“So many people say that this challenge is impossible. I learned a long time ago that you never take ‘no’ for an answer. I believe in what Nelson Mandela said, that everything is impossible until someone does it. We have to show that it can be done. We have to go out and fight and, if we fight, we can make a difference.” –Arnold Schwarzenegger, former California Governor

“Climate change is too big an issue to leave to national governments alone. We need the energy, the commitment and the innovation of sub-national players – the grand coalition that has always been the centerpiece of my COP presidency. It is the only way we are going to effectively tackle this crisis.” –Frank Bainimarama, Fijian Prime Minister and President of COP23

**Talanoa Dialogue on Sub-National Climate Finance**

Former California Governor Arnold Schwarzenegger, with the support of Fijian Prime Minister and COP23 President Frank Bainimarama, and Los Angeles Cleantech Incubator CEO Matt Petersen convened a Talanoa Dialogue at the Los Angeles Cleantech Incubator to explore opportunities and best practices for climate-smart investments at the city and sub-national level that can scale and be replicated globally. The Talanoa brought together key actors and thought leaders, including representatives from business, government, philanthropy and academia.

In his opening remarks, Schwarzenegger stressed the importance of getting the message about climate change right. He explained that in his time as governor he achieved success in mobilizing support for climate action by focusing on the immediate impacts that people face due to carbon pollution. He said that if we keep the focus on people's everyday lives, we will achieve greater outcomes.

Prime Minister Bainimarama, who was not able to attend in person due to commitments in Fiji, delivered welcoming remarks via a video message. The Prime Minister thanked Schwarzenegger for his climate leadership and said that if the world is to have any chance of achieving the goal of the Paris Agreement, which is to limit warming to 1.5 degrees Celsius above the pre-industrial age, then sub-national players will need to play a central role in this effort.

The event was held in the spirit of talanoa, which is a Pacific tradition of telling stories to build consensus and make decisions for the collective good. Fiji’s Ambassador to the United States, Solo Mara, who represented the COP23 Presidency at the event, explained that the special thing about talanoa is the way in which the dialogues are conducted. These dialogues give participants an opportunity to hear stories and perspectives that they wouldn’t necessarily hear otherwise and, in the process, be inspired by insights they may not have considered before.

The storytelling portion of the talanoa was kicked off by Akon, an entertainment icon who has devoted his energies to tackling climate change and empowering people across Africa. Akon shared his personal journey of making the wrong decisions early in life and ultimately being
incarcerated. From that negative experience, he found his motivation for founding Akon Lighting, a non-profit that has brought electricity to more than 6 million households across the African continent.

The stories continued with the Mayor of San Diego, Kevin Faulconer, who made the first public announcement of a new community choice aggregation initiative to supply greener and cleaner energy to San Diego, which will help the city reach its goal of 100 percent renewable energy by 2035. Governor Schwarzenegger noted the power of this announcement, saying that San Diego can be a model for the rest of the cities across the country.

Stories were shared about the importance of the talanoa approach of listening to and learning from one another. Many of the stories were specifically about the progress that has been made in California, which began with Schwarzenegger's leadership in getting landmark legislation to combat climate change passed in 2006. The State continues to set an example for how policy at the sub-national level can drive economic development and make an impact around the world.

Schwarzenegger built upon the leadership he showed on climate action in California by co-founding R20, a global nonprofit of sub-national governments and regional leaders working together to move toward a green energy future.

Christophe Nuttall, executive director for R20, explained that the organization has set out to connect policymakers at the local level with technology holders and financing in order to develop clean energy projects. Recognizing a funding gap for infrastructure projects of more than $5 million and less than $100 million – considered too large for sub-nationals and NGOs to finance, too small for institutional investors and too risky for private investors – R20 teamed up with BlueOrchard Finance, a leading global impact investment manager headquartered in Switzerland, to create the Sub-national Climate Fund Africa.

Patrick Scheurle, CEO of BlueOrchard, noted that the $350 million investment fund – backed by financing from philanthropists, foundations, governments, development finance institutions and private investors – will go live next year and start investing in 600 renewable energy, energy efficiency and waste management projects at the sub-national level. “This fund will not only invest $350 million, it will also unlock billions of co-investment capital,” Scheurle said. “It's scalable, it's replicable, and we will replicate it for all the developing countries in the world.”

Ben Van de Bunt, Co-Founder and Chairman of Cypress Creek Renewables, raised over $3 billion and created thousands of jobs in the first four years of Cypress Creek. He reflected on the early success of Cypress Creek and stated projects need to be financeable, scalable, and must have regulatory certainty to be successful. Van de Bunt believes this business model can be replicated all over the world.

Climate Policy Initiative Director Barbara Buchner, who moderated the dialogue, concluded by summarizing overarching themes she heard at the talanoa. More needs to be done to foster collaboration between public and private actors, and across international, national and sub-national borders. Only then can best practices and latest innovations be shared to help maximize the impact of every investment. The more that successful initiatives and projects in one jurisdiction can be
replicated and financed elsewhere, the quicker the world can reach the necessary scale of action and investment.

She recalled that participants also highlighted the importance of spreading the right messages to the right people, understanding what motivates various groups to tell a convincing story about how the transformation to cleaner economies can empower people and spark amazing opportunities for investment.

The following are further details of the key takeaways from the talanoa:

**Communication and messaging is key.** Those working for climate action have a powerful and compelling story to tell, so understanding how to communicate on climate, focusing on the right messages and keeping the emphasis on improving peoples' lives is important. Examples of messaging include:

a. People are impacted every day by pollution; and climate makes local pollution worse, leading to health problems and premature death every year;
b. Everyone can make a difference; and leadership matters at all levels of government, business and civil society – we all can be part of the solution;
c. There are great opportunities in solving climate change, from the creation of new jobs, to building cleaner communities and improving quality of life;
d. Climate action offers real investment opportunities for private sector actors, who can make profits while investing in climate-relevant projects around the world.

**Climate must be mainstreamed.** Incorporating climate considerations into daily decision-making, across all economic sectors, every level of government and all communities, is essential for sustained and scaled progress. There are unparalleled opportunities for investment, jobs and community empowerment when we do this. Several concrete examples of mainstreaming climate considerations were discussed, including:

a. Creating more standardized contracts for investment into climate smart technologies to reduce transaction costs;
b. Leveraging the trillions in capital within the insurance sector to transfer risks so that new technologies and projects in emerging economies can meet risk thresholds for scaled investment;
c. Developing financing vehicles that are tailored for the aggregation of smaller, distributed projects and creating securitizable asset classes for scaled investment. As the global energy system moves to a distributed model, the financial system must innovate with it to allow institutional investors to participate in the growth of the distributed energy world;
d. Keeping it simple and replicating good examples as much as possible. One of the biggest challenges is merely overcoming inertia by following past models of bankable projects and business models.

**Strong climate policy creates jobs and grows the economy.** To build the new, 21st-century economy, we cannot rely on the economic engines of the 20th century. Smart and strong climate
policies, backed by the force of law, lead to investments and job creation in the new economy. Several concrete examples were shared from the California experience:

a. California's economy has grown faster than the national average while its unemployment is below the national average, all while having the most ambitious and pro-climate laws and policies in the country;

b. Microgrid companies, electric vehicles, smart buildings, solar companies, and battery storage companies are among the many examples of how California has created an environment for the new economy job creators in its state;

c. A new biofuels company that is creating jet fuel from food waste is located in Los Angeles because of California's laws creating incentives for low carbon fuels. This has saved jobs, repurposed a shuttered oil refinery and is reducing greenhouse gases.

**Much greater collaboration is required.** Combining strong climate policies, proven and new clean technologies, and better ways to access the vast financial resources of the capital markets are the foundations for the power economy for the 21st century. However, equally important is the active collaboration of policy makers, investors and technology providers to create the right environment for rapid and sustained economic transformation – a transformation that builds stronger communities and improves peoples' lives. Specific examples of positive collaboration were shared:

a. The Schwarzenegger Institute, under the leadership of former Senator Fran Pavley, created a digital handbook of its regulatory policies and measures and has made it available for states and sub-national governments around the world that may want to learn about and adopt California's success stories;

b. Creating other examples of "best in class" repositories to share examples of success and to connect people across the globe;

c. Having investors, technology providers and local governments actively working together to develop pipelines of investable projects is the model being pursued by R20 in Africa with the sub-national Climate Fund for Africa, or SnCF Africa. R20 is looking to expand this collaboration model to islands and has begun work with Fiji to become a regional center for Pacific Islands.

The talanoa closed with inspiring words from Governor Schwarzenegger, who reiterated that every person has the power to fight for a better world and make a positive impact. He thanked Ambassador Mara and the COP23 Presidency for bringing the Talanoa Dialogue to the Los Angeles Cleantech Incubator, and suggested that we should continue to have more Talanoa Dialogues, as it is a great model for sharing experience and ideas.
Talanoa Participant List

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