DGTI FUND
Direct Green Technology Incentive
**Goal:** Support countries to achieve their conditional targets under the Paris Agreement in full alignment with the Agenda 2030 through accelerated engagement of private sector.

**Specific Objective:** De-risk private capital by addressing the key barriers that hinder investment in NDCs and SDGs through the provision of USD or EUR-based payments in exchange for the delivery of UNFCCC certified mitigation outcomes.

**Geography:** Global

**Budget:** $100 million after year 2 and $500 million within 5 years

**Cycle:** 2018-2030

**Implementing Partners:** Project aggregators (initially AERA and Climate Mundial) and network of lenders and development banks such as Climate Mundial (for the Paris Climate Bond concept) Trine, bettervest, West-African Development Bank etc.
THE PROBLEM: LACK OF MARKET PRICE SIGNAL FOR UPTAKE OF GREEN TECHNOLOGIES

- **Meeting the NDC targets** is a prerequisite for establishing markets for climate actions.

- **Markets are an effective and efficient approach** to achieving real and measurable GHG emission reductions and sustainable development (SD) impacts.

- **Readiness for markets accelerated** by swiftly channeling payments in US$ or EUR into developing countries to reduce investor exposure to currency risk.

- Developed country parities that agreed to support developing country **parties are encouraged to contribute** to the DGTI Fund and pilot approaches to increase readiness for Article 6.4 mechanisms once established, recognizing that we need experience in implementing mitigation actions at scale.

- Including the **provision for future ITMO transfers** between beneficiary and supporting countries for the mitigation outcomes exceeding a country’s unconditional NDC targets.
The goal of the DGTI Fund is to unlock private capital for the implementation of the NDCs and SDGs and offering a clear carbon price signal to private sector. This will be done by:

- **Providing performance-based grants in exchange for mitigation outcomes** to bridge the gap between the Kyoto Protocol and the Paris Agreement.

- **Providing access to finance** to facilitate quick mobilization of private sector and rapid uptake of green technologies.

- The fund will partner with **project aggregators that provide technical assistance** to projects and accelerate project implementation.
The DGTI FUND will:

• **Stimulate the creation of project supply** and incentivize implementation of concrete projects with measurable environmental and social impacts.

• Provide **performance-based grants to high impact projects against real and measurable mitigation outcomes** (MOs).

• **Implement rigorous MRV to ensure transparency** under the Paris Agreement.

• **Accessible to all Parties supporting them to meet their Paris Agreement pledges** and eventually allow overachievement of emission reduction targets.

• **Government endorsement** for private sector participation in sectors and sub-sectors that have been identified as priority through NDC planning.
DTI FUND’S THREE KEY COMPONENTS

DTI FUND will feature 3 components:

1. **Provision of performance-based grants** to crowd-in private capital into immature markets.

2. **Debt financing** as growth capital for projects that satisfy proof-of-concept criteria but for companies that cannot access finance. This is implemented in collaboration with a network of impact investors and the Paris Climate Bond.

3. **Project Aggregator Facility** to identify and develop a portfolio of projects ready for investment.
The DGTI FUND will select high impact projects identified in the mapping exercise by Government, issue an *ex-ante offtake guarantee against an agreed price per MO*.

In order to reduce the risk of non-delivery and the operational burden of the fund, the DGTIF will *provide only payments ex-post against delivery of verified MOs*.

Swift *project assessments and approvals* to accelerate private sector participation but robust enough to reduce the risk of low quality projects being targeted by the fund.

*Government endorsement for private sector participation in the DGTI Fund will allow private sector to apply directly to the fund* for performance-based grants and for access to capital.
2. NETWORK OF LENDERS

- Debt financing will be provided as growth capital for projects that satisfy proof-of-concept criteria but cannot access affordable finance elsewhere.
- The network of lenders will extend support to companies and provide loans to projects which cannot access other forms of finance domestically or internationally.
- The individual lenders will conduct their standard due diligence and approval process before disbursing loans but will consider the performance-based grant agreements with DGTI Fund as a collateralized revenue stream for each project.
3. PROJECT AGGREGATOR FACILITY

- To increase DGTI FUND’s readiness, project aggregators will coordinate aggregation of projects to swiftly channel financial resources into concrete projects.

- The project aggregator facility will work in cooperation with AERA and Climate Mundial.

- AERA and Climate Mundial will extend technical support to high impact mitigation projects until the MOs are verified and performance-based grants are disbursed.

- AERA will ensure high quality of project applications and reduce risk of underperformance of the DGTI FUND.

- Climate Mundial will aggregate and re-finance project portfolios of lenders to improve the loan terms.
The first phase of DTIF implementation will focus a specific pipeline across all geographies:

- **At least 34 projects** will be implemented in **23 countries** (such as wastewater treatment in Thailand, climate smart agriculture in the Philippines, renewables in Vietnam, Lao PDR and Myanmar, cookstoves in Bangladesh);

- **apply 10 different green technologies**;

- **reduce 26 million tonnes CO2eq** (over an average technology lifetime of 14 years);

- **require US$ 32 million performance-based grants**;

- **De-risk US$ 500 million private sector investment**;

- **Require US$ 15 million of public financial contribution** to effectively and quickly start operations and update of projects.
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