B-BRIDDHI

SUMMARY

CLIMATE FINANCE NAVIGATOR

A PRACTICAL TOOLKIT FOR INCREASING CLIMATE FINANCE READINESS OF IMPACT ENTERPRISES

A programme by

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A PRACTICAL TOOLKIT FOR INCREASING CLIMATE FINANCE READINESS OF IMPACT ENTERPRISES

The climate finance navigator was developed for impact enterprises operating in Bangladesh. It provides a structured approach for companies to better understand their climate impact and includes tips and tricks about how to establish initial rough estimates and then work towards a more robust climate impact management and monitoring system. It is recommended to study the 'Climate Finance Market Scoping Report' before starting with the climate finance navigator.

STEP 1: UNDERSTAND CLIMATE IMPACT HOTSPOTS

Impact enterprises should get ready to describe the company's climate impact to stakeholders with a focus on climate impact hotspots.

- **Carbon footprint** is the quantification of greenhouse gas emissions from a company's own operations and from upstream and downstream activities. If the emissions are likely to exceed 500 to 1000 tCO_2eq per year, the carbon footprint should be investigated in more detail.

- **Carbon handprint** is the quantification of the climate impact achieved through a company's products and services that help others to reduce their carbon footprint. If any products or services have an emission reduction potential of several 10,000 tCO_2eq per year, the carbon handprint should be investigated in more detail.

- **Climate adaptation** are initiatives or actions which reduce the effects of climate change. If a company's products or services are designed to increase the preparedness for climate change impacts, climate adaptation should be investigated in more detail.

STEP 2: ENDORSE CLIMATE POLICY

Impact enterprises have to make a company-internal decision about the level of importance that they want to give to climate impact. Decision points include the development and endorsement of a climate policy, the systematic tracking of the company's carbon footprint, and the inclusion of climate as part of the impact management and monitoring system. For some impact enterprises, the climate finance readiness assessment may end here - with the informed decision that there is no need to further explore climate finance at this time.

STEP 3: INSTITUTIONALISE CLIMATE IMPACT MONITORING

If climate is seen as a core value, impact enterprises should generate evidence to demonstrate that impact. Without data, it will be difficult to access climate finance. In this step, companies start integrating climate indicators into the company's regular monitoring systems. It is recommended to start tracking areas where a company has the biggest climate impact, possibly still based on some bold assumptions, and then optimise and refine the monitoring system over time.

STEP 4: EXPLORE PATHWAYS TO MONETISE CLIMATE IMPACT

Once impact enterprises have a solid understanding about their climate impact, supported by evidence, they can explore how to access climate finance along three main pathways. Accessing climate finance is an iterative process and there will be, very likely, a back and forth between refining impact measurement (step 3) and exploring climate finance options (step 4).

Criteria for pathway 1: Voluntary carbon market

- Within the next five years, the company's activities have the potential to reduce, remove or prevent more than 30,000 tCO_2eq per year.
- The emission reductions are measurable, permanent, and can be attributed to a specific intervention (e.g., change of practices, use of a product).
- The activities are additional, i.e. it can be demonstrated that the proposed activities are not legally required, not financially feasible in the absence of climate finance, or are currently not common practice.
- Ideally, the emission reductions/removals occur outside of a supply chain of globally traded commodities or goods, and outside of a company's climate targets.
- Carbon ownership can be clearly established, possibly through carbon right waivers.
- The team is aware about associated risks and willing to move ahead.

Criteria for pathway 2: Value chain climate action

- The proposed activities have the potential to reduce the carbon footprint of (ideally internationally traded) commodities or goods.
- The company is directly selling these commodities or goods, or willing and interested to support partners and clients that sell these commodities or goods to quantify and report the carbon footprints.
- Consultation with partners and clients confirmed that low-carbon commodities or goods will likely result in higher prices, or it is anticipated to get other benefits such as stronger connections to clients that are looking to purchase products with a low emission factor.

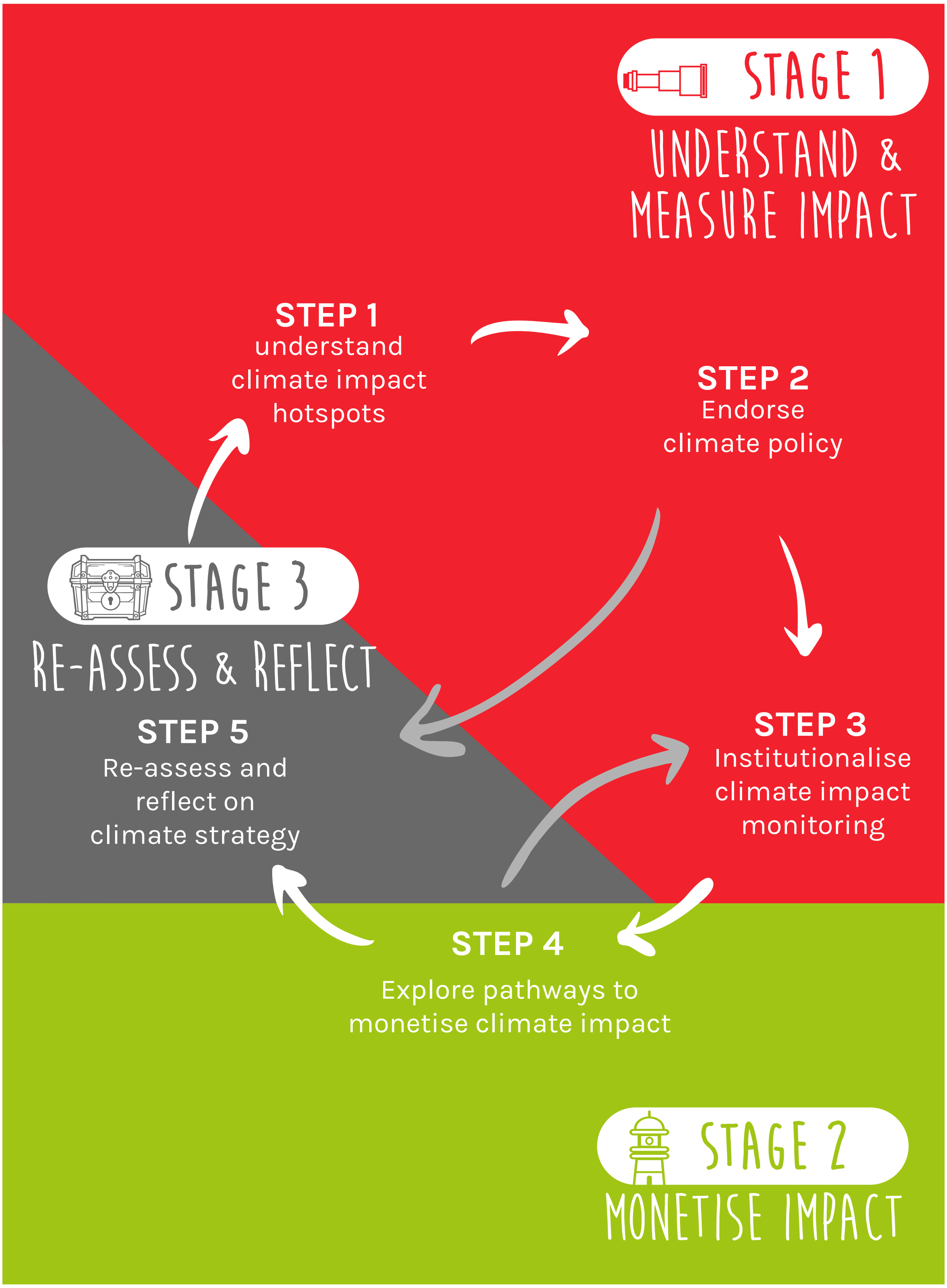
Criteria for pathway 3: Concessional and grant finance

- *If neither carbon credits nor value chain climate action are valid options to valorise climate impact derived from activities implemented by an impact enterprise. Still, there are a range of opportunities to access technical assistance, grant finance or concessional loans through climate-specific financing platforms as outlined in more detail in the 'Carbon Finance Market Scoping Report'.*

STEP 5: RE-ASSESS AND REFLECT ON CLIMATE STRATEGY

Impact enterprises should re-assess their climate impact approximately every five years. The climate finance landscape is constantly evolving, and what may not be possible today could become relevant in a few years.

PROCESS OVERVIEW



EXPLORE CLIMATE FINANCE PATHWAYS - DECISION TREE

Is climate part of your company's impact management and monitoring system?

As per the decision taken in Stage 1 of the "Carbon Finance Navigator"

No

No further action. No need to invest into a detailed quantification and to explore monetization of the company's climate impact.

It is still recommended to prepare a climate policy and keep a high-level overview of your company's carbon footprint.

Yes

Did you identified activities that have the potential to reduce/remove (GHG) emissions? *These can be within the company's carbon footprint or handprint*

Do the activities fulfil all of the following criteria?

- Within the next five years, the activities have the potential to reduce, remove, or prevent more than 30,000 tCO_2-eq per year (as per preliminary estimates).
- The emission reductions are measurable, permanent, and can be attributed to a specific intervention (e.g., change of practices, use of a product).
- The activities are additional, and you can plausibly explain why they would not be implemented or scaled without carbon finance.

No

The **carbon market pathway** is not an option

Yes

The **carbon market pathway** may be an option

Do the emission reductions/removals occur outside of a supply chain of globally traded commodities or goods, and outside of your company's climate targets?

No

Carefully assess the implications of generating carbon credits within a supply chain or within your own operations. It is often recommended not to pursue the carbon market pathway.

Yes

Does your company own the emission reductions, or can you secure carbon rights from all project partners?

Emission reductions for a specific activity can only be claimed once. In case emission reduction are achieved with your company's support but actually owned by other (i.e. your carbon handprint), clear contractual agreement need to be in place regarding carbon ownership. Make sure to have an attractive fair value proposition for project participants to cede the carbon rights to your company.

Yes

Are the company's management and board aware about associated risks and willing to move ahead?

- Under-delivery risk: you may get less carbon credits than initially anticipated. This can be because implementation did not proceed as planned, quality issues with monitoring data, or changes to the certification rules and procedures.
- Price and sales risk: demand for carbon credits is unpredictable, and you may not be able to sell them, or not at the desired price.
- Reputational risk: there is some controversy surrounding carbon markets. To minimize risks, make sure you have a strong justification for the claimed emission reductions and high-quality project implementation.
- Regulatory risk: rules for the carbon market regulations are subject to continuous changes, and it is possible that national regulations in Bangladesh will exclude certain project types from generation and sales of carbon credits —or that fees will be introduced for any generated or sold credits.

Yes

Explore the **carbon credit pathway** in more detail >> **go to page 18.**

No

Did you identified activities that have the potential to reduce the carbon footprint of commodities or goods

Expected to be mainly relevant for the textile sector.

Yes

The **value chain climate action pathway** may be an option

Is your company directly selling these commodities or goods, or are you willing and interested to support your partners and clients that sell these commodities or goods to quantify and report their carbon footprints?

Yes

In consultation with partners and clients, do you expect that low-carbon commodities or goods will result in higher prices, or other tangible benefits?

Yes

Explore the **value chain climate action pathway** in more detail >> **go to page 18.**

No

No

No

Explore the **concessional and grant finance pathway** in more detail >> **go to page 19.**

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