

PL-8 Financing Low Carbon Technology Transfer of Small-Medium-Enterprises (SMEs): A Match-making Strategy

10:45 – 12:45 24 July 2014

This session addressed the question on barriers and success factors for low-carbon technology transfer (LCTT) to small and medium enterprises (SMEs) in developing countries. SMEs are active in business development, producing creative ideas and possessing large potential for introducing low-carbon technologies. However, they have not received enough attention in climate discussions. The lack of a match-making strategy among stakeholders forms a major barrier to the enhancement of financing technology transfer to them. In this regard, the session was an opportunity to bring private sector, government and experts together to discuss and identify an effective match-making platform to enable the conditions for financing technology transfer for SMEs in developing countries.

The session included seven presentations and a panel discussion. The flow of the presentations started with a framing presentation given by Ms. Yuqing Ariel Yu, Task Manager, Climate and Energy Area, IGES, followed by two presentations introducing lessons learnt from on-the-ground projects about low-carbon technology transfer (LCTT) for SMEs in India. They were given respectively by Mr. Hidehiro Kitayama, Leader at the Heat Pump Sales Section of Unimo Products Department, MAYEKAWA MFG. CO., LTD, and by Mr. Girish Sethi, Director, Industrial Energy Efficiency Division, The Energy and Resources Institute (TERI). The fourth presentation was given by Mr. Osamu Kawanishi, Senior Policy Analyst, Environment Directorate, Organisation for Economic Co-operation and Development (OECD), in which he highlighted how to mobilise private investment for green infrastructure. The last three presentations focused on the issue of international and bilateral mechanisms to promote LCTT. In this regard, the fifth presentation was given by Mr. Shobhakar Dhakal, Associate Professor Energy Field of Study, Asian Institute of Technology, in which he introduced the Climate Technology Centre Network (CTCN). The sixth and seventh presentations focused on the Joint Crediting Mechanism (JCM) in Viet Nam and Bangladesh. They were given respectively by Mr. Le Ngoc Tuan, Director, Division of Science, Technology and International Cooperation Department of Meteorology, Hydrology and Climate Change, Ministry of Natural Resources and Environment, Viet Nam and by Mr. A.M. Monsurul Alam, Joint Secretary, Director Department of Environment, Ministry of Environment and Forests, Bangladesh.

The panel discussion focused on two topics: 1) Finance and technology transfer and 2) Matchmaking strategy. The discussion about the first topics involved the following members: Mr. Naoki Mori, Head of Climate Change Office and Group Leader of Environmental Management, Global Environment Department, Japan International Cooperation Agency (JICA); Mr. Tatsuya Hanaoka, Senior Researcher, Center for Social and Environmental Systems Research, National Institute for Environmental Studies (NIES); Mr. Osamu Kawanishi (introduced above), and Mr. Shobhakar Dhakal (introduced above). The discussion on the second topic involved the following members: Mr. Takahiro Ueno, Visiting Researcher, Graduate School of Public Policy of the University of Tokyo /Researcher, Socio-economic Research Center, Central Research Institute of Electric Power Industry (CRIEPI); and three other members introduced above namely: Mr. Hidehiro Kitayama, Mr. A.M. Monsurul Alam, and Mr. Girish Sethi.

Key messages of the session

- SMEs should be given more attention in LCTT, given their significant potential to reduce GHG emission. There needs to be mobilisation of domestic financial resources, since SMEs cannot access overseas finance. The equity markets in developing countries appear to be readily available at a reasonable cost; hence, it could be used as an important tool to finance LCTT to SMEs. Bond markets and securitisation could be also considered.
- LCTT process has different stages and thus policy interventions vary accordingly. Promoting research development and demonstration (RDD) is not sufficient to promote LCTT. Follow up activities to promote deployment is also crucial, hence the process of “RDD&D” should be considered rather than “RDD”

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- The demonstration stage is extremely important, and a significant part of financial resources available should be devoted to it. The JCM and CDM mechanisms could be considered for this stage.
- There should be a focus on green infrastructure, where institutional investors (such as pension funds) can play a crucial role. Securitisation could be an alternative capital market for long term financing for those institutional investors.
- CTCN is an important tool for developed countries to understand the needs of developing countries and facilitating technology transfer for both mitigation and adaptation;
- Although the JCM could present an important tool to promote LCTT, the concept and operation of this mechanism is still not clear for a large number of companies in Japan as well as overseas; hence, more awareness creation on this regard is needed.
- JICA-SIDBI two-step loan initiative is a successful case to finance LCTT to SMEs, which could be extended to India as well as replicated in other countries.
- Matchmaking among stakeholders is extremely important. Intermediaries, such as research institutes, NGOs/NPOs, should take a leading role in the matchmaking process between Business to Government (B2G), Business to Businesses (B2B,) and Business to Funding institution (B2F).

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