LEVERAGING CLIMATE FINANCE TO SUPPORT CLEAN COOKING IN BHUTAN AND NEPAL

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AGENDA

- Financing mechanisms
- Tapping into capital markets
- Clean cooking business models
- Conclusion
- Q&A
CLEAN COOKING INVESTMENT SCENARIO

US $2.5 BILLION annually in clean cooking investment globally, while the need is around $8 billion.

ABOUT 80% INVESTMENT in clean cooking goes into stoves and equipment. The remainder is for infrastructure, LPG/electricity delivery.

CHALLENGES Development of clean cook stove supply chains, grid reliability upgrades and capacity development.

ADDITIONAL END-USE FINANCING to help consumers afford LPG or electricity. LPG subsidies and electric cooking tariffs would be essential to manage costs and prevent backsliding.
## TYPES OF FINANCING MECHANISMS FOR CLEAN COOKING

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<tr>
<th>Type</th>
<th>Description</th>
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<tr>
<td><strong>PROJECT FINANCE</strong></td>
<td>Tailoring financial structures to support <strong>individual clean cooking projects</strong> with a focus on long-term sustainability and revenue generation.</td>
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<td><strong>FUNDS AND FACILITIES</strong></td>
<td>Utilizing funds like the Global Environment Facility (GEF) and Green Climate Fund (GCF) to support clean cooking initiatives.</td>
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<td><strong>THEMATIC BONDS</strong></td>
<td>Issuing bonds that raise capital for clean cooking under themes such as green, social and sustainability.</td>
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<td><strong>CARBON PRICING</strong></td>
<td>Capitalizing on carbon credits as an incentive for reducing emissions through the adoption of clean cooking technologies.</td>
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<td><strong>DEBT-FOR-CLIMATE SWAPS</strong></td>
<td>Negotiating debt relief in exchange for commitments to invest in clean cooking and other climate-related expenditures.</td>
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<td><strong>BLENDED FINANCE</strong></td>
<td>Combining public and private funds to de-risk investments and attract more capital towards clean cooking solutions.</td>
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<td><strong>PUBLIC PRIVATE PARTNERSHIPS</strong></td>
<td>Collaborations between governments and private entities to develop and implement clean cooking technologies. e.g., Global Alliance for Clean Cookstoves</td>
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TAPPING INTO CAPITAL MARKETS

USING GREEN BOND TO FINANCE CLEAN COOKING

1. Defining eligible projects
2. Use of Proceeds exclusively for clean cooking projects
3. Reporting and transparency
4. External review/second party opinion
5. Monitoring and Evaluation
CASE STUDY - BURN MANUFACTURING

• First green bond issued in Sub-Saharan Africa exclusively for clean cooking
• Proceeds support the distribution and adoption of sustainable cooking
• Bond size: USD $10 million
• Improving cookstove manufacturing capacities
• Business model: Manufacturing life-saving biomass, electric, and LPG stoves.
• Goal to benefit additional 2 million households by 2024
CLEAN IMPACT BOND

RESULTS BASED FINANCING
RBF instrument to finance to improve health and gender co-benefits

REPLICABLE APPROACH
Monetize health and gender benefits, same as carbon credits

MARKET POTENTIAL
Potential for health and gender outcome markets, attract investors to scale up clean cooking production

Clean Impact Bond: Mobilizing Finance for Clean Cooking

Monetize health and gender benefits, same as carbon credits

Potential for health and gender outcome markets, attract investors to scale up clean cooking production
Figure 1: Clean Impact Bond Structure

A: Certified social and environmental goods presold
B: Non-recourse loan agreed and disbursed
C: Health, gender, energy and environmental outcome achieved
D: Certified social and environmental goods delivered
E: Outcome payment to repay loan plus return

Source: Adapted from Cardano Development 2021.
INVESTOR CONFIDENCE

Building trust in the profitability and sustainability of clean cooking projects

MARKET READINESS

Addressing the preparedness of clean cooking markets for large-scale financing.

REGULATORY HURDLES

Navigating the legal and regulatory frameworks that impact green bond issuance
CONCLUSION

Current investment gap and diverse financing mechanisms that can bridge the gap

Innovative financing like green bonds and impact investments, with strong public private partnerships

Importance of Tailored Financing, matching financing strategies with the scale and maturity of clean cooking businesses.
Thank you!