

Public sector perspective: How to scale up climate finance and make it more effective?

**“Preparing for Scaled-up Climate Financing:
New Business Opportunities for Green Growth”**
An Asia LEDS Partnership Workshop on Financing for Green Growth

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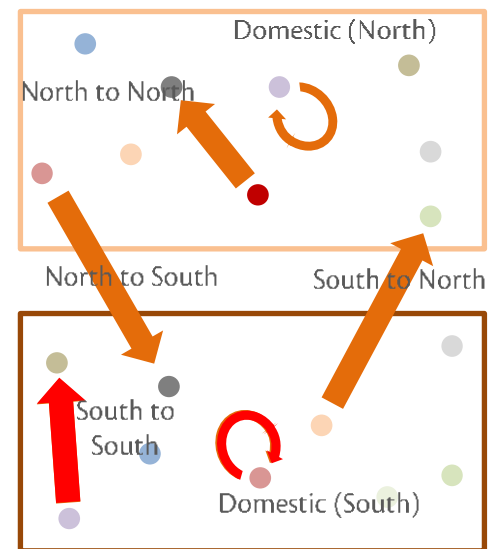
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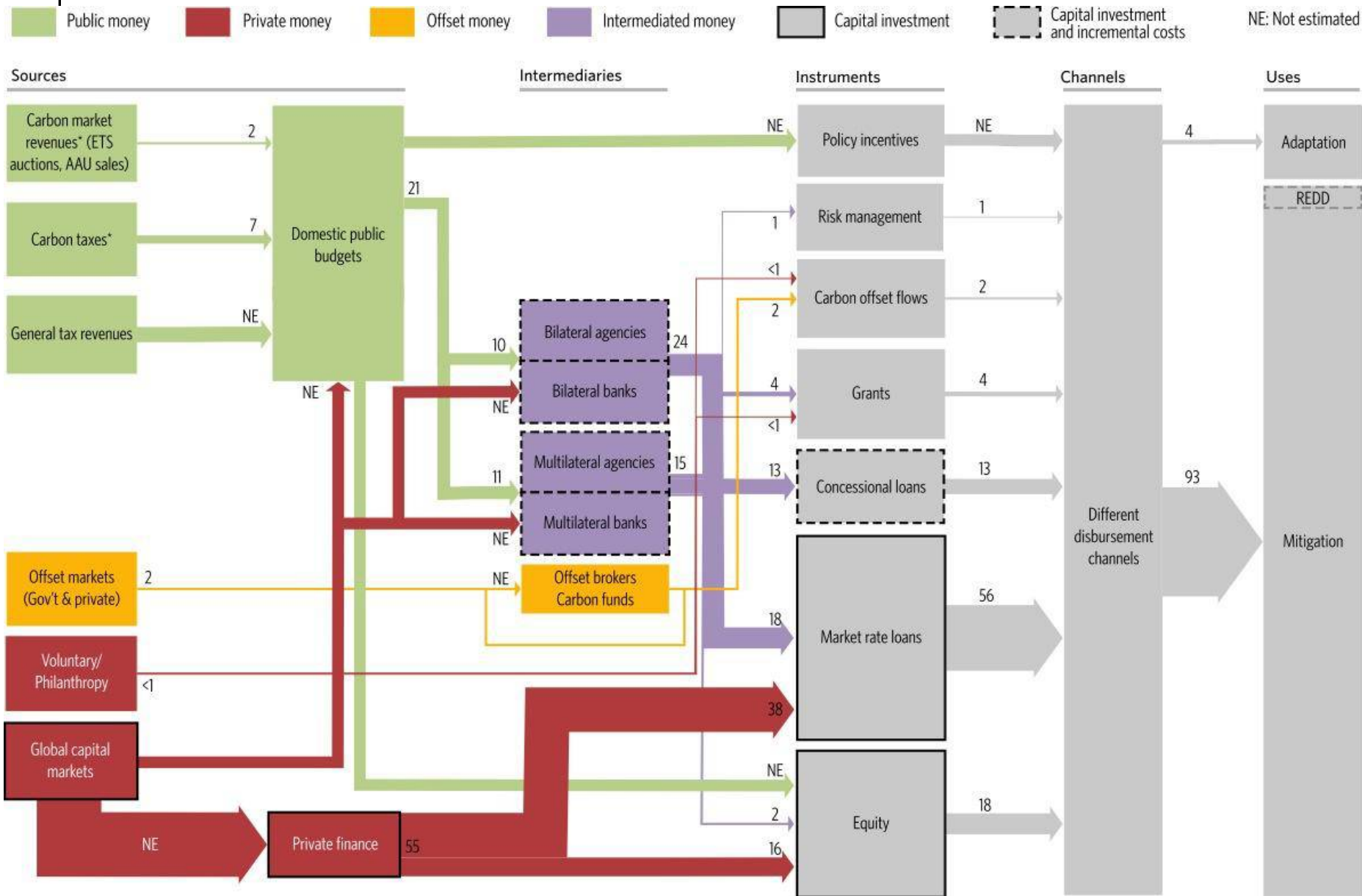
What is climate finance?

Definitional issues are a major challenge to understanding the scale of financial flows

- All financial flows covering financial support...
 - ... for mitigation & adaptation...
 - ... for various geographical configurations...
 - ... for public, public-private & private flows...
 - ... for incremental cost & investment capital...
 - ... counted as gross & net flows



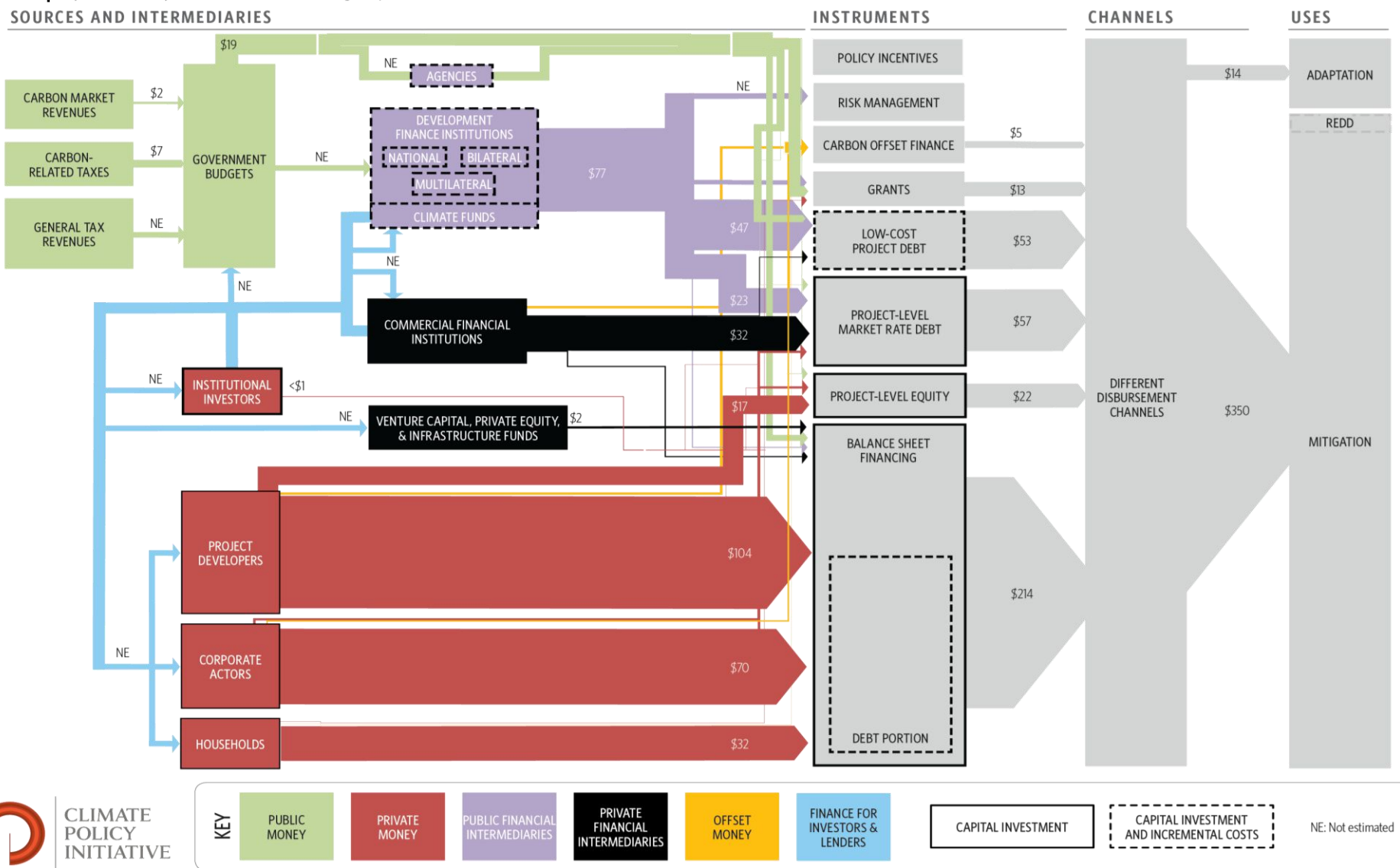
2009/10 climate finance flows (in USD billions)



Notes: Figures presented are indicative estimates of annual flows for the latest year available, 2009/2010 (variable according to the data source). Figures are expressed in USD billion and are rounded to produce whole numbers. Estimates spanning multiple years are adjusted to produce annual-equivalent estimates. Where ranges of estimates are available, the mid-point is presented. All flows are incremental except for those identified as full or partial 'capital investment'. Most data presented relate to commitments in a given year, due to limited availability of disbursement data. *Estimated carbon pricing revenues indicated are not necessarily wholly hypothecated for climate finance.

Landscape 2012 – Better Estimates, Deeper Insights

2010/11 climate finance flows (in USD billions)



Notes: Figures are indicative estimates of annual flows for the latest year available, 2010 or 2011 (variable according to the data source). Flows are expressed in USD billions and rounded to produce whole numbers. Estimates spanning multiple years are adjusted to produce annual-equivalent estimates. Where ranges of estimates are available, the mid-point is presented. The diagram distinguishes between 'incremental costs,' that is, financial resources that cover the price difference between a cheaper, more polluting options and costlier, climate-friendly ones and do not need to be paid back — and 'capital investment,' which are tangible investments in mitigation or adaptation projects that need to be paid back. Categories not representing capital investment, or a mix of capital investment and incremental costs, are incremental costs only. The group of National Finance Institutions includes Sub-regional entities. Most data presented relates to commitments in a given year due to limited availability of disbursement data.

Landscape 2012 – The Facts

The global picture

In 2010/2011 annual global climate finance flows reached ~USD 343-385 billion, on average USD 364 billion

- **Private finance: USD 217-243 bn**
 - Households and corporates contributed USD 83 bn toward **small-scale renewable energy finance**
- **Public sources: USD 16-23 bn**
 - ODA more than double compared to 2009/10
 - USD 11 bn domestic renewable projects (U.S. stimulus)
- **Significant public money standing behind private money**
 - USD 51 bn in governments' direct and indirect shareholdings and lending to private investment structures

Key findings

- **Private finance represented almost 75% of climate finance**
 - The domestic private sector is a cornerstone of climate finance in both developed and developing countries
- **Public & private financial institutions raised and channeled USD 110-120 bn. of climate finance**
 - Development Finance Institutions (multilateral bilateral, national) play a pivotal role
- **Most climate finance can be classified as investment with an ownership interest (USD 293-347 bn)**
 - Public intermediaries enable investment by providing low cost debt and grants

What are the uses & who are the recipients?

The large majority of climate finance captured was invested in mitigation measures. Emerging economies were key recipients.

- **Sectors. Mitigation vs. adaptation.**
 - Renewable energy generation projects (85%) and energy efficiency (4%) attracted the bulk of finance
 - Data on REDD+ finance are poor but suggest that flows could be around USD 11.8 billion per year (predominantly domestic)
- **Recipients. Developed vs. developing countries.**
 - China, Brazil, and India were the largest recipients of mitigation finance directed to developing countries, receiving close to 33%
 - A significant share of this was raised domestically and disbursed by state-owned entities.

Bottom line

The financing gap remains huge.

- **Money is flowing – but falls far short of what is needed to finance a low-emissions transition**
 - Private capital is essential to scale up
 - Well-targeted public capital can catalyze private capital
- **The landscape of climate finance is complex**
 - A variety of actors with distinctive roles and responsibilities
 - Climate finance archetypes differ by country and circumstance
- **Information about finance flows is growing, but...**
 - Gaps and lack of definition continue to hamper the understanding of what is effective climate finance – and of how much money is already being spent

How to scale up climate finance?

The risk gap

Risk, whether real or perceived, is the single most important factor impeding investment in renewable energy projects

- Gaps in risk coverage in developing and developed markets, particularly for policy risk and financing risks
- New risk mitigation instruments are needed to address financing and policy risks. They need to:
 - address investor specific needs
 - have sufficient scope to have transformative impact

 Development financing institutions and the public sector have significant opportunities to fill these gaps

...helping nations spend their money wisely



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Further Reading

- *The Landscape of Climate Finance 2012* may be found at:
<http://climatepolicyinitiative.org/venice/publication/global-landscape-of-climate-finance-2012/>
- *The German Landscape of Climate Finance* may be found at:
<http://climatepolicyinitiative.org/berlin/publication/german-landscape-of-climate-finance/>
- SGG case studies may be found at:
<http://climatepolicyinitiative.org/publication/san-giorgio-group-case-studies/>
- Information about the San Giorgio Group may be found at:
<http://climatepolicyinitiative.org/venice/san-giorgio-group/>
- The *Risk Gaps* publications may be found at
<http://climatepolicyinitiative.org/publication/risk-gaps/>