## COPA TWG on Financing Mechanisms
Extra-ordinary Meeting – review draft FM Study
25th January 2023

### AGENDA

<table>
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<th>Welcome: Agenda &amp; Speakers</th>
<th>Ajiniyaz Reimov (UNDP)</th>
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<tr>
<td>1. Introduction of participants</td>
<td>Moderated by Malin Emmerich (GIZ Proklima)</td>
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<td>2. Presentation of study draft and key results</td>
<td>Harald Heubaum; Preliminary results and next steps Q&amp;A with all participants</td>
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<td>Direct feedback, Q&amp;A on study draft</td>
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<td>3. Next steps: send feedback, coming activities &amp;</td>
<td>Malin Emmerich (GIZ Proklima); Ajiniyaz Reimov (UNDP)</td>
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<td>meeting, closing remarks</td>
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1. Introductions

INTRODUCTION OF PARTICIPANTS

- Introduction round & Poll to get us started
- Please turn on your camera
- Say you your name, organisation, country
- MoM and Participation list will be distributed after meeting.
- Let us know if you agree to share your contact information with the Working Group members.
- Write any questions in the chat. Tabea will support.
**TIME-LINE OF COPA FINANCING MECHANISMS DEVELOPMENT**

2022
- July 2022:
  - Soft Launch COPA
  - Study Start
- Jan 2023:
  - Draft FM Study
  - Review & Feedback
- Mar 2023:
  - UNDP CM Study
  - Review & Feedback
  - Take-aways from both studies

2023
- Feb 2023:
  - FM Study Update & Finalization
  - Identify: examples of pilot projects and finance options
- Mar 2023:
  - UNDP CM Study
- Apr 2023:
  - COPA Financing Opportunities: A Matrix
- May 2023:
  - Priority of COPA FMs options, e.g. in an Matrix or Landscape:
  - Draft structure of COPA Finance Mechanisms
- Jul 2023:
  - COPA Hard Launch
  - First projects and finance for partners identified
  - Present COPA Finance Mechanisms structure proposal. Approval?

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**STRUCTURE OF DRAFT STUDY**

1. Introduction to ODS and HFC bank management
2. ODS and HFC Bank Management: State of Play
3. Review of Financing Opportunities: Lessons from the Field
4. COPA Financing Opportunities: A Matrix
5. The COPA Financing Mechanism: A Proposal in 3 stages
6. Conclusions
COPA FINANCING MECHANISMS STUDY (DRAFT)

Objective:
- Design a concept for a potential financing mechanism (FM) for the sustainable refrigerant management of ODS and HFC banks in current and future COPA partner countries.

Methodology & Process:
1. Review of the extant literature and case studies in ODS/ HFC bank management financing and the wider climate finance field
2. Interviews with stakeholders and finance experts across the public, private and third sectors
3. Collect Feedback on draft study from peer group
4. Completion of report and recommendations
FEEDBACK IS KEY!!

Provide Feedback on the draft study. It will be incorporated into final study (February 2023). Submit your written comments and proposal for text formulations (more details later).

Especially provide feedback on:

- Conceptual issues – is your perspective on finance for HFCs/ODS covered sufficiently?
  - Should an annex with all available finance instruments be added?
  - What do you think needs more detail / explanation?
  - What finance do you think would be the most appropriate?
- Any structural issues?

PRELIMINARY RESEARCH RESULTS

- Circumstances vary across partner countries
  Size of banks; existing infrastructure for collection, transport and destruction; financing needs; regulatory environments; etc.
- Need to build shared understanding & raise awareness
  The understanding of the requirements and opportunities for financing implementation of ODS and HFC banks management varies greatly between different stakeholder groups. Awareness raising and capacity enhancement can support building understanding of the complexity of the issue for all stakeholders.
- Recommendation for FM contains a variety of financial approaches
  The potential FM will need to offer a variety of financial approaches to tailor to partner needs. Shift away from donor thinking (“a single fund for all projects”) towards a more diversified thinking bringing in several different types of finance for different technical issues.
DIFFERENT PERSPECTIVE ON ONE PROBLEM
FINANCING ODS & HFC BANK MANAGEMENT

- Technical solution can be reached by changing market drivers through policy regulations
- In other words, the required solution needs policy interventions in order to make the technical solutions viable.

- A one-donor approach → One fund for different measures
- Provide incremental cost coverage for specific measures for consumption reduction
- Monitoring of compliance is fairly easy

- There is a wide variety of instruments out there!
- Different type of finance has different risk and return expectations → the “donor approach” is one of many financing approaches
- No one-size finance that fits all projects

THE MATRIX OF FINANCING OPPORTUNITIES

- The matrix as the main result
  The main result of the study is an overview matrix of potential financial interventions supporting effective ODS and HFC bank management. (Ch. 4)

- How to read the matrix
  The matrix distinguishes between interventions by (1) type of finance, (2) the type of actor involved, (3) the level at which they are likely to be effective, including the types of projects they could support, as well as (4) the barriers to their implementation.

- How the matrix can help decision-makers
  The matrix is intended to help decision makers understand both the different financial appetite of different funding sources, and the availability and range of interventions to address the HFC/ODS market. Its function is similar to that of a toolbox, helping to identify the appropriate tool for each specific situation.
FINANCIAL INSTRUMENTS INCLUDED IN THE MATRIX

- Concessional loans
- Results-based finance
- Impact investment
- Carbon finance
- Blended finance
- Import levies
- VAT & tax reductions, bonus payments
- Grants

COPA FM - MATRIX OF FINANCING OPPORTUNITIES

Capital stack:
- A project finance approach that can be considered *blended finance* but more explicit in the breakdown of *different types of capital* (especially non-donor finance) that can be *employed at different points* of the value chain.

For ODS/HFC bank management, the capital stack approach:
- allows for investment at every scale
- develops a new narrative for risk-sharing.

Source: Health Finance Coalition
A POTENTIAL FINANCIAL MECHANISM – SCALE UP FINANCE SOLUTIONS

1st phase: proof of concept/ pilot phase
- pilot-based implementation, proof of concept; work with industry and policymakers
  ➔ clear business case to be established
- draw on potential financing models: import levies, tax/financial incentives, carbon markets
- some grant funding for specific infrastructure/capacity support

2nd phase: scaling up
- scaling up beyond initial pilots and expansion of member countries, policy/regulatory work in parallel
- potential mix of grant funding and concessional lending for specific infrastructure/capacity support
- first loss guarantee/de-risking of projects

3rd phase: commercialization/mainstreaming
- a functioning mechanism, private sector involvement at scale, supportive regulatory environment with enforcement
- mix of concessional lending and private finance, though a small amount of grant funding may remain

REPORTING REQUIREMENTS

QUESTIONS & ANSWER SESSION
3. Next steps: send feedback, upcoming meetings and activities

FEEDBACK ON DRAFT STUDY

Welcome to submit:

✓ Via e-mail: contact@copalliance.org
✓ Written comments, proposal for text formulations and with link to sources
✓ **Tracked changes** in word document (attached)
✓ Submit until Tuesday **1 February 2023**
**ACTIVITIES & NEXT MEETINGS**

- **Feb. / March 2023 (online distribution)**
  - Survey from TWG FM until 1st February, see new link in mail.
  - Nominate persons for Chair and Vice-chair.
  - Final Study on FM
  - Online election of TWG FM Chair and Vice-chair

- **30th March 2023 - TWG FM #2 (online meeting)**
  - Develop Working Programme
  - Welcome new TWG FM Chair and Vice-chair

- **July 2023 – Hybrid meeting (personal + online)**
  - COPA Hybrid Hard Launch in alignment with OEWG Bangkok
  - TWG FM #3

**THANK YOU FOR YOUR PARTICIPATION**