Towards effective decarbonization
Green Finance for the Western Balkans

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Outline

1. The Green Finance Concept
2. A state of play in the Western Balkans
3. Hungary’s efforts in the Green Finance space for the Western Balkans
Green finance should be deemed as an investment, rather than an expense.

Development Impact and Profitability go hand in hand.
Management focuses exclusively on the maximisation of profit within the rules of the game – limits are external.
It is easier to operationalise but mainly a short term approach.
It gathered ground in the last decades.

All of the stakeholders interest should be taken into consideration (society, environment, shareholders, etc.)
The limits of profit maximisation are internal.
Practically it is very difficult to operationalise.

ESG APPROACH / GREEN FINANCE

ESG approach and green finance could help resolve this contradiction.
In the long term it could result in a better outcome both financially and socially / environmentally as well.

Source: MNB, the central bank of Hungary
Integrating sustainable approach in investment process

EXCLUSION (SRI)
Based on ethical value:
- Tobacco
- Alcohol
- Guns
- GM plants
- Pornography
- Gambling
- Animal fur

ESG RATING
- Exclusion of the worst ESG rated companies
- Does ESG-rating improve?
- Selection of ESG-criteria

IMPACT INVESTING
- Mitigation of CO2
- SDG
- Other positive impact

Source: MNB, the central bank of Hungary
Sustainable approach, a practical application

Green bond issuing

Source: Climate Bonds Initiative
State of play in the Western Balkans

Coal-dependent energy production

61.45% of total energy production is from fossil sources in energy production

Huge untapped potential in RES

*This designation is without prejudice to the positions expressed by the EU Member States on Kosovo’s status and is in line with United Nations Security Council Resolution No. 1244/1999 and the International Court of Justice Opinion of 22 July 2010 on Kosovo’s declaration of independence.
EnC Treaty Commitments and situation in 2017

Country

- Albania
- Bosnia and Herzegovina
- Kosovo*
- Montenegro
- North-Macedonia
- Serbia

**Overall RES share in 2017**

**ECT goals 2020**

RES share in total energy mix (%)

Source: EnC
Major WB6 financing sources for climate-related projects

Source: GGGI
Abundance of funds

- Private investments (2018): USD 9.4 bn, the largest inflow of greenfield FDI, the highest amount since 2003
Green Finance Instruments in the region

- Green Climate Fund – **EUR 685 m**
- Global Environment Facility – **EUR 202 m**
- WBIF environment related projects
- Relative scarcity of green project preparation facilities in the region (WBIF, GCF)
- Preliminary assessment shows considerable need for project preparation
Hungary: Government initiative to finance the implementation of the Nationally Determined Contributions under the Paris Climate Agreement by supporting project preparation in WB6.

First step of a broader and ambitious endeavour to create a V4+ Regional Multidonor Fund.

First call for application to be published in Q1 2020.

Available budget to disburse for project preparation in 2020: up to EUR 3.0 m.
Two Instruments in Hungary dedicated for Climate Action in the Western Balkans

Western Balkans Green Center (2019)
Grants for project preparation and capacity building in WB6

Multi-donor Green Fund (2021)
Catalyze investments in the WB6 through the development of projects that generate return on investments

Objectives:
- GHGs emission reductions
- Enhanced climate resilience
- Green job creation
- Leverage private sector investments
- Enhanced regional climate cooperation

Two Instruments in Hungary dedicated for Climate Action in the Western Balkans
Eligible sectors

- Solid waste collection, treatment and recovery;
- Water management and wastewater treatment;
- Forest management and other sectoral adaptation measures;
- Energy efficiency and renewable energy;
- Urban Environment: adaptation measures implemented at municipal level.
Applicable Instruments 1
Direct Loan Facility (DLF)
Applicable Instruments 2
Indirect Loan Facility (IdLF)
Applicable Instruments 3
Mezzanine Facility (MF)

- Beneficiary (Project owner)
- WBGF Mezzanine Facility
- Mezzanine funding
- Minority ownership
- Project company
- Assignment
- Implementation
- Contractor
- Project controlling
Thank you for your attention!

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