLACKROCK (2018)**

## Need for Impact Measurement & Reporting

- In a world where more CEOs talk about profit and purpose, **developing better ways to assess social and environmental impact is a priority**
- Climate investors require impact measurement and reporting to **ensure climate projects are not green washing**

## Commitment & Progress

- Organizations are developing a **shared language about impact management**
- Key industry players include:



## Implementation for Portfolio Managers

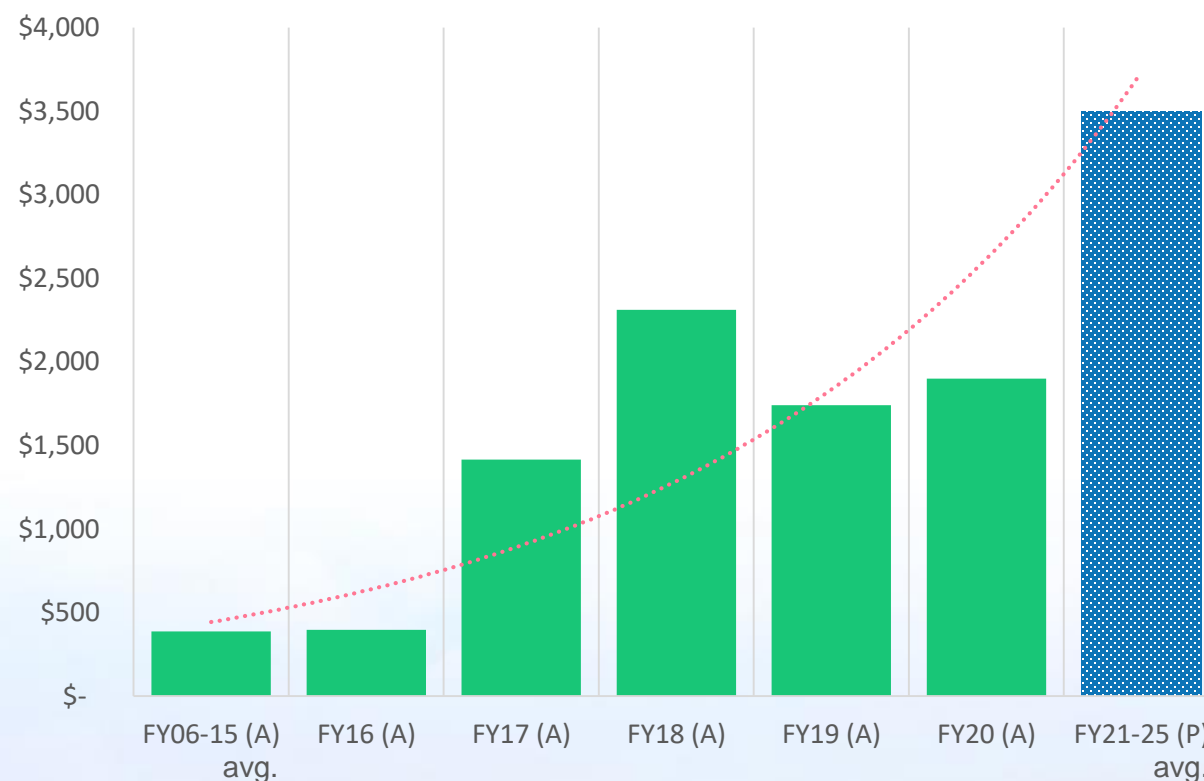
- New methodologies seek to demonstrate the value of **putting impact underwriting on the same footing as financial underwriting**
- Investors in both public & private markets can **evolve from ESG investing to impact investing** by seeking companies using these methodologies & platforms for impact measurement and reporting

# A WEB-BASED PLATFORM TO MANAGE GROWING CLIMATE FINANCE VOLUMES



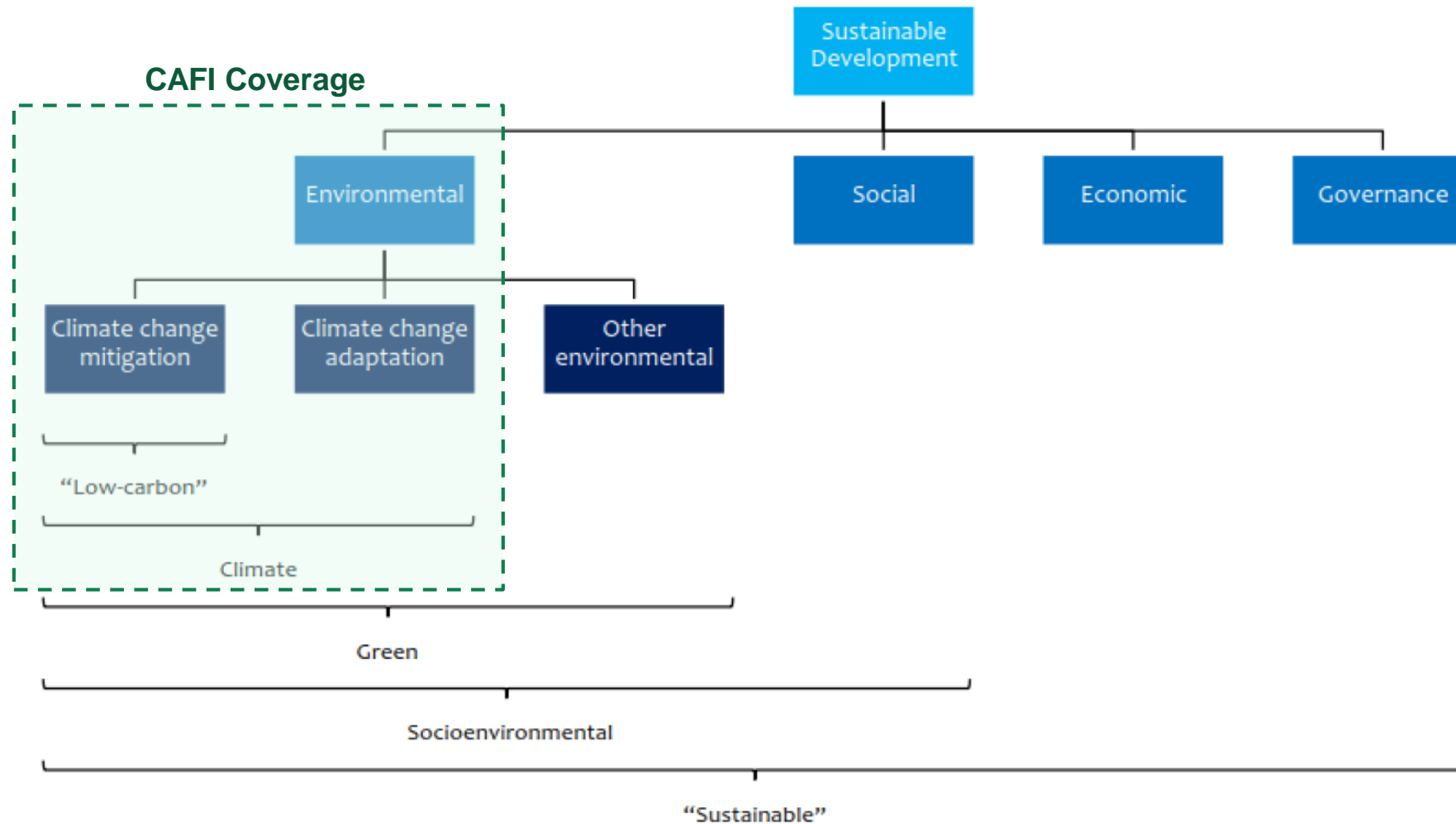
- Creating "Climate Friendly Economies" will be a capital intensive process and will require **new capital** and **new levels** of expertise and systems in banks
- The IFC created the CAFI platform **to support** the growing climate finance volumes
- CAFI is an **online** platform for financial institutions to assess the **climate eligibility** and estimate the **development impact** of the activities they finance

IFC climate finance lending through financial institutions\*



\*Source: IFC portfolio

# CLIMATE FINANCE TAXONOMY



# CAFI PROVIDES A SIMPLE SOLUTION TO CLIMATE ASSESSMENT AND REPORTING



Current processes are manual, cumbersome, and decentralized:

- ✗ **Significant investment** required to build and scale internal climate expertise, train employees
- ✗ Determining eligibility of a climate project can be **time-consuming** and requires expert judgement
- ✗ Reporting is often **static**, Excel-based, and **cumbersome** to update
- ✗ Impact assessments **may not be updated** according to the latest international standards



CAFI is a simple and harmonized answer to climate assessment and reporting:

- ✓ **Business Development.** One-stop-shop platform for climate eligibility, impact assessment, and reporting
- ✓ **Climate Eligibility.** Automated eligibility, categorization, and impact estimates for each climate project
- ✓ **Reporting.** Web-based platform provides real-time analytics and centralized view of entire climate portfolio
- ✓ **Impact.** Transparent methodology follows globally harmonized standards and is periodically updated



# USING BASIC INPUTS, CAFI COVERS ELIGIBILITY, IMPACT, AND REPORTING

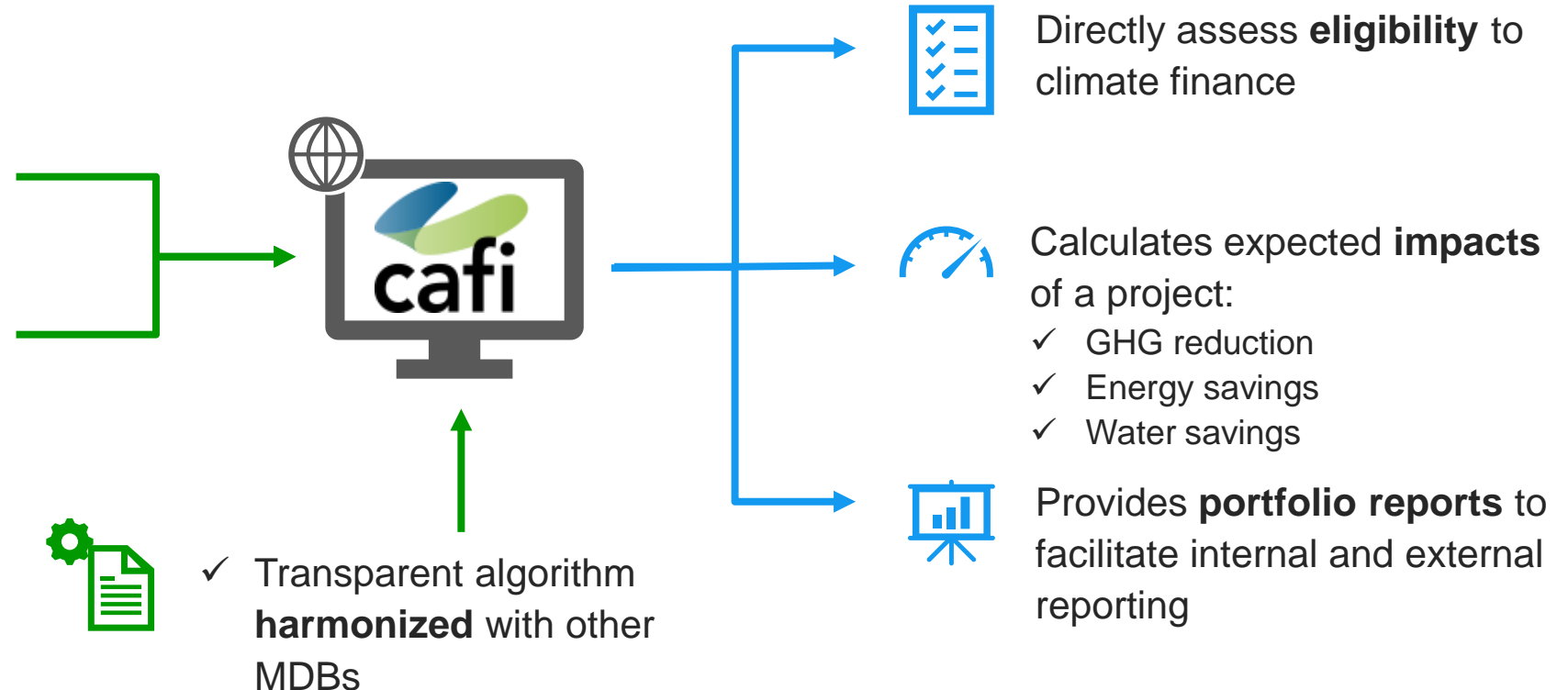


## Financial Institutions

- ✓ **Basic information** on transaction
- ✓ **Technical** specifications of financed project

### KEY FEATURES

- Reduces transaction costs
- Creates consistency in operation
- Improves transparency and disclosure from operations
- Applicable to both debt or equity financing instruments
- Available in multiple languages (Chinese, English, French, Russian, and Spanish)



# CAFI SUPPORTS BUSINESS DEVELOPMENT IN A GROWING NUMBER OF SECTORS

## ENERGY:

Low carbon generation, energy efficiency, storage, smart grids, sustainable energy access



## WATER:

Capture, treatment, conservation, wastewater treatment, access



## BUILDINGS:

Low carbon strategy, energy efficiency, sustainable materials, green buildings



## AGRICULTURE & FORESTRY:

Land mgmt, low carbon and adaptation strategies, biomass, biofuels, EE



## TRANSPORTATION:

Energy efficient components, fuels and logistics



## AIR & ENVIRONMENT:

Carbon credits, trading and offsets



## MANUFACTURING:

Green chemicals, RE/EE supply chain, cleaner production



## RECYCLING & WASTE:

Recycling and waste treatment services



# CAFI DETERMINES ELIGIBILITY & IMPACT ESTIMATES FOR EACH PROJECT

CAFI can currently calculate the following impact indicators:

	Renewable Energy	Energy Efficiency	Transport	Green Building	Water Efficiency	Adaptation	Special Climate	Climate Smart Agri
Climate eligibility (Yes/No)	✓	✓	✓	✓	✓	✓	✓	
Expected GHG reduction (tCO <sub>2</sub> e/yr)	✓	✓	✓	✓	—	—	—	Upcoming
Percentage Energy savings (%)	—	✓	✓	✓	—	—	—	
Annual Energy savings (kWhe/yr)	—	✓	✓	✓	—	—	—	
Annual Water savings (L/yr)	—	—	—	✓	✓	—	—	

The platform will assess eligibility to climate finance and calculate impacts, see example on Energy Efficiency →

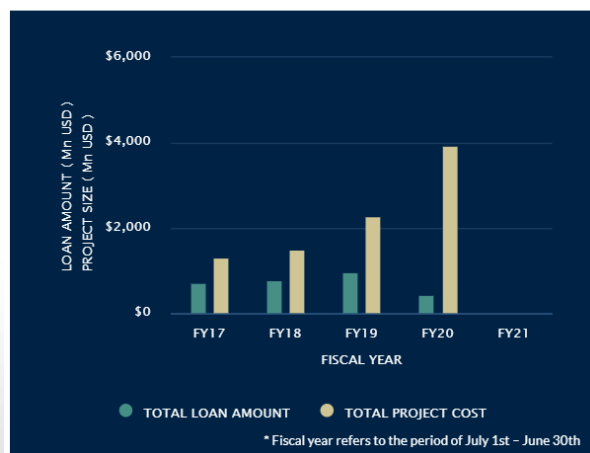
RESULT			
Eligibility indicator	GHG reduction		
Project Eligible	40.27		tCO <sub>2</sub> e/yr
Percentage savings	Annual energy savings		
20.00 %	200,000.00		kWhe/yr

# CAFI PROVIDES REAL-TIME, SIMPLIFIED REPORTING

- Real-time **analytics** and **centralized view** of entire **climate portfolio** can be easily extracted from the platform, including all climate transactions and their impact indicators
- Simplified process of measurement and reporting allows for **seamless communication** with internal and external **stakeholders**

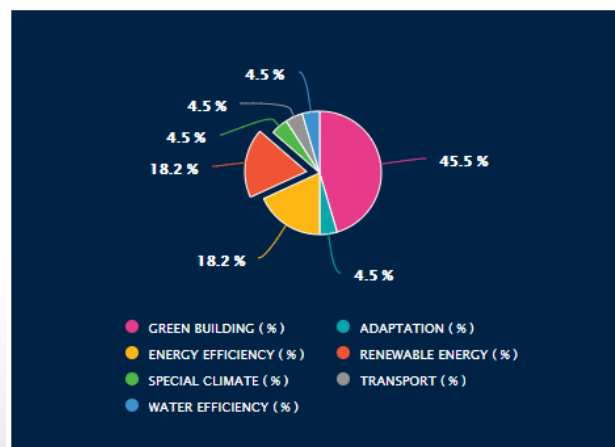
## LOAN AMOUNT & PROJECT SIZE

Based on total portfolio



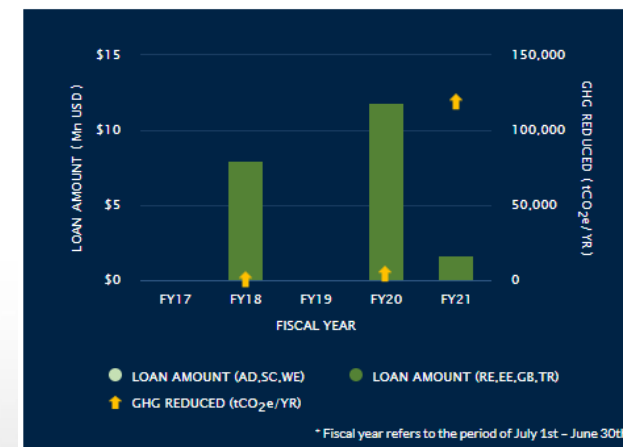
## CLIMATE CATEGORIES

Based on number of eligible climate loans

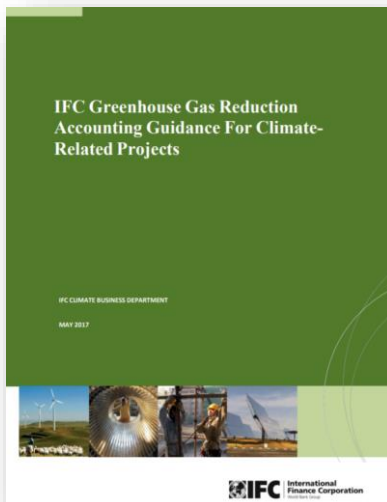
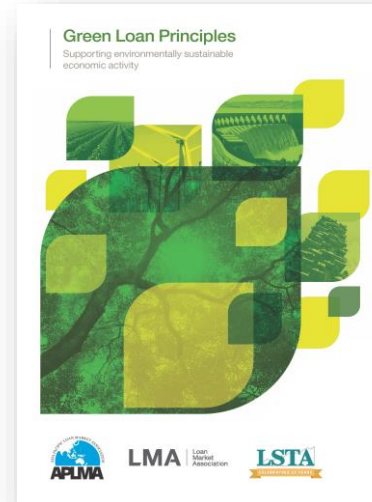
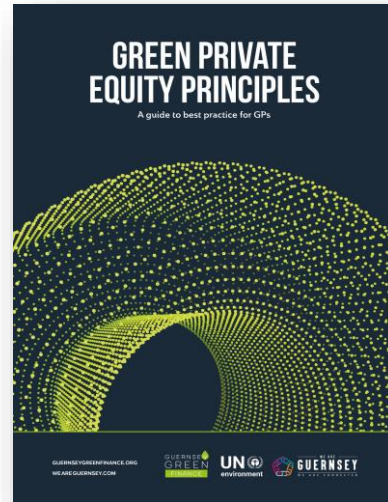
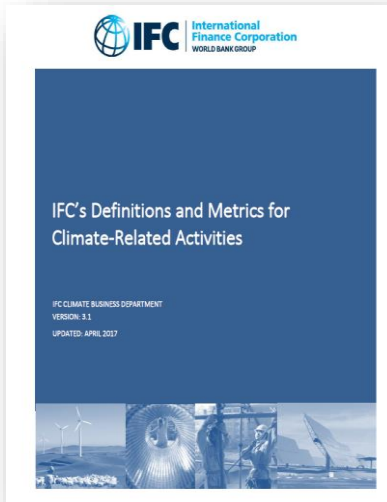


## LOAN AMOUNT VS GHG IMPACT

Based on total portfolio



# CAFI USES GLOBALLY AGREED DEFINITIONS



- Multiple standards for climate investment are constantly published and **hard to keep track of**
- CAFI applies MDB harmonized approach to meet global standards in a **consistent, centralized** manner
- CAFI methodology explained in **publicly available** documents
- Increases **transparency** in communication to stakeholders
- CAFI can be used to support companies' TCFD **climate disclosures**
- CAFI platform has been **audited by EY** (France) and awarded a Reasonable Assurance Certificate



# CAFI SUPPORTS IMPACT BOND ISSUANCE

Financial Institutions use CAFI in support of impact bond issuance, monitoring, and reporting



IFC granted Itaú Argentina US\$50 million to expand the financing of clean energy projects, certified under the Green Loan Principles

Itaú Argentina uses CAFI to monitor its portfolio and is expecting annual GHG emission reductions of >35,000 tons of CO<sub>2</sub>e - the equivalent of taking ~7,000 cars off the road each year

***Itaú, Argentina***



BCP issued its inaugural green bond, Morocco's first foreign currency green bond. Proceeds have been used to fund RE projects in Morocco

In addition to investing US\$112 million, IFC provided guidance to ensuring alignment with the Green Bond Principles and provided BCP with the CAFI platform for GHG savings monitoring and reporting

***Banque Centrale Populaire, Morocco***



IFC provided a credit line to ABC Brasil for climate related SME financing of Renewable Energy and Energy Efficiency projects, including manufacturing of RE and EE equipment and green buildings

ABC Bank reports and monitor results for eligible climate sub-projects using the CAFI platform

***Banco ABC, Brazil***

# CAFI CAN BE USED BY VARIOUS STAKEHOLDERS



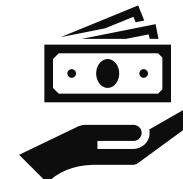
# A PROVEN SOLUTION FOR FINANCIAL INSTITUTIONS



**123** Financial  
Institutions  
registered on CAFI



in **50+** countries



**US\$6.1 Bn**  
in disbursed  
climate loans



**12.5 million metric  
tCO<sub>2</sub>e/yr**  
GHG reduced



**2.7 million m<sup>3</sup>**  
water savings



**1.2 million m<sup>2</sup>**  
green area built



**1.2 GWhe/yr**  
energy savings



**27k GWh/yr**  
renewable energy  
generated



# A PROVEN SOLUTION FOR FINANCIAL INSTITUTIONS

## Middle East & North Africa



## Eastern Europe



## Latin America and the Caribbean



## Sub-Saharan Africa



## South Asia



## East Asia Pacific



# A PLATFORM TO GROW YOUR CLIMATE FINANCE BUSINESS



A **simple** and **harmonized** answer to a key challenge: climate assessment and reporting

A platform designed to **serve** both **IFC's** and our **partner FI's** needs

A **methodology** and a **platform** that are **evolving** to reflect the latest developments of climate business



# THANK YOU

## Contact:

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