Climate Finance Landscape and Implications for SDGs

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Climate Policy Initiative

With deep expertise in policy and finance, CPI works to improve the most important energy and land use practices around the world.

Our mission is to help governments, businesses, and financial institutions drive growth while addressing climate risk.
Climate finance addresses key 21st century challenges

Climate Change
→ Meeting the Paris Agreement goals for Mitigation & Adaptation

Sustainable Development
→ Meeting Sustainable Development Goals
What do we currently track?

**Objective:**
Comprehensive breakdown of annual climate finance flows into new low carbon, climate resilient interventions.

- **Annual financial commitments** in the latest available year into new projects/activities;
- **Total primary financial transactions and investment costs** or, where tracked, components of activities that directly contribute to adaptation and/or mitigation,
- No double counting

**Not...**
- Risk mitigation instruments
- Policy-induced revenue support mechanisms or other public subsidies
- Secondary market transactions
- Investments in manufacturing and sales
LANDSCAPE OF CLIMATE FINANCE IN 2015/2016

Global climate finance flows along their life cycle in 2015 and 2016. Values are average of two years’ data, in USD billions.

SOURCES AND INTERMEDIARIES
Which type of organizations are sources or intermediaries of capital for climate finance?

INSTRUMENTS
What mix of financial instruments are used?

RECIPIENTS
Does climate finance go through public or private channels?

USES
What types of activities are financed?

Government Budgets $11
- Agencies
  - Development Finance Institutions
  - National $58
  - Bilateral $19
  - Multilateral $46
  - Climate Funds $2
- Commercial Financial Institutions $62
- Institutional Investors $2
- Private Equity, Venture Capital, Infra. Funds $1
- Corporate Actors $37
- Households $31
- Project Developers $137

Grants $14
- Unknown $5
- Low-cost Project Debt $42
- Project-level Market Rate Debt $142
- Project-level Equity $38
- Balance Sheet Financing $167

Public $52
- Private NGOs and Foundations $2
- Unknown $63
- Public/Private $4
- Private $288

Adaptation $22
- Dual benefits $5

Mitigation $382

410 BN USD ANNUAL AVERAGE

KEY
PUBLIC MONEY
PRIVATE MONEY
PRIVATE FINANCIAL INTERMEDIARIES
PUBLIC FINANCIAL INTERMEDIARIES
FINANCE FOR INVESTORS & LENDERS
NE: NOT ESTIMATED
Global climate finance flows surged to $437 billion in 2015, before falling 12% to $383 billion in 2016.
The private sector is doing more than ever, while the overall share of public investment remains steady.
Public finance shifts priorities

- Energy efficiency: 39 bn
- Renewable energy generation: 33 bn
- Sustainable transport: 22 bn
- Others/cross-sectoral: 7 bn
- Transmission & distribution systems: 5 bn
- Agriculture, forestry, land-use, & natural resource management: 3 bn
Was there a Paris effect?
Are we on track?

Renewable energy is a bright spot...

...but other areas are behind.

$\textbf{1 trillion/year}$ through 2050 needed (just for energy)

**Underfunded sectors:**
- Industrial energy efficiency
- Transport
- Agriculture
- Water
- Buildings
- Curbing deforestation
- Adaptation
Public funding for adaptation projects remains a challenge

<table>
<thead>
<tr>
<th>Year</th>
<th>Adaptation</th>
<th>Mitigation</th>
<th>Dual benefits</th>
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<tr>
<td>2016</td>
<td>23</td>
<td>112</td>
<td>6</td>
</tr>
</tbody>
</table>
South Asia, and East Asia and Pacific see the largest increase in climate finance.
More work needs to be done in tracking climate finance

- **Private**
  - Renewable Energy: 270
  - Energy Efficiency: 231*
  - Transport: NA
  - Land Use: NA
  - Adaptation: NA

- **Public (DFIs & Intl Finance)**
  - Renewable Energy: 33
  - Energy Efficiency: 39
  - Transport: 22
  - Land Use: 3
  - Adaptation: 22
  - Other: 21

- **Public (Domestic Finance)**

* Source: IEA WEIO 2017

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**Tracked**  
**Not tracked**
USD 11 billion in 2015: Unique role connecting international finance, domestic governments, and local private sector actors; well-positioned to help mobilize climate investments.

**FIGURE 1** Annual Mitigation Investments of Surveyed Domestic DFIs in Brazil, Mexico, and Chile (US$ millions)

- **Total Investment**
  - Mexico
  - Chile
  - Brazil
  - Total

- **Investment by Sector**
  - Renewable energy
  - Low carbon generation
  - Energy efficiency
  - Other sectors

*Source: CPI analysis based on data from surveyed domestic DFIs.*
Four promising investment & policy trends signal a better outlook for climate finance and SDGs

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3. New and innovative investment vehicles are on the rise and many of these target institutional investors that manage mostly untapped but significant portion of global capital.
Unlocking innovation: The Lab

Since its launch in 2014, Lab instruments have mobilized more than $1 billion for adaptation and mitigation projects around the world.

Founded in 2014, the Lab identifies, develops, and launches sustainable finance instruments that can drive billions to a low-carbon economy.
The approach: A public-private partnership

Funders
- Department for Business, Energy & Industrial Strategy
- Ministry of Foreign Affairs of the Netherlands
- Federal Ministry for the Environment, Nature Conservation and Nuclear Safety

Members
- ACWA Power
- AFC
- Agence France Trésor
- Ministry of Finance, Government of India
- ReNew Power
- SEI Capital Markets Limited
- simpanetworks
- Allianz
- BlackRock
- BNDES
- Bloomberg New Energy Finance
- Deutsche Bank
- DBSA
- JICA
- IEK
- FMO
- IDB
- jica
- Masen
- Norfund
- OPIC
- World Bank Group
- FEBRABAN
- Santander
- Encourage Capital
- CAIXA
- IL&FS Trust Company Ltd.
- IORA
- ISB
- L&T Infra Finance

Secretariat

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