



Financing a climate-resilient and low-emission future

UK-Bangladesh Climate Partnership Forum

#UKBDcop26

**UN CLIMATE
CHANGE
CONFERENCE
UK 2021**

IN PARTNERSHIP WITH ITALY

UK-Bangladesh Climate Partnership Forum

A series of webinars and an ongoing, multi-stakeholder dialogue to promote collaboration and lasting partnerships at all levels between the UK and Bangladesh

Partnership is structured around four key COP26 themes

1

**Adaptation and
resilience**

2

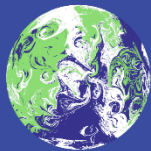
Nature

3

Clean energy

4

Finance



UN CLIMATE
CHANGE
CONFERENCE
UK 2021

IN PARTNERSHIP WITH ITALY

#UKBDcop26



LinkedIn Group

UK-Bangladesh Climate Partnership Forum

[linkedin.com/groups/12485053/](https://www.linkedin.com/groups/12485053/)



Twitter

Hashtag: [#UKBDcop26](https://twitter.com/hashtag/UKBDcop26)



Slides, recordings and reports

More information, slide sets, YouTube recordings, and summary reports of all sessions can be found at MottMac.com/UKBDcop26

**UN CLIMATE
CHANGE
CONFERENCE
UK 2021**

IN PARTNERSHIP WITH ITALY

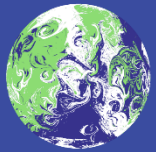
Clickable links will be given in the chat →

Programme: moderators and speeches

Moderators: Saleemul Huq and Simon Maxwell

Speeches and remarks

- Hon'ble Deputy Speaker Advocate Md. Fazle Rabbi Miah
- Hon'ble Foreign Minister Dr. A. K. Abdul Momen
- The Rt Hon Alok Sharma MP, President for COP26
- H.E. Saida Muna Tasneem, High Commissioner of Bangladesh in London
- H.E. Robert Chatterton Dickson, British High Commissioner in Dhaka
- Judith Herbertson, Director of Development, FCDO



UN CLIMATE
CHANGE
CONFERENCE
UK 2021

IN PARTNERSHIP WITH ITALY

Programme: speakers

Leveraging domestic
finance for a
climate-resilient future



Dr. Atiur Rahman

Governor, Central Bank
of Bangladesh 2009-2016

Bangladesh Delta Plan:
What Capital Markets Can
(and Cannot) Do



Bob Buhr

Director, Green Planet
Consulting Limited
Honorary Research
Fellow, Center for Climate
Finance and Investment
at Imperial College
Business School

Global Climate Finance,
UK and Bangladesh



Prof. Mizan R. Khan

Deputy Director,
ICCCAD and Programme
Director, LUCCC

Funding models and
finance mechanisms to
deliver NbS in Greater
Manchester

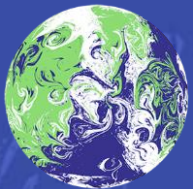


Sam Evans

Head of Natural
Environment, Greater
Manchester Combined
Authority

Judith Herbertson

**Director of Development,
FCDO**



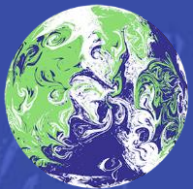
Advocate
Md. Fazle Rabbi Miah
Hon'ble Deputy Speaker



Leveraging domestic finance for a climate-resilient future

Dr. Atiur Rahman

**Governor, Central Bank of
Bangladesh 2009-2016**



No Alternative to Green Growth

“Climate change, pandemics and the destruction of nature are common threats. They should unite us in working towards a common solution: a cleaner, greener and safer world.

Honorable Prime Minister, Sheikh
Hasina

28 September 2020, The Financial Times



BANGLADESH'S AMAZING JOURNEY TOWARDS GREEN ENERGY POLICY

COP26 led
by UK and
Bangladesh

Climate vulnerable forum can complement global efforts to achieve climate resilient future for the world.

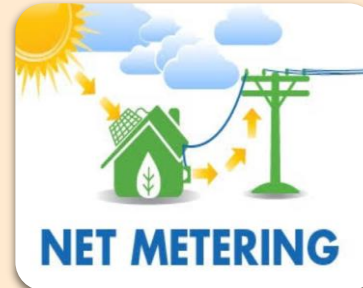
Electricity
for All (GoB,
2011)

This policy has provided a space for developing a diverse set of policies to encourage wider energy access.

Committed
Renewable
energy
policy

Targeting 10% of electricity from renewable sources by 2030.

FACILITATING RENEWABLE ENERGY POLICY



- 20-year tax holiday
- Reduced levies on importing RE technology
- Reduced taxes on manufacture or assembly of RE equipment

- Allowed to generate electricity from renewable sources
- Can sell to chosen customers at preferential rates

- Provision to sell excess electricity generated by private sector to national grid.
- Promoting rooftop solar electricity in industrial areas

- Blended Concessional finance and grants for buying capital equipment for RE projects.

New Type of Central Banks

“

Central banks as regulators have tools with which to address climate change.... Monetary policy has implications for issues beyond inflation and payments, including climate change and inequality. ... The best way forward for central bankers is to use monetary policy to target inflation, while directing their regulatory powers at other pressing concerns.

-Barry Eichengreen, Professor of Economics, University of California, Berkeley : 'New-Model Central Banks', Project Syndicate, February 9, 2021.



THE ROLE OF GREEN FINANCE



- Financial service providers hold the power to prioritize environment-friendly endeavors over others.
- Thanks to their intensive interactions with the clients, they are well-informed about the ground realities.
- They can inspire/encourage clients to follow other successful green entrepreneurs (knowledge-brokers).

THE BANGLADESH EXPERIENCE:

PIONEERING ROLE OF CENTRAL BANK IN PROMOTING SUSTAINABLE FINANCE

USD 50 million 'Green Fund'
for refinance in green energy,
ETPs, biogas technology at a
low cost

50 green products being
targeted mostly for
supporting SMEs

**Bangladesh
Bank**

Long-term USD 500 million
Green Transformation Fund
to support textile and leather
industry

Encourage state-owned
company (IDCOL) in
intermediating refinance to
procure and use RE tools
(SHS, biogas, solar irrigation,
street- lights etc.)



Credit Quotas

2.5%

of total loans to agriculture by commercial banks

5%

of loan portfolios to be green finance.

SUSTAINABLE FINANCE DISCLOSURE

CENTRAL BANK ENCOURAGES ALL BANKS AND FINANCIAL INSTITUTIONS TO MAKE DISCLOSURES

- 1 Publishing sustainable finance reports (past performance, current activities and future initiatives) ;
- 2 Regular update on environmental activities and performance of major clients;
- 3 Updated annual reports and sustainable financing activities on website;
- 4 Available customer complaint/feedback option on the website;
- 5 Displayable tab of BB support fund on website.
- 6 CSR fund for addressing climate challenges both by Bangladesh Bank and commercial banks

IMPACT OF CENTRAL BANKING GREEN INITIATIVES

Environmental Finance

Risk sensitized finance is rising. Proportion of direct green finance is increasing modestly

Motivation

4.5 million recipients of SHS covering more than 10% of population

Behavioral shift

Small refinance to large commercial finance by banks is increasing

Efficiency

Efficiency, effectiveness and resilience of green financing processes are enhancing

Enabling Environment

Banks to learn about new customer and markets leading to accelerate greening of their lending processes

WAYS FORWARD

Enhancing Market Practice

- Review practice and impact of ESG risk management
- A protocol for financing clean energy technology
- Green equity and debt products.
- Scale up green finance literacy program.

Leveraging Private Capital with Public Finance

- Review and continue to develop existing refinancing
- Encourage banks to develop long-term deposit account.
- Help de-risk low-carbon solution.

Leadership role of the Central Bank

- Develop a roadmap for sustainable finance involving central bank, MFIs, and other regulators

WAYS FORWARD (CONT.)

Direct Finance through policy

- Incentivize SME credit policies while implementing green investments.
- Specific target for key areas of green investment.

Encourage Cultural Transformation

- Forum for engagement and networks learning.
- Linkage between Islamic banking and sustainable development.
- Remaining interconnected with global green financing initiatives.

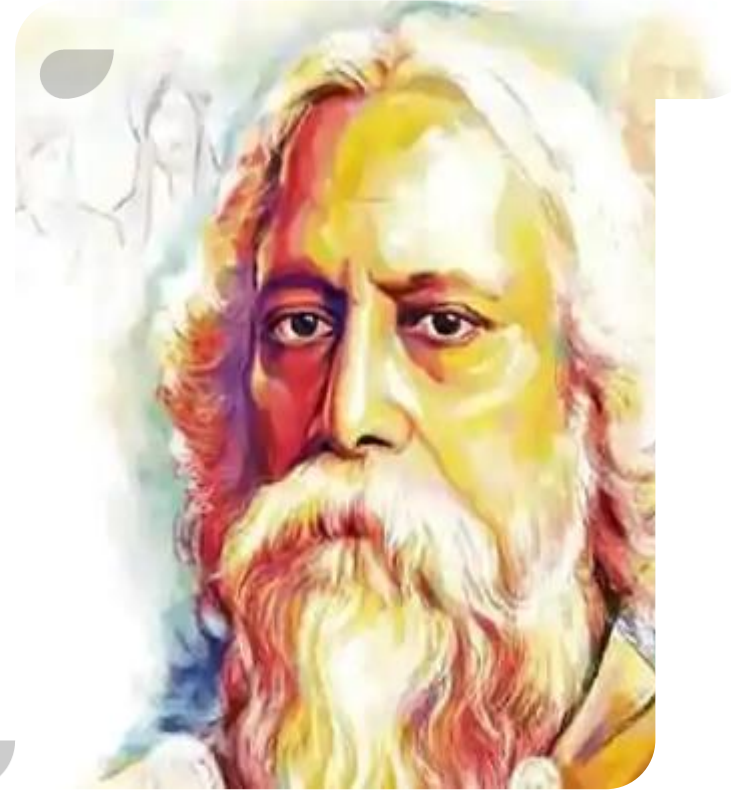
Upgrade governance architecture

- Integrate green finance into governance system.
- Aligning monetary policy targets with sustainability objectives.
- Make long term plan and national green finance committees.

“

*People's knowledge
and nature's gift
together create
civilization.*

- Rabindranath Tagore

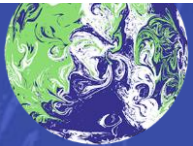


Bangladesh Delta Plan: What Capital Markets Can (and Cannot) Do

Bob Buhr

**Director, Green Planet Consulting
Limited**

**Honorary Research Fellow, Center for
Climate Finance and Investment at
Imperial College Business School**



About the Centre for Climate Finance & Investment

Drawing upon practitioner insights, the Centre's purpose is to help **unlock solutions within mainstream capital markets** to address the challenges posed by global climate change.

Mission

Enable the efficient functioning of capital markets by **defining risk and return in the multi-trillion dollar market** for climate-related investments

Approach

Combine **rigorous inter-disciplinary research & teaching with real world experience**, act as a bridge between academia & business

Focus

- 1) **Climate & Financial Risk Management**
- 2) **Investing in an Energy Transition**

Contact us: climatefinance@imperial.ac.uk



Motivations

Objective—help fund water infrastructure climate initiatives outlined in the Bangladesh Delta Plan. This category encompasses a range of project types, relating to water availability, salinization, wastewater disposal, and river flooding. Some of these are very local; some can require large regional or even national efforts at scale.

Current estimates for additional costs of 1.7% of GDP, with a target of 2.5% of GDP. 0.5% could be funded by the private sector, the balance from public funds (including the Green Climate Fund under the Paris Agreement.) The government intends to establish a Delta Fund for these projects.

Where can Capital Markets contribute? Either from domestic or international capital markets?

Local infrastructure—generally funded through partnerships, local borrowing, federal government funds disbursed at through local governments or institutions.

Larger infrastructure—Unsecured borrowings at federal or institutional level, project finance (with the latter almost always involving the project as security for the borrowings)

Source: Overview of Climate Change Under BDP2100

What Capital Markets are Good At:

Large-scale unsecured public fundraising for governments, companies, institutions. Size can range, but Developed Markets sovereign issues generally around US\$500 million. Bank loans can range in scale. Developing market issues are generally smaller, but at materially higher interest rates.

For companies, debt is serviced by operating cash flows. For governments, debt is generally serviced by tax revenues and other government sources of income.
LENDERS AND INVESTORS WILL WANT ASSURANCES ON REPAYMENT OPTIONS.

What Capital Markets aren't Particularly Good At:

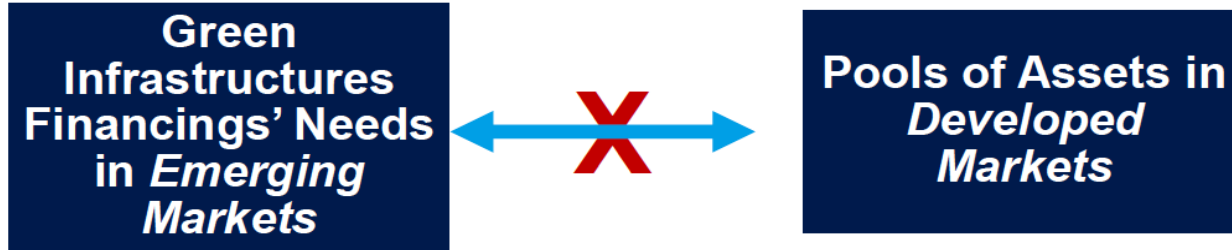
Local Projects, including Infrastructure (with the exception of the US Municipal Bond Market;) Projects such as Natural Resource Protection that do not generate cash flows; identification of suitable local projects.

Methods of sovereign funding in international capital markets

1. Straightforward Sovereign Bond issued by sovereign government—guaranteed by tax receipts etc.
2. “Labelled” Sovereign Bond— Issued by sovereign governments, but with targeted use of proceeds: Green, Social, Transition, Nature. These are becoming increasingly popular among investors, especially Green Bonds.

Note that in either case, developing market borrowing costs are higher not only because of lower bond ratings, but also because developing markets are paying a climate premium. (Buhr and Volz, *Climate Change and the Cost of Capital in Developing Countries*, 2018)

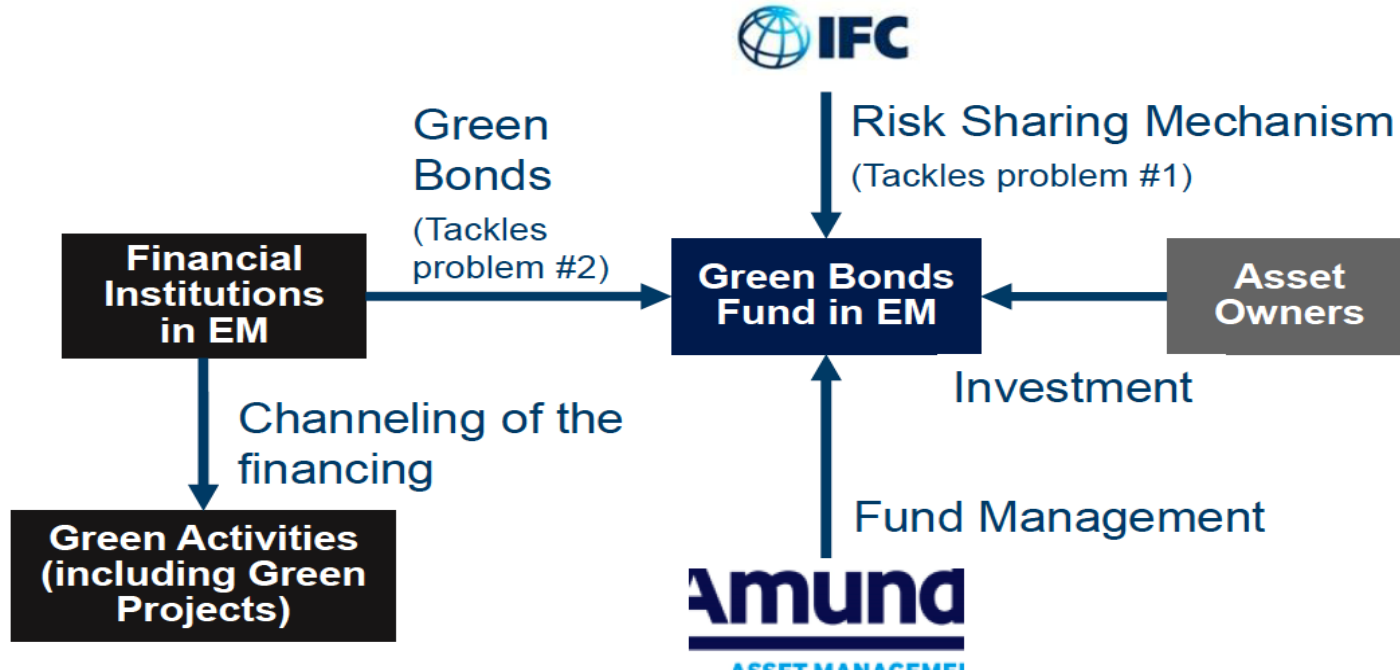
Green Infrastructures' Financing Gap



- Costly for both parties
- 2 main obstacles:
 - Emerging Markets being considered as too risky by many investors
 - Lack of knowledge on infrastructures financing (even locally)

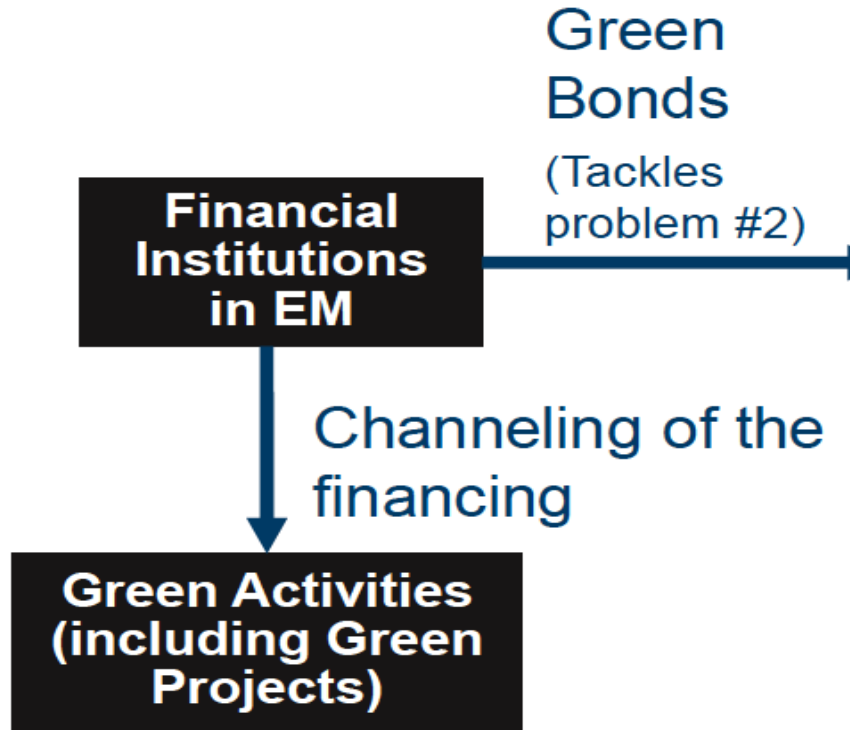
Amundi/IFC Green Financing Model

Green Infrastructures Financing Gap: Elegant Solution



Source: Amundi

Where can Partnerships be most effective?



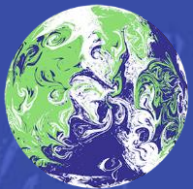
These are the two areas where partnerships can be most effective:

1. Financing local green bond issuance, and
2. in the identification of (and seed funding for) appropriate infrastructure projects.

Global Climate Finance, UK and Bangladesh

Prof. Mizan R. Khan

**Deputy Director, ICCCAD and
Programme Director, LUCCC**



Legal & Institutional Framework of CF: Major Milestones

1992
UNFCCC:
Art 3.1
(CBDR+
RC), 4.3
(Principle
s of CF),
4.4 & 11

1997
KP:
CDM
under
Article
12

2001
3 Funds
under
the
Marra-
kech
Accord

2009
Copen-
hagen
pledge
of
\$30bn
as FSF
during
2010-12
&
\$100bn
as LTF
by 2020

2010
COP16:
GCF
was
establis
hed

2015
PA: Art
9.1, 9.5,
9.7 & 13

Current status of climate finance

- No agreed definition yet of CF – so a Himalayan gulf between claimed delivery & actual receipt on the ground
- OECD 2020 Report: \$78.9bn as CF in 2018; Oxfam deflates it down more than 3 times: \$19-22bn (of which 21% is adaptation finance)
- Loan-grant ratio - 80:20 (for LDCs: 2/3 vs 1/3)
- CF increasing a little, but ODA going down (>1/3 of ODA used as CF)
- Only about 10% of adaptation finance reaches the local communities
- Only 6% of private finance leveraged by dev finance goes to LDCs & private sector contribution to adaptation finance stands at just at 3%

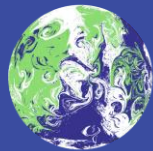


UN CLIMATE
CHANGE
CONFERENCE
UK 2021

IN PARTNERSHIP WITH ITALY

UK-Bangladesh Collaboration, based on mutual strengths

- Both countries can learn from each other in many ways
- FCDO's next 6-year plan of investing about GBP200 mn can catalyze a step change through 'climate-proofing' strategic infrastructures, renewable energy, green banking, etc.
- UK and Bangladesh, together with progressive alliance partners can facilitate reaching of an agreed definition of CF, with a set of specific criteria



UN CLIMATE
CHANGE
CONFERENCE
UK 2021

IN PARTNERSHIP WITH ITALY

Exploring Alternative Sources of Finance (Debt for Adaptation Swap)

- Mobilize new resources for adaptation
- Promote poverty reduction and co-benefits
- Put locally-led adaptation at the centre

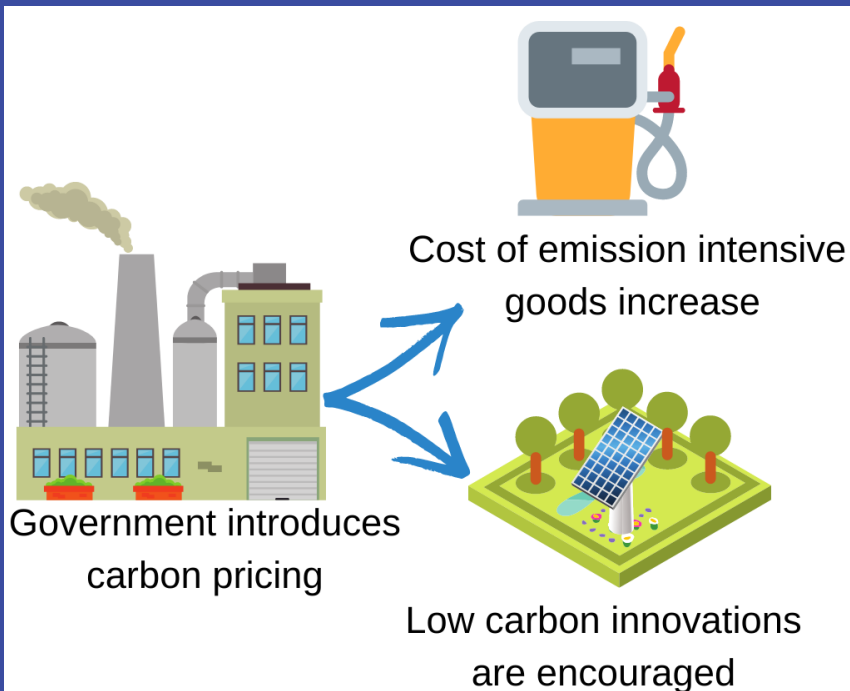


UN CLIMATE
CHANGE
CONFERENCE
UK 2021

IN PARTNERSHIP WITH ITALY

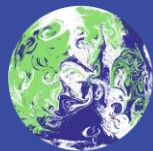


Exploring Alternative Sources of Finance (Carbon Pricing)



Challenges

- Deciding the correct price
- Designing the carbon pricing introduction process
- Supporting with other necessary policies



UN CLIMATE
CHANGE
CONFERENCE
UK 2021

IN PARTNERSHIP WITH ITALY

Exploring Alternative Sources of Finance (Public-Private Partnership)

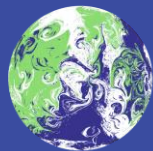


UN CLIMATE
CHANGE
CONFERENCE
UK 2021

IN PARTNERSHIP WITH ITALY

Exploring Alternative Sources of Finance (Continued)

- Explore a small levy on air transport and bunker fuel, defense spending, financial transactions, etc..
- Collaborate in policy research and capacity building of stakeholders in accessing CF & implementation of NAPS, NDCs, etc...



UN CLIMATE
CHANGE
CONFERENCE
UK 2021

IN PARTNERSHIP WITH ITALY

Funding models and finance mechanisms to deliver NbS in Greater Manchester

Sam Evans

Head of Natural Environment, Greater Manchester Combined Authority



Greater Manchester and Bangladesh

"I will never forget my first trip to Bangladesh in 2019, and together with my counterpart Mayors in Sylhet and Dhaka North I agreed to set up new partnerships to focus on a wide range of development and trade issues, and foster collaboration on shared priorities including the environment, tourism, sport and culture."

**Mayor of Greater Manchester,
Andy Burnham**



Greater Manchester and Bangladesh

One of our largest Diaspora Communities in GM

Mayoral Mission in 2019

- Biman direct service from Manchester to Dhaka
- Sister agreements with Sylhet and Dhaka North

Return visit in 2022

Greater Manchester and Bangladesh

2021-22 Priorities

Sharing expertise on
environment/waste
management and infrastructure.

Promoting tourism and
facilitating culture links.

Fostering educational
partnerships

Board and Partners

Chaired by Cllr Abdul Jabbar on behalf of
Mayor Burnham

British High Commission

Assistant High Commission in Manchester

GMCA

British Council in Bangladesh

Manchester Museum

Greater Manchester Universities

Private partners - BDP, Seamark, Suez

Summary

- We are facing significant risks associated with the climate crisis
- We know the value of nature in helping us reduce these risks
- But investment in nature remains low and driven by public investment
- Our work is seeking to change this...



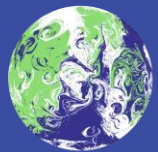
UN CLIMATE
CHANGE
CONFERENCE
UK 2021

IN PARTNERSHIP WITH ITALY



Climate risks

- **Risk** – surface water flooding
- **Physical causes** – intense rainfall on sealed urban surfaces and capacity constraints on drainage infrastructure
- **Contributory factors** – responsibilities and opportunities to address the risk sit across multiple organisations.
- **Funding** – public funding to tackle these issues is limited.
- **Nature-based solutions** – how to translate acceptance of benefits into action and investment.



UN CLIMATE
CHANGE
CONFERENCE
UK 2021

IN PARTNERSHIP WITH ITALY

Sources of investment in natural capital

£1bn - total annual benefit



£372m



£264m



£56m



£74m



£3m



£44m



£38m



£5m



£3m

£9bn – total value of **avoided healthcare costs** (over 60 yrs)



Preventing **370** hospital admissions, avoiding **1,200** life year's lost



Approx. **44,000** buildings receive noise mitigation



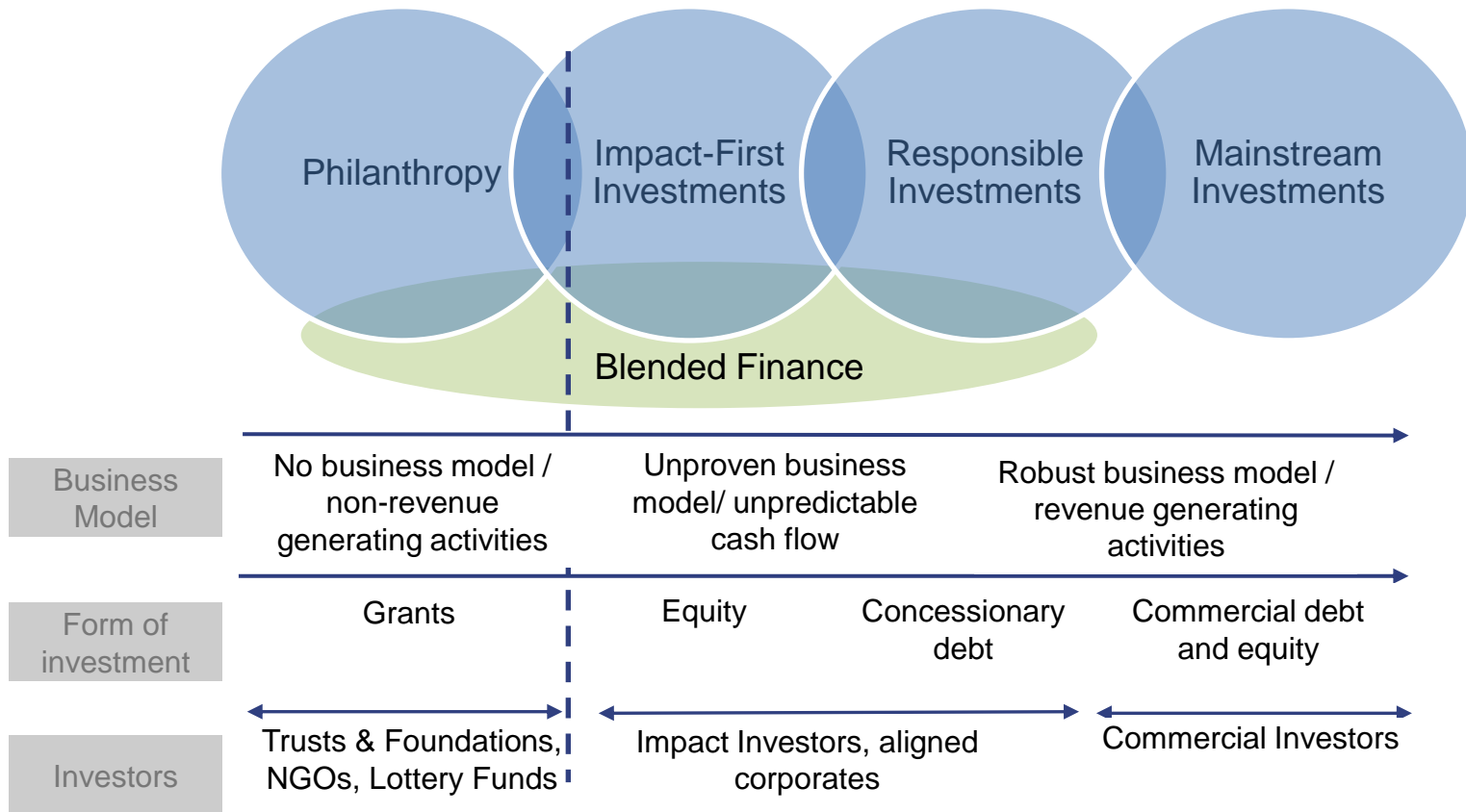
135,000 people meet their physical activity guidelines, giving over **4,600** QALYs



UN CLIMATE
CHANGE
CONFERENCE
UK 2021

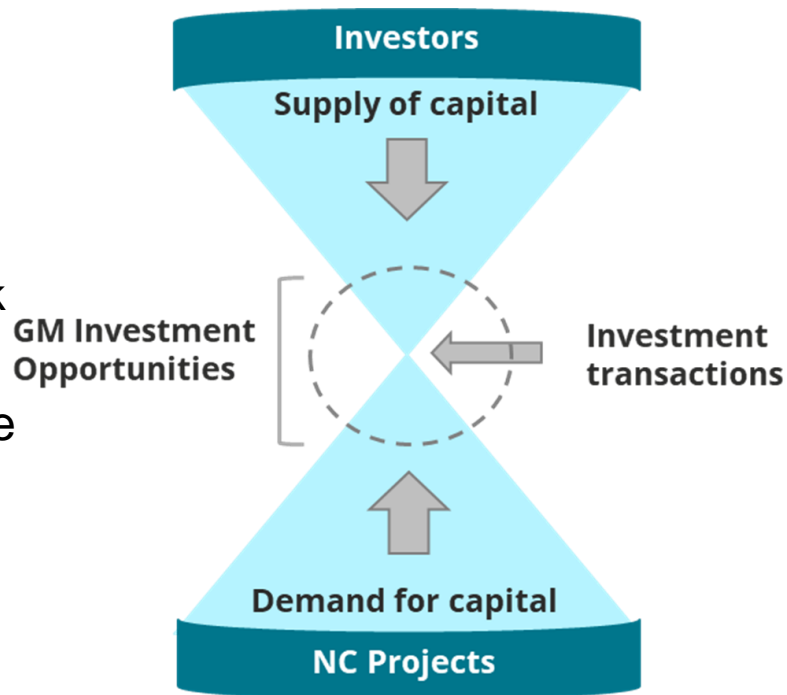
IN PARTNERSHIP WITH ITALY

Sources of investment in natural capital

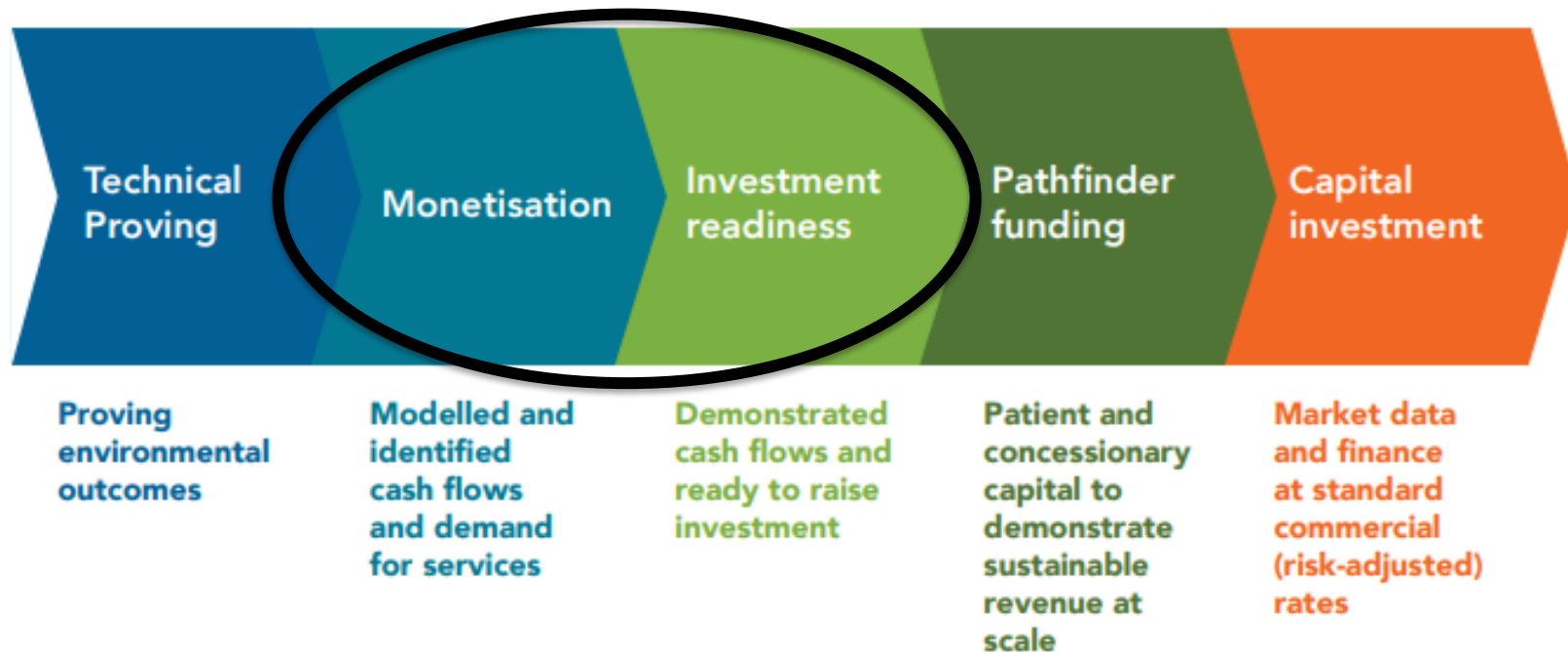


Barriers to investment

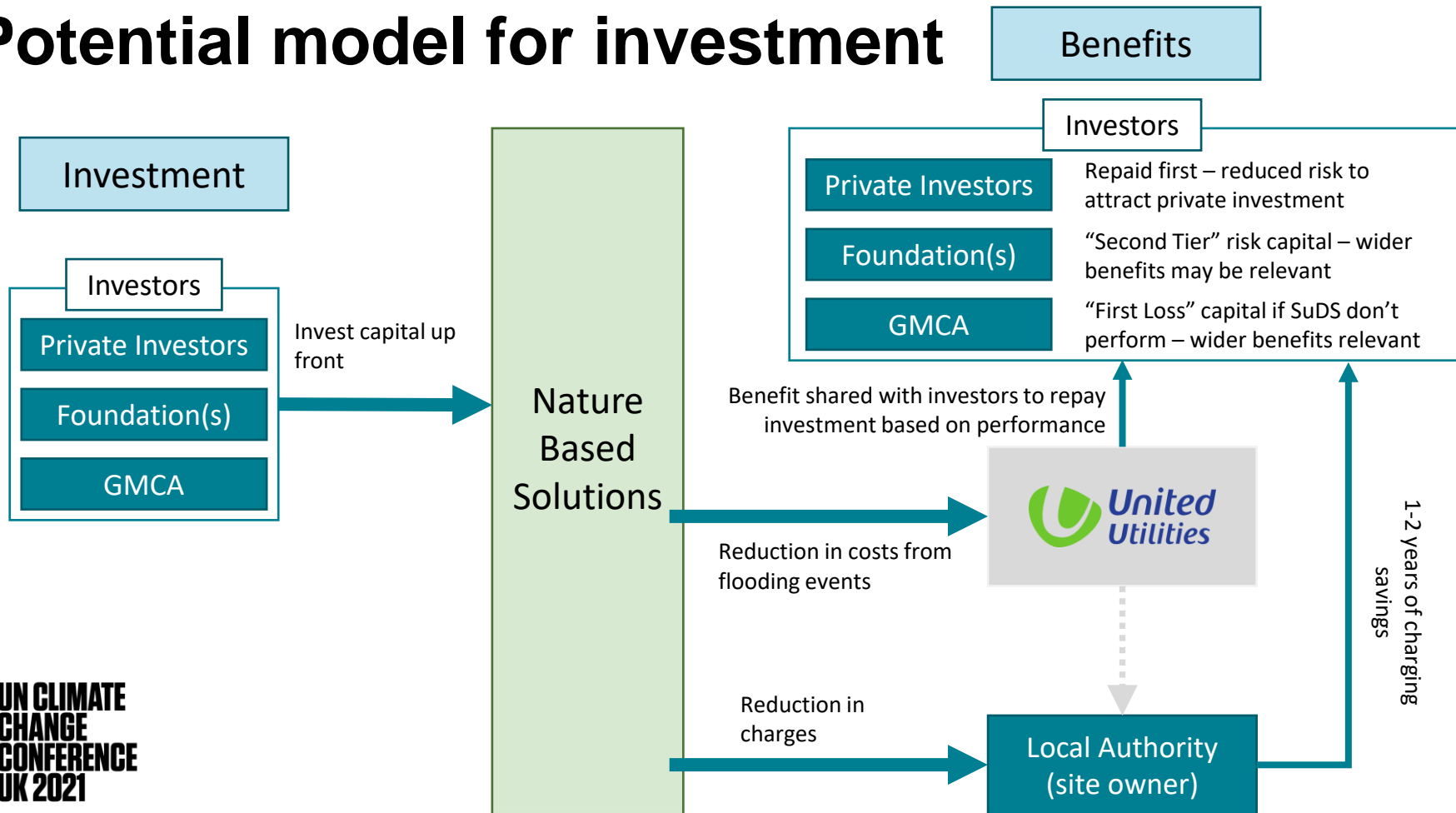
- We see a barrier between investment and projects driven by:
 - a lack of robust business cases;
 - a lack of pipelines of investable projects of sufficient scale; and
 - other delivery, financing or contracting issues impacting investor confidence and views of risk around ROI
- We are aiming to understand and overcome the barriers to the mobilisation of existing and new sources of natural capital funding.



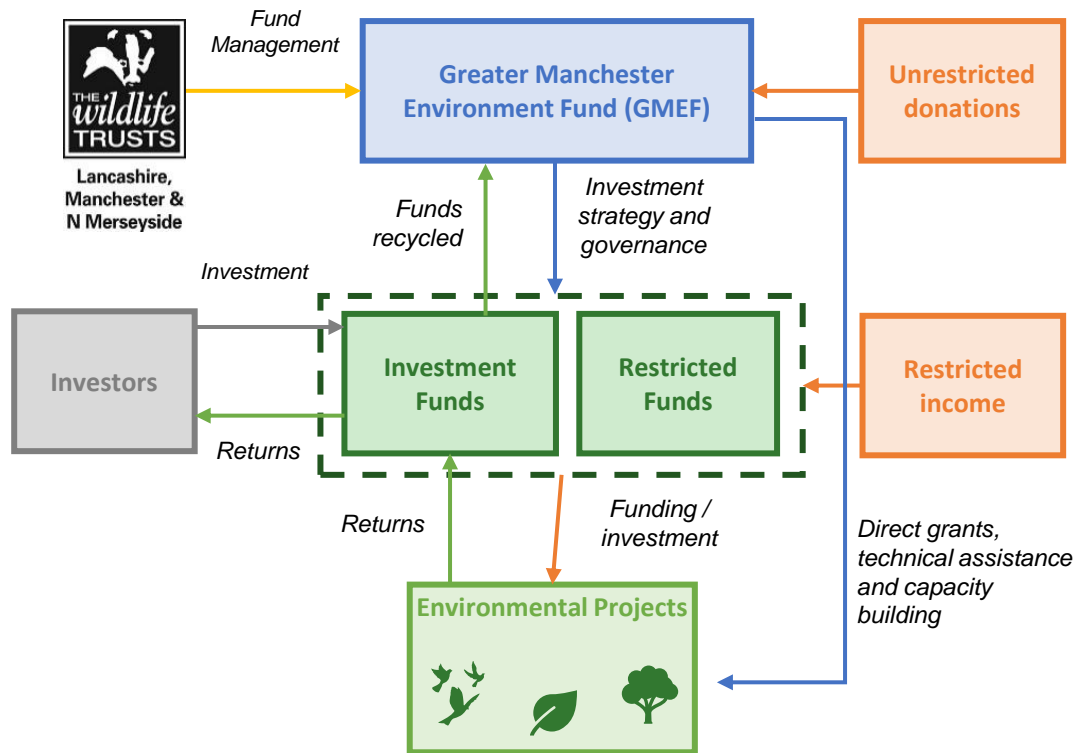
Pathway to investment



Potential model for investment



Wider model for investment into natural capital



The GMEF provides a transparent mechanism to collate funding sources and provide a governance framework to house further vehicles designed to fund specific natural capital projects in GM.

**UN CLIMATE
CHANGE
CONFERENCE
UK 2021**

IN PARTNERSHIP WITH ITALY

Thank you!

the **Ignition** PROJECT

NATURE-BASED
SOLUTIONS TO
THE CLIMATE EMERGENCY

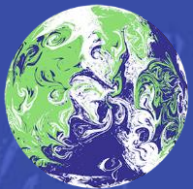
**GREATER
MANCHESTER**
DOING THINGS DIFFERENTLY



European Union
European Regional
Development Fund

Robert Chatterton Dickson

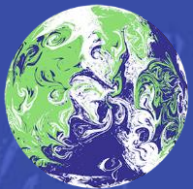
**British High Commissioner in
Dhaka**



**The Rt Hon
Alok Sharma MP**
President for COP26

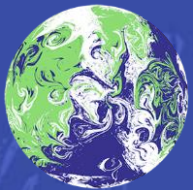


**Prof. Dr.
A.K. Abdul Momen**
Honourable Foreign Minister



Robert Chatterton Dickson

**British High Commissioner in
Dhaka**



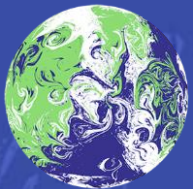
Saida Muna Tasneem

**High Commissioner for
Bangladesh to the UK**



Judith Herbertson

**Director of Development,
FCDO**





LinkedIn Group

UK-Bangladesh Climate Partnership Forum

[linkedin.com/groups/12485053/](https://www.linkedin.com/groups/12485053/)



Twitter

Hashtag: [#UKBDcop26](https://twitter.com/hashtag/UKBDcop26)



Slides, recordings and reports

More information, slide sets, YouTube recordings, and summary reports of all sessions can be found at MottMac.com/UKBDcop26

**UN CLIMATE
CHANGE
CONFERENCE
UK 2021**

IN PARTNERSHIP WITH ITALY

Clickable links will be given in the chat →

Moderators



Simon Maxwell

**Senior Research Associate
Overseas Development Institute**



Prof. Saleemul Huq

**Director of the International Centre for
Climate Change and Development**