وزارة التعاون الدولي
Ministry of International Cooperation

# CLIMATE FINANCE FOR THE JUST TRANSITION

June 2022

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# Introduction

- As the world aligns its efforts to build back better on its route to recovery from the COVID-19 pandemic, climate change has been pushed to the forefront of the international agenda.
- Given the multidimensionality and complexity of climate change, its consequences extend to affect every aspect of the peoples' and nations' sustainability efforts.
- Combating climate change and the enhancement of the citizens' social, economic, and environmental resilience is at the heart of government's national agenda .
- Investment in sustainable infrastructure is fundamental to meet the climate agenda and deliver on the Paris Agreement commitments.
- Innovative finance is an effective tool to support the achievement of sustainable development goals.

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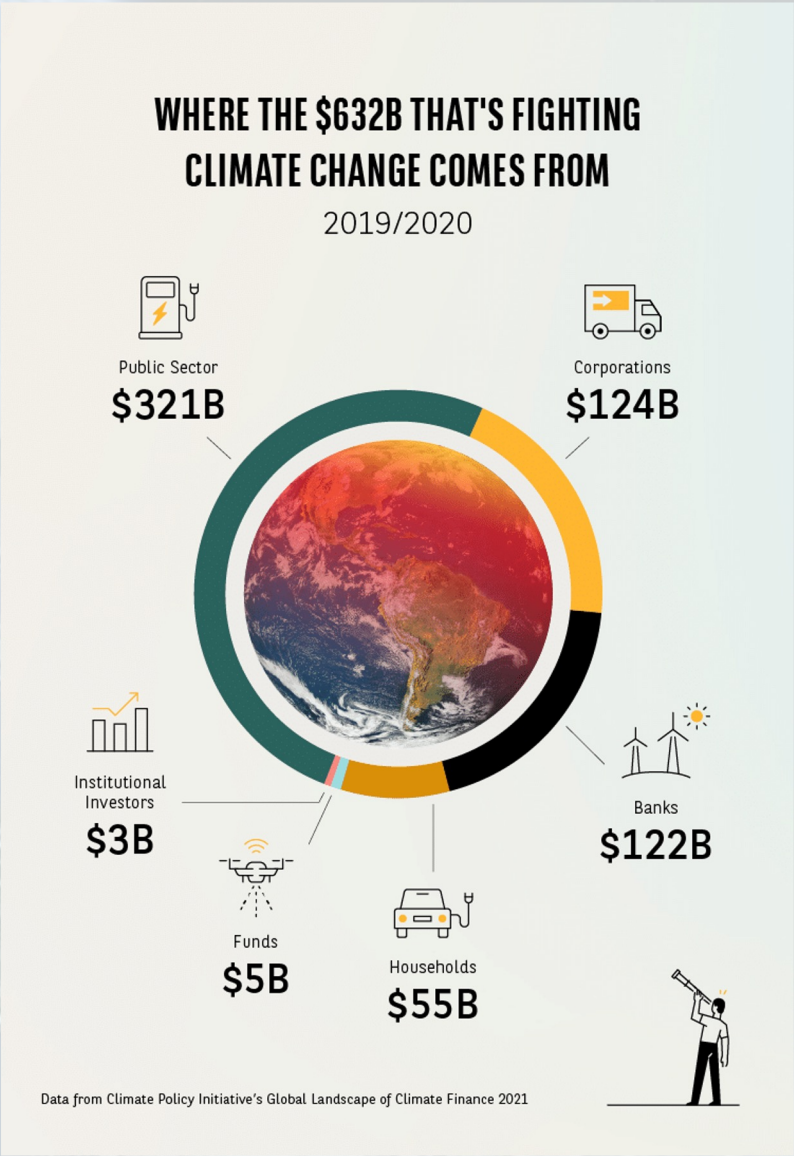
# GLOBAL LANDSCAPE OF CLIMATE FINANCE

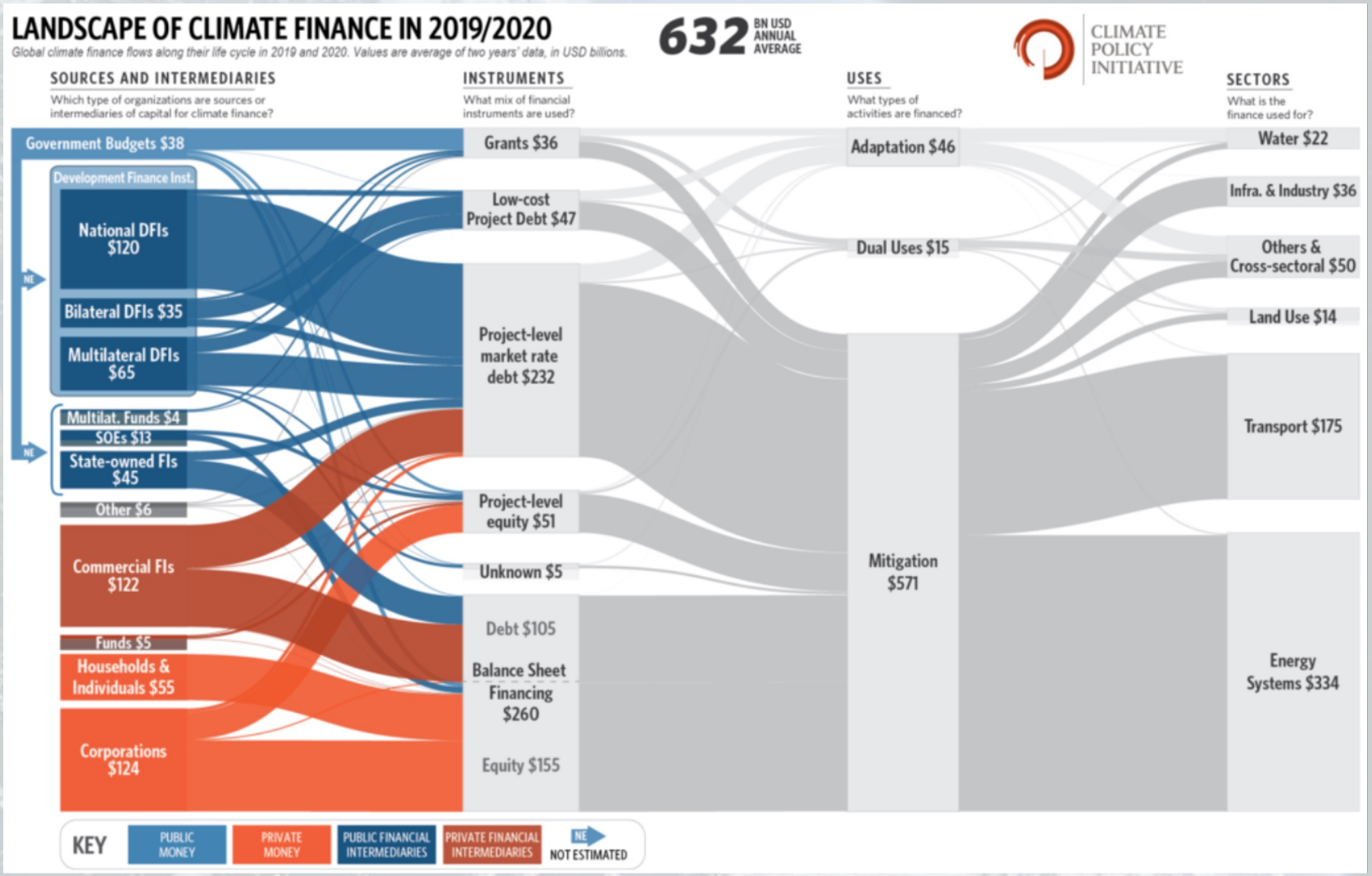
# As per Climate Policy Initiative (CPI) 2019/2020, the share of main capital providers of climate finance is as follows:

| Public Sector Finance | Private Sector Finance |
|---|---|
| Accounts for **51% (USD 321 Bn)** | Accounts for **49% (USD 310 Bn )** |
| ◦ Development Finance Institutions (multilateral and bilateral DFIs) provided the majority of public finance at **70%**.<br>◦ Nearly all adaptation finance tracked in the Landscape was funded by public actors, at **98%**. | ◦ **54%** of the mitigation finance was provided by private actors. |

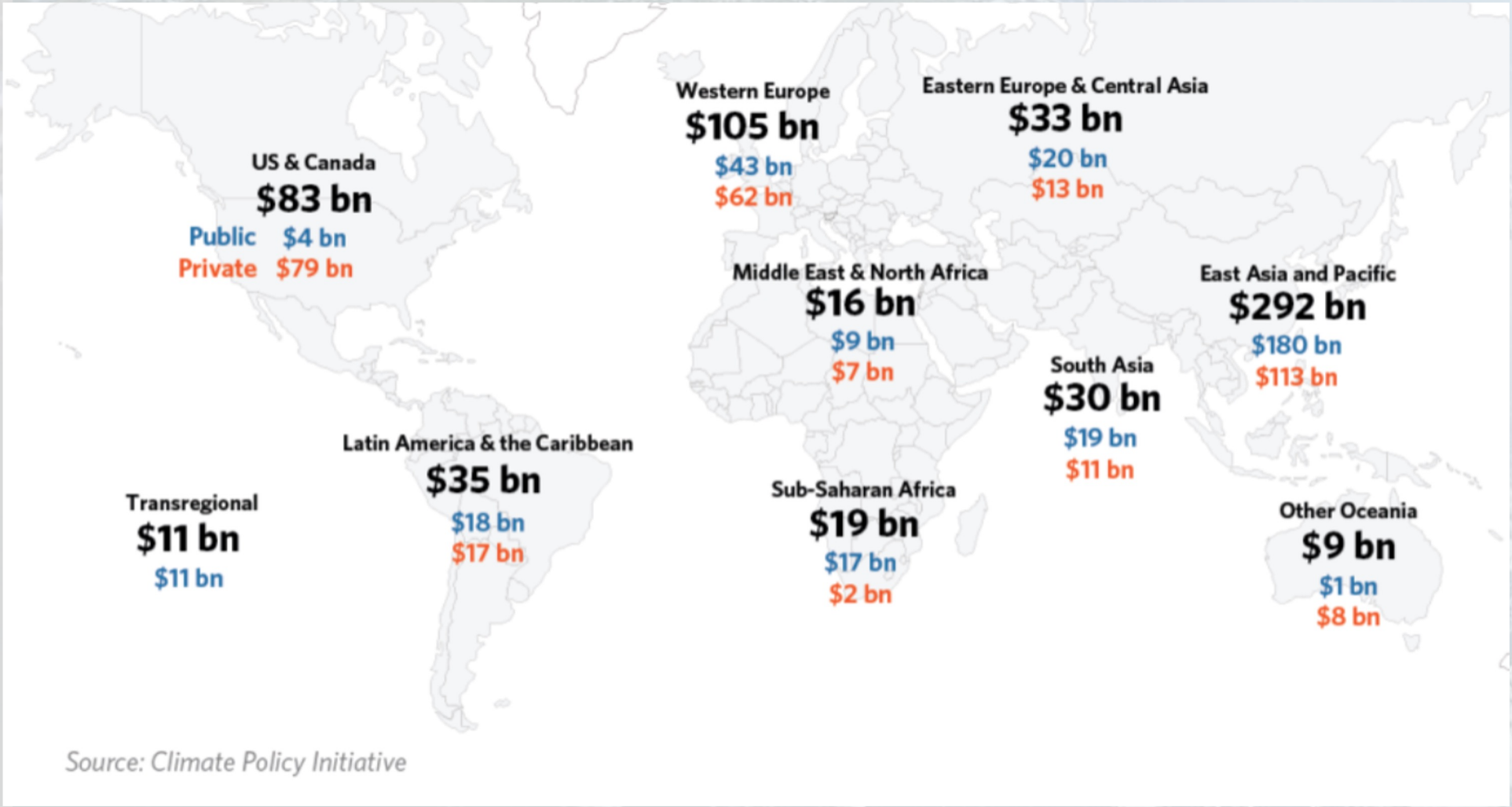


## According to CPI's 2019/2020 mapping of the Climate finance landscape:

- **90%** of total climate finance is dominated by **mitigation finance**, particularly in the energy and transport sectors.
- **7%** was directed to **adaptation**, directed mainly to water, infrastructure, industry and land use.



# THE REGIONAL DISTRIBUTION OF CLIMATE FINANCE




The map demonstrates regional disparities, with Africa among the lowest recipients with a share less than 5.5%.

- **50%** of 2019/2020 climate finance was directed to East Asia & Pacific.
- **81%** of the investments in the East Asia & Pacific region were concentrated in China.
- **76%** of total climate finance in Western Europe, United States & Canada, and Oceania were private finance
- Other regions sourced their climate investments mostly from public sources.

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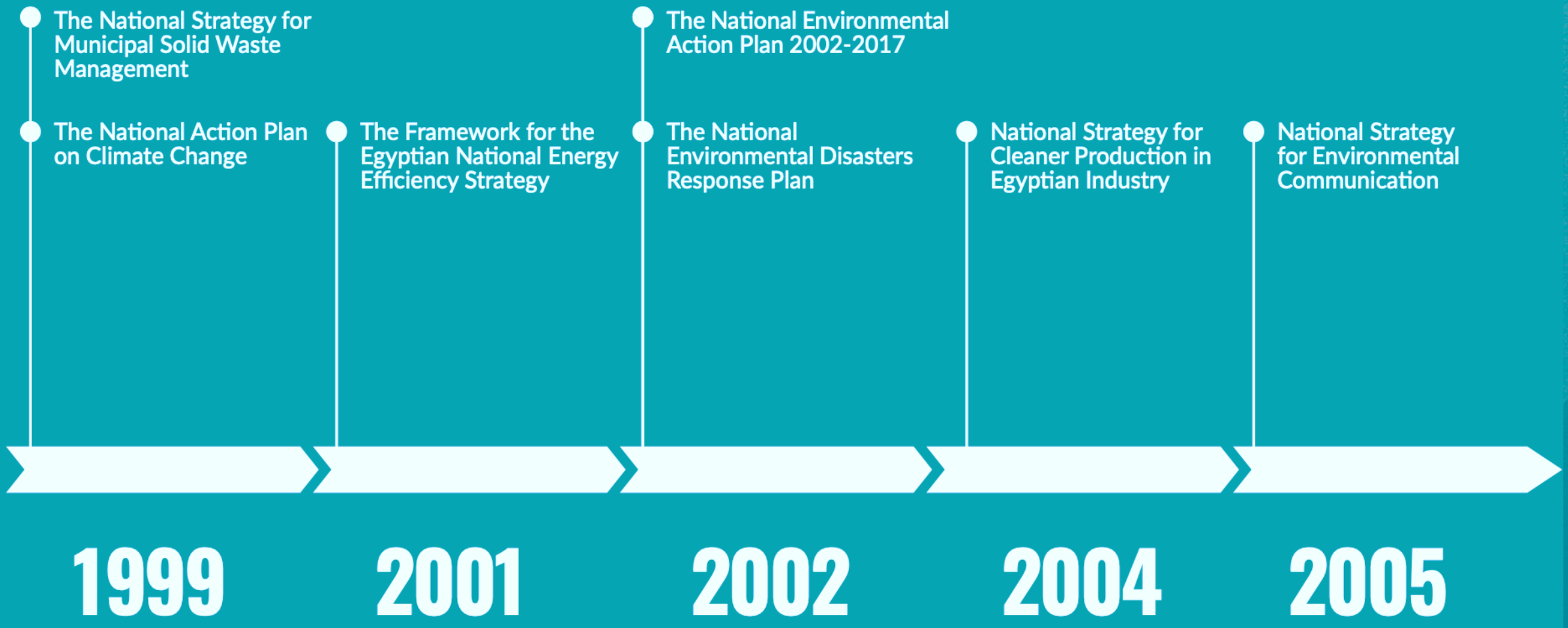
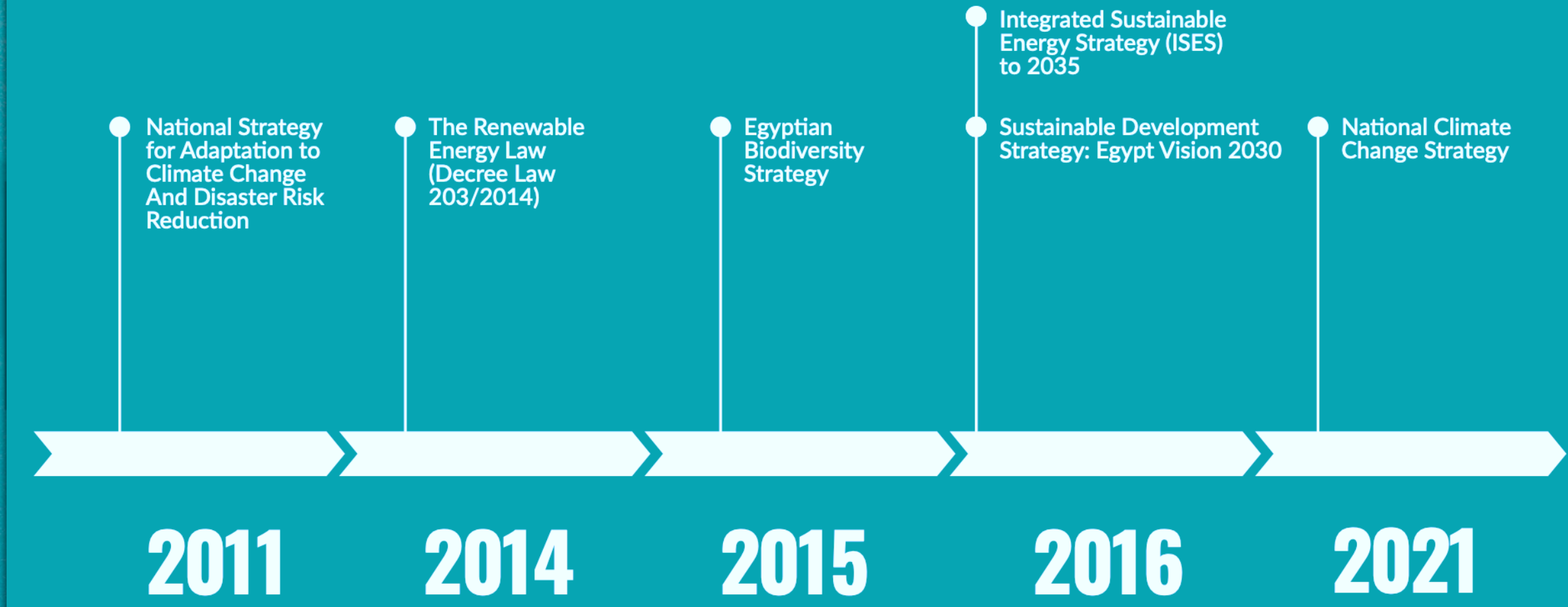
# EGYPT'S COMMITMENTS TOWARDS A SUSTAINABLE ECONOMY


The National Strategy for Municipal Solid Waste Management
The National Action Plan on Climate Change
The Framework for the Egyptian National Energy Efficiency Strategy
The National Environmental Action Plan 2002-2017
The National Environmental Disasters Response Plan
National Strategy for Cleaner Production in Egyptian Industry
National Strategy for Environmental Communication
1999
2001
2002
2004
2005


National Strategy for Adaptation to Climate Change And Disaster Risk Reduction
The Renewable Energy Law (Decree Law 203/2014)
Egyptian Biodiversity Strategy
Integrated Sustainable Energy Strategy (ISES) to 2035
Sustainable Development Strategy: Egypt Vision 2030
National Climate Change Strategy
2011
2014
2015
2016
2021

# THE NATIONAL CLIMATE CHANGE STRATEGY 2050

The strategy aims to enable Egypt to plan and manage climate change on different levels, in addition to supporting the sustainable development goals and Egypt's vision 2030 targets by following a resilient and low-emission approach through effectively addressing the impacts and consequences of climate change.

# THE STRATEGY'S 5 MAIN OBJECTIVES

- Achieving sustainable economic growth through increasing the share of all renewable and alternative energy sources in the energy mix, in addition to developing new techniques to afford the use of renewable energy sources.
- Enhancing Adaptive Capacity and Resilience to Climate Change, and Alleviating the associated negative impacts
- Enhancing Climate change action Governance
- Improving infrastructure for financing climate activities
- Enhancing scientific research, technology transfer, knowledge and awareness management for combating climate change, increasing awareness on climate change among different stakeholders.

# EGYPT: NATIONALLY DETERMINED CONTRIBUTIONS

Egypt plans to issue a new national target to cut its greenhouse gas emissions within weeks.

Currently, several measures are being considered to adapt to decreasing water resources or increasing Nile flows, these include:

- Increasing water storage capacity
- Improving irrigation and draining systems
- Changing cropping patterns and farm irrigation systems
- Developing new water resources through upper Nile projects
- Rain water harvesting
- Desalination
- Treated waste water recycling
- Increased use of deep groundwater reservoirs

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# DRIVING RESILIENCE THROUGH SUSTAINABLE INVESTMENT

# KEY FOCUS AREAS

## Energy

Diversified & renewable energy supplies > Regional Energy Hub

## Transport

Multimodal freight and integrated mass transit > Global Trade Hub

## Water

Wastewater management & water desalination > Enhanced Security & Sustainability

## Agriculture

Efficient production and supply > Agribusiness Transformation Hub

# RENEWABLE ENERGY: AN EVOLVING NARRATIVE

## IMPACT ON PRIVATE SECTOR

- Total current renewable power generation capacity is 5878 M.W. and was to reach 6378 M.W. by the end of 2021.
- Given the competitive conditions of the renewable energy market, the current offers are at 2 and 3 cents/kWh for solar and wind energy, respectively.
- The government's efforts have helped to increase the investment of major international companies in the sector, such as:

SIEMENS, TOTAL, Schneider Electric, eren, ENGIE

- KarmSolar, the first private solar integrator in Egypt to obtain a license from the Egyptian Electricity Regulatory Agency, helped Egypt become one of the region's leading countries in renewable energy in the recent 2020 Solar Outlook Report.
- The government has opened talks with European infrastructure investors and traders to join in on investing in the EuroAfrica electricity transmission link. It will connect Egypt's electricity grid to mainland Europe via Cyprus, making it the longest interconnector cable in the world.

# RENEWABLE ENERGY IN EGYPT | *Solar Power*

## BENBAN SOLAR PARK

- The world's largest solar array,
- Involves 13 private sector companies,
- Employs more than 10,000 people,
- Houses 32 power plants
- Produces more than 1,650 megawatts of electricity, enough to power hundreds of thousands of homes and businesses.

The project is expected to avoid **2 million tons of greenhouse gas emissions a year,** the equivalent of taking about 400,000 cars off the road.

# RENEWABLE ENERGY IN EGYPT | *Wind Farms*

## GULF OF SUEZ WIND FARM

- GoE implemented the Gulf of Suez Wind farm in partnership with EBRD, KFW, AFD and the EU.
- The project is considered **Egypt's first private and largest wind farm.**

# ADVANCED TRANSPORTATION NETWORK

## EGYPT'S 1ST DRY PORT IN 6TH OF OCTOBER CITY

In 2020, El-Sewedy Electric, 3A International and DB Schenker won the bid to operate the $176 million Dry Port in 6 October city, the biggest facility of its kind in Africa.

- The EBRD has approved a $29.6 million loan in favor of the port.
- The state-of-the-art facility is set to be the first of its kind in Egypt, with a maximum daily capacity of 720 TEUs - a total potential of 250,000 TEUs per year.
- The port is expected to create 3,500 direct and indirect jobs.

# FOOD SECURITY & SUSTAINABLE VALUE CHAINS

## AGRICULTURE IN EGYPT | *Projects*

### 1.5 MILLION ACRES PROJECT

The project aims to:

- Increase the agricultural land by 20%,
- Create promising investment opportunities in various fields, including reclamation of agricultural lands, establishment of industrial clusters in food & beverages manufacturing.
- Create an integrated and sustainable environment according to the 2030 strategy.

The 1.5 MN Acres Project will achieve land reclamation through tailored-made investment packages targeting foriegn investors with a mutually beneficial and complementary approach.

# EFFICIENT WATER MANAGEMENT

## WATER DESALINATION PLANT FOR EASTERN PORT SAID

In the light of the commitment of the Egyptian government to reduce water loss and increase investments in water desalination, reaching a daily capacity of 2.8 million cubic meters of water in the following 3 years using solar power, through effective public-private partnerships, the Ministry of International Cooperation secured $169 million for wastewater management, during 2021.

The Water Desalination Plant for Eastern Port Said:

- Developed by a consortium of Orascom and Metito companies, with a total cost of $130 million, to fulfill the demand for water for various purposes such as drinking, agricultural, and industrial activities.
- It will have a capacity of 150,000 cubic metres per day, with plans to be expanded in the future to a capacity of 250,000 cubic metres per day and is expected to serve around 1 million citizen.

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# CLIMATE ACTION

# ROOTED IN PARTNERSHIP

In cooperation with the development partners and Egyptian ministries, the Ministry of International Cooperation is

providing **$11.9 bn**

to **85** projects

contributing to

**SDG13**

**In Mitigation & Adaptation.**

# Adaptation Projects

**$2.85 Bn** financing

**28** projects

- Energy Efficiency
- Agriculture
- Wastewater Management
- Water Desalination


*Development Partners*

# MITIGATION PROJECTS

**$7.83 Bn**
in financing
**46** projects

- Renewable Energy
- Sustainable Cities
- Sustainable Transport


*Development Partners*

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# GUIDEBOOK FOR JUST FINANCING

## Sharm El Sheikh Guidebook for Just Financing aims to answer:

**What do the different stakeholders need to do to:**

1. **Translate commitments into implementable projects; and**
2. **Capture opportunities to leverage and catalyze needed finances and investments to support the climate agenda**

- **Map** the global climate finance landscape.
- **Identify** key stakeholders and their complementary roles.
- **Identify** priority sectors that have direct impact on accelerating climate action, striking a balance between adaptation and mitigation.
- **Pinpoint** main opportunities to accelerate climate action.
- **Develop** a clear framework with practical guidelines to enhance the investability of adaptation and mitigation projects.
- **Provide** a manual for the optimal policy-finance-technical nexus to catalyze and scale investment.
- **Map** pipeline of investable projects in Africa in the target sectors.

# Guidebook | Key Stakeholders: Complementarity of Actions among Stakeholders

## Governments

- Develop national climate strategies with clear objectives and indicators.
- Identify priority sectors for climate action.
- Identify pipeline of investable green projects in target sectors.
- Develop **taxonomy** regulations for climate change mitigation and adaptation.
- Establish a governance structure to track and report on climate agenda.
- Create financial structures to incorporate green financing.
- Develop financing tools that enable different stakeholders to access new markets.

## Financial Institutions & Regulatory Authorities

- Enhance capital and liquidity requirements for green projects.
- Develop financing tools to promote investable green projects.
- Supervise the green financing process - from capital formation to allocation - in developing and emerging countries.

## Multilateral & Bilateral Partners

- Provide **capital** and **capacity** support for developing and emerging economies to identify their climate targets.
- Enhance institutional capacities of national entities.
- Provide incentives to de-risk investments for private sector.
- Support governments in creating new markets.
- Increase funds for climate activities

## Insurance and Pension Funds

- Catalyze large-scale investments to green projects
- Support blending vehicles to de-risk green investments.

## Think tanks

- Conduct benchmarking studies for innovative solutions.
- Share best practices.

## Climate Funds

- Facilitate access to finance for developing and emerging economies to implement adaptation and mitigation projects.
- Facilitate greater investments to effectively tackle the causes and consequences of climate change.
- Strengthen support for governments to attract investments from private sector.
- Capitalize on their role as blending vehicles.

## Philanthropy/civil society

- Support capacity building activities in developing and emerging countries.
- Support the needed feasibility studies and bankability requirements of green projects in developing and emerging countries.
- Bridge the climate financing gap.
- Direct funds to underserved markets.
- Support de-risking of green projects through blending.

## Credit Rating Agencies

- Rethink their rating criteria for DFIs and financial institutions when investing in green projects in developing and emerging economies.

## Private Sector

- Identify private sector's needs from different stakeholders to invest in projects within targeted markets.
- Determine needed reforms/incentives.
- Identify type of financing that will de-risk projects.
- Identify criteria for project implementation.

## Commercial & Investment Banks

- Provide investment vehicles to incentivize investments in green sectors.
- Develop de-risking tools to scale up investments.
- To put in place policies and instruments to fund green investments.

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