City Finance Lab

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Cities have high impact risk related to climate change…

USD 4 tn	worth of urban assets in jeopardy before 2030
80%	of global GDP generated in cities

… but are also part of the solution

70%	of energy-related CO_2 worldwide emitted by cities
15%	of global climate finance has reached cities
USD 1.1 tn	per annum needed to make urban infrastructure low-carbon and climate-resilient

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Sources: CCFLA – State of City Climate Finance 2015
CDP – Global Cities Report 2014

Cities need financing to reach their low-emission and climate resilient goals

Main barriers

low **creditworthiness** of cities
few **bankable** projects
low level of **project readiness**
lack of **innovative solutions** for cities
difficult access to **exiting financing** sources

Our solution

Innovative financing instruments and mechanisms tailored to cities

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Sources: CCFLA – State of City Climate Finance 2015

City Finance Lab is the first to focus on innovative finance for cities

Tailored to cities ✓

Innovative finance ✓

FILLING THE GAP

The City Finance Lab will **complement existing initiatives** and **address cities' urgent financial needs.**

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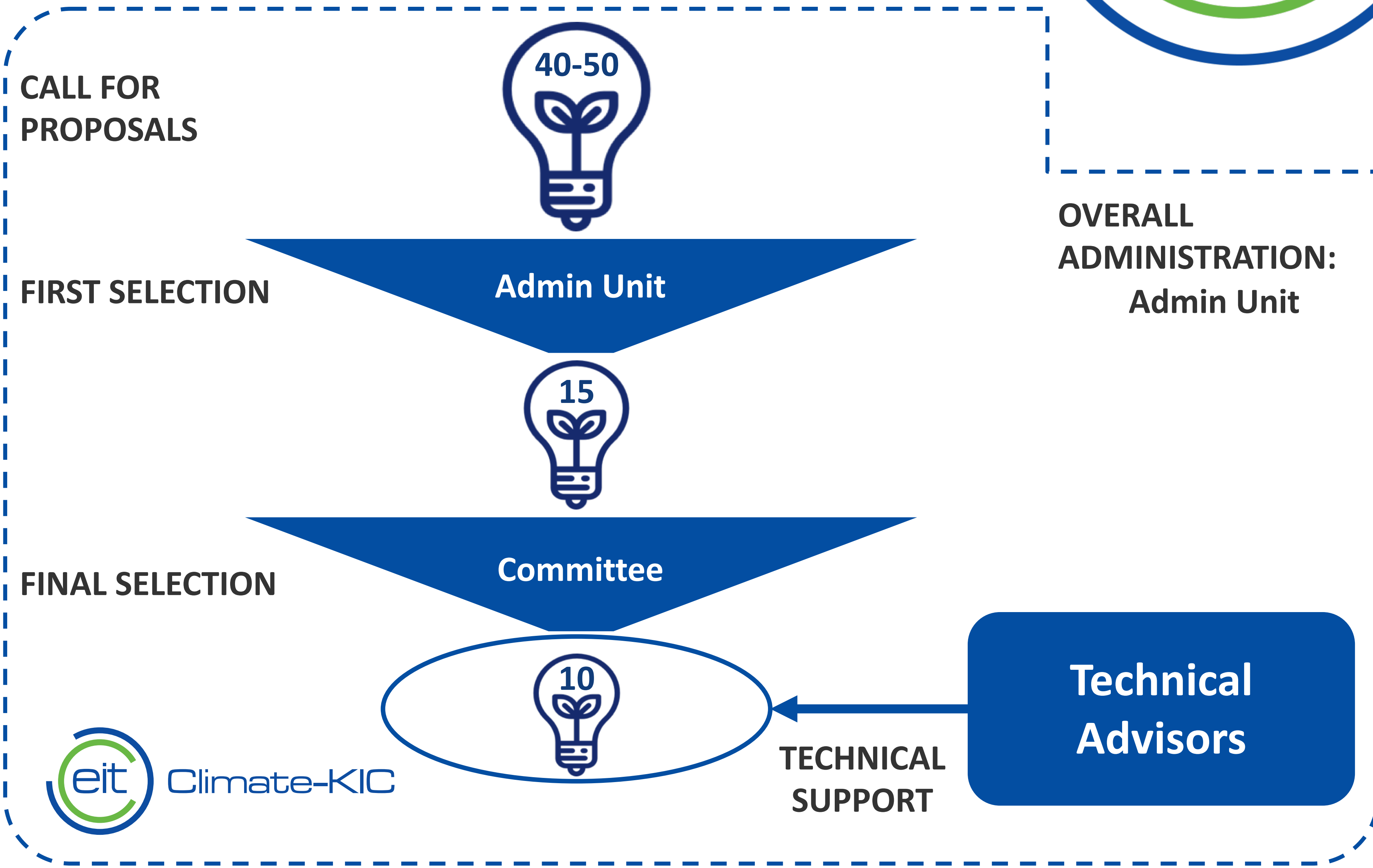
City Finance Lab brings together an experienced and complimentary team

South Pole Group (SPG)	Advisor on sustainable investments & cities
Climate KIC (KIC)	Largest European PPP on climate change
CDP	Matchmaker between cities and investors
Fonds Mondial de Développement des Villes	Cities Climate Finance Leadership Alliance*
Imperial College London	Centre for Climate Finance & Investment

Setting up the City Finance Lab

Advising and giving input on processes and governance of the City Finance Lab

The Lab works in four-step process



Successful initiatives must...

1. Be **relevant** for cities
2. **Address** key barriers
3. **Demonstrate** innovation
4. **Share** knowledge and learnings
5. **Mobilise** investments
6. Have a **strong** institutional commitment
7. Be **scalable** across cities

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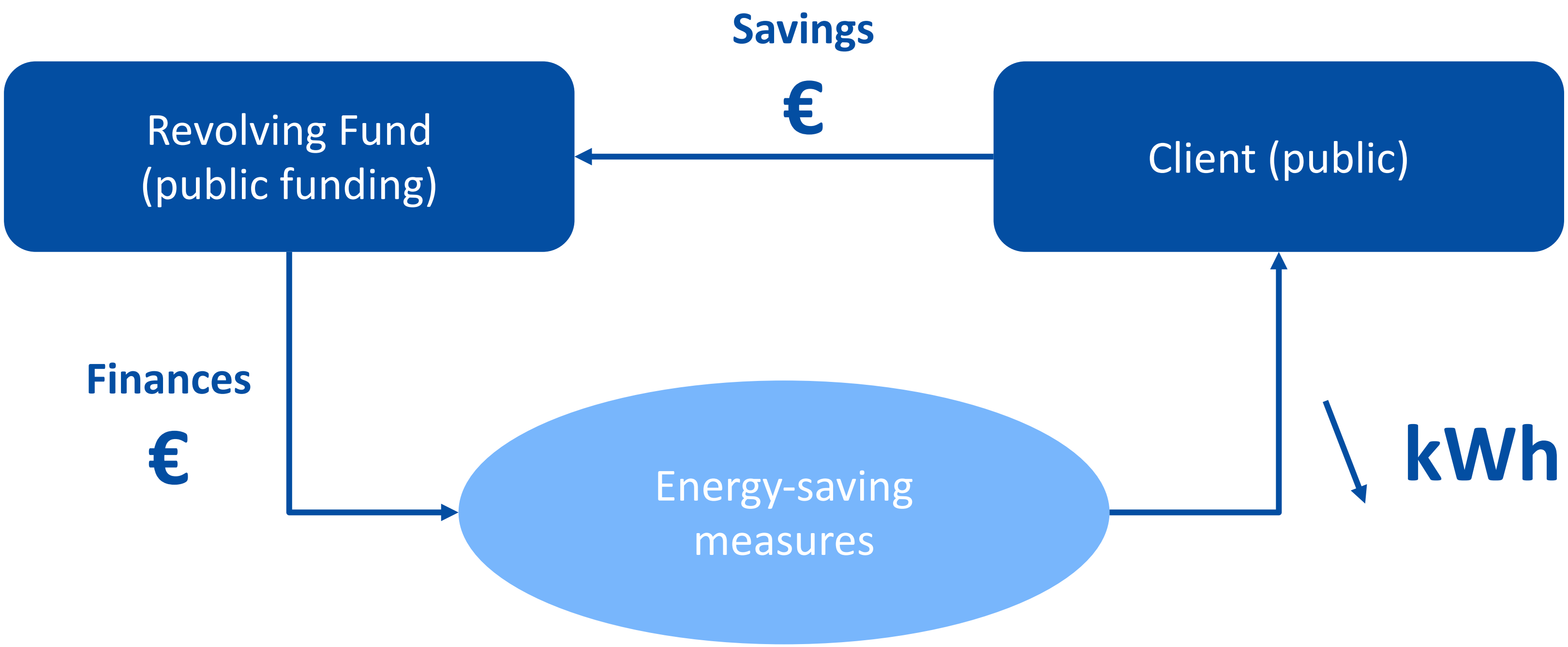
Illustrative case 1/2

Internal Contracting, Stuttgart Municipality



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Illustrative case 2/2

Metro Linea 2, Lima

Efficient financial structuring

Guarantee scheme

Public-Private Partnership

Total: $5.6 bn

IDB Loans
$300mn loan
$450mn guaranteed loan

Project Bond
(Government-backed)
$1.15bn

Off-balance sheet loan
(Guaranteed by ECA SACE, IT)
$800mn

Government funding
$2.9bn

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Objectives

City Finance Lab

Leverage **USD 500 million** in additional finance for climate action in cities by 2025 by stimulating **innovative financing approaches**

1. **Mobilize private finance** for the sustainable transitions of cities
2. **Leverage existing expertise** on climate finance for cities
3. Channel efforts into **innovative financing** mechanisms

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Benefits for Cities

Cities

- **Increase** access to financing
- **Drive** innovation
- **Accelerate** the implementation of innovative schemes
- **Connect** to a network of city finance experts
- **Benefit** from shared knowledge within the lab
- **Gain** visibility among investors

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Timeline

2017 — Lab set-up — Completed

2018 — First call for proposals in Q2/Q3 — In preparation

2019-2020 — Fully operational City Finance Lab — 10-20 projects / year

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