

FIN-SMART Roundtable

Launch, 27 October 2020



- The opening will start soon at 12:30 pm (GMT)
- Kindly keep your microphone **muted** unless you are requested to speak
- Please use raise hand button or chat function to request floor (please type “FLOOR”) or to provide comments



FIN-SMART ROUNDTABLE
1st Meeting

FIN-SMART 1/1/Rev.1
22 October 2020
Original: ENGLISH

Provisional Agenda

**“FINANCING SUSTAINABLE MARITIME TRANSPORT ROUNDTABLE”
(FIN-SMART ROUNDTABLE)**

27 October 2020 from 12:30 p.m. to 2.00 p.m. London Time - over video conference

Opening

- Welcome message by Mr. Kitack Lim, Secretary-General, International Maritime Organization
- Remarks by Mr. Josué Tanaka, Managing Director, Operational Strategy and Planning, Energy Efficiency and Climate Change, European Bank for Reconstruction and Development
- Remarks by Mr. Binyam Reja, Global Transport Manager, The World Bank

1. **Adoption of the Agenda**
2. **Brief introduction of Roundtable Participants**
3. **Overview of FIN-SMART Roundtable Concept and Objectives of the First Meeting**
4. **High-Level Discussion on Accelerating Finance to Support Sustainable Shipping**
5. **The Way Ahead – Next Steps and Timeline**
6. **AOB**

Closure of the Meeting

Participants of FIN-SMART Roundtable 27 Oct 2020

IFIs/MDBs/Funds/ Private Banking

African Development Bank (AfDB)

Asian Development Bank (ADB)

European Banking Federation (EBF)

European Investment Bank (EIB)

Global Environment Facility (GEF)

Inter-American Development Bank (IDB)

Participants of FIN-SMART Roundtable 27 Oct 2020

Donor Countries with long-standing support to IMO

Denmark

Norway

Republic of Korea

Singapore (Observer Participation)

Participants of FIN-SMART Roundtable 27 Oct 2020

Maritime Industry / Associations

Global Industry Alliance to Support Low Carbon Shipping (GIA)

International Association for Classification Societies (IACS)
(Observer Participation)

International Association of Ports and Harbours (IAPH)

International Cargo Handling Coordination Association (ICHCA)

International Chamber of Shipping (ICS)

IPIECA

Participants of FIN-SMART Roundtable 27 Oct 2020

GreenVoyage2050 Partnering Countries

Belize

Cook Islands

India

India - Private Sector / Industry Representative

Georgia

Georgia - Private Sector / Industry Representative

Kenya

Participants of FIN-SMART Roundtable 27 Oct 2020

Key Stakeholders in IMO Technical Cooperation Work

Chair of IMO Technical Cooperation Committee (TCC)

Chair of Global MTCC Network (GMN)

Core Planning Group

Chair of IMO Intersessional Working Group on the Reduction of GHG Emissions (ISWG-GHG)

Chair of Global Industry Alliance to Support Low Carbon Shipping (GIA)

EBRD

IMO

World Bank

FIN-SMART

Financing Sustainable Maritime Transport

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FIN-SMART Roundtable: A multi-stakeholder platform for sustainable maritime transport

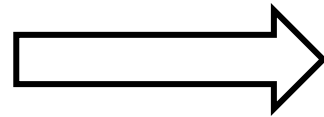
- A sustainable maritime transport system is indispensable for a sustainable global economy and achieving the Sustainable Development Goals (SDGs).
- Roles of international financing institutions, other shipping and infrastructure financing institutions and donors are very crucial to achieve transformation of the industry.
- Need for a regular discussion between all stakeholders to close existing finance gap identified by IMO, EBRD & WB.
- Initiated Roundtable to discuss key emerging sustainability issues and how finance can be accelerated for a more sustainable maritime transport system.

FIN-SMART – Concept overview



GOAL

TO ACCELERATE
FINANCE FOR A MORE
SUSTAINABLE MARITIME
TRANSPORT



INITIAL FOCUS

- **Decarbonization** – IMO Initial GHG Strategy sends a strong signal to the sector. Significant investment is required to achieve levels of ambition.
- **COVID-19 pandemic** – Specific and urgent challenges highlighted to build back a more resilient, sustainable post-pandemic future.

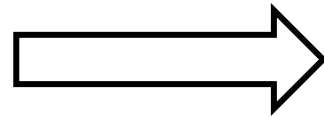
FIN-SMART – Concept overview



FIN-SMART's Role

GOAL

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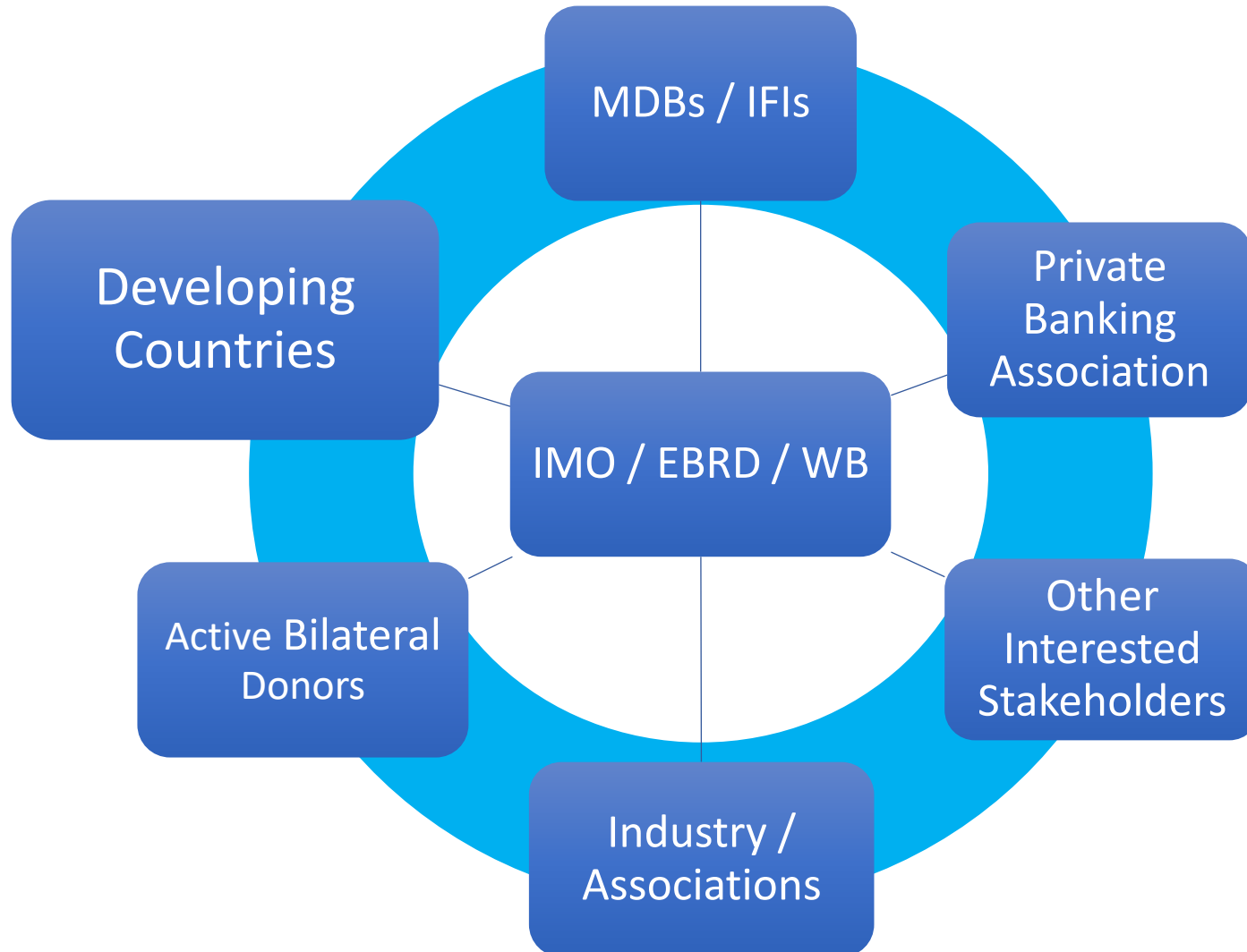


- Act as regular platform for an open and constructive exchange of views and opinions among financial, public, and private sectors.
- Identify specific needs, barriers and investment opportunities.
- Support accelerating financial flows, particularly in developing countries, and especially in SIDS and LDCs, by:
 - Developing and piloting innovative / tailor-made solutions (including new financing models) with a view to promoting their replication / scaling-up.

FIN-SMART – Core Planning Group (CPG)

- Established to prepare FIN-SMART concept and facilitate its launch.
- CPG Members:
 - **Chair of IMO Intersessional Working Group on the Reduction of GHG Emissions (ISWG-GHG)**
 - **Chair of IMO Global Industry Alliance to Support Low Carbon Shipping (Low Carbon GIA) Chair**
 - **EBRD**
 - **IMO**
 - **World Bank**

FIN-SMART – Initial stakeholders



FIN-SMART – Value Added

- Through multi-stakeholder approach, connect all stakeholders to share best practices and avoid duplication of efforts;
- Exchange information / increase awareness on the financial needs of developing countries;
- Link to other on-going initiatives including IMO, EBRD, WB initiatives;
- Mobilise private and public sector to create financial solutions for the industry;
- Specific value-add for each stakeholder:
 - **Developing countries:** raise awareness on needs, connect to financiers, identify existing investment solutions / opportunities
 - **Donor countries:** increased understanding of where challenges and needs are, identify opportunities for partnerships
 - **MDBs/IFIs:** increased understanding of investment challenges, opportunity to provide more tailor-made solutions
 - **Industry/Associations:** raise industry specific challenges in seeking funding to financiers, increased understanding on existing opportunities

FIN-SMART – Objectives of the first Roundtable

- **Launch multi-stakeholder dialogue** with public, private and financial sectors.
- **Initiate discussions:** discuss **key** steps to accelerate financing to support maritime sector in transitioning to a more sustainable future (with initial focus on decarbonization and COVID-19 recovery), in particular, in developing countries, noting special needs of LDCs and SIDS.
- **Agree on way forward:** establishment of workstreams based on key focus areas identified through the dialogue. Agree on meeting schedule for 2020-2021.

Thank you

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Key Questions for Discussion

From your perspective as representative of an IFI, MDB, donor country, recipient country, the private sector, etc.:

1. What are the main investment **needs** for sustainable maritime transport?
2. What are the main **barriers** to financing sustainable shipping? Has the COVID-19 pandemic increased these barriers, and if yes, how?
3. What key **steps / solutions** are needed to overcome these barriers? And how can FIN-SMART support increasing uptake of solutions, including new financial products, that can accelerate financial flows and attract private financiers?

Where are investments needed?

Fuel production

- Equipment for Zero-carbon fuel production e.g. Electrolysers for Hydrogen, Ammonia production material, reactors and liquefaction plants for BioLNG.

Infrastructure and Bunkering

- Fuel distribution pipelines and bunkering material for zero-carbon fuel.

Low-emission vessels

- Vessels using Zero-carbon fuel or environmentally friendly equipment e.g. scrubbers, ballast water treatment, tier III equipment. The most vulnerable on the value chain due to high Capex and Cyclicity.

Logistic Services

- Intelligent Transport Systems and digitalisation.

Decarbonization of Shipping Value Chain:

Investment of nearly **US\$ 1.65 trillion** needed

[1] Aggregate investment for the decarbonisation of the shipping industry Raucci Carlo, Bonello Jean Marc, Suarez de la Fuente Santiago, Tristan Smith, Kasper Sogaard January 2020"

Financing needs in shipping are driven by...

- **Aged fleet:** average age of the world merchant fleet was 21 years in 2019. Significant Capex needed to replace fleet. How to rebuild greener?
- **Existing Regulations:** need for new investments related to sulphur cap, ballast water and Tier III regulations. Limited availability of bank financing.
- **New Regulations:** IMO 2050 emission reduction. Long term decarbonisation of shipping industry. How to finance these additional costs?
- **COVID-19:** immediate liquidity is needed to deal with the pandemic.

Container shipping industry costs associated with meeting the existing regulations are estimated to range **from \$5 billion to tens of billions of dollars** (JOC.com, 2018c).

Main barriers to financing sustainable shipping?

- **Technological:** Need for novel greener technologies to comply with new regulatory standards (e.g. sulphur cap, 2050 GHG goals). Financiers often not ready to take technology risk.
- **Expertise:** Green maritime financing is a discipline needing a relatively high expertise. Difficult to find financiers - especially given that banks are shrinking their exposure to shipping.
- **Structural:** Asset backed financing solutions are challenging for retrofitted green equipment if the retrofitted vessels are already /pledged to other financiers.
- **Intrinsic:** Many shippers are relatively small and do not have any ESG rating on which sustainable financing could be based on.
- **Pricing:** Limited pricing benefits at the moment in green bonds/loans for issuers/borrowers vs. traditional bonds/loans.

Key steps / solutions needed to overcome these barriers?

- Increase expertise on Green Shipping Finance.
- Need of projects with Demonstration Effects (technological and financial feasibility): From theory to practice.
- Multi-level co-investment to limit the risk of financing institutions (Donors, MDB, Private financiers).
- Stakeholder Commitment (Owners, Policymakers, Financing institutions, Value chain).
- ...
- **FIN-SMART**

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Financing Sustainable Maritime Transport

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The Way Ahead - Next Steps

- Workstreams and key focus
- Timeline until the next Roundtable meeting – through June/July 2021
- Joint press release by EBRD, IMO, WB
- Draft minutes and slides from the meeting to be circulated