



GREEN FINANCE  
IN KAZAKHSTAN







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## INTRODUCTION



**Kairat Kelimbetov**, *Governor of the Astana International Financial Centre*

**A**IFC is planning to develop green financial instruments. Today we see the rapid development and reorientation of the economy towards clean technologies. In this regard, the high-tech platform of Astana Expo-2017 will provide a physical infrastructure for research in the field of green technologies while AIFC can participate in its financial component.



**Jan-Willem van de Ven**, *EBRD*

**K**azakhstan has set ambitious targets for reducing greenhouse gas emissions in accordance with the Paris Agreement and increasing the share of renewable energy sources in total production to 3 % and 10 % by 2020 and 2030, respectively.

The green financial system will help to raise awareness and increase the involvement of the financial sector, especially the private sector, in order to implement green projects in Kazakhstan and in Central Asia.



**Ma Jun**, *Chief Economist of the People's Bank of China*

**T**here is a global demand for green investment. Investments in this sphere could amount to 3 to 7 trillion US dollars per year. But the existing green finance market is still very small. For example, the issue of green bonds is less than 1% of the total issue of world securities. In the lending market, only a few percent of the total number of loans aimed at projects, which can be classified as green.





## GENERAL INFORMATION ON INTERNATIONAL INITIATIVES

### THE KYOTO PROTOCOL

**1** **992**, the UN Conference on the Environment and Development was held in Rio de Janeiro with the aim of reducing global greenhouse gas emissions and controlling this process. It resulted in the Framework Convention on Climate Change. In 1997, in addition to the UNFCCC, the international community adopted the Kyoto Protocol.

The Kyoto Protocol imposes quantitative obligations on countries to reduce or limit national amounts of anthropogenic emissions of greenhouse gases as compared to the base year level:

#### *Certain quantified emission's limitation or reduction commitments*



The agreement was reached  
to **extend** the Kyoto Protocol

until  
**2020**

at the United Nations Climate Change  
Conference in Durban in 2011.



## PARIS AGREEMENT, COP 21

**Date:** From November **30** to December **12, 2015**, the UNFCCC - COP 21 (Conference of Parties 21) was held in Paris.

**Number of participants:** 196 states.

**Purpose:** hold the global average temperature's increase below 2<sup>o</sup>C.

*It was also proposed to set national targets for reducing greenhouse gas emissions, transparent reporting on emissions reduction.*

P  
2015

## MARRAKESH COP 22

**Date:** COP 22 negotiations were held on November **7-18, 2016** in Marrakesh.

**Development** of Paris Code of Rules.

**This set of rules** is aimed at reducing and controlling greenhouse gas emissions, monitoring and evaluating national contributions to emission reductions.

*The participants of COP 22 agreed that Paris Code of Rules would be prepared and agreed upon before the 24th Conference of the COP in 2018.*

M  
2016



## INFORMATION ON THE OBLIGATIONS OF DEVELOPED COUNTRIES AND KAZAKHSTAN TO REDUCE CO<sub>2</sub> EMISSIONS

For evaluating countries' efforts in combating climate change there is a system of submission of **INDCs** (Intended Nationally Determined Contributions).

The estimated nationally established contributions of the **Republic of Kazakhstan** to reduce greenhouse gas emissions are **15% -25% by December 31, 2030**, as compared to **1990**.

**The United States** intends to achieve **26-28% reduction in greenhouse gas emissions below 2005 levels in 2025** and make maximum efforts to reduce its emissions by **28%**.

**Canada** will reduce its greenhouse gas emissions by **30% below level in 2005 by 2030**.

**The European Union states** intend to achieve the mandatory goal of reducing greenhouse gas emissions by at least **40% by 2030** compared to **1990**.

**Russia** will reduce greenhouse gas emissions **by 70-75% by 2030** in comparison with **1990**.



*In 2018 there will be a voluntary review of each countries' INDCs to increase contributions in reduction of greenhouse gas emissions and **since 2022 the revision of contributions will become mandatory.***





# INFORMATION ON THE INITIATIVES OF KAZAKHSTAN

## THE CONCEPT OF TRANSITION TO GREEN ECONOMY



### OBJECTIVES

- Increasing the efficiency of resources usage (water, land, biological etc.) and managing them.
- Improving current infrastructure and constructing the new infrastructure.
- Improving the well-being of the population and the quality of the environment through cost-effective ways of mitigating pressures on environment.
- Improving national security including water security.





## TARGET INDICATORS

- In the water sector, it is planned to abolish the water deficit at the national level by 2050.
- In agriculture, to triple labor productivity by 2020 and increase yield by 2030 as well as to reduce irrigation costs.
- In the field of energy efficiency, to reduce the energy intensity of GDP from the level of 2008 by 50% by 2050.
- In the electricity sector, to increase the share of alternative energy sources to 30% by 2030 and 50% by 2050 and to provide gasification in Akmola and Karaganda regions by 2020, and the northern and eastern regions by 2030.
- in the field of air pollution, to achieve the European level of emissions of sulfur oxides and nitrogen into the environment by 2030.



## EXPO-2017

Theme  
of EXPO-2017  
is "Future Energy"

EXPO-2017 will be the  
first international exhibition  
in the CIS



"Future Energy" reflects the most vital problem for mankind on rational use of energy and natural resources, reduction of greenhouse gas emissions, use of renewable energy sources, transition to green technologies, and also raises the problem of access to electricity and reducing poverty.

## EXPO-2017

Attracting the best technologies and solutions in the field of green economy in the Republic of Kazakhstan

International investment site for the Republic of Kazakhstan

Increase of the status of Kazakhstan on the world stage in the field of reducing greenhouse gas emissions and climate change





## GREEN FINANCE

**G**reen finance is a set of financial products and services (in the form of investments or lending) that take into account the environmental impact and improve ecological sustainability and ensuring those activities to reduce the environmental and climate risks of global economic development.

Synonyms of the concepts for green finance are *environmentally responsible investment* and *investment related to climate change*.

**S**trengthening green financing can help boosting the high potential of green industries, promoting technological innovation and creating business opportunities for the financial industry.

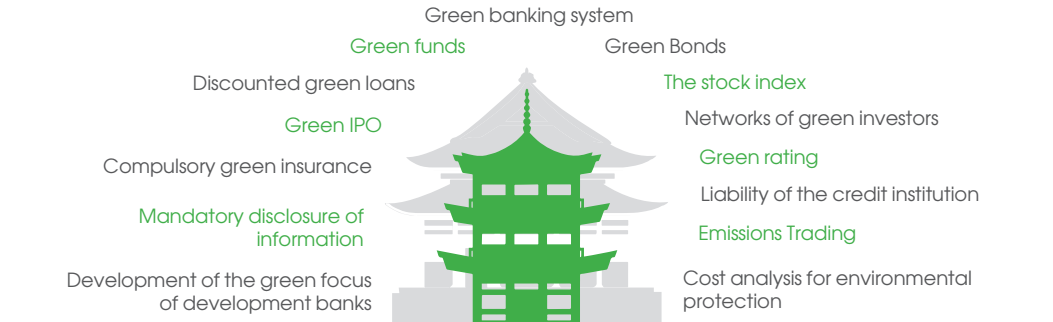
**GREEN FINANCING IS THE ONLY ACCEPTABLE CONCEPT OF GREEN ECONOMY.**

### TOOLS FOR THE TRANSITION TO GREEN ECONOMY:

- **energy efficiency**, that is a specific reduction in energy consumption, a specific decrease in energy resources per unit of output.
- **resource efficiency**, that is more rational use of any resources: water, raw materials, materials, it is also more rational waste management.
- **renewable energy**: wind, sun, water, air, etc.



## INTERNATIONAL EXPERIENCE



### China is an Asian leader in Green finance.

The Compilation of the Reports of the People's Bank of China and UNEP (2015) was called Creating Green Financial System in China which is a complete set of background documents and recommendations in the development and implementation of the green financial system.

### Green Investment Bank

- Assistance to the UK enterprises in transition to a green economy
- Environmental infrastructure to reduce household waste
- Creation of renewable energy sources



As of the beginning of 2017, GIB financed 83 projects on development of green infrastructure and technology for more than 11.1 billion pounds

Well-known financial institutions intend to reduce the amount of investment in projects of extractive companies:

**Bank of England** warns about the "huge financial risks" of investments in fossil fuels

**AP4 Swedish pension fund** revises its portfolio of shares by reducing investments in extractive companies

**The Norwegian State Pension Fund** stopped investing in coal mining companies

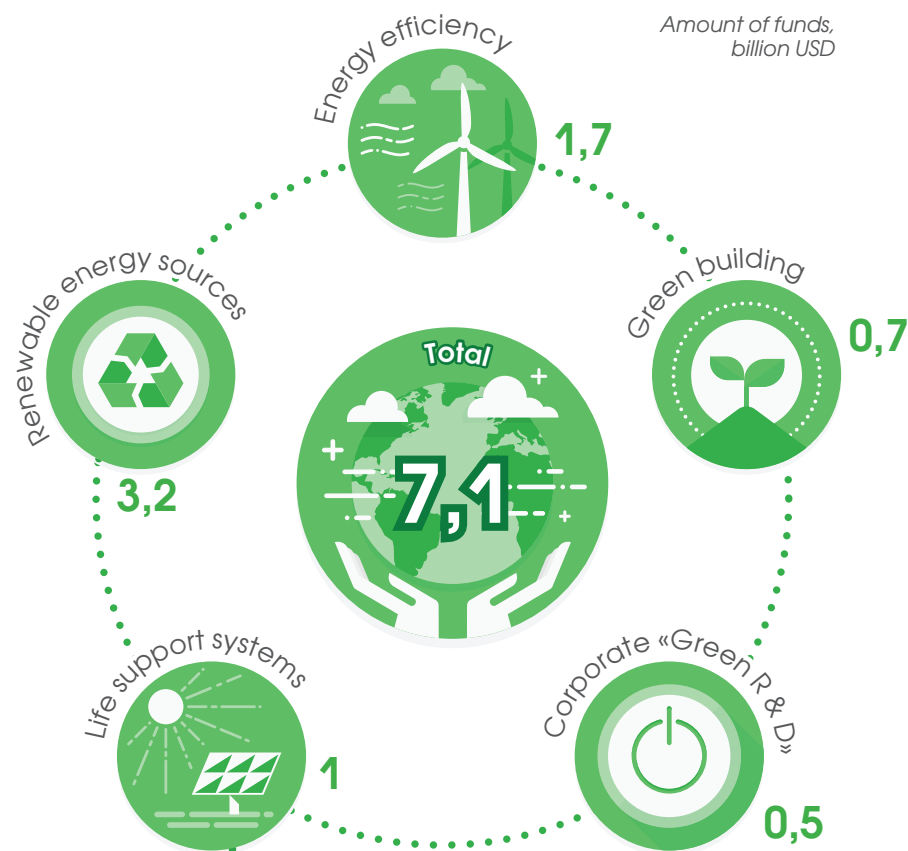


## GREEN ECONOMIC INITIATIVE

**The Banking Commission** was established within the framework of the international project "Green Economic Initiative", which **developed the Guidelines for the Sustainable Development of the Banking Industry in 2011** (UNEP FI Guide to Banking & Sustainability).

Participants of the Banking Commission in 2012 were **140 banks** from 50 countries (development banks, commercial banks, insurance organizations). Banks that are members of the UNEP Banking Commission, in their activities, adhere to views on sustainable development and environmental security.

Among the peculiarities of green financing the high level of initial investment must be highlighted. According to the Green Transition Scoreboard 2016 during 2007-2016, **7.1** trillion US dollars of private investments went to the world green economy.





## GREEN FINANCING TOOLS

**Number of participants in the sphere of green financing as of 2016.**

Banks - **more than 60 companies**

Green Investments - **more than 1500 companies and individuals**

Green Insurance - **more than 50 companies**

Other green tools - **more than 200 companies**



### Green Bonds

*Green bond* is a debt instrument with institutional investors as main buyers. The income from bond sale goes to green (eco) projects.

### FOUR CORE COMPONENTS OF GREEN BONDS PRINCIPLES

Reporting

Management of Proceeds

Use of Proceeds

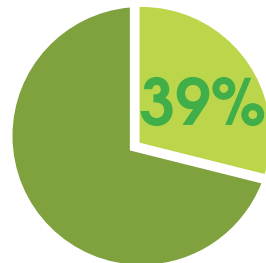
Process for Project Evaluation and Selection

**The main issuers of green bonds** are international financial organizations, private financial institutions and big corporations.



### GREEN LOANS

are the most effective and common tools for project financing, given the simplicity of registration, both for the lender and the recipient of the loan, as well as favorable conditions for the recipient of the loan



*As of the end of 2016, Green loans count 39% of the Green Climate Fund.*

### DIFFERENT COUNTRIES OFFER INCENTIVES FOR GREEN CREDITS

Annual rate cuts of 0.5% and no monthly maintenance fees



Decrease by 1% for loans that meet environmental criteria.



The bank takes into account the amount of emission that car produces and assigns an interest rate accordingly.



Issue of special credit cards that offer their users discounts and low interest on loans in case of purchases of green products and services. 50% of the income from these cards goes to financing projects to reduce emissions to the atmosphere around the world.



## EXAMPLES OF GREEN INSURANCE IN THE WORLD



is the disclosure of environmental risks through insurance policies that increase indirectly the cost of non-ecological projects and reduce the investment potential of such projects

*There is a term "environmental insurance" which is essentially a management tool of environmental risks in the system of market economy.*

**Green insurance** covers liabilities of organizations associated with environmental pollution.

### THE EU

is the EU Directive on Environmental Liability which adheres to the principle that companies harmful to the environment must compensate the damage caused by law.

### GERMANY

Law on Environmental Liability - 96 sectors (including power energy, mining) are subject to compulsory insurance.

### BRITAIN

in the insurance case that entailed environmental pollution, insurance companies cover the cleaning of the pollution site, fines, losses associated with real estate, legal and medical expenses.

### KAZAKHSTAN

Law on Mandatory Environmental Insurance" - a new type of compulsory insurance - environmental insurance. The law is aimed at providing guarantees for restoring the environment to the condition prior to insurance case.

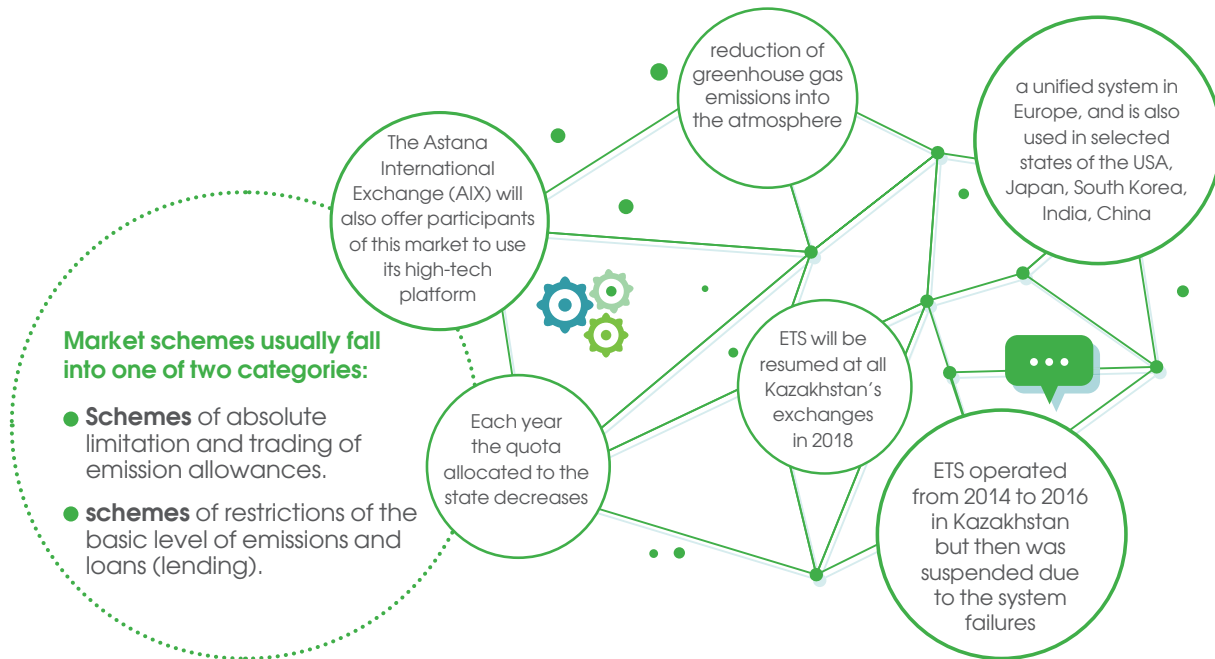




## EMISSION TRADING SYSTEM (ETS)



**E**missions trading is a market-based approach to controlling environmental pollution, such as the amount of greenhouse gases emitted into the atmosphere. The main motivation for emissions trading is to increase the economic efficiency of achieving the desired environmental results, such as low carbon emissions.



## ICAP (INTERNATIONAL CARBON ACTION PARTNERSHIP)



**ICAP is an international forum for governments and public authorities** that have implemented or are planning to implement emissions trading systems (ETS).

**Since 2009, ICAP has been involved** in capacity building activities by conducting regular trainings and workshops on greenhouse gas emissions trading for governments in developing countries and emerging market countries. The courses are intended not only for politician but also for stakeholders from academic, non-governmental and private organizations.



## WORLD ETS MAP

### California

California Emission Trading System is the Cap-and-Trade Program started in 2013.

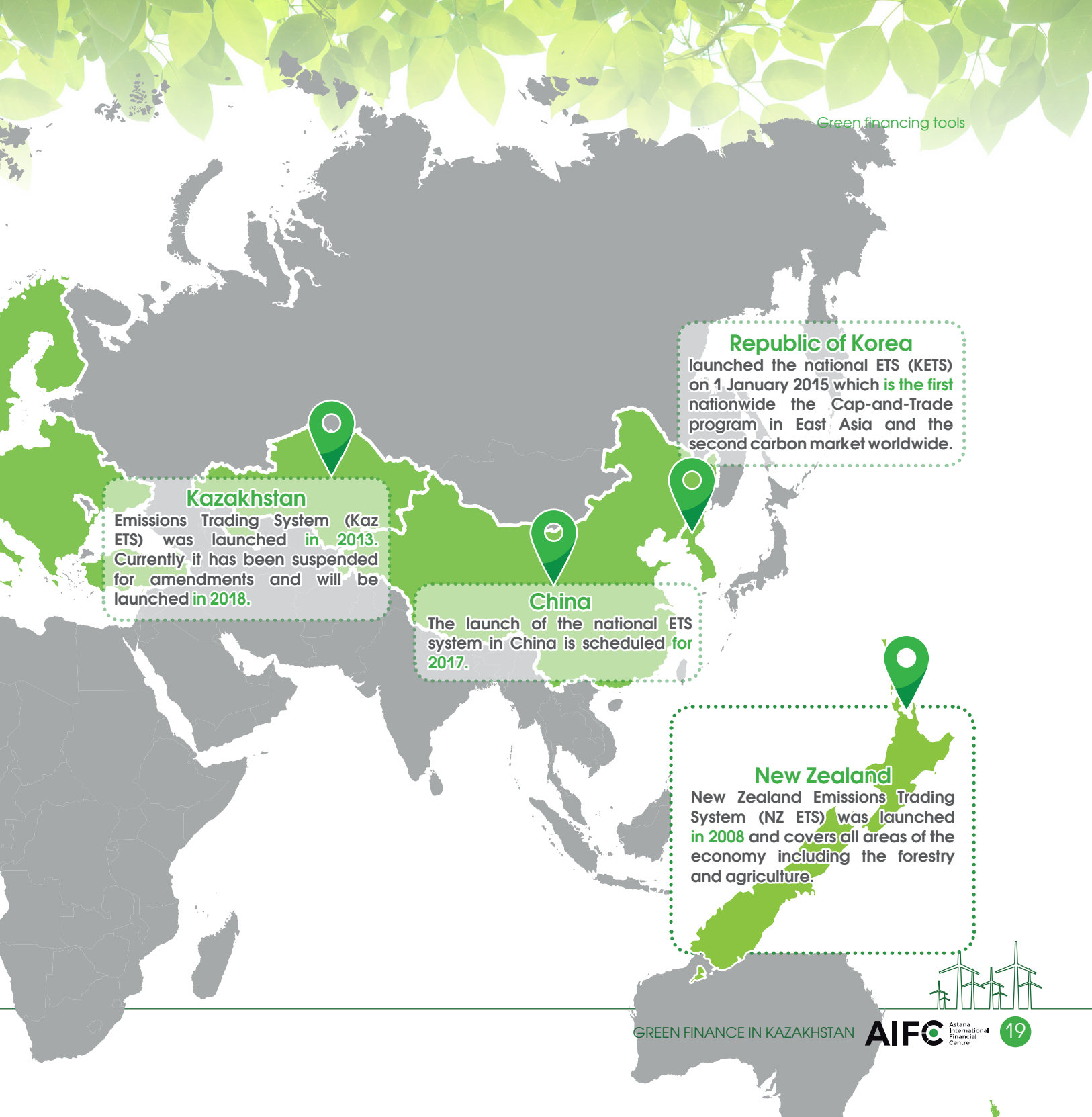
### The US system

The Regional Greenhouse Gas Initiative - RGGI began operations in 2009 as the first mandatory ETS in the United States.

### EU ETS

To date, the EU ETS covers about 45% of overall of GHG emissions in 31 countries and is thereby the largest ETS.





### Kazakhstan

Emissions Trading System (Kaz ETS) was launched in 2013. Currently it has been suspended for amendments and will be launched in 2018.

### China

The launch of the national ETS system in China is scheduled for 2017.

### Republic of Korea

launched the national ETS (KETS) on 1 January 2015 which is the first nationwide the Cap-and-Trade program in East Asia and the second carbon market worldwide.

### New Zealand

New Zealand Emissions Trading System (NZ ETS) was launched in 2008 and covers all areas of the economy including the forestry and agriculture.



## AIFC MISSION

«AIFC will be based on the principles of English law, the preferential tax regime and an independent financial court. We are sure that it will become a core of finance infrastructure of Kazakhstan and further a financial hub for the Central Asian region.

**N. Nazarbayev**

*President of the Republic of Kazakhstan*

### AIMS OF AIFC

Astana  
International  
Financial Centre

#### Support of Economic Development of Kazakhstan

Increasing  
the labor  
productivity

Development of  
financial system

Further integration of  
Kazakhstan into  
a global economy

Promotion of Astana  
as an attractive  
business center

Strengthening the role  
of Astana as Eurasian  
Economic Union (EAEU)  
financial center

Decreasing  
dependence  
on natural  
resources



**Kazakhstan 2050**

#### Support of Social Development of Kazakhstan

Increasing a number  
of highly qualified  
workplaces

Promotion of high  
business standards

Providing direct  
flights to leading  
financial capitals  
according to  
Open Skies  
principles

Professional  
development of  
specialists in the  
financial sphere

Improving quality  
of life in Astana

### BENEFITS OF SETTING UP IN AIFC



#### Tax incentives

AIFC entities  
& employees  
will enjoy 0%  
tax rate on  
corporate,  
income, land  
and property  
as well as gains  
from realization  
of securities,  
dividends and  
compensation  
on the securities  
listed



#### Registration regime

Introduction  
of a simplified  
regime with a  
registration of a  
“one-stop-shop”  
for the issuance  
of visas, work  
permits and  
other requests  
on AIFC territory

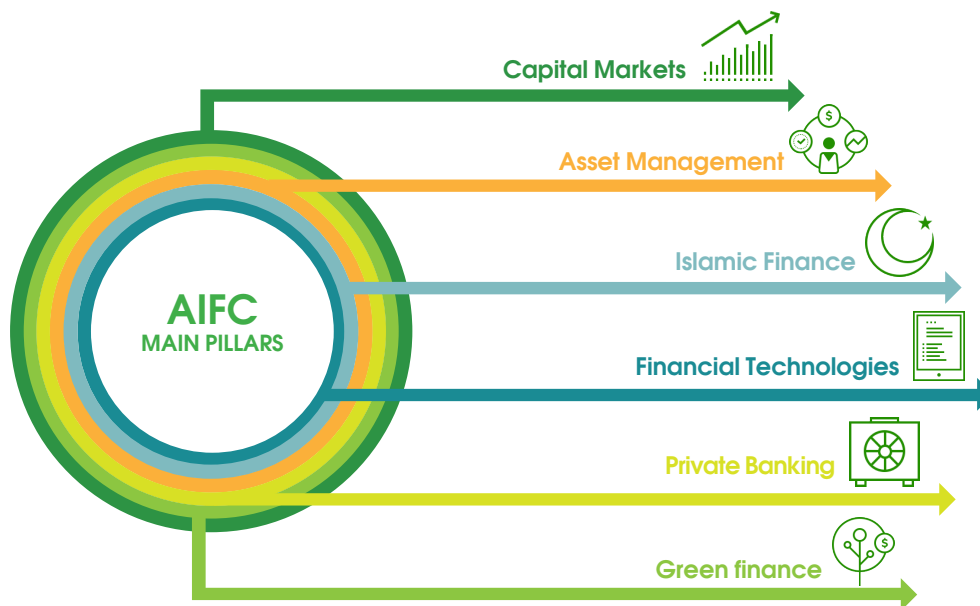


#### Visa regime

Visa-free  
regime of up  
to 30 days  
for citizens  
of member  
countries  
of OECD,  
Malaysia, UAE,  
Monaco and  
Singapore.  
AIFC entities  
employees will  
enjoy a special  
visa regime for  
a term of up to  
5 years







**greenfinance.kz** is a virtual platform for green financial system of the Republic of Kazakhstan.



### 🎯 AIM:

to highlight all aspects of green finance development in Kazakhstan and to provide a platform for communication of local and foreign stakeholders and investors.

### ➔ OBJECTIVES:

increasing the level of awareness of business community and civil society about green finance in Kazakhstan and abroad

creating motivation of financial sector to be involved in green projects

broadcasting and allocating the results of implementation of the joint AIFC-EBRD project on Green Financial System for Kazakhstan

### ⚙️ MAIN FUNCTIONS:

providing the standards and requirements in green finance

transparent analytics on green finance

providing green projects pipeline for potential investors

Forum: exchange of information, opinions and experience in developing green financial instruments

subscription to news on green finance and investments







[www.aifc.kz](http://www.aifc.kz)  
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