High-level Policy Dialogue on Sovereign Financing for Sustainable Development And Training on Sustainability Bond Issuance in the Bhutan Context



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13-15 May
Thimphu Deluxe Hotel,
Bhutan

ESCAP
Economic and Social Commission for Asia and the Pacific

Registration

Day 2

ESCAP
Economic and Social Commission for Asia and the Pacific

Training on Sustainability Bond Issuance Day 2

Revised Agenda

- 09:00 – 09:45 Creating A Strong Pipeline of Projects and the Role of Stakeholders
- 09:45 – 10:30 Breakout Session 1 – Defining Use of Proceeds
- Coffee
- 10:45 – 11:15 Case Studies
- 11:15 – 12:00 Breakout Session 2



Creating A Strong Pipeline of Projects and the Role of Stakeholders



What is a project pipeline?

A pipeline of projects are early development and construction stage initiative prior to project commissioning.

> Typically presented as a sequence of proposed investment opportunities over time that align with and are supportive of long-term climate and development objectives.

(Source: OECD, 2018)

Taxonomy vs. Green Project Pipeline

A taxonomy is a **classification system** that categorizes activities based on how environmentally sustainable they are.

Taxonomies are a categorization system based on agreed principles.

They are the features of a project.

A pipeline is a portfolio or sequence of green projects planned by the government, private sector, or other entity.

A pipeline consists of concrete green projects with a defined cost, location, timeline, quantified impact, etc.

Taxonomies support project pipeline identification and development.

Bhutan’s NDC financing requirements

Estimated current climate finance requirements (USD 911 million)

Estimated investment costs for the least developed countries in Asia *(USD billion)*		
	Finance needs for mitigation	Finance needs for adaptation
Bhutan	0.526 (NC)	0.385 (NC)

Source: UNFCCC.



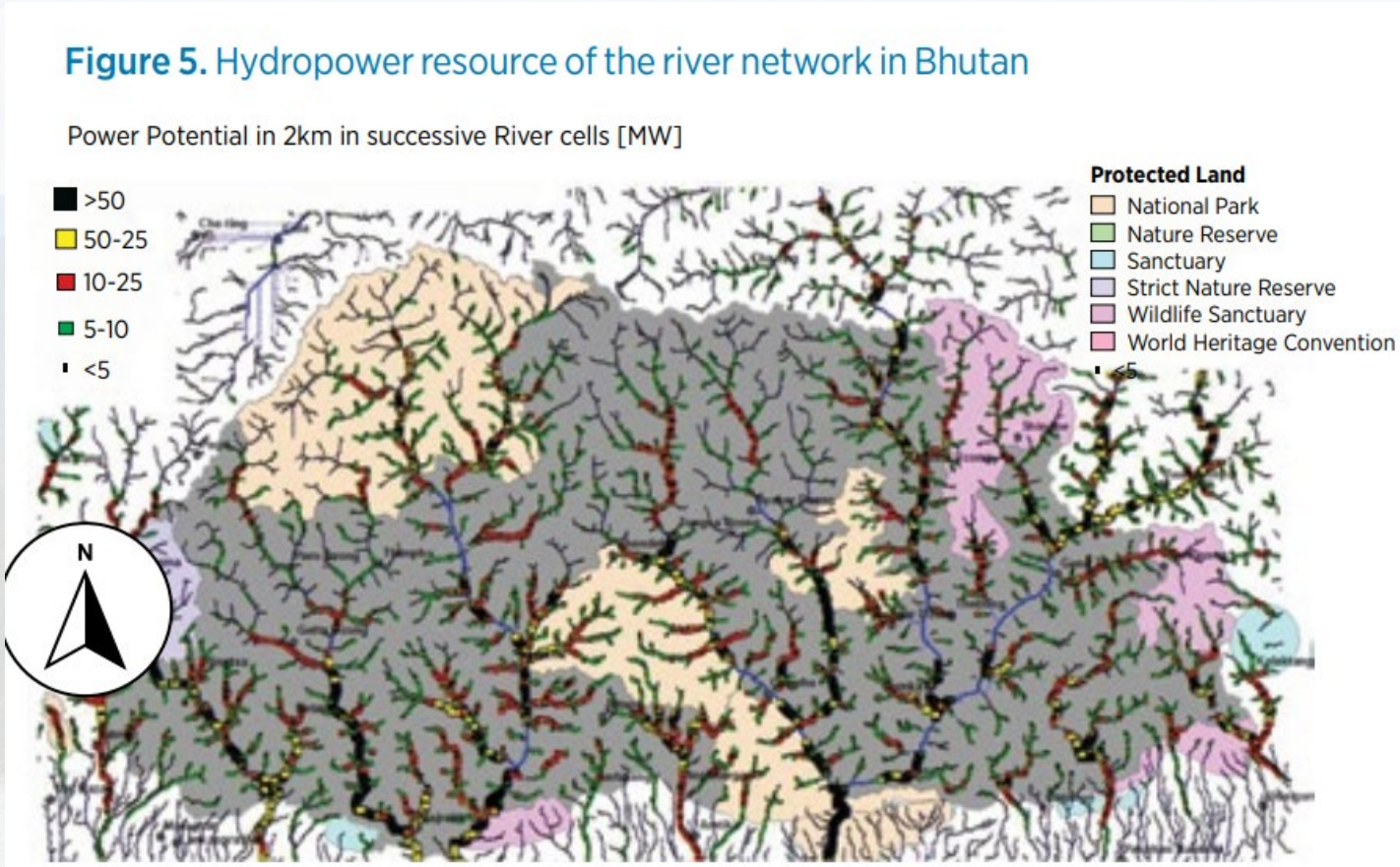
Aligned with Bhutan's sustainable development policies

- National priorities - **Bhutan's 13th Fiver-Year Plans**
- NDC targets - **Carbon-negative and remain carbon-neutral into perpetuity**
- **Long-Term Low Greenhouse Gas Emission and Climate Resilient Development Strategy, 2023**
- Environmental Policies - **National Environment Protection Act, Climate Change Policies**

Potential investment areas

Hydropower

Figure 5. Hydropower resource of the river network in Bhutan



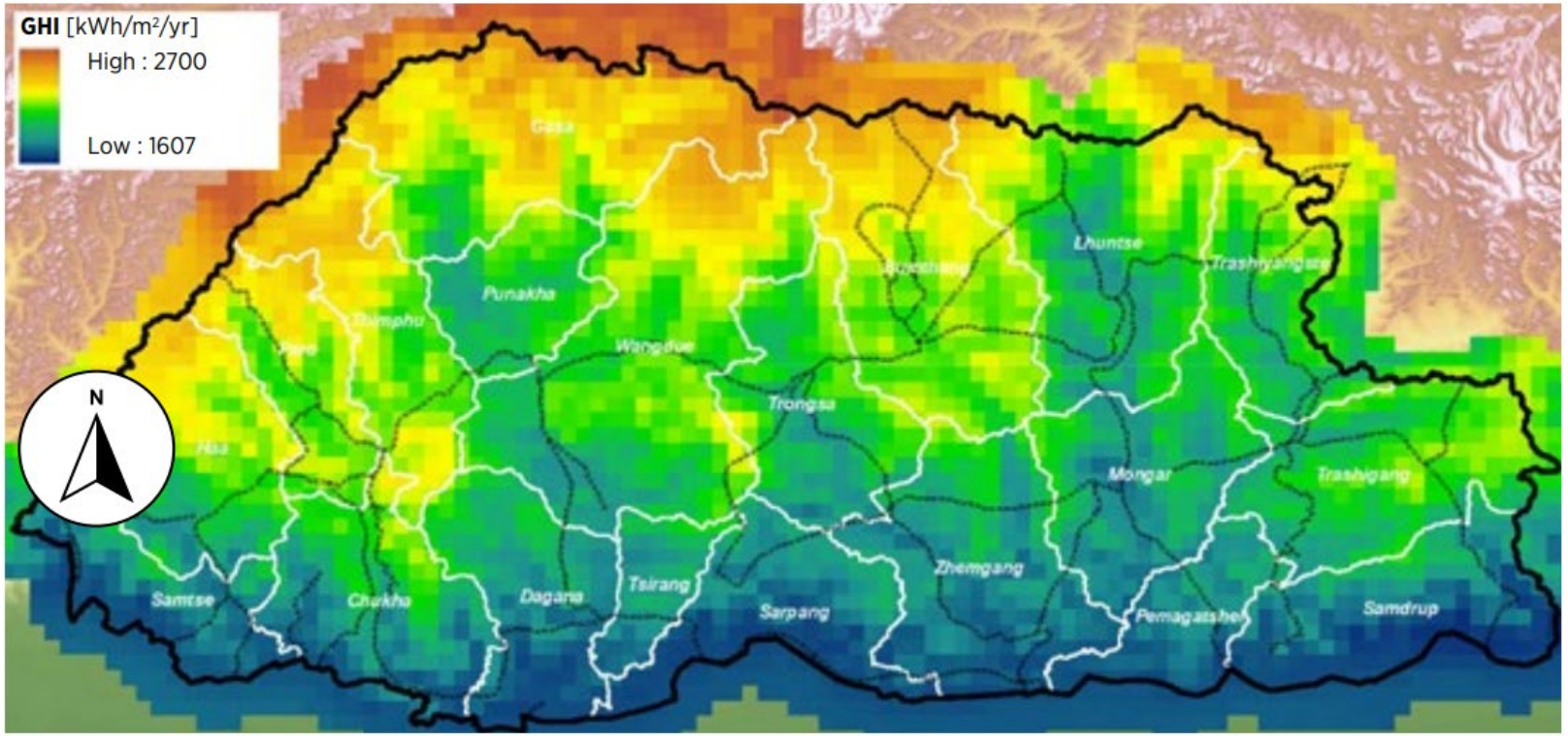
Source: DRE-MOEA, 2016c.

Disclaimer: Boundaries and names shown on this map do not imply any official endorsement or acceptance by IRENA.

Potential investment areas

Solar

Figure 6. Solar map



Notes: map from 3Tier in original resolution, values in kWh/m² including districts and major national road network.

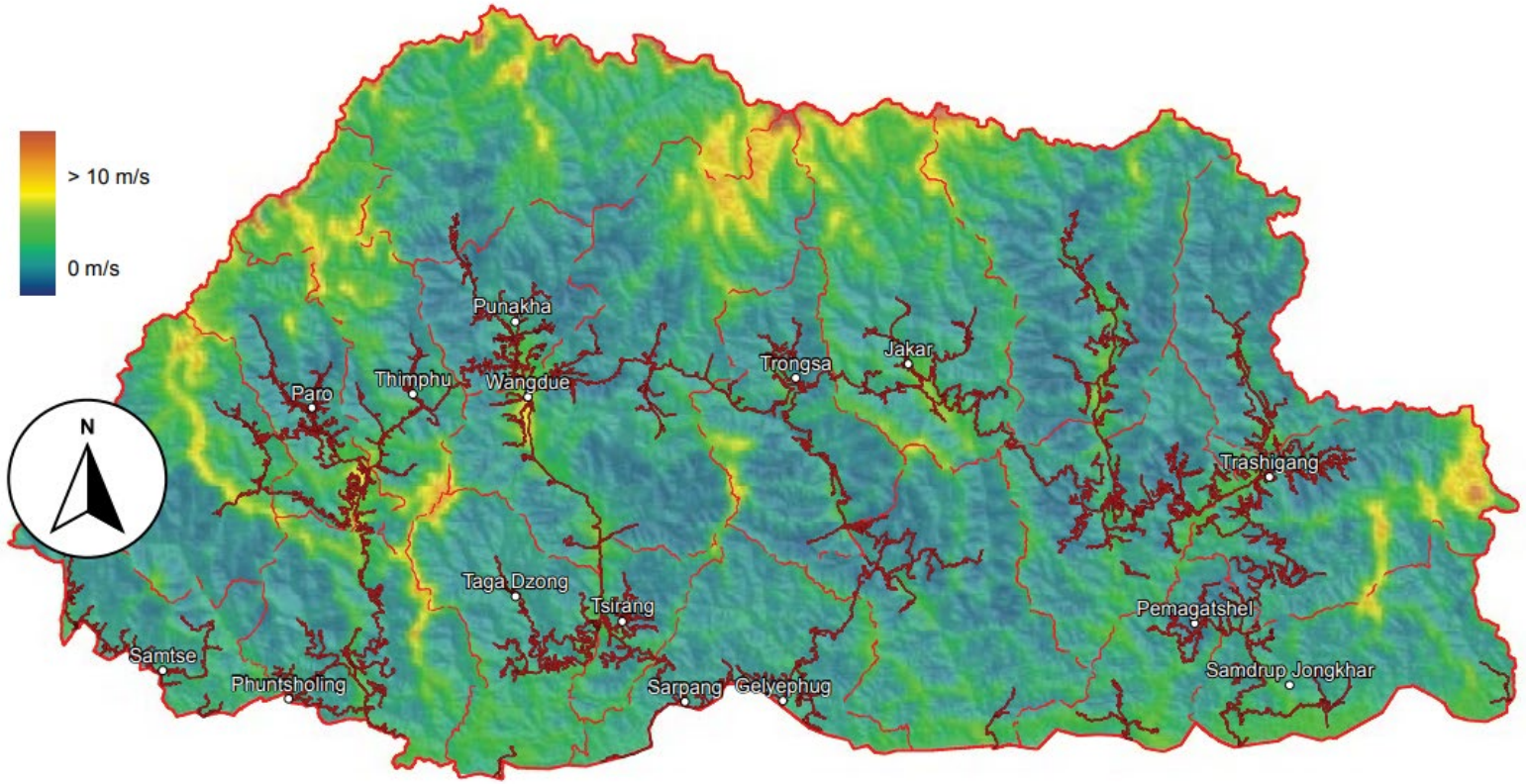
Source: DRE-MOEA, 2016c.

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Potential investment areas

Wind

Figure 7. Map of annual average wind speeds (60m height; 1x1 km model)



Source: DRE-MOEA (2016b).

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Breakout Session 1: Defining Use of Proceeds

Group 1: Hydropower

Group 2: Non-hydro alternative energy

Group 3: Transport

Group 4: MSME inclusive finance

Group 5: Education

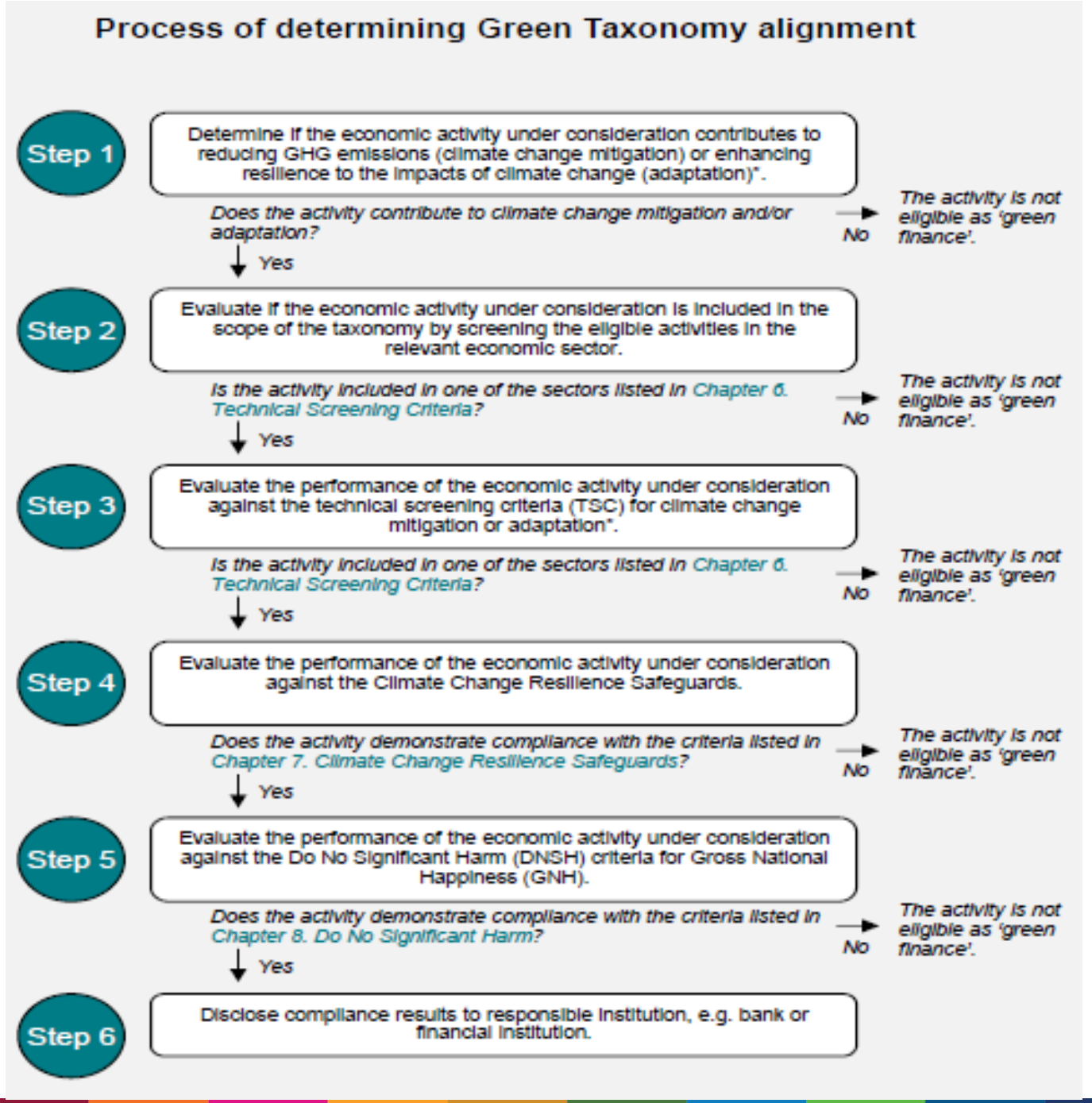
Group 6: Agriculture

As a Sustainability Bond issuer, you are asked to define at least 1 concrete project in the sector assigned.

Discuss as a group:

- Is it feasible?
- What is the size
- What is the location
- What are the positive and negative environmental and social impacts

Breakout Session 2



Breakout Session 3

Identify your investors

- Local vs. international
- Institutional vs. retail investor
- Why are you targeting these investors?

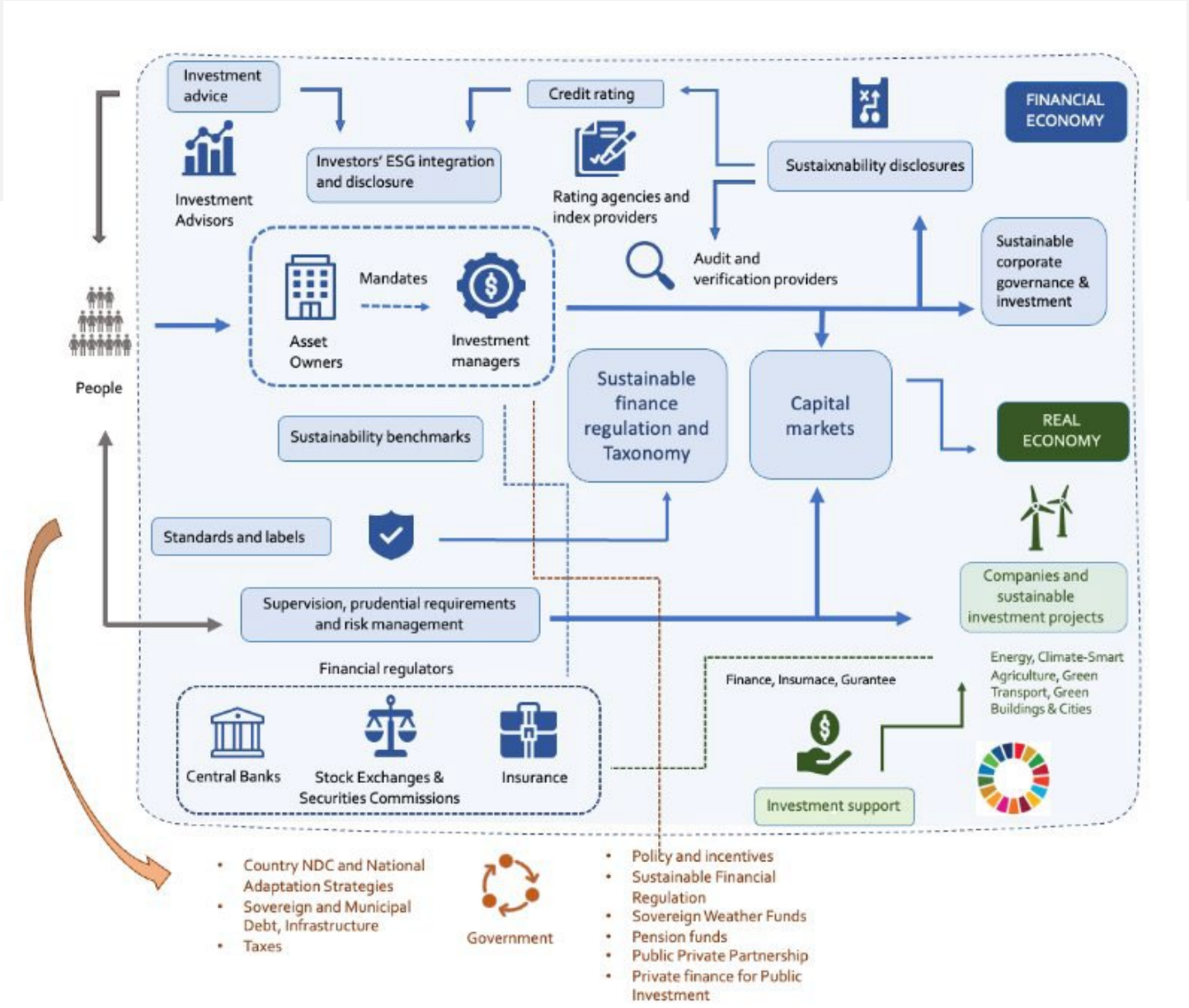
Imagine that you are meeting them before your issuance, and you must convince them to invest.

What elements of the framework will you focus on? *Think about the sustainability credentials of the instrument rather than the financial elements.*

Characteristics of a robust project pipeline

- Link policy making to forward-looking objective setting and the programmes and institutions to deliver them, providing overall co-ordination and leadership to champion project pipelines
- Focus on strengthening the interface and mechanisms that governments employ to disseminate information and convene actors, offering transparent processes and communicating relevant information on projects and the pipeline with the financing and investment community
- Take a holistic, whole-of-government approach to infrastructure planning and investment, feeding lessons back into policy-making processes to bolster the investment-enabling environment and providing funding or institutional support to projects when appropriate
- Fast-track suitable project investment in a way that brings the carbon and energy intensities of the country's economy to target levels, prioritizing the deployment of "high-value" and strategically important projects and sectors
- Foster the development of a diverse set of bankable projects and promote business models suitable for private sector needs, setting strong eligibility criteria to determine which projects should be built and supported and which should not
- Increase country resilience to changes in climate and development needs, deploying infrastructure that remains pertinent and relevant over time and tailored to changing external conditions, and avoiding expensive path dependency or lock-in.

Sustainable Finance Stakeholders Map



Role of stakeholders



Government

Ensure development of a pipeline of bankable projects with authority and ownership of the green bankable project pipelines, ensuring that the right priorities are translated and there is transparency in how project pipelines have been identified.



Regulator

Define roadmaps, taxonomies, and sustainable finance frameworks that are aligned with policymakers' commitments, especially the NDCs and which facilitate interoperability between regions.

Ensure fair and predictable enforcement of current green finance requirements, for example around ESRM management while strengthening monitoring, reporting, and verification capacity in markets.



Private sector

Building project pipeline with significantly reformed approaches to achieve scale and pace. Foreign and local actors need to work together to create blended finance solutions from multiple sources.

Questions?