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FINANCING CCS IN DEVELOPING COUNTRIES

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INTRODUCTION

CCS is vital to solving the climate crisis, which experts believe will require the world's emissions to reach net-zero by 2050. To this, the IEA's Sustainable Development Scenario (SDS) estimates that ±9% of the world's emissions reductions must come as a result of deployment of CCS across numerous sectors. It is one of the few technologies that can substantially reduce emissions from hard-to-abate sectors as well as in decarbonising fossil fuel powered electricity generation. It is also one of the few technologies that can be used to create negative emissions through bioenergy with CCS or Direct Air Capture (DAC).

To ensure that CCS can meet the SDS' requisites, its deployment must occur in all parts of the world where opportunities exist for its application. This means that CCS must be deployed in both developed and developing countries. Given the long lead times associated with developing CCS projects, the steps taken between now and 2030 will determine whether CCS technology will be deployed at the scale necessary to meet net-zero emissions by 2050. It must, therefore, be the case that between 2030 and 2050 the rate of deployment of CCS must increase by more than a factor of 100. This implies that a rapidly growing demand for CCS projects emerges from debt and capital markets by 2030, and for this to happen, investments in CCS must be significantly derisked during the intervening years.

Some parts of the world will lend themselves better to the challenge of early deployment than others, specifically the difference in levels of deployment in developed countries versus developing countries. Developing countries represent high-risk environments for investments in CCS, which create funding gaps for CCS projects. This in turn poses a significant risk to the timely deployment of this vital technology. It is the role of climate finance to help close such funding gaps. This report examines how CCS projects can be structured so as to avail themselves to the different climate finance options currently available to support their deployment around the world.

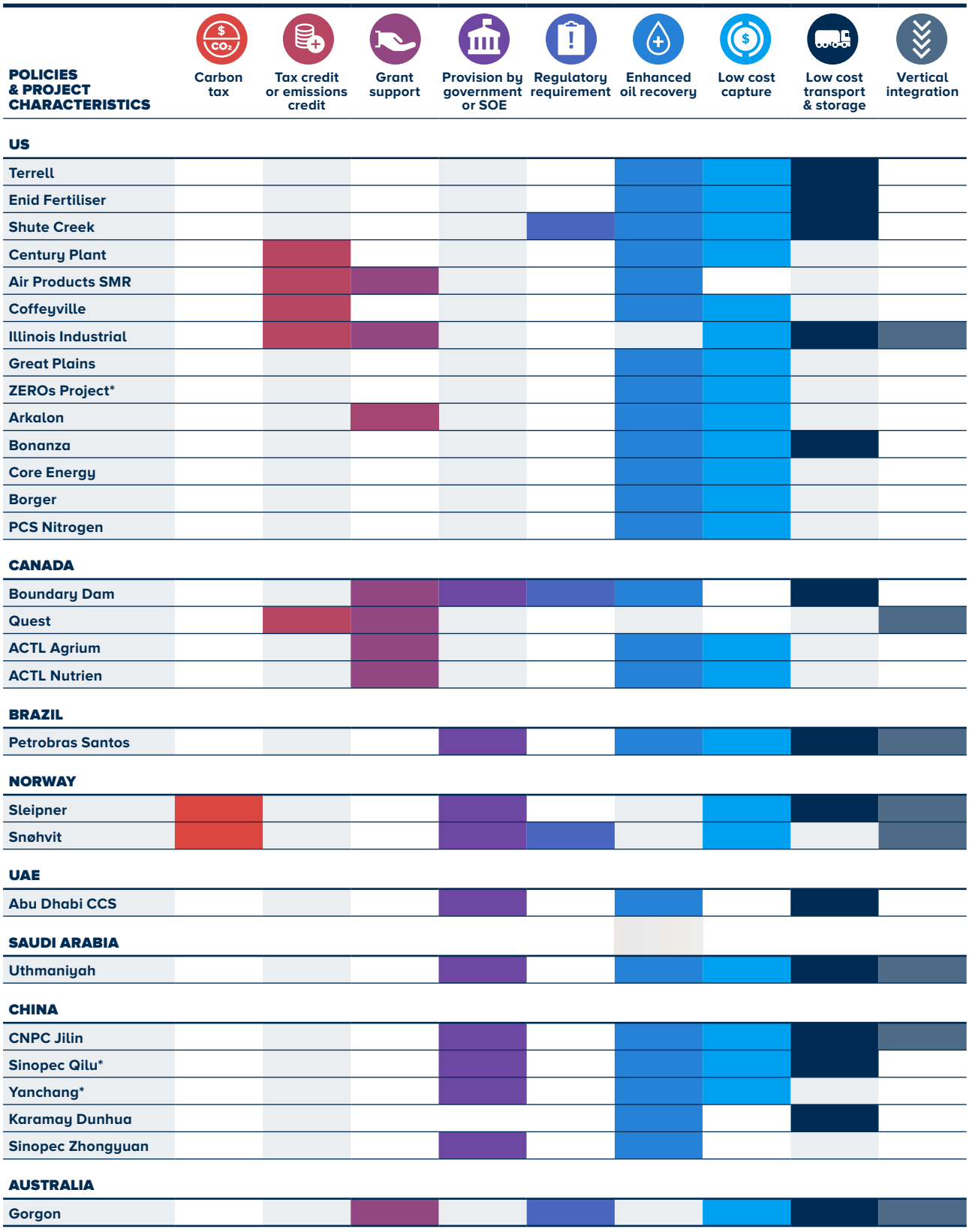
1.0 SUPPORT AFFORDED TO EXISTING CCS FACILITIES

Companies are most likely to invest in CCS where there is a large capital injection from government, through direct grant funding, to support private sector equity investments. Several State Owned Enterprises (SOEs) have also invested in CCS facilities.

Figure 1 shows the project characteristics and policies that have contributed towards the positive financial investment decision (FID) for the current fleet of commercial CCS facilities around the world. These projects can be broadly categorised as those that are SOEs, or those that have been developed by the private sector.

In the case of the latter group of projects, approximately half have received some form of grant support in the form of direct capital injection from government. Furthermore, most of these projects have obtained a value for CO_2 through enhanced oil recovery (CO_2-EOR) and/or a policy mechanism such as tax credits or a carbon tax. Notably, there are few projects in developing countries.

Figure 1 Policies and project characteristics



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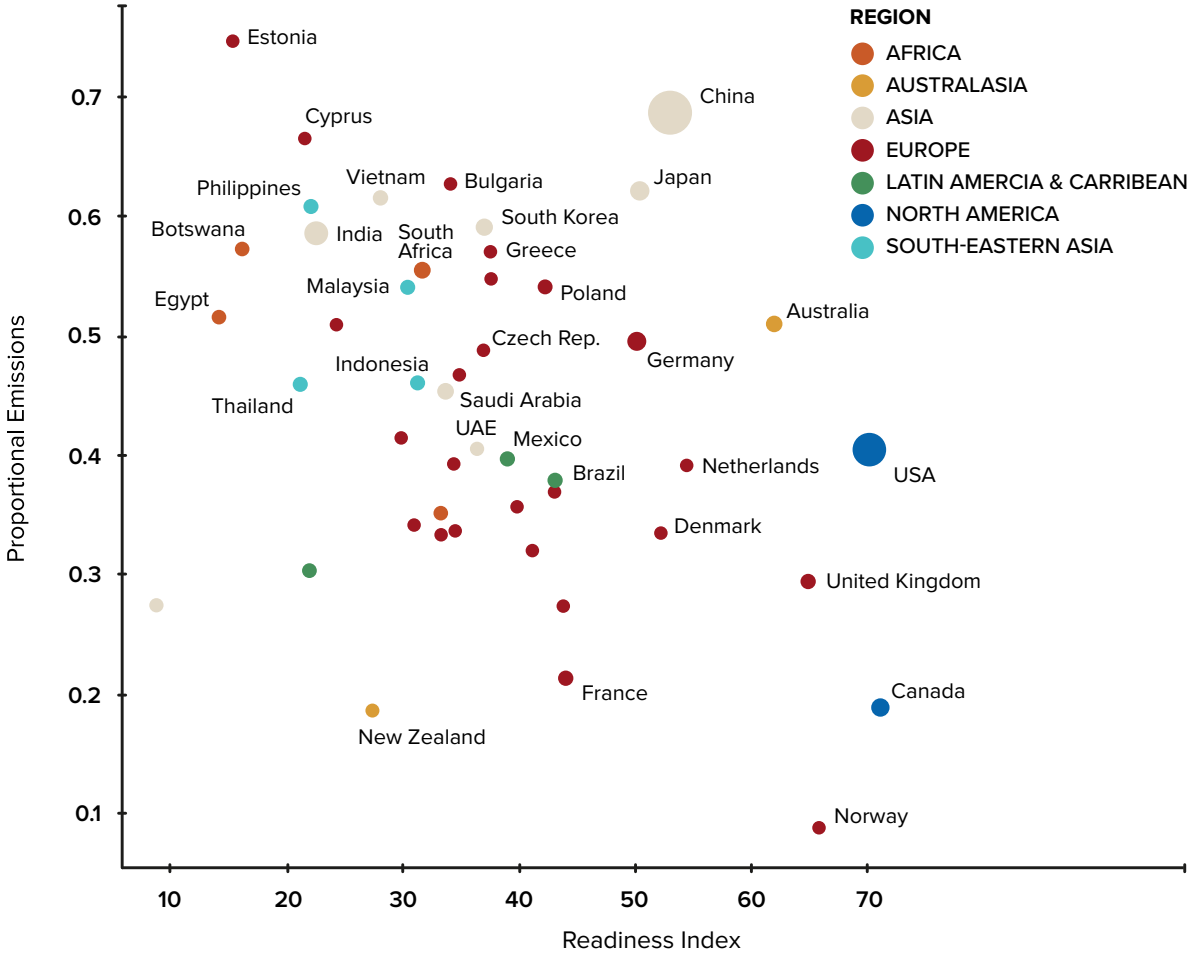
2.0 THE LACK OF CCS DEPLOYMENT IN DEVELOPING COUNTRIES

While several developed countries have taken steps to improve their enabling environment for CCS (see next section), developing countries lag far behind. One measure of this performance is to compare countries' general need for CCS with their level of CCS readiness.

The former can be characterised as the total CO_2 emissions from sectors where CCS can be applied as a proportion of a country's overall emissions. Such a comparison is made in Figure 2 and is taken from recent analysis completed by the Global CCS Institute.

Figure 2 Countries' proportional emissions[1] (representing their need for CCS in some key sectors[2]) is measured against their scores in the Global CCS Institute's Readiness Index. The higher the value of proportional emissions, the greater the need for CCS. The larger the size of each circle, the greater a country's overall emissions.



[1] The sum of a country's CO_2 emissions from key sectors where CCS can be applied, divided by that country's total emissions.

[2] Sectors examined are iron and steel manufacture, cement production, power generation from fossil fuels, and bioethanol production.

While the data in Figure 2 does not represent all of the sectors where CCS can be applied, it is an indicator of the need for CCS in sectors where the technology is set to play a key role to mitigate their emissions. For example, the process of cement production has very few alternative means, through which to decarbonise.

Figure 2 also also demonstrates the extent to which the need for CCS is being matched by government action. It is evident that some developing countries, particularly those in the Asia and SE Asia regions, are falling behind in terms of CCS readiness in relation to their need for the technology. Furthermore, some developing countries have explicitly or implicity included CCS as a technology required to meet their Nationally Determined Contributions (NDC) under the Paris Agreement. Further detail of these commitments is provided in Table 1 below.

Table 1 CCS in countries' NDCs

		INDC[3]	1ST NDC	1ST NDC UPDATE	2ND NDC
1	AUSTRALIA	—	✗	✓	
2	BAHRAIN	—	✓		
3	CHINA	✓	✓		
4	EGYPT	—	✓		
5	IRAN	✓			
6	IRAQ	✓			
7	MALAWI	✓	✓		
8	MONGOLIA	✗	✗	✓	
9	NORWAY	—	✓	✓	
10	SAUDI ARABIA	✓	✓		
11	SOUTH AFRICA	✓	✓		
12	UAE	—	✓		✓

✓ NDC mentions CCS
✗ NDC does not mention CCS
— not available

The United Nations Framework Convention on Climate Change (UNFCCC or "the Convention") recognises that countries' contribution to climate change and their capacity to prevent (and cope with) its consequences varies significantly. It is the role of climate finance to facilitate the provision of financial resources (from developed countries) to assist developing countries, in implementing the Convention. To facilitate this, the UNFCCC created a Financial Mechanism, the role of which is to provide funds to developing countries. These as well as other initiatives are discussed later in this report under Relevant Finance Mechanisms.

[3] Intended Nationally Determined Contribution

3.0 OVERCOMING CCS INVESTMENT RISKS

Hard-to-reduce risks

With most of the world's liquidity locked inside the private sector, large scale deployment of CCS must attract investments from banks and capital markets. While most risks associated with CCS investments are general and can be mitigated over the course of a project, there are other risks that the private sector considers too great to bear, and until these are properly addressed, CCS will not deploy at scale. The risks emerge from several market failures:

- A revenue risk due to an insufficient value placed on the capture and storage of CO_2. CCS facilities are capital intensive. Investments can only go ahead if there is sufficient and reliable revenue to be generated from the capture and storage of CO_2.
- An interdependency or cross-chain risk arises in CCS projects that rely on a single source and single sink model. CCS facilities may involve one source, one sink, and one pipeline. These disaggregated business models are expensive and there is an interdependency risk. For example, if the industrial source of CO_2 closes, the pipeline and storage operators both have no customers and no revenue.
- Unlimited long term storage liability risk. While the risk of leakage from an appropriately selected storage resource is diminishingly small, it is not zero. Where there are no limitations placed upon liability over the long-term, a storage operator may be liable for leakage at any time in the future. It is very difficult for private sector investors to accept such unlimited and perpetual liability, particularly in emerging industries like CCS where experience is limited.

It is well understood that policy measures can be taken by governments to manage or reallocate these risks so as to enable private investments in CCS (Table 2).

Table 2 Overcoming hard-to-reduce risks

BARRIER	EXAMPLES OF POTENTIAL POLICY MEASURES
Insufficient value on CO_2 emissions	Introduce a value on CO_2 emissions reductions, for example through a carbon tax, tax credit, emissions trading scheme, CCS obligation, emissions performance standard or through government procurement standards. In doing so, this will enable investments in capture facilities which can then pass on part of the benefit to transportation and storage providers.
Interdependency of the CCS value chain	Provide capital support to enable the development of shared transport and storage networks, with a focus on integrated hubs and clusters where economies of scale can reduce unit costs and a diversified source of emissions can reduce the risk of asset stranding. Governments may initially own the T&S infrastructure, and may later choose to sell it to the private sector for a profit after more emitters have connected to the network.
Long-term liability	Legal and regulatory frameworks may place limits on private investors' exposure to any long-term storage liabilities. This can be achieved by transferring these liabilities to the state, post-closure and following a specified period of time. Jurisdictions may specify a minimum number of years, for which operators must continue to monitor a site post-closure. Another way in which this can be managed is through a risk capping mechanism whereby the private sector operator would be responsible for the cost of liability below a cap, whilst Government would take responsibility for all additional risks above the cap. The cap's value could be determined as a function of the balance of public and private equity in the storage operation, with higher private equity translating to a higher cap.

Mitigable risks

These measures will reduce the overall investment risk, but generic project risks can only be reduced through experience and the continuous deployment of CCS. This group of risks includes technological and physical risks, such as reliability of the technology, construction of facilities, and the environmental impact that they may have. Other risks that fall into this group may be of a political, policy or social nature, which will all vary from country to country.

All of the risks that are normally observed when deploying CCS projects in developed countries, are heightened where projects are developed in developing countries. Through experience in deploying other mitigation technologies, it is well known that generic project risks tend to significantly reduce the viability of investments in developing countries. A summary of these risks is provided in Table 3, which also highlights the type of mitigation measures that are normally applied to them by the likes of multi-lateral development banks.

Table 3 Generic risk types and mitigation measures applied to them in developing countries

RISK TYPE	POLITICAL, POLICY AND SOCIAL RISKS.	ECONOMIC AND COMMERCIAL RISKS	TECHNICAL AND PHYSICAL RISKS
Examples	Political stability; longevity of supportive CCS policies; social acceptance of CCS projects.	Currency; counterparty; investment liquidity.	Construction risks; reliability of technology's output; environmental impact; disaster or catastrophic failure.
Level of mitigation	Significantly higher than in developed countries.	Significantly higher than in developed countries.	Higher than in developed countries but may come down with experience and deployment.
Risk category requires predominantly explicit mitigation measures	**Significantly higher than in developed countries.**	**Significantly higher than in developed countries.**	**Higher than in developed countries but may come down with experience and deployment.**

Risk category requires predominantly explicit mitigation measures [4]

Risk category requires a mix of explicit and implicit mitigation measures . [5]

Risk category requires predominantly implicit and indirect mitigation measures [6]

The role of specialist financiers

If left unmitigated, risks can significantly delay the adoption of mitigation technologies like CCS in developing countries. In some countries they will have the effect of increasing the cost of debt, often causing projects to become unviable. In other countries, the overall risk may be too high for local financiers to consider funding these projects. Both scenarios, therefore, lead to a funding gap. It is often up to specialist financiers to provide the funding needed.

Examples of specialist financiers

There are two main groups of financiers that, for the purposes of this report, are broadly defined as specialist financiers. They are National Export Credit Agencies (ECAs) and Multilateral Agencies (MLAs). They are both driven more by countries' policy goals, such as development objectives, rather than conventional market forces, and have played a key role in deploying mitigation projects around the world.

ECAs are government institutions or private companies operating on behalf of governments, providing financing to support national exporters competing for overseas sales. Project proponents are able to partner up with technology providers from a country where a suitable ECA is able to lend their support.

[4] Explicit mitigation measures: this refers to the refer to the full theoretical risk coverage explicitly mentioned by an instrument.
[5] Implicit mitigation measures: this refers to the full theoretical risk coverage provided without explicit mention by instruments.
[6] Indirect mitigation measures: this takes account of all indirect benefits offered by an instrument that in fact provide coverage against other risks

An example of ECA's supporting CCS deployment is the Petra Nova project in the USA. Approximately 25% of the project was funded through debt, which was provided by Japanese ECAs, JBIC and NEXI. They supported the project because JX Nippon, a Japanese oil and gas exploration corporation, had a 50% equity stake in the project and Mitsubishi and Kansai Electric Power provided the technology used by the capture facility.

MLAs are specialists at funding projects in relatively new sectors, specifically those that are aligned with their development goals. MLAs' objectives, experiences and diplomatic leverage often enable them to provide cover for risks in countries and projects that would otherwise struggle to access funding. MLAs tend to have deep liquidity so they are able to play a key role by committing large amounts of debt to projects. They play a significant role in climate finance as many of them serve as accredited entities to the Green Climate Fund (see section Relevant finance mechanisms).

While the Institute is not aware of any commercial CCS projects having been funded by MLAs, it is well known that the EIB has played an essential role in advancing the deployment of offshore wind, which had to overcome similar challenges being faced by CCS today. The European Investment Bank (EIB) made provisions for risk coverage and low-cost debt for offshore wind projects at a time when investing in the technology was perceived as high-risk.

For projects that are unable to attain financial sustainability, it is important to reduce costs so as to attain an acceptable return on investment. To achieve this, specialist financiers apply concessional financing to projects. Concessions can take the form of low-interest loans, grants or a blend of both. Concessional financing is often used for the most high-risk component of projects, with the aim of applying the least concession for the project to become viable.

Specialist financiers will also provide debt to projects that are financially sustainable but located in countries where commercial bank financing is not available due to high-risks. Although they provide the level of funding needed, the debt is priced at a rate similar to what is commercially acceptable on the local market. This way local markets are not disrupted.

Eligibility

Each financial institution will usually set internal standards or 'eligibility criteria' – sometimes set out in a framework document – regarding what they will and will not classify as an eligible investment for lending at either concessional or impact financing. These criteria may also be defined by third parties, such as governments, whose funds the MLA in question is administering. Criteria may limit support for projects based on factors such as ESG, technology type, risk category or simply regions where projects are located. One common criterion for projects to receive support is that they utilise a project finance structure, which favours replicability.

Project finance

Project finance is a type of financing that offers distinct advantages to investors, the most notable of which is that it offers off-balance-sheet financing, thereby not affecting the credit rating of shareholders. In doing so, all of the project risks are shifted to lenders in exchange for higher lending rates.

So long as the right level of policy measures are implemented, the private sector will invest in CCS. However, the risk-reward profile of CCS projects has tended to rely on the corporate financing model, meaning that projects are developed through on-balance-sheet financing of companies (large corporations) as opposed to the project finance model.

Project finance is important to CCS deployment as it allows smaller companies that do not have the large balance sheets of large corporations to invest in CCS projects. This increases the number of investors and can, therefore, positively influence the rate of deployment of CCS. Through a project finance structure, companies are able to partner up to raise equity, and lenders can come together to provide syndicated project loans on the debt side.

If projects are designed so as to meet the eligibility criteria set by specialist financiers, the debt raised by the project can be layered so as to allocate impact or concessional financing to project components that are associated with higher risks. Enabling the project finance structure is, therefore, an important step in creating an enabling environment for CCS deployment.

4.0 RELEVANT CLIMATE FINANCE MECHANISMS

Climate finance is a term that can be generally described as the flow of financial resources that are mobilised to help developing countries mitigate and adapt to climate change. Climate finance can be broadly divided into non-market and market-based mechanisms.

Non-market-based mechanisms

The UNFCCC has several funds which serve the purpose of climate finance, but its two most prominent are the Global Environment Facility (GEF) and the Green Climate Fund (GCF). Both of these are funds that pool financial resources from donor countries, and administer them to developing countries, usually through third parties.

The GEF

The GEF operates on the basis of funding cycles that last six years. At the beginning of each funding cycle, donor countries commit resources to the GEF, which in turn allocates these to recipient countries based on their needs. To access the funds, countries must propose projects that are aligned with their NDCs, requesting GEF funds that are allocated in the form of grants. The grants are then matched by co-financing that can come from multiple sources from the public and private sectors, including from international investors. The amount of co-financing required is based on a predetermined ratio that will vary depending on the level of development of a given country.

The projects are created, submitted and managed by third parties, which the GEF refers to as its agencies. Agencies to the GEF include multilateral development banks, international NGOs, and other international organisations such as those that form part of the UN.

The projects financed by the GEF vary in their size, with full-sized (the largest type) projects ranging from $1M to $15M. The use of GEF funds tends to be restricted to activities that increase countries' capacity to deploy technologies, such as the development of policies, technical studies and small pilot projects.

In comparison to the cost of a commercial CCS project, the sums involved are small. Because of this the support GEF can lend to the deployment of CCS is more suited to development of legal, regulatory and policy frameworks to improve countries' level of CCS readiness. To date, there haven't been any CCS projects that have been approved by the GEF, although there has been one submission (originated for Brazil in 2009) that failed to obtain sufficient funding.

The GCF

The GCF is a financial mechanism of the UNFCCC and is a dedicated financing vehicle for developing countries. Since the approval of the first project funding in 2015, the GCF has made rapid strides in building a portfolio of more than 100 projects.

The GCF operates at a much larger scale than the GEF and has the capacity for delivering large scale infrastructure projects, including CCS, through several financial instruments including grants, loan guarantees, concessional loans and equity investments. The process for project approval is lengthy and can take several years depending on the size and complexity of the

project in question. Given the volume of financing (in the order of tens to hundreds of millions of US dollars) and the array of financial instruments at its disposal, the GCF has the potential to significantly accelerate the rate of deployment of CCS in developing countries.

Notwithstanding this, the GCF has yet to approve a single CCS project. While not explicity stated in its eligibility criteria, it has been challenging for fossil fuel based projects (and, therefore projects from hard to abate sectors) to receive the unanimous support required from the GCF's board for funding approval. Recent developments have, however, changed the way in which the board approves projects such that approval is now contingent upon a simple majority of votes from board members. This development greatly increases the likelihood of unprecedented but highly innovative projects, such as CCS projects, being funded by the GCF.

While the GCF can help projects meet their capital requirement, it does not make provisions for overcoming the entirety of the revenue risk associated with all types of CCS projects. Carbon markets, which includes crediting mechanisms (see next section) can provide much needed revenue for CCS projects so long as they do not conflict with the GCF's eligibility criteria. While there has not previously been a formalised GCF policy on carbon pricing and markets, the GCF recently approved its first project with a reliance on carbon markets. The project, submitted by the European Bank of Reconstruction and Development, is an important precedent as it indicates a shift towards a class of more innovative projects.

Market-based mechanisms

While managing the long term storage liability and cross-chain risks is essential to derisk investments in CCS, the incentive to invest must come from placing a value on CO_2. In most developing countries there are few existing government-led policies that place a sufficient value on CO_2. This is, in part, due to a lack of emissions reductions targets prior to 2020, which have only come about in the form of Nationally Determined Contributions, which are at the heart of the Paris Agreement.

There is, however, a group of initiatives that have been successful in incentivising mitigation projects in developing countries that give insight to potential incentives for CCS investments. These fall under the umbrella of carbon crediting.

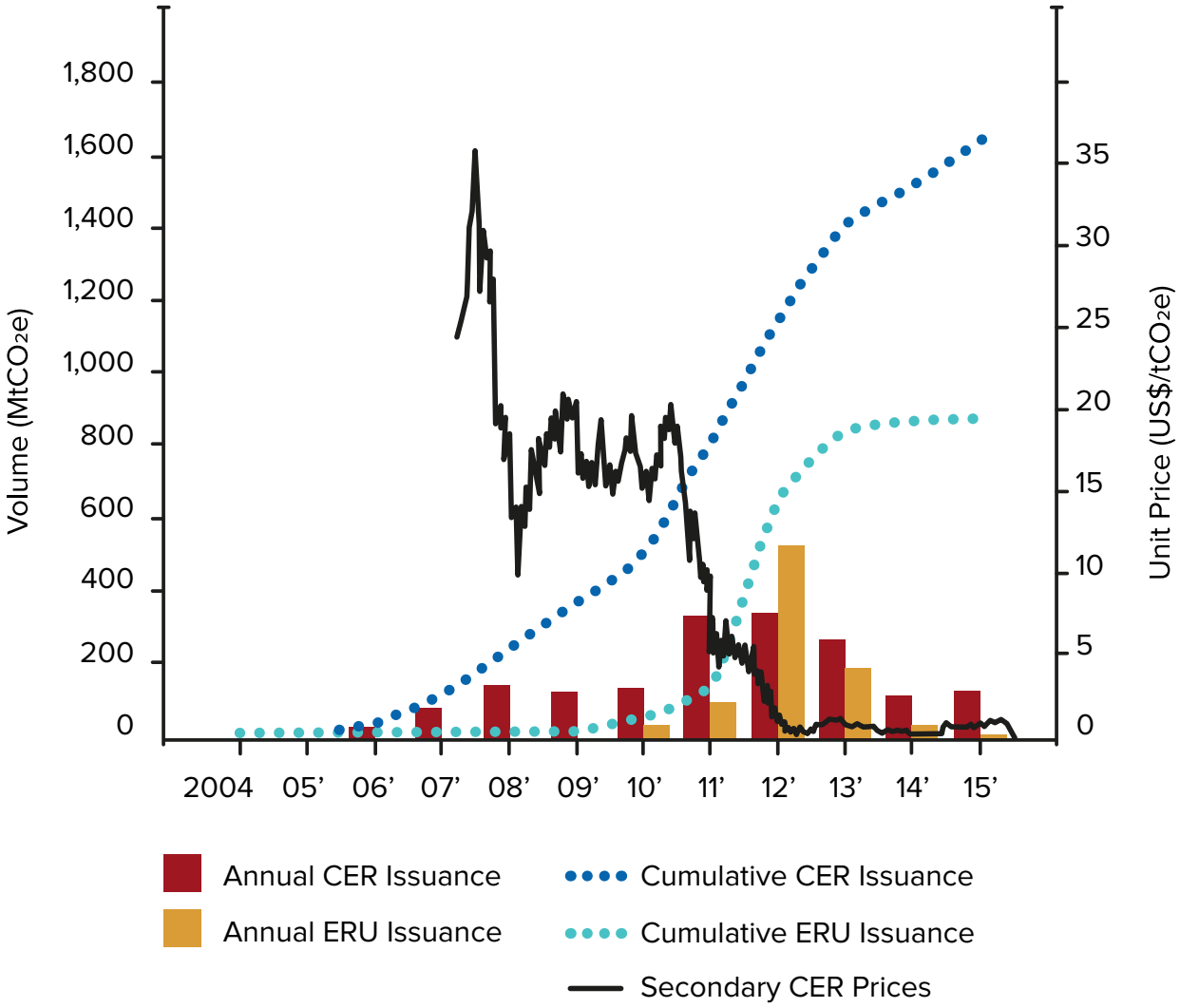
Carbon crediting is a form of carbon pricing that relates to the process of issuing a credit for one tonne of CO_2 equivalent that meets the criteria of the crediting scheme in question. Crediting schemes serve the broader function of carbon offsetting, whereby carbon credits are used to offset an equivalent amount of emissions either locally or elsewhere in the world. In the context of climate finance, crediting schemes are used to finance the development of mitigation projects in developing countries (non-Annex I parties), and the credits they generate are then used to offset emissions in more industrialised countries (Annex I parties).

UNFCCC Clean Development Mechanism

The Clean Development Mechanism (CDM) was developed under the Kyoto Protocol in 1997 and ended in 2020. The design of the CDM was based on developing countries participating on a voluntary basis since they did not have emissions targets. Through it, developing countries hosted low-carbon projects (developed by entities from either the public or private sector) to obtain credits, called certified emissions reductions (CERs), in return. CERs were then transferred to developed countries to meet their targets.

By having a price signal for GHG emissions reductions, there was sufficient incentive for investments in projects that would otherwise not have occurred. CCS was eligible under the CDM, but despite this, no projects were successfully developed with its support. Methodologies were, however, developed to account for the emissions reductions from two CCS applications: Egypt (BP) and Mexico (Petronas).

Figure 3 CDM and JI[7] cedit issuances and CDM credit prices.



By 2014, the CDM had supported USD 90B in investments in emissions reductions in developing countries. One of the key reasons why the CDM had been so successful was because it's the EU allowed emitters to use CERs to offset their emissions. This was subject to restrictions on their use, such volume caps, which meant that the price of CERs was always slightly less than EU Allowances (EUAs). Following the Global Financial Crisis, industrial activity across the EU diminished, creating an oversupply of EUAs, thereby bringing down their price, as well as the price of CERs (Figure 3). The CER's price never recovered, in part due to further restrictions set by the EU, and a lack of progress in the climate talks preceding the Paris Agreement.

Article 6 of the Paris Agreement

Article 6 of the Paris Agreement comprises three approaches for cooperation between Parties:

- cooperative approaches;
- a new mechanism to promote mitigation and sustainable development; and
- a framework for non-market approaches

The framework that is set to be defined under Article 6 is an outstanding issue for negotiations at the UNFCCC, which may be resolved later this year. Article 6 provides a framework for two distinct approaches to market-based mechanisms and one approach for non-market-based mechanisms. Table 4 provides a summary of these as described in the text of the Paris Agreement.

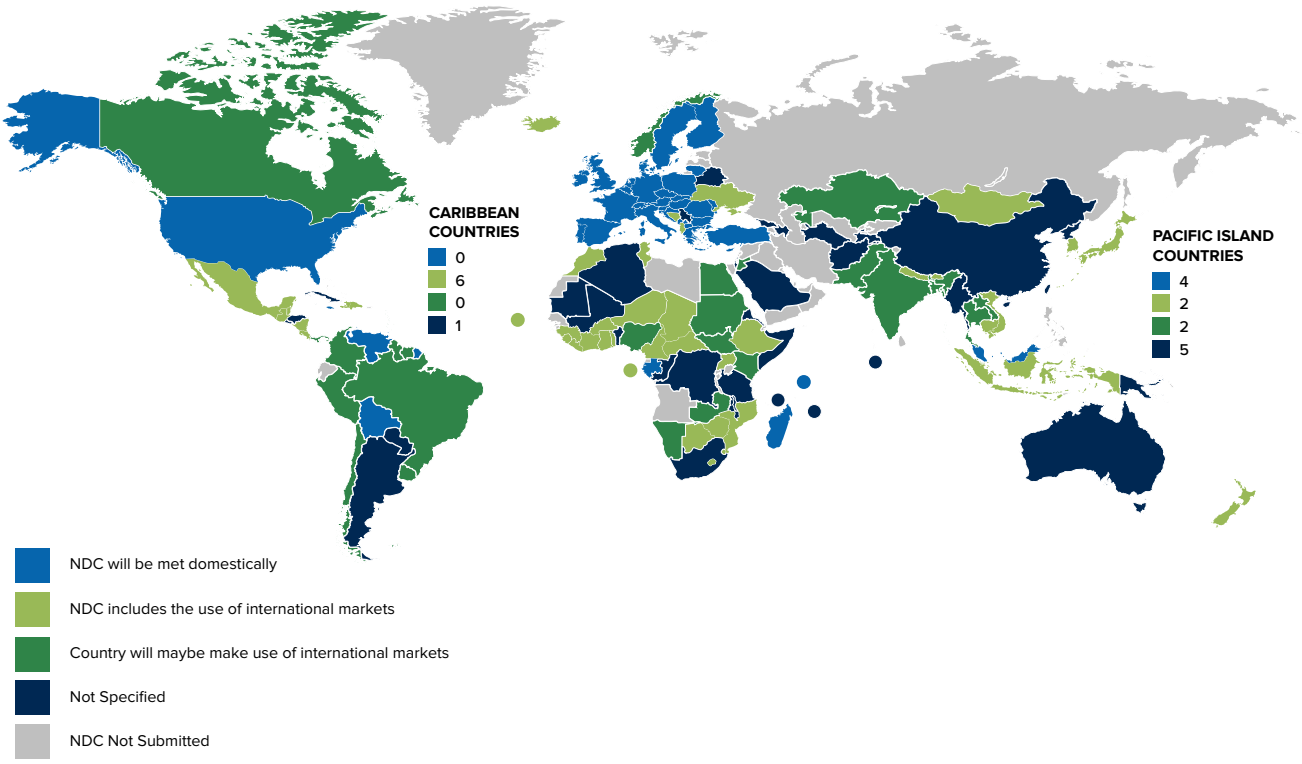
[7] JI or Joint Implementation, which is beyond the scope of this report, is similar to the CDM but only supports projects in developed countries.

Table 4 Mechanisms under Article 6 of the Paris Agreement

ARTICLE	DESCRIPTION
Article 6.2	Allows countries to strike bilateral and voluntary agreements to trade units (Internationally Transferred Mitigation Outcomes – ITMOs). It establishes an accounting framework that also applies to Article 6.4.
Article 6.4	This creates a centralised governance system for countries and the private sector to trade emissions reductions anywhere in the world. This system is due to replace the CDM. The system will be supervised by a specifically established UN Supervisory Body, which tends to mean a heavy layer of administration to operate under it (Article 6.2 should be easier to use).
Article 6.8	This develops a framework for cooperation between countries to reduce emissions outside market mechanisms, such as aid, financing adaptation and using taxes to deliver emission reductions. In the current draft texts, it is a work program, not an accounting framework like 6.2 or a mechanism like 6.4. Whether, and to what extent this framework ends up being used, is not clear. The concept of non-market was thrown into the negotiations by anti-market mechanism countries to balance out the text.

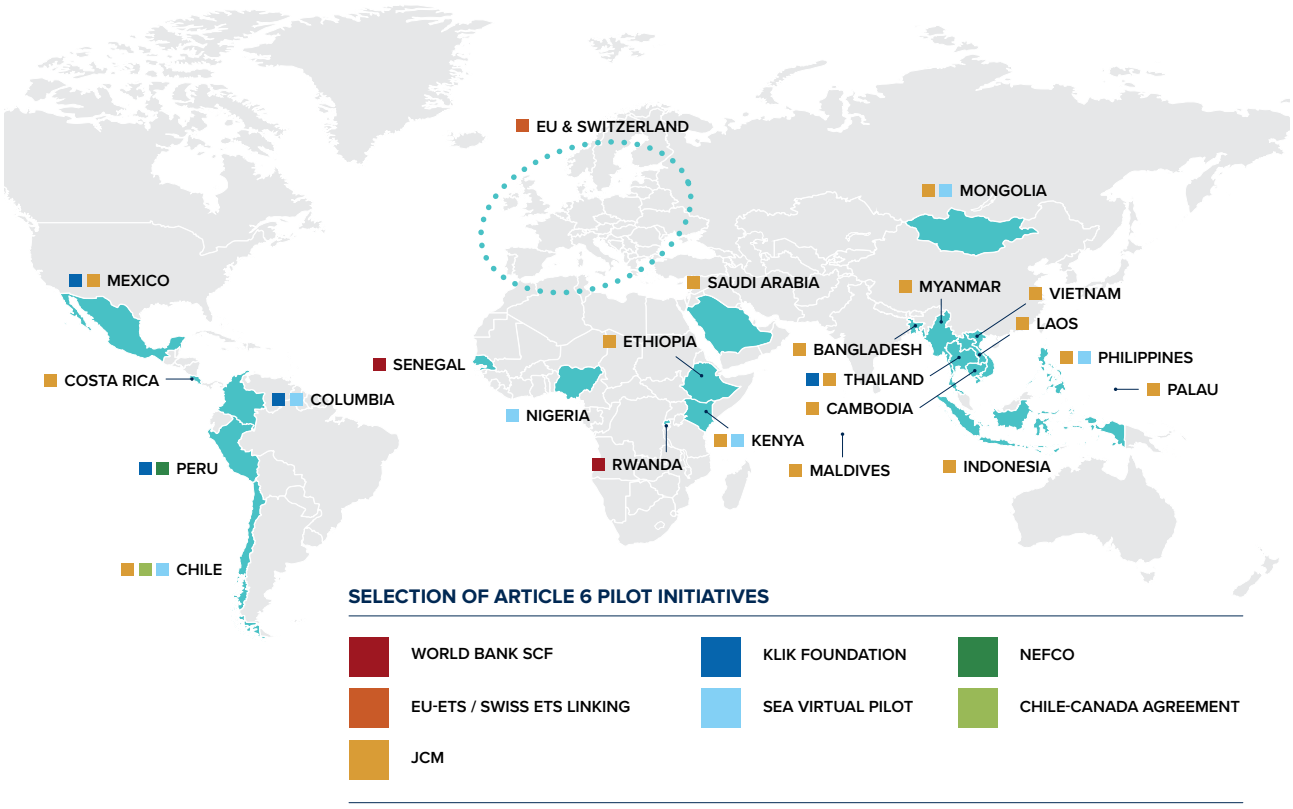
Making use of market-based mechanisms is a choice that individual countries will have to make. Some countries have already specified the use of international cooperation as part of their NDC commitments. This is depicted in Figure 4.

Figure 4 Market friendly NDCs



Some countries have yet to specify the type of mechanism through which their NDCs will be met. Others, specifically some of the large emitters identified in Figure 2, have made provisions for the use of market-based mechanisms. Furthermore, several countries have already started discussions with counterparties on running pilot 6.2 schemes. Figure 5 gives an account of these initiatives and where they are located. In particular, the Joint Crediting Mechanism features prominently.

Figure 5 Article 6 pilot initiatives

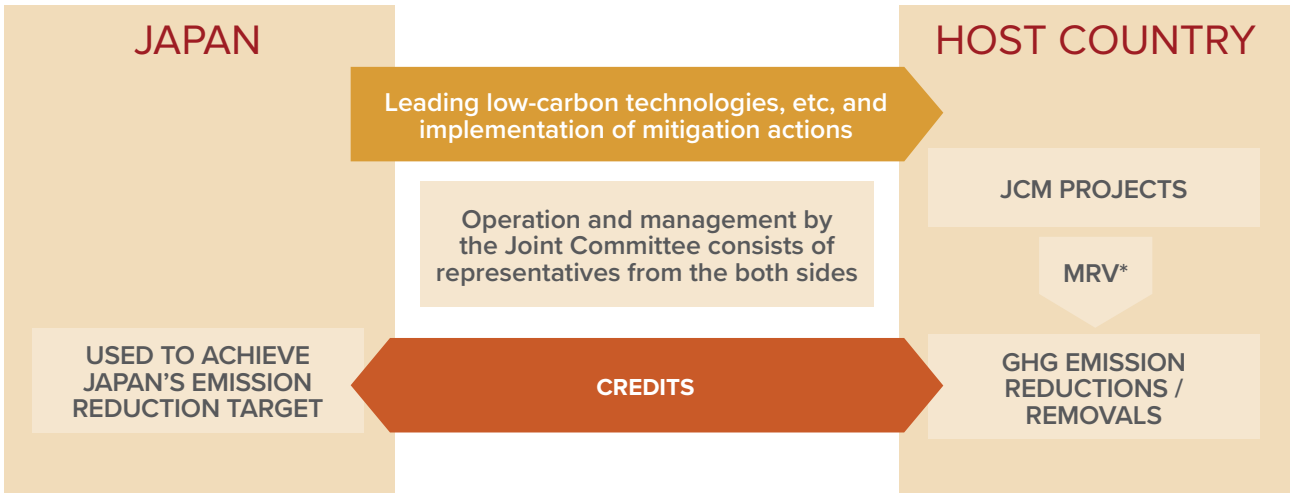


Joint Crediting Mechanism

The Joint Crediting Mechanism (JCM) is a project-based bilateral offset crediting mechanism initiated by the Government of Japan. The JCM aims to facilitate the diffusion of leading low-carbon technologies, products, systems, services, and infrastructure resulting in the mitigation of GHG emissions and contributing to the sustainable development of developing countries.

The JCM is typically implemented by Japan and a host country through a bilateral agreement. Similar to the CDM, JCM projects are implemented in a developing country using low-carbon technology to reduce GHG emissions. The resulting emissions reductions, meeting all requirements of the JCM process, may be credited to the project proponents of both participating countries. Figure 6 provides a high-level overview of how the mechanism functions.

Figure 6 Overview of the Joint Crediting Mechanism



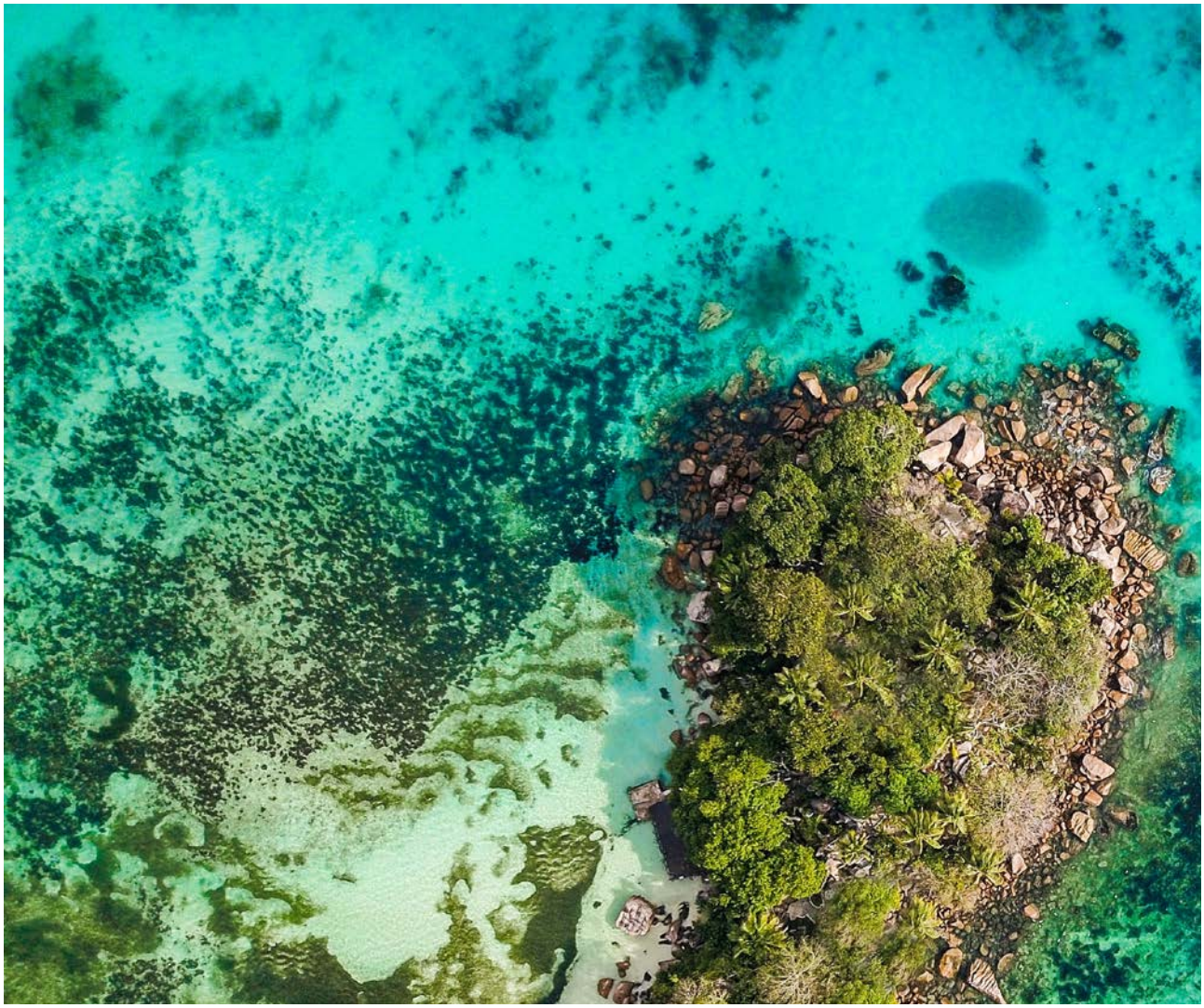
* measurement, reporting and verification

Since credits are split between both parties, it is implicit that emissions reductions not claimed by Japan can be claimed by a third party. This opens up the potential for additional funding to be raised for the project. In fact this is an intended consequence of the JCM as it is designed to be over-conservative with emissions reductions so as to allow developing countries to introduce their own domestic offset scheme. The possibility of linking JCM with other sources of climate finance may, therefore, be one way in which CCS projects can place a sufficient value on CO_2.

The role of institutional investors

Institutional investors, those that invest on behalf of third parties, such as mutual funds, pensions and insurance companies, will have a potentially important role to play as CCS ramps up in deployment. Institutional investors are attracted to invest in infrastructure projects because these provide secure, long term cash flow while also providing a yield pickup (an investment strategy whereby bonds with lower yields are traded for bonds with higher yields) on the low returns available from government bonds.

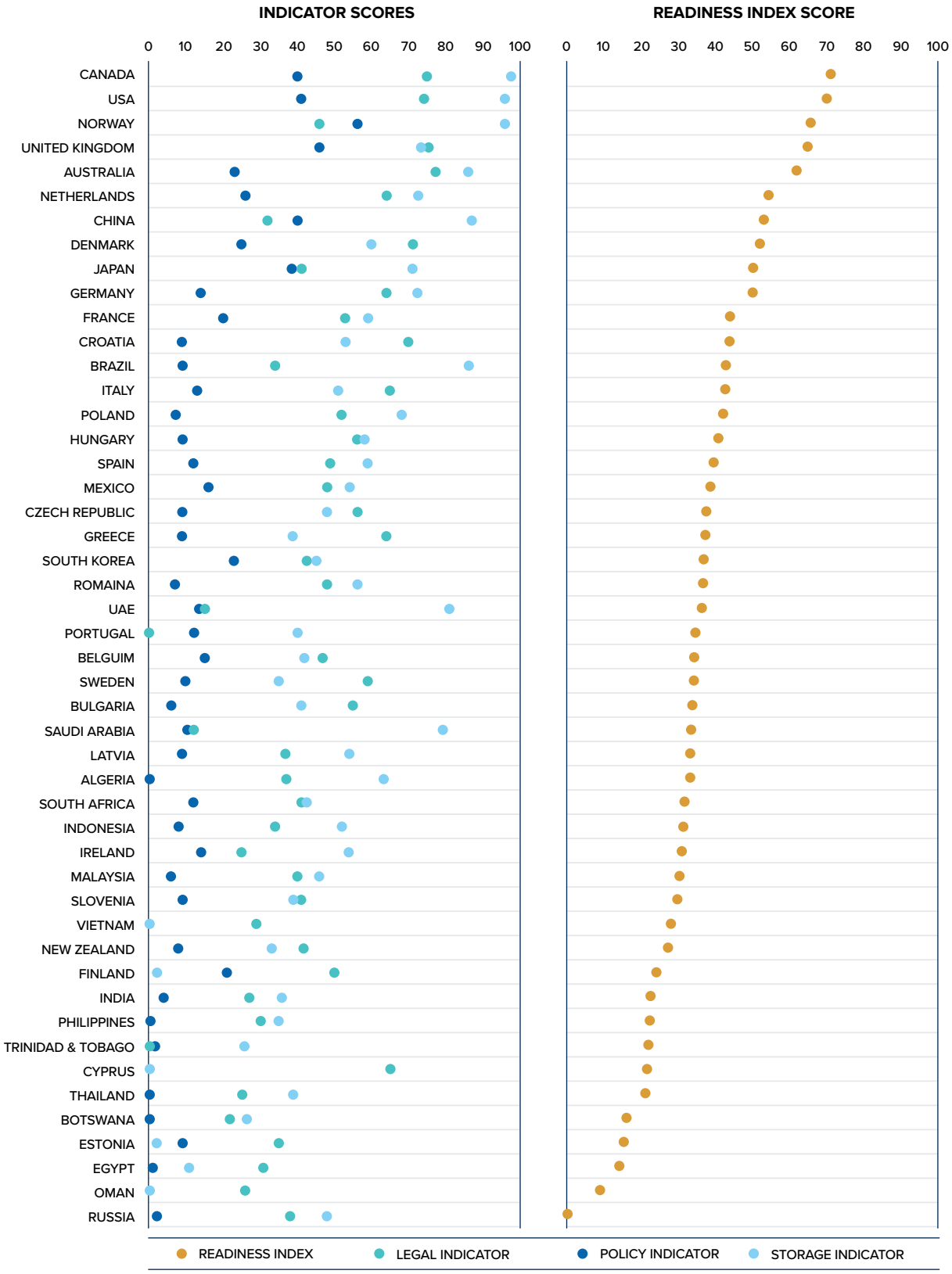
Like all large-scale infrastructure projects, CCS projects will have a varying risk profile across the different phases of development, construction and operation. Once a project is commissioned, its risk profile falls because risks are highest during the construction phase and lower during operation. This drop in the risk profile of a project can lead to the refinancing of a project's debt with more favourable terms of lending being applied. The role of refinancing is important as it reduces project cost, mostly in the form of monthly interest payments. Under the right contractual and legal structure, institutional investors can be engaged to refinance or acquire projects that have entered operation.



5.0 ANNEXE

Annexe 1

Figure 7 The Global CCS Institute Readiness Indicator as measured against the Legal, and Regulatory Indicators.



Annexe 2

Figure 8 Classification of climate finance

MECHANISM	EXAMPLES OF FUND, FUNDER OR SCHEME.	ALLOCATION OF FUNDING	TYPE OF INSTRUMENT AS CLASSED BY UNFCCC
GRANT-BASED INSTRUMENT (CAPITAL GRANTS OR LOAN GUARANTEES)	Green Climate Fund.	Grants are typically delivered on the basis of the amount of grant-based capital required for a climate climate change project to become economically viable. The proportion of a project's capital requirement that is derived from grant funding will vary. Grant funding may also be awarded to cover costs such as technical assistance.	Non-market-based mechanism
CONCESSIONAL LOANS OR IMPACT FINANCE	Green Climate Fund; European Investment Bank; International Finance Corporation.	The level of concessionality provided for loans will vary depending on the nature, location and risk profile of a project. Loans can make up a significant proportion of the capital requirement for a project and can have tenors up to 40 years.	Non-market-based mechanism
CARBON CREDITING SCHEME	Clean Development Mechanism and Joint Crediting Mechanism.	The amount of funding that can be drawn from crediting mechanisms will depend on the value of carbon credits (market-based). Projects may obtain some of the funds up front whilst the remainder of funds are made available on the basis of the project's performance.	Market-based-mechanism

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