
FROM AMBITION
TO ACTION
YOUR CLIMATE JOURNEY STARTS HERE
south pole

Nordic Platform for Mobilising Climate Finance

Climate Risk and Data

05 Nov 2020

Nordic Council of Ministers

gaia

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Welcome to our webinar

- **Default audio setting:** mute on joining
- **Questions** via the ***Question box*** are welcome at any time
- Some of us might be broadcasting from **our homes**.
- The webinar will be **recorded** and the slides **shared**
- **11:30 AM**
- **Landing page**

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Who we are

South Pole helps clients address climate change impacts, while mitigating risk and creating value on their sustainability journeys.

Innovative solutions

An award winning, 14-year history of providing sustainability solutions

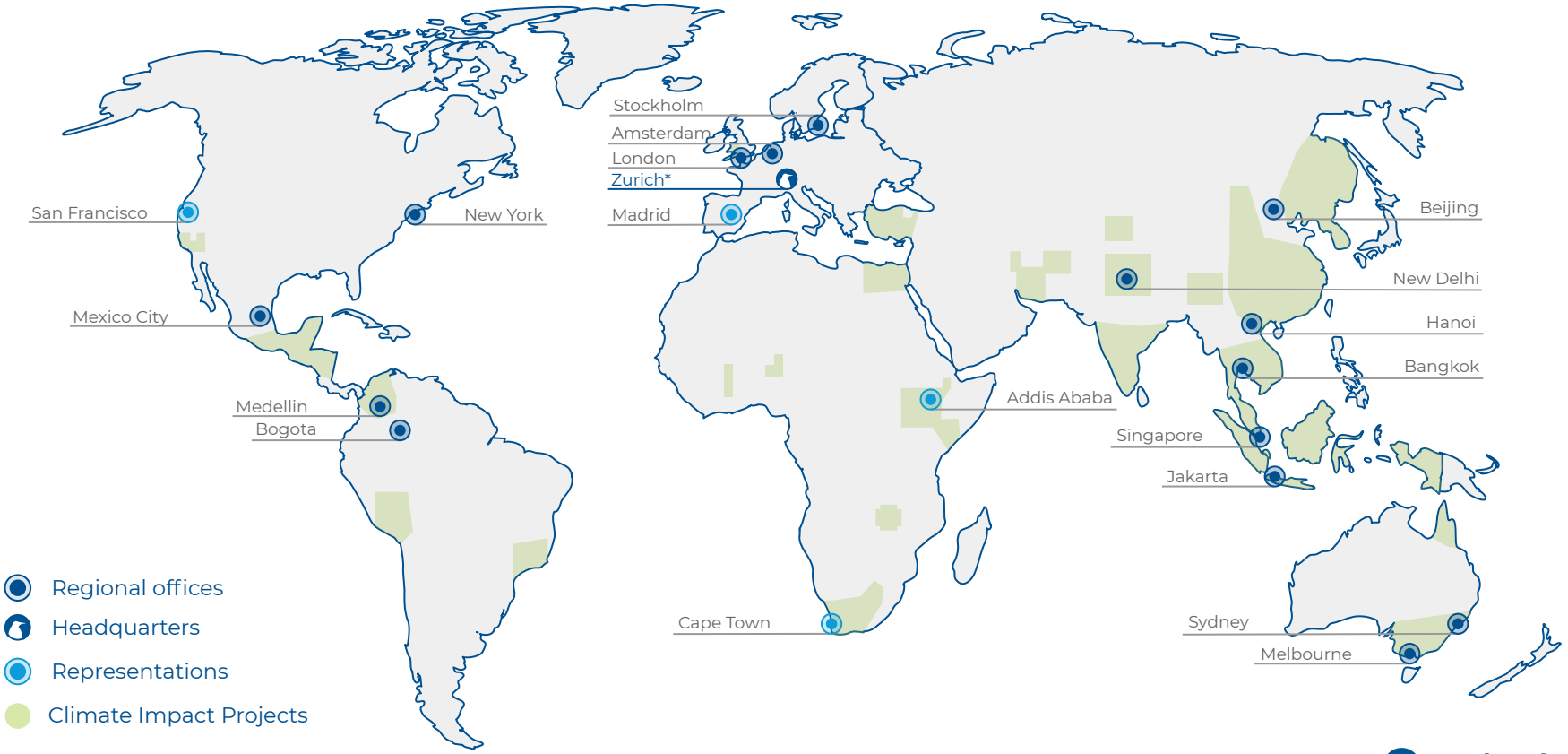
Diverse expertise

Based in 19 offices, our team of 350+ sustainability advisors, scientists, and engineers are leading experts in their fields

Project developer

Largest developer of climate action projects globally

Our global reach



Sustainable Finance at South Pole

TCFD advisory	SDG impact analysis for financial products	Supporting net zero commitments
• **TCFD** first steps and gap analysis • **Physical and Transition risk** identification and opportunity assessment, including scenario analysis • **CDP questionnaire, climate stress test** and **Taxonomy** support	• **Asset management** funds • **Green and sustainability bond and loan** impact and verification • **Transition bond and loan** impact and verification	• **Scope 3 carbon footprinting** for lending and investments • Investment and lending **Paris alignment** assessments and decarbonisation pathways • **Climate neutrality** for financial services (scope 3 carbon analysis)

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Consultancy for Sustainable Business

GAIA CONSULTING OY

2020

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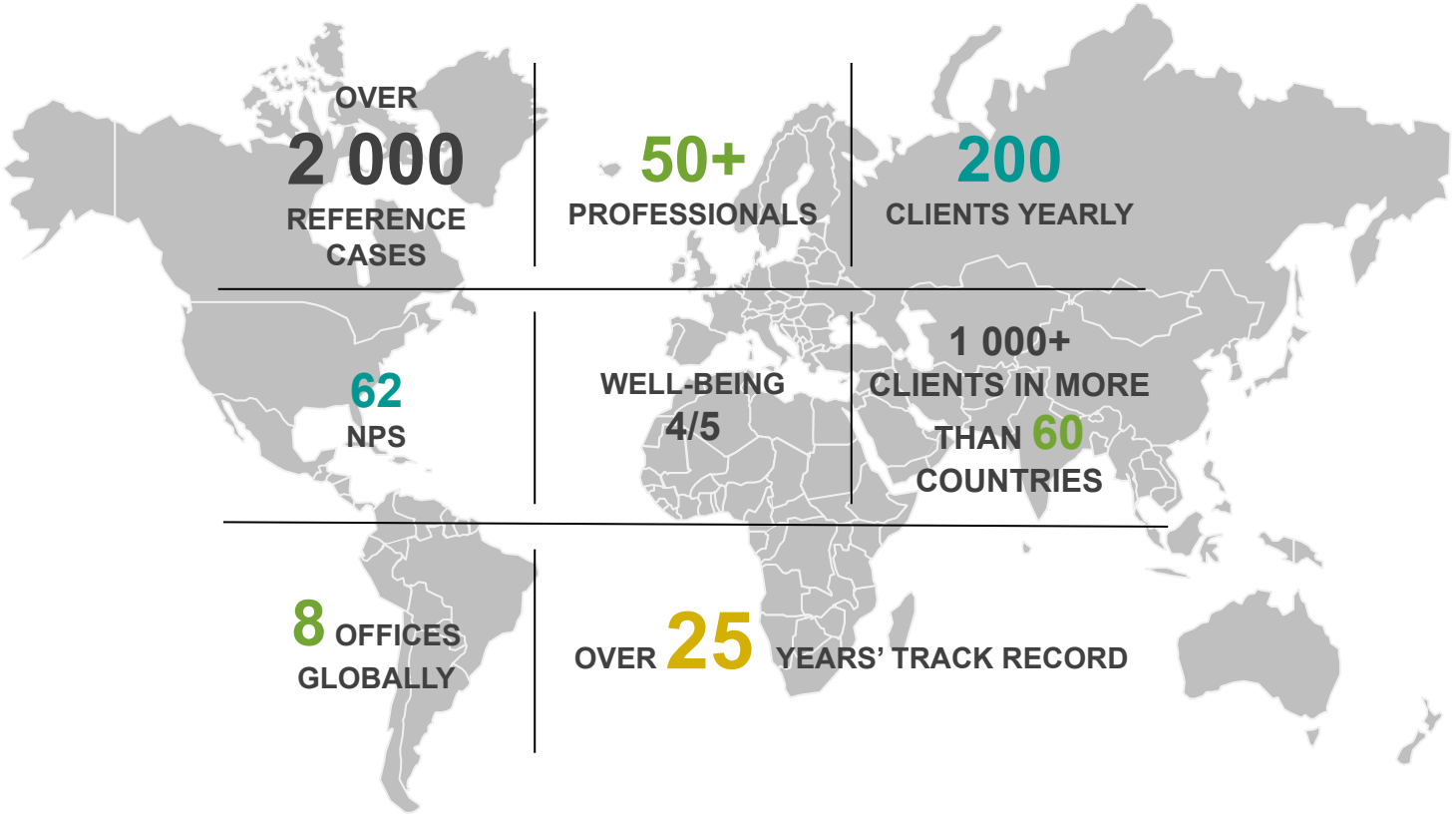

OVER
2 000
REFERENCE CASES

50+
PROFESSIONALS

200
CLIENTS YEARLY

62
NPS

WELL-BEING
4/5

1 000+
CLIENTS IN MORE THAN **60** COUNTRIES

8 OFFICES GLOBALLY

OVER **25** YEARS' TRACK RECORD

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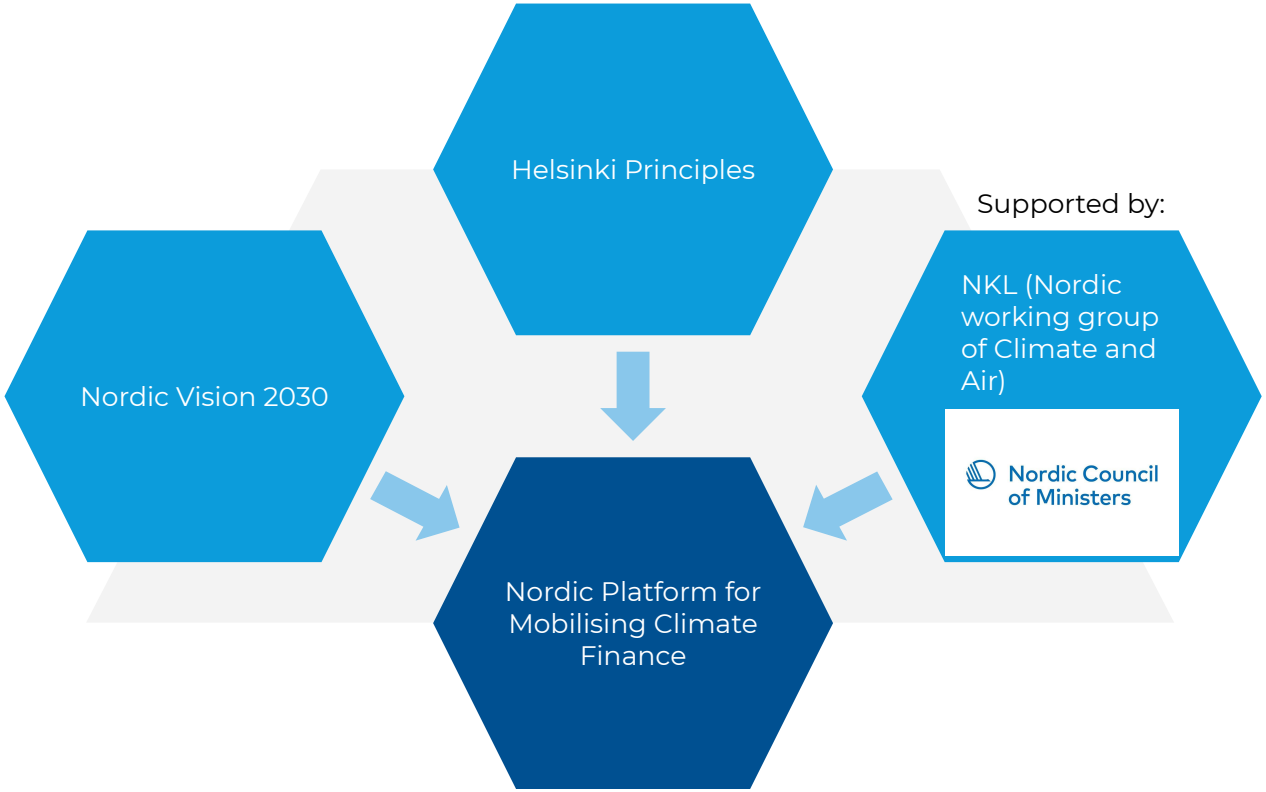
Climate accountability and leadership
Communications and stakeholder relations
Risks and resilience
Foresight
Strategic integration and capability development
We provide a 360° approach to sustainability
Governance and legislation
Business opportunities and transformations
Innovations
Materiality assessment and reporting
Financial analysis

The Platform (1)



The Platform (2)

NORDIC DEVELOPMENT FUND

Swedfund

klp

IFU INVESTMENT FUND FOR DEVELOPING COUNTRIES

NEFCO

Nordea

Norfund

NIB NORDIC INVESTMENT BANK

VARMA

European Commission

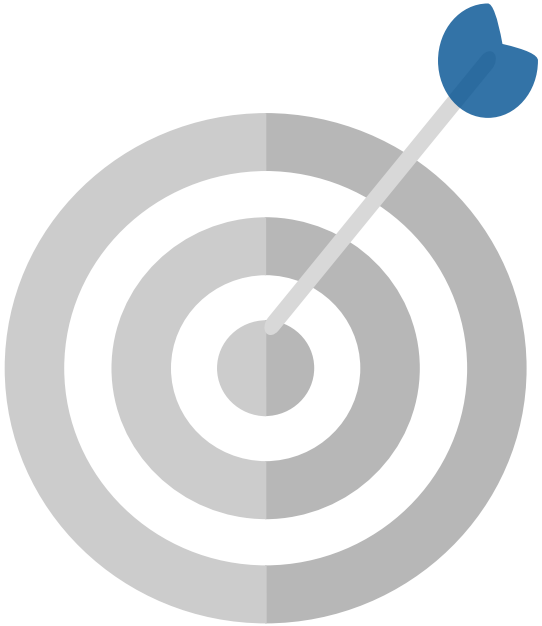
FINA FINLA

PRI Principles for Responsible Investment

alecta

finnfund

The Platform (3)



Our goal

To highlight areas where Nordic cooperation within the Nordic Council of Ministers can support the road towards carbon neutrality

Hosts

Ingmar Schuurmans
Managing Consultant
South Pole

Mikko Halonen
Leading Consultant
Gaia

Speakers

Dr. Nico Kroener
Climate Scientist/ Senior Manager
South Pole

Ola Nafstad
Chief Economist
Norfund

Martin Skancke
Chairman
PRI

Isabel Leroux
Program Manager
NDF

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South Pole's TCFD services

Gap analysis

Climate scenario analysis

Integration into risk management processes

TCFD-aligned disclosure

South Pole's TCFD services

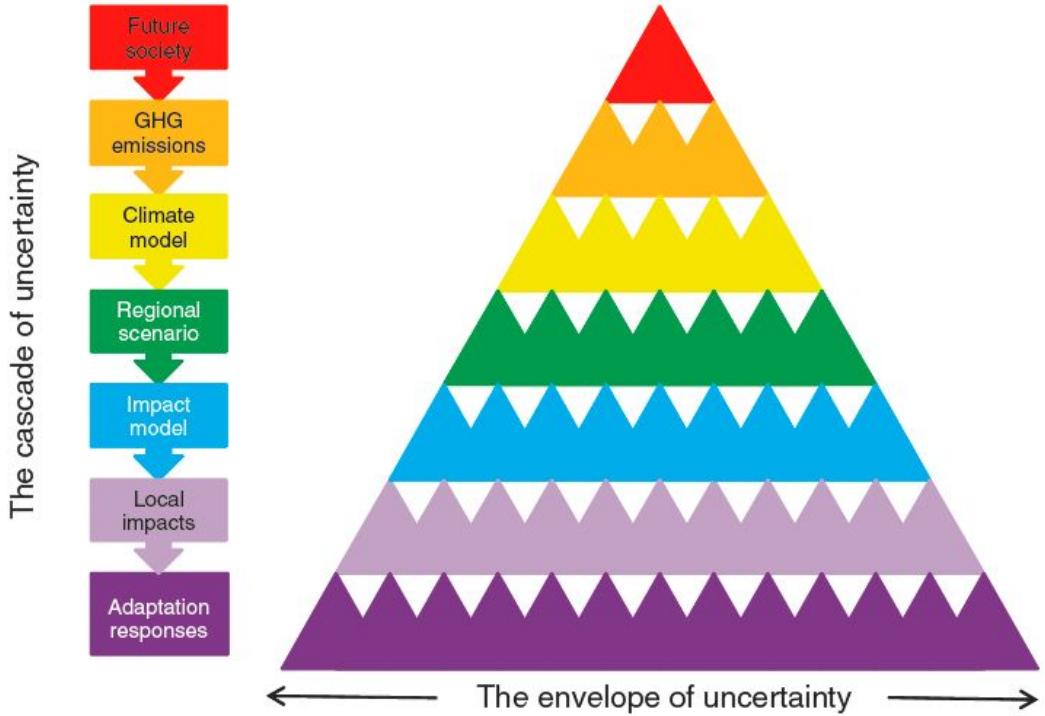
Gap analysis

Climate scenario analysis

Integration into risk management processes

TCFD-aligned disclosure

Physical risks cascades of uncertainty



Source: https://www.climate-lab-book.ac.uk/2014/cascade-of-uncertainty/

Chronic and acute physical risks and resilience

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A consistent framework

Impact

A sound understanding of the physical and transition risks.

Climate risk assessment: 3-step process

Step 1. Baseline assessment

Understanding current existing physical and transition hazards, exposure and vulnerability

Step 2. Scenario analysis

Understanding future physical and transition hazards, exposure and vulnerability

Step 3. Financial impact

Financial drivers and financial category identification (e.g. revenue, cost) and estimation of the financial impact (qualitative and/or quantitative) using primary and secondary data

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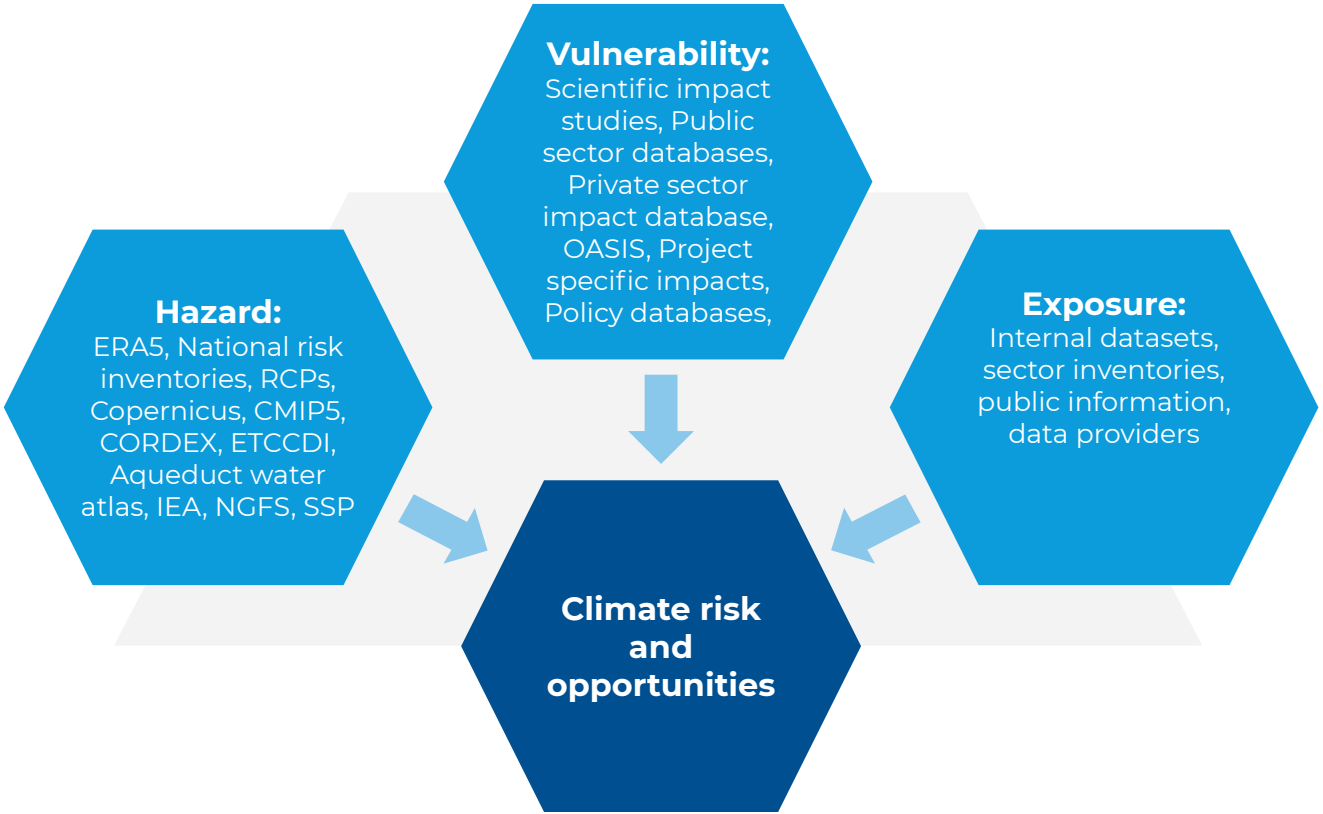
Data sources and tools (not exhaustive)



Data sources and tools (not exhaustive)

Vulnerability:
Scientific impact studies, Private

Conclusions:

- Get started and facilitate an iterative process
- No size fits it all (choose the right data for the purpose)
- Use a collaborative approach (engage internal stakeholders)
- Don't let perfect be the enemy of the good
- Don’t try to do too much too quickly (be cautious with the financial quantification)

and opportunities

PRI Principles for Responsible Investment

UNEP FINANCE INITIATIVE | United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

The TCFD recommendations: Three years on

Martin Skancke, Chair, PRI

AT A GLANCE

Launched in April 2006 at the NYSE, the Principles for Responsible Investment has:

2

UN PARTNERS:

UNEP FINANCE INITIATIVE
UN GLOBAL COMPACT

3311

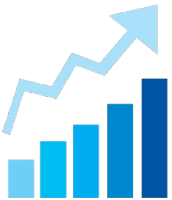
SIGNATORIES:

ASSET OWNERS, INVESTMENT MANAGERS AND SERVICE PROVIDERS

101

US$ TRILLION:

ASSETS UNDER MANAGEMENT



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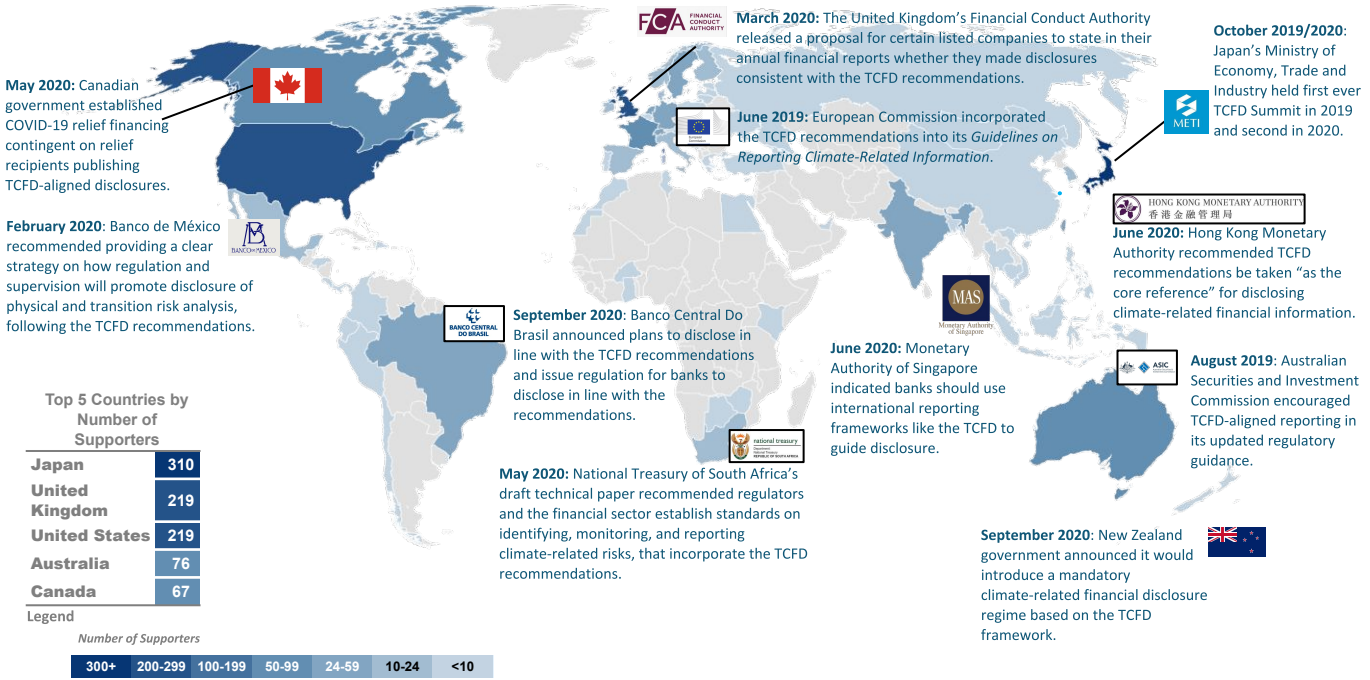
PRINCIPLES:

RECOGNISING THE MATERIALITY OF ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE ISSUES

Taskforce on Climate-related Financial Disclosures (TCFD)

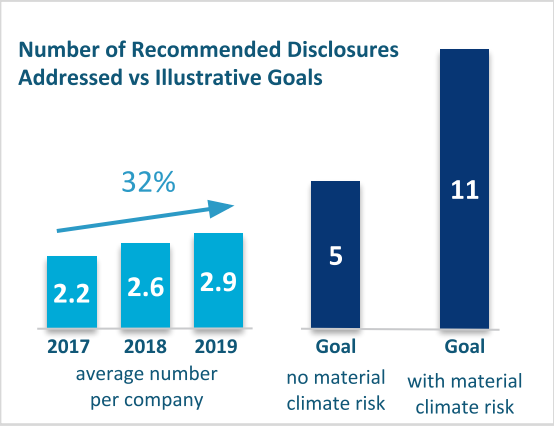
Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	**Recommended Disclosures**	**Recommended Disclosures**	**Recommended Disclosures**
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Momentum continues to grow behind TCFD

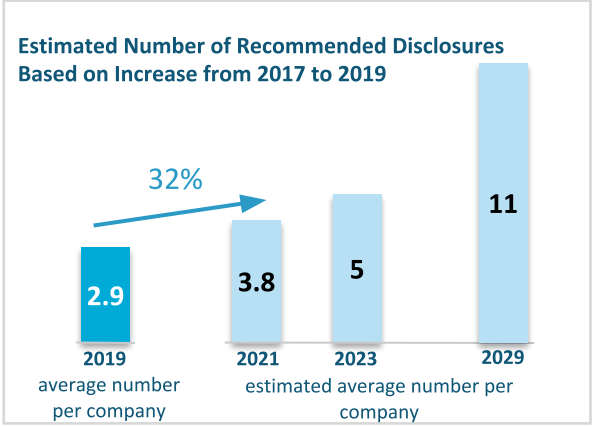


Overall Disclosure practice – 2020 status report

- The TCFD recommends all companies disclose information related to its Governance and Risk Management recommendations, which include five of its 11 recommended disclosures.
- The growth in the number of recommended disclosures addressed compared to illustrative goals shows that disclosure is increasing slowly.



- If the growth rate in disclosures from 2017 to 2019 were to remain constant over the next several years, the average number of recommended disclosures addressed per company would reach 5 in 2023 and 11 in 2029.
- Given the importance of appropriately pricing climate-related risks for the efficient allocation of capital, the Task Force believes disclosure needs to grow more quickly.



New technical guidance on risk management and climate scenarios

- Over the past year, the Task Force developed the following:
  - Guidance for non-financial companies on conducting climate-related scenario analysis
  - Guidance on integrating climate-related risks into existing risk management processes and disclosing those processes
  - Consultation document on forward-looking metrics for the financial sector

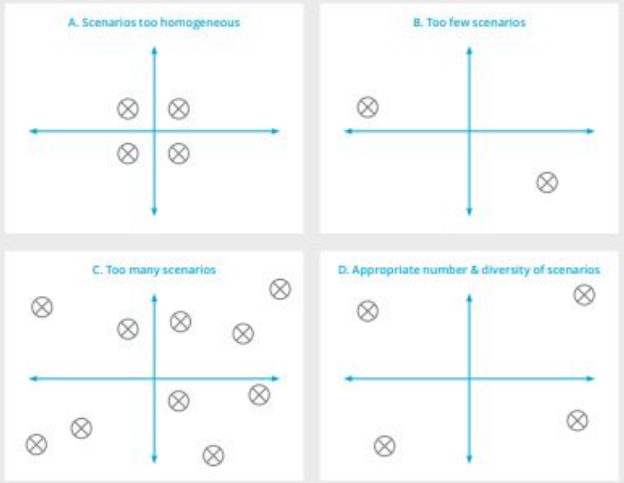
Scenario analysis – updated technical guidance

Figure A2-1

High-Level Overview of the Scenario Analysis Process

Figure A2-4

Scenario Ranges



The vertical axis is "Driver Group A" and the horizontal axis is "Driver Group B." For an explanation of the two-axes approach for scenario development and the landscape of uncertainties, see Step 4 (p. 76) of this appendix.

Risk management integration and disclosure

This guidance is aimed at companies that are interested in integrating climate-related risks into their existing risk management processes and disclosing information on their risk management processes in alignment with Task Force's recommendations.

Initial Steps for Integration

The guidance explores the practicalities of integrating climate-related risks into existing risk management processes and outlines a set of high-level, initial steps intended to support companies in identifying important considerations for integration.

- Step 1. Ensure there is a general understanding across the company of climate change concepts and its potential impacts.
- Step 2. Identify the specific risk management processes and elements that may need to be adjusted for the integration of climate-related risk as well as the functions and departments responsible for those processes and elements.
- Step 3. Incorporate climate-related risks into the existing risk taxonomy and risk inventory used in the company. This includes mapping climate-related risks to existing risk categories and types.
- Step 4. Adapt existing risk management processes and key elements based on information gained in the previous steps and the characteristics of climate-related risk.

Unique Characteristics

The guidance describes the unique characteristics of climate-related risks that are important to consider when integrating such risks into existing processes. The following characteristics of climate-related risks are discussed:

- Different effects based on geography and activities,
- Longer time horizons and long-lived effects,
- Novel and uncertain nature,
- Changing magnitude and non-linear dynamics, and
- Complex relationships and systemic effects.

Disclosure Examples

The guidance also describes features of decision-useful risk management disclosures as well as examples of companies' disclosures.

How can PRI add value?

Reduce information barriers

- Technical guidance (asset owner guides, private equity,
- Investor case studies (2020 climate leaders' group)
- Direct signatory outreach

Collaboration platforms

- Climate Action 100+
- UN Net Zero Asset Owner Alliance
- Investor Agenda
- Events and webinars

Reporting to PRI

- Includes TCFD based indicator questions
- Opportunities for peer comparison
- **Staircase analysis of the quality of investor reporting**

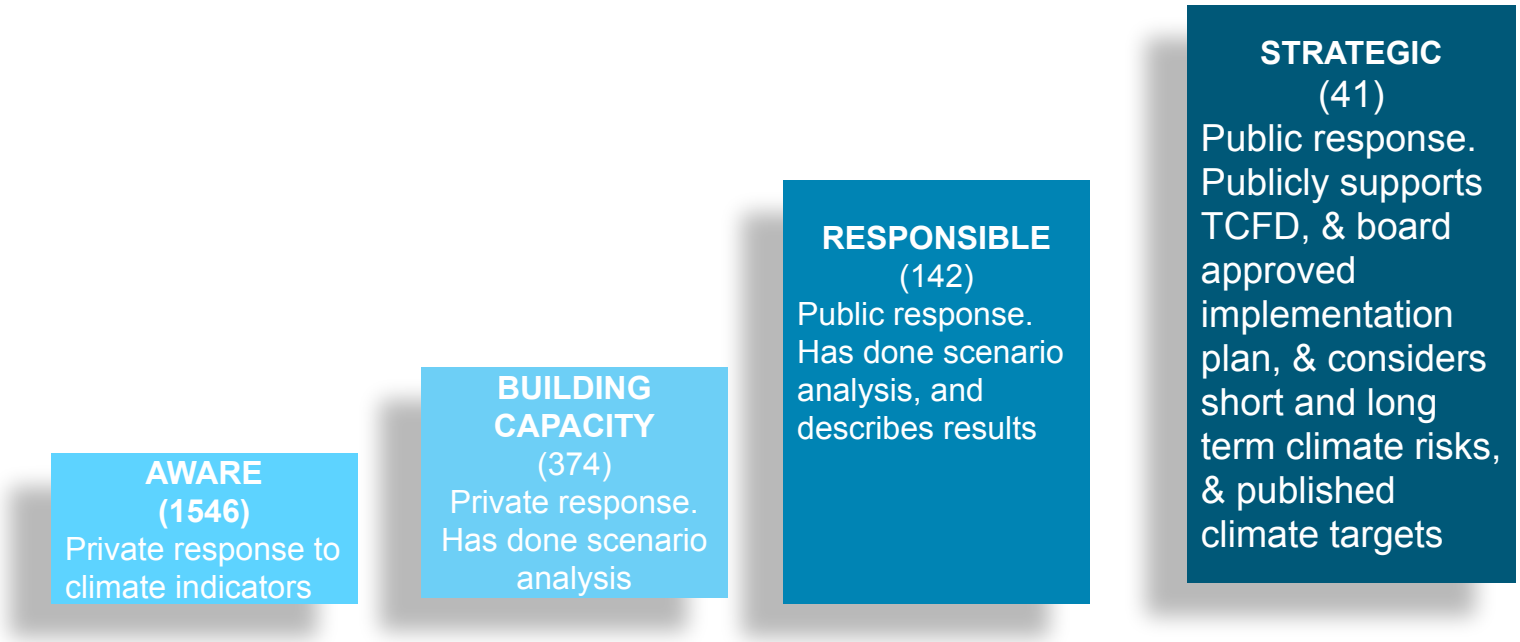
Accelerate the adoption of the Taskforce's recommendation amongst 3,000 investors in 50 markets

Investor climate reporting in 2020

Introduced in January 2018

Staircase analysis of the quality of reporting

Grouping signatories' responses over four categories



Thank you!

What we have asked you

Is there a role for Nordic governments to facilitate high-quality climate risk data fit for investment decision making?

N=14
Yes = 14

"Absolutely, it helps the financial sector integrate climate risk and agree on data/language, just like the EU Taxonomy"

"Yes, increases Nordic climate science & policy interface/collaboration hereby sharing best practices about climate risk analysis."

"Yes - helps to ensure a level playing field in terms of access to the same climate risk data

➢ **Task: what role according to you?** Answer through the question box

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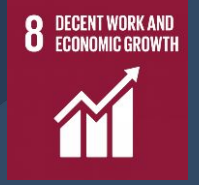
Norfund

The Norwegian Investment Fund for Developing Countries

Investing to create jobs and improve lives

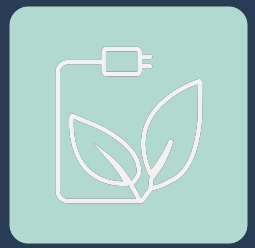
Q1 2020



MISSION:

Create jobs and improve lives by investing in businesses that drive sustainable development

Norfund's investments are concentrated in four areas that contribute to the SDGs



Clean energy

Financial institutions

Green infrastructure

Scalable enterprises

Norfund targets select developing countries with high impact potential

CORE

LDCs

Angola	Myanmar
Bangladesh	Rwanda
Cambodia	Senegal
Ethiopia	Tanzania
Laos	Uganda
Lesotho	Zambia
Malawi	Zimbabwe
Mozambique	

Other SSA

Côte d'Ivoire	Kenya
Ghana	South Africa
Nigeria	

Other countries

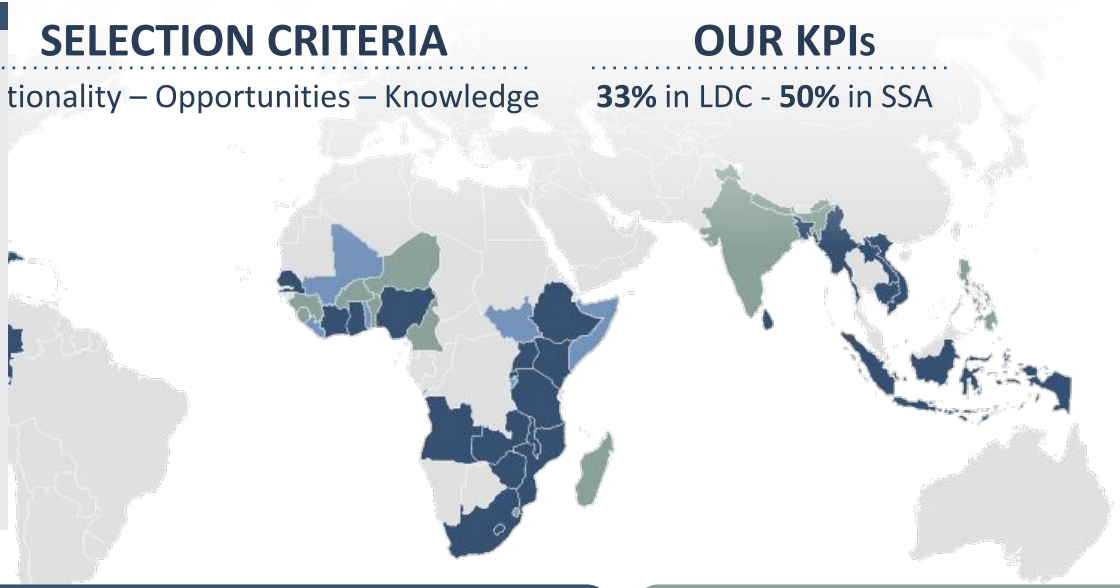
Colombia	Indonesia
Dominican Rep.	Nicaragua
El Salvador	Sri Lanka
Guatemala	Vietnam
Honduras	

SELECTION CRITERIA

tionality – Opportunities – Knowledge

OUR KPIs

33% in LDC - **50%** in SSA



EXTENDED REACH

Benin
Burkina Faso
Burundi*
Cameroon
Costa Rica
Guinea
Haiti*
India
Liberia*
Madagascar
Mali*
Nepal
Niger
Panama
Philippines
Sierra Leone
Somalia*
South Sudan*
Swaziland
Togo*

CORE COUNTRIES; 29 countries where Norfund:

- Actively builds pipeline and deep country expertise
- Seeks to make direct investments, thereby strengthening our impact

EXTENDED REACH COUNTRIES:
Investments are channelled through reputable funds, strategic partners or platforms

* Fragile states

Core countries *Extended reach* *Fragile states*

Norfund

Norfund’s climate position is based on three pillars

We invest for a clean, climate resilient future in developing countries

RESILIENCE

By resilience, we mean the capacity of individuals, economies and societies to cope with the effects – physical and economic – of climate change. Job creation and economic development enables such resilience.

The poor and vulnerable are the most affected by climate change. Norfund’s priority to the Least Developed Countries (LDCs) and job creation helps make these groups more resilient to climate change.

REDUCTION

By reduction, we mean reducing or avoiding emissions to enable the transition to an energy system aligned with the Paris Agreement.

By investing in renewable energy, Norfund helps avoid emissions and facilitates the transition to a low-carbon economy. We also enable access to clean energy.

RISK

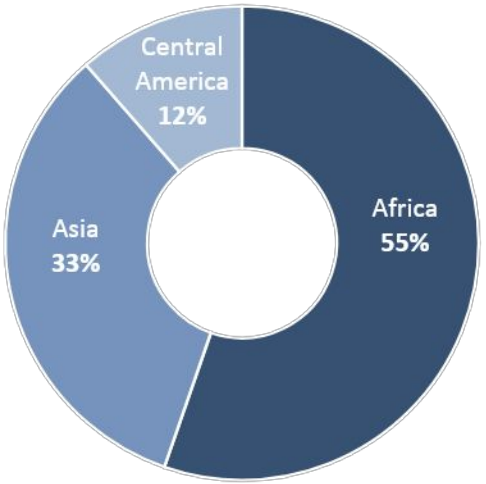
By risk, we mean the physical risks, such as flooding, drought and cyclones, and transition risks, such as policy, technology and reputational risk, that impact companies. These risks can also be turned into opportunities.

By assessing material climate risks (physical and transition) for sectors, geographies and companies, we help our investees succeed.

Norfund key figures

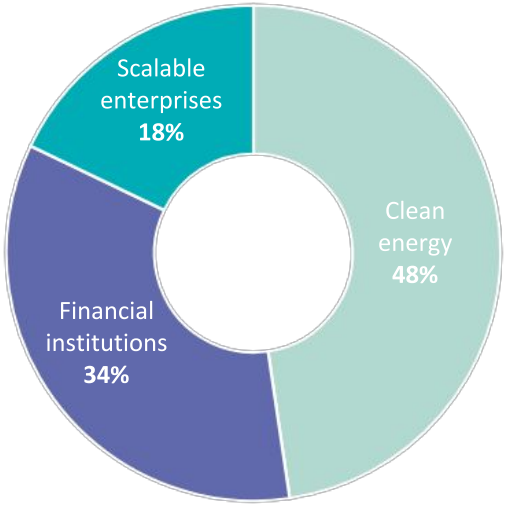
Total committed portfolio:
$2.8 billion

Geography



Value adjusted equity:
$3.5 billion

Sector



New commitments 2019
$ 457 million

Direct investments
163

Indirect investments
900

IRR since inception
6% in investment currency
9% in NOK

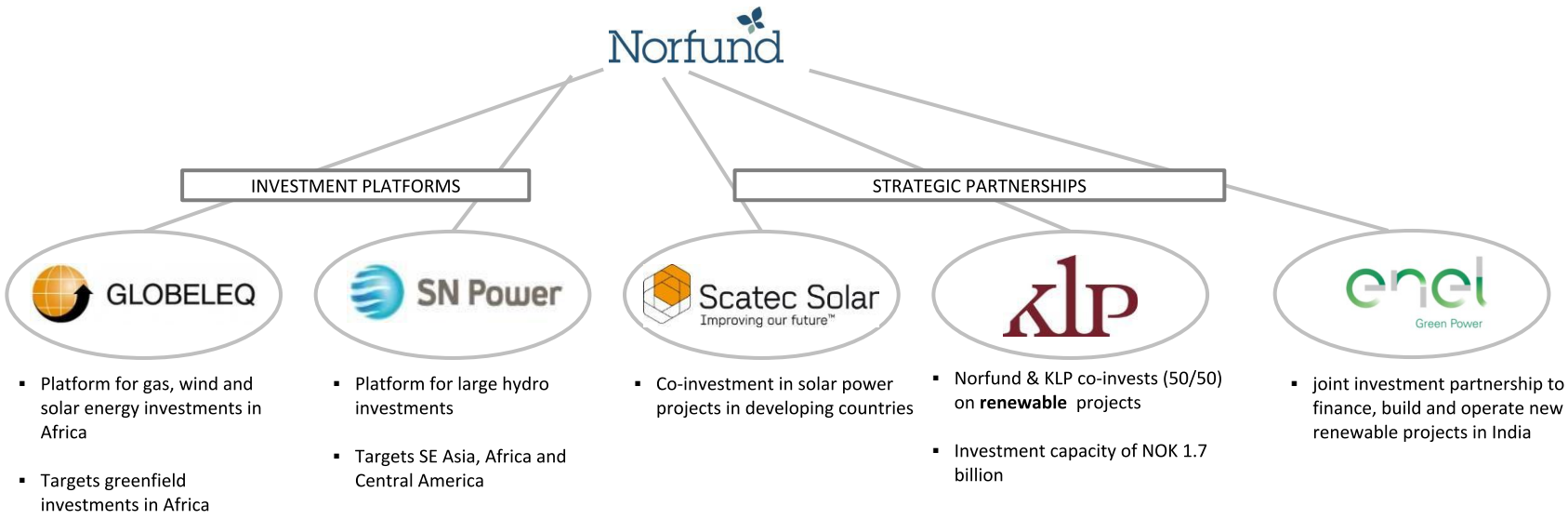
As of 31.12.19

Despite a challenging mandate, Norfund has been delivering competitive financial returns (IRR per department/USD & local currencies)

Internal Rate of Return (IRR) in investment currency	Since inception 1997–2019	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Clean Energy	7.0	7.4	7.1	19.5	0.1	2	-9	-4	12	10	11
Financial Institutions	7.0	7.1	3.3	5.8	8.2	12	6	4	9	6	9
Scalable Enterprises – Direct	-3.6	3.3	-5.0	4.1	-5.2	-4	-10	-4	-10	2	7
Scalable Enterprises – Funds	1.4	-7.4	-14.4	-4.0	-1.6	0	-3	12	9	3	10
Total	**5.9**	**6.3**	**4.6**	**14.0**	**1.6**	**3.5**	**-6**	**-1**	**10**	**8**	**10**

As of 31.12.2019

Clean Energy investment platforms and co-financing



- Platform for gas, wind and solar energy investments in Africa
- Targets greenfield investments in Africa

- Platform for large hydro investments
- Targets SE Asia, Africa and Central America

- Co-investment in solar power projects in developing countries

- Norfund & KLP co-invests (50/50) on **renewable** projects
- Investment capacity of NOK 1.7 billion

- joint investment partnership to finance, build and operate new renewable projects in India

Friday, October 16th 2020:

Norfund sells SN Power to Scatec Solar:

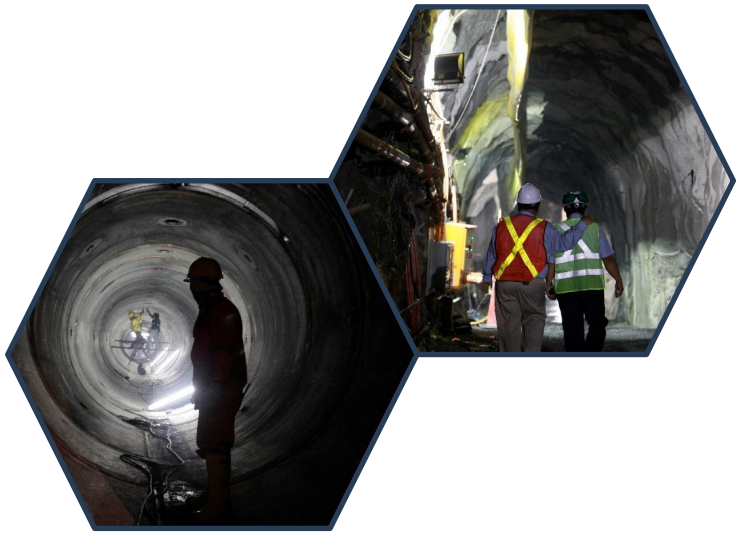
- More than a billion dollars mobilised for new investments in developing countries

After building SN Power into a leading hydropower company in developing countries, Norfund sells all the shares to Norwegian energy developer Scatec Solar for USD 1,17 billion. – *The deal opens new opportunities for us to reinvest capital in projects that are crucial to fight poverty and avoid carbon emissions, says Tellef Thorleifsson, CEO of Norfund.*

A new joint venture for Sub Saharan Africa

A natural next step for Scatec

- Hydropower and solar power complements each other
- Gives Scatec Solar a strong position in markets with growth
- Scatec Solar is a good industrial buyer of SN Power
- A good home for SN Power's employees



A new partnership for hydro-power in SSA

- Good collaboration for more than 10 years
- Joint venture for hydro power production and project development in SSA
- The new joint venture will operate SN Powers existing hydropower plants in Sub Saharan Africa
- The joint venture will develop new projects in SSA
- Scatec Solar will be the operator

Uganda (Bujagali)

255 MW

Operating assets

Rwanda, DRC, Burundi

147 MW

Pipeline project

Madagascar

120 MW

Pipeline project

Norfund achieves and systematically measures development effects

6% IRR in investment currency

9% IRR in NOK

1000 companies in portfolio

1,610 MUSD

taxes paid by investees

380,000 jobs in portfolio

14,900 new jobs created 2019*

17.2 TWh electricity produced

4.6 mill. tonnes CO2 avoided

2 mill. new bank clients

2.1 bn. USD increase in lending to clients

2019 figures; IRR since inception

* In companies with two consecutive years of reporting

Norfund

Norfund

Nordic Development Fund

Helsinki, 5 November 2020

About NDF

The organisation

- **Origin**: Joint Nordic climate and development finance institution. Established 1988 by Denmark, Finland, Iceland, Norway and Sweden
- **Capital base**: Appr. EUR 1.35 billion paid in capital (partly in SDR)
- **Location**: Helsinki
- **Staff size**: Appr. 20

"The joint Nordic voice in the climate finance landscape"

The financing

- **Focus**: Climate change mitigation and adaptation
- **Counterparties**: Public and private sector
- **Instruments**: Grants, loans and equity
- **Countries**: Low income and fragile states with focus on Sub-Saharan Africa

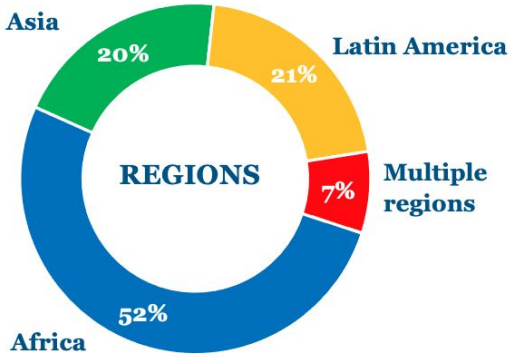
"Flexible and catalytic financing"

The climate portfolio (end 2019)

- **Size**: EUR 410 million (additional EUR 637 million legacy portfolio of concessionary development credits)
- **Number of investees**: 117 projects
- **Annual commitments**: EUR 50 million run rate

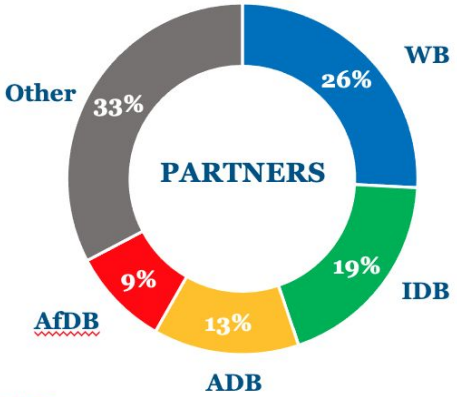
"Experience from 10 years of dedicated climate finance"

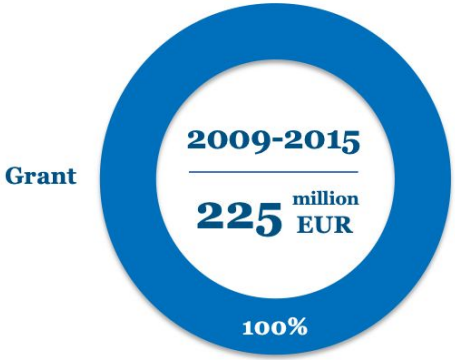
Climate portfolio - disbursements & active commitments



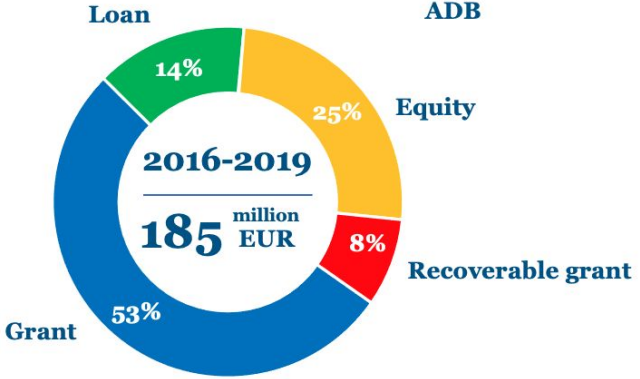
410 million EUR

117 projects





INSTRUMENTS



Strategy 2025

Mandate

Nexus between climate and development

The two most pressing global issues, especially where these are interlinked and mutually reinforcing

Focus on lower-income countries and countries in fragile situations

The countries where climate change impact is most severe and development needs are the greatest

Purpose

The purpose of NDF is to advance **Nordic leadership in addressing climate change** and development challenges through financing, knowledge and partnerships.

*Together with our strategic partners, we develop, launch and scale high-impact projects **to support developing countries** and the most vulnerable people affected by climate change.*

Concessionary financing

Agile and flexible approach to respond to what markets, countries and situations need most

Nordic priorities

Distinct priorities, Nordic identity, and a unique combination of prioritised topics

NDF Added Value

Interaction with/link between private and public sector	Institutional capital and strategic partnerships	Flexible financing and catalytic impact	Focus on adaptation	Nordic leadership	Added value
The linking and flexible financing of projects via both public and private sector provides a holistic approach.	The organization has accumulated a considerable amount of institutional knowledge, partnership relations, capacity and a highly committed staff.	Broad market demand for concessional and risk-tolerant capital, constitute an opportunity for NDF to add distinct value within the climate finance landscape.	Large financing gap for adaptation in emerging markets in particular creates a role for NDF in financing private sector adaptation projects.	Nordic institutional collaboration on identified priority areas in climate and development finance, is a platform for joint Nordic climate and development actions.	NDF's added value fills critical gaps among Nordic and international financial institutions in the climate finance field.

Climate risks, resilience and adaptation

NDF private sector activities

Proadapt

Turning Climate Risks into Business Opportunities

- A regional initiative funded by IDB in partnership with NDF
- Launched in 2013 to build climate resilience in micro-, small- and medium-sized enterprises in Latin America and the Caribbean.

- USD 12.5 million committed in technical assistance and leveraged USD 23 million.
- Portfolio of 11 technical assistance projects in 13 countries: Argentina, Belize, Bolivia, Brazil, El Salvador, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay and Saint Lucia.
- Projects in climate-smart agriculture, early-warning weather systems and technologies, certification and related investments, circular economy models, climate-resilient construction, community-led resilient micro-enterprises.

Proadapt, Knowledge products

Private Markets for Climate Resilience (PMCR) – Report published by NDF in June 2020

Market study to better understand climate resilience solutions provided by the private sector in the agriculture and transportation sectors in Colombia, Kenya, Nicaragua, The Philippines, South Africa and Vietnam.

Climate risk tool for financial institutions

Developed by PwC Brazil to assist financial institutions in assessing, quantifying and managing climate risks in their portfolios and credit methodologies.

Climate risk assessment tool for supply chains

Developed by Acclimatise, Technoserve and Danone, and piloted for Danone's dairy supply chain in Mexico.

Climate resilience and gender toolkit

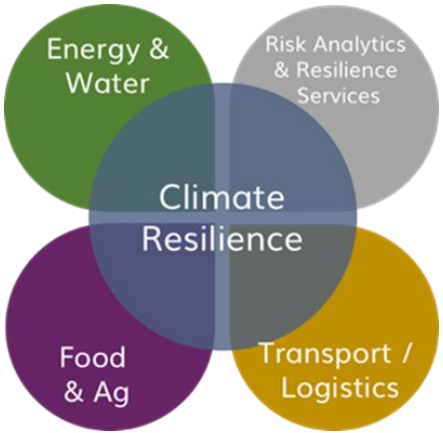
Toolkit for including a gender perspective in climate resilience projects.

Lightsmith Climate Resilience Partners

- Specialist growth strategy focused on global **climate resilience solutions**
- Investing in growth-stage companies whose products and services help address the effects of climate change
- At least 70% of investments in developing countries – focus on north-to-south and south-to-south adaptation and resilience technology transfer
- Blended structure: concessional + commercial layer
- Experienced, well-positioned team raising USD 250 million growth equity fund
- First close in December 2019 and Final closing in Q2/2021
- Current investors:

Market for adaptation and resilience solutions

There are companies both in **developed** and **developing countries** with existing technologies, products and services that can help to **assess** and **address** the physical **climate risks and impacts** increased by **climate change**.



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Intelligence

*for **identifying** and **assessing** physical climate risks*

Any type of climate data product, information, software and other tools that enable the identification, evaluation and/or monitoring of physical climate risks and related impacts and opportunities.

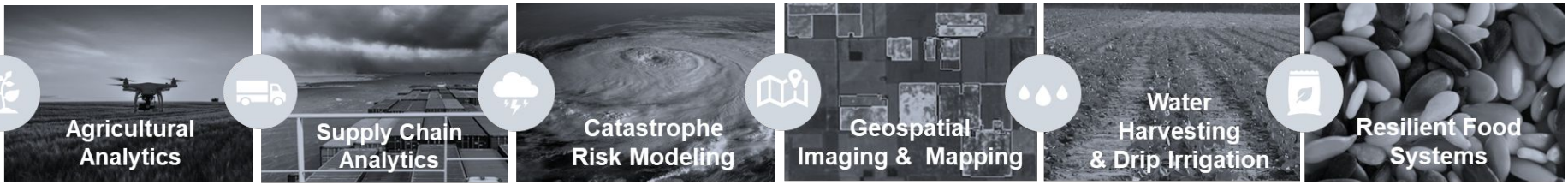
Products and services

*for **addressing** physical climate risks*

Any product, equipment, technology or service that help to manage – avoid, mitigate and/or transfer – physical climate risks and related impacts, and adapt to climate change.

Market for adaptation and resilience solutions

6 key sub-sectors related to climate resilience



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Identified companies with

- Water harvesting technology - renewably-powered hydro-panels generate clean drinking water from sunlight and air
- Catastrophe risk modeling and digital mapping
- Irrigation technology
- Weather analytics and insurance for wind and hydro energy sectors
- Cold chain logistics adequate for developing countries

Adaptation Solutions Taxonomy for SMEs

The Adaptation SME Accelerator Program (ASAP) identifies and engages **developing country SMEs** in adaptation and climate resilience action.

ASAP **Adaptation Solutions Taxonomy** launched in September 2020

- Establishing a structured approach for transparently determining whether an SME qualifies as "Adaptation SME" based on the type(s) of technologies, products and services offered.
- Identifying areas in which SMEs may require targeted support to avoid maladaptation and adopt best risk management practices.
- Creating a flexible and inclusive framework that can be applied beyond the ASAP initiative to any company, regardless of size/scale or geography.

The Lightsmith Group

gef GLOBAL ENVIRONMENT FACILITY

IDB Inter-American Development Bank

Proadapt
Climate resilience knowledge

NDF

Thank you!

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Q&A

I. Questions from the audience

II. Speaker's perspectives main question (below)

From:
'Is there a role for (Nordic) governments to facilitate high-quality climate risk data fit for investment decision making?

To:
'What is the role for Nordic governments to (...)?'

Thank you for attending!

Feel free to contact us

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For registration and more info about the **Nordic Platform for Mobilising Climate Finance**, please see here

gaia south pole