To increase climate finance streams to cities, CDP in partnership with ICLEI – Local Governments for Sustainability (ICLEI), South Pole Group and Gold Standard Foundation, as part of Climate-KIC’s Low Carbon City Lab (LoCaL), seek to develop a service to connect institutional investors and public finance institutions, with cities’ climate change mitigation projects.

To facilitate the urban transition to a low-carbon economy, a finance gap of US$93 trillion will need to be closed over the next 15 years. The public sector alone is unable to close this significant gap, which means a large contribution must come from private sector investors. The Matchmaker service project aims to close this finance gap through exploring the creation of one central go-to-place for data on urban projects to scale up city climate finance streams.

Cities: the place to invest

Cities account for 75% of all global greenhouse gas (GHG) emissions and play a crucial role in reaching the Paris Agreement goal to limit global warming well below two-degrees Celsius. Investments in low-carbon, resilient infrastructure, which target high GHG emitting sectors, such as transport, energy, buildings and waste, provide an opportunity for investors and local governments to fulfil their climate commitments. They could also offer stable returns over the lifetime of the project and a means for private sector investors to diversify their portfolio and meet client demand. For public financing institutions an investment into projects managed or owned by local governments is a sound investment, also in terms of sustainable development.

Understanding the barriers: Why do cities struggle to access finance?

Despite the decisive role cities play to achieve climate goals, public finance is limited, and historically, private investments to finance urban climate mitigation projects have been lacking.

Findings from a White Paper by Climate-KIC and CDP highlight that the lack of private sector investments is not due to a lack of capital or interest from investors, but rather to a shortage of bankable projects.

The paper identifies four main barriers explaining this shortage:
1. Cities often lack knowledge how to develop, report and market projects
2. Climate change mitigation is often low on a city’s agenda
3. There is difficulty in aligning all the different parties involved
4. Cities (mainly in the global south) suffer from lack of creditworthiness
Overcoming the barriers: The Matchmaker service project

The Climate-KIC Matchmaker service project aims to scale up city climate finance through:

- Creating a market for data on a wide variety of urban climate change mitigation projects in an early stage
- Improving communication to help cities prioritize climate projects and help investors to find relevant opportunities to financially support climate change mitigation projects.
- Explore ways to aggregate smaller projects to reach significant scale and promote financing collaboration between the public and private sector to minimize risks.
- Overcoming credit worthiness with blended finance by supporting development institutions to leverage private sector involvement.
- Connect to other initiatives, such as project preparation facilities, and get exposure to investor interest.

In 2016 the Matchmaker service will:

Design a sustainable business model to reach significant scale and impact in the coming years, and create networking opportunities between cities, service providers, project developers and investors to scale up city climate finance streams. This will be achieved via consultations with stakeholders and the organization of four events, giving cities the opportunity to pitch selected projects directly to interested investors and demonstrate to investors the many opportunities that cities offer to mitigate climate change, while not compromising returns on investment.

City Climate Project
Examples from Singapore Workshop

<table>
<thead>
<tr>
<th>City</th>
<th>Project</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ulaanbaatar City, Mongolia</td>
<td>Thermo-Technical Rehabilitation of Precast Panel Buildings</td>
<td>Between USD 324 million – USD 503 million</td>
</tr>
<tr>
<td>Taipei, Taiwan</td>
<td>Building Solar PV Installations</td>
<td>USD 10,000,000</td>
</tr>
<tr>
<td>Bogor, Indonesia</td>
<td>Conversion street lighting from conventional lamp to LED lamp, smart street lighting</td>
<td>NOT AVAILABLE</td>
</tr>
<tr>
<td>Rajkot, India</td>
<td>SMART Housing Society Scheme Zero Waste Society</td>
<td>9,496,774 USD</td>
</tr>
<tr>
<td>Iskandar, Malaysia</td>
<td>Comprehensive Assessment of Built Environment Efficiency (CASBEE)</td>
<td>MYR 500k or USD-128k (for CASBEE pilot project)</td>
</tr>
<tr>
<td>Balikpapan, Indonesia</td>
<td>Balikpapan Monorail and Tram Project</td>
<td>678,087,870.30 USD (Monorail and Trem), 569,821,739,75 USD (Monorail), 108,266,130.55 USD (Trem)</td>
</tr>
</tbody>
</table>

Get involved
Cities:
Projects will be selected based on cities’ responses to CDP’s climate disclosure platform and applications to the Transformative Action Program (TAP) managed by ICLEI. If cities and/or local governments provide information on projects seeking finance, they will be contacted about participating in the Matchmaker service project.

More information
To find out more and participate in the project please send an email to florianne.deboer@cdp.net and lucy.price@iclei.org outlining your interest in the project. More information on the Matchmaker can be found on the Climate KIC Low Carbon City Lab.