Climate Business Department

The Climate Business Department (CBG) was created in 2010 as a new department and collaborative platform to coordinate, catalyze and optimize all climate business activities within IFC on the investment and advisory side. CBG is a unit within IFC’s Corporate Strategy, including Infrastructure and Natural Resources, Manufacturing, Agribusiness and Food, and Energy and Natural Resources, as well as all other relevant Business Lines and appropriate counterparts across the World Bank, located both in HQ and within the regions. CBG takes a long-term perspective on climate, technologies and development, as long-term approach to investments; and is able to leverage the resources of the entire World Bank Group, as well as its commitment to maximizing value of portfolio companies through sustained assistance.

www.ifc.org/climatebusiness

About the International Finance Corporation (IFC)

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector. We help developing countries achieve sustainable growth by financing investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments. In FY12, our investments reached an all-time high of more than $20 billion, leveraging the power of the private sector to create jobs, spur innovation, and tackle the world’s most pressing development challenges.

For more information, visit ifc.org.

Credits

Text: Alan Miller, Principal Project Officer, Climate Business Department, IFC
Design: Corporate Visions, Inc.
Photos: World Bank (pp. 2, 3, 4, 5 & 7), images 2, 3, 4, 5, 7 (top), 9 & 11;
Stock (cover, pp. 6, 7 & 8; images 1, 6, 8, 10 & 12)
The maintenance of a coherent high-level policy issues such as the greenhouse gas emissions, and fossil fuel, to highly technical and changing landscape, and IFC continues to engage the private sector, building opportunities alone represent a potential to reduce greenhouse a pilot program is testing the risks posed by climate change constitute an ever evolving response strategies. The risks posed to an El Niño.

Where We Want to Be
We are committed to becoming a carbon neutral institution by 2020. IFC’s pledge is that by FY2015 it will have reduced greenhouse gas emissions by 4.5 million tons of carbon dioxide equivalent a year. Our directors’ performance is measured on the extent to which they successfully carry out the necessary climate change work. IFC’s climate change work includes both government and the private sector, building opportunities alone represent a potential to reduce greenhouse gas emissions by 4.5 million tons of carbon dioxide equivalent a year by 2020. Our Performance Standards are designed to ensure that IFC’s operations contribute to poverty reduction and development goals.

Global Environmental Milestones

- 1988: Protocol signed to protect the ozone layer.
- 1990: First Intergovernmental Panel on Climate Change established.
- 1992: Rio Summit; First Protocol signed to protect the earth’s climate.
- 1998: Environmental Opportunities Facility established to support innovative climate change work.
- 2001: First Sustainable IFC sustainability report.
- 2003: First IFC loan to a private sector investor for an environment project.
- 2007: First concentrated solar power project initiated.
- 2010: First concentrated solar power project in South Africa.
- 2011: First concentrated solar power project in South Africa.
- 2013: First concentrated solar power project in South Africa.

The first concentrated solar power project in South Africa.

IFC’s Initial Response to Climate Change

IFC began supporting business solutions to climate change in 1989; just a decade after the term was coined in a published report by the U.S. National Academy of Sciences. IFC was an early mover in clean energy investments around the world, providing seed capital to innovative clean technologies and renewable energy.

- **1989**: IFC makes its first investment in renewable energy (Shenzhen YK Solar PV Energy Company in China), which reduces carbon emissions in addition to other benefits.
- **1995**: The first IFC-Global Environment Facility (GEF) project launches the Poland Efficient Lighting Project, which promotes more efficient lighting products.
- **1998**: IFC adopts the Safeguard Policies, affirming its commitment to sustainability, including climate change, and actively seeks projects with a focus on a triple bottom line that takes into account people, planet, and profits.
- **1998**: PVMTI (solar business) project approved, marking the first non-grant use of GEF funds to support private commercial activity.
- **2001**: IFC engages in external political events associated with clean energy and climate change, starting with its involvement with the G8 Renewal Energy Task Force.
- **2002**: The Environmental Opportunities Facility provides funding for ventures with the strong potential to increase sustainability and produce new business models with environmental and social benefits.
- **2002**: IFC enters the carbon market through a partnership with the Government of the Netherlands: IFC manages carbon credit purchases worth $135 million from more than 40 projects.
- **2004**: The International Conference on Renewable Energies in Bonn, Germany, inspires targets for increased clean energy lending and creation of the first system within IFC for defining and reporting clean energy investments.
- **2005**: IFC’s Performance Standards becomes the Sustainability Framework, mandating that climate change be considered in making investments.
- **2006**: A briefing for new IFC Executive Vice President Lars Thunell, who brings a strong interest in climate change and clean energy, includes three approaches for scaling up clean energy and climate change efforts.
IFC Increases Focus on Climate Change

Starting in 2006-2007, IFC increased its focus on climate change and broadened its participation from clean energy investments to developing plans that incorporated the relationship between climate change and development. IFC likewise reached out to the private sector, the business community, and governments to support climate change initiatives.

- **2007**: IFC highlights the importance of working with the private sector in the Action Plan prepared for the World Bank Group Board.
- **2007**: IFC participates in external discussions with the private sector and the business community about climate change, and provides input and analytical support to the climate negotiations of the UN Framework Convention on Climate Change.
- **2008**: A series of internal task force reports and management briefings results in a presentation on the “IFC Climate Change Strategy,” which identifies investment targets and potential business opportunities. Pilot studies are initiated to investigate the potential financial impact of climate change on IFC’s portfolio.
- **2008**: Board approves the creation of the Climate Investment Fund, providing substantial new donor support for concessional funding of clean energy projects.
- **2009**: IFC launches its carbon accounting activities, measuring gross greenhouse gas emissions from its investment activities.
- **2009**: IFC’s Development Goals include climate change as a strategic focus. A stock-taking exercise assesses IFC’s climate change activities and concludes that climate change and development are inextricably linked, and that IFC needs to review, refine, and retool its approach to climate change.
In 2010, the Climate Business Group (now the Climate Business Department) was created, incorporating existing groups focused on metrics and carbon accounting, clean tech investing, and carbon trading. It also added one new team—the Strategy and Business Development Group—with industry sector specialists.

- **2010:** IFC creates the Climate Business Group (now the Climate Business Department) to give greater focus and coherence to the implementation of IFC’s climate strategy.
- **2010:** IFC initiates discussions with the insurance industry about the potential use of insurance to give greater emphasis to risk management and loss avoidance due to climate vulnerabilities.
- **2010:** IFC issues its first green bond, the proceeds of which are for investing in renewable energy and climate-friendly projects in developing countries.
- **2011:** IFC launches the Post-2012 Carbon Facility to help address market uncertainty faced by climate-friendly projects eligible under the Kyoto Protocol’s Clean Development Mechanism, which expires end 2012.
- **2012:** The IFC Performance Standards increase the role of climate change, with lower thresholds for CO₂ emissions and references to climate impacts and adaptation. IFC identifies its first adaptation project.
- **2012:** IFC’s climate risk working group develops risk screening tools for investments; a pilot program to implement the group’s proposal is approved by IFC management in March 2013.
- **2012:** IFC introduces the EDGE green building certification program.
- **2012:** IFC invests in sub-Saharan Africa’s first concentrated solar power plants, utilizing donor funds to help reduce construction cost and the impact of solar power plant tariffs on electricity prices for South African consumers.
- **2013:** IFC issues a $1 billion green bond—the largest green bond issue to date—to support IFC climate-friendly projects in developing countries.

**IFC Gives Increased Support to Climate Change as a Strategic Priority**

In 2010, the Climate Business Group (now the Climate Business Department) was created, incorporating existing groups focused on metrics and carbon accounting, clean tech investing, and carbon trading. It also added one new team—the Strategy and Business Development Group—with industry sector specialists.
IFC at the Forefront of a Low Carbon Economy

IFC’s response to climate change gives new meaning to our commitment to reduce poverty through private sector development. As the private sector arm of the World Bank Group, IFC is also an active partner in the design and implementation of new initiatives that respond to the threat of a much warmer world as reflected in the publication of “Turn Down the Heat”, a review of what is known about the consequences of global warming of 4 degrees C or more.

IFC shall focus on four key areas:

- **Renewable Energy and Energy Access**, supporting “greening the grid” and providing access to clean energy for the 1.7 billion people without electricity and the nearly 3.5 billion who lack clean cooking fuels.

- **Energy Efficiency**, investing to help reduce energy use from buildings to industrial processes, agribusiness, and other key needs. This includes the Green Buildings program, which mainstreams sustainable housing and other construction in rapidly growing emerging markets through design assistance and investment.

- **Climate-Smart Innovation**, spurring innovation by channeling investment capital, including venture capital, and donor-supported blended concessional finance to climate-smart projects.

- **Adaptation**, by analyzing climate risks and providing investment capital to help clients understand and prepare for climate impacts on long-term investments.

The institution is in a strong position to address these challenges through its ability to demonstrate workable investment strategies, shape markets through regulatory and policy advice, and provide leadership to the donor and the international community. IFC’s private sector experience in green growth and climate-related investment has been incorporated into the ongoing G-20 policy discussions to boost sustainable economic growth in the least developed countries.

The threats posed by climate change are real, increasing, and in many places, significant barriers to meeting development goals. Climate change affects the core of people’s lives worldwide. As the world seeks to alleviate the impact of global climate change, IFC shall be there to utilize its resources to provide people with access to services they need to thrive.