

# Global Climate Finance: An Updated View 2018

Webinar  
27th November, 2018



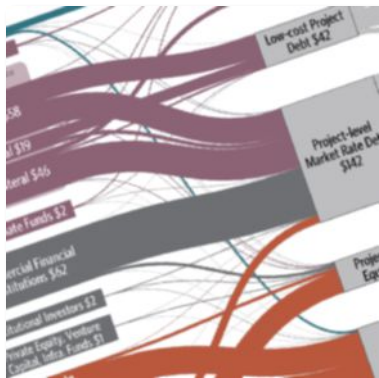
CLIMATE  
POLICY  
INITIATIVE

# Climate Policy Initiative

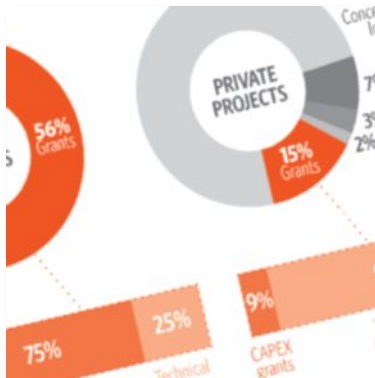
With deep expertise in policy and finance, CPI works to improve the most important energy and land use practices around the world.

Our mission is to help governments, businesses, and financial institutions drive growth while addressing climate risk.

TRACKING  
FINANCE



EFFECTIVE  
FINANCE



TRANSFORMATIVE  
FINANCE



# Agenda

- What's new?
- Overview of updated 2015/2016 global climate finance flows
  - Public and private finance actors
  - Financial Instruments
  - Sectors and end-uses
  - Geographies
- What more needs to be done, progress on Article 2.1(c)
- Q and A

We have updated 2015 and 2016 flows to inform the UNFCCC Biennial Assessment



United Nations  
Framework Convention on  
Climate Change

2018 Biennial Assessment and  
Overview of Climate Finance Flows

# Summary and recommendations by the Standing Committee on Finance on the 2018 Biennial Assessment and Overview of Climate Finance Flows

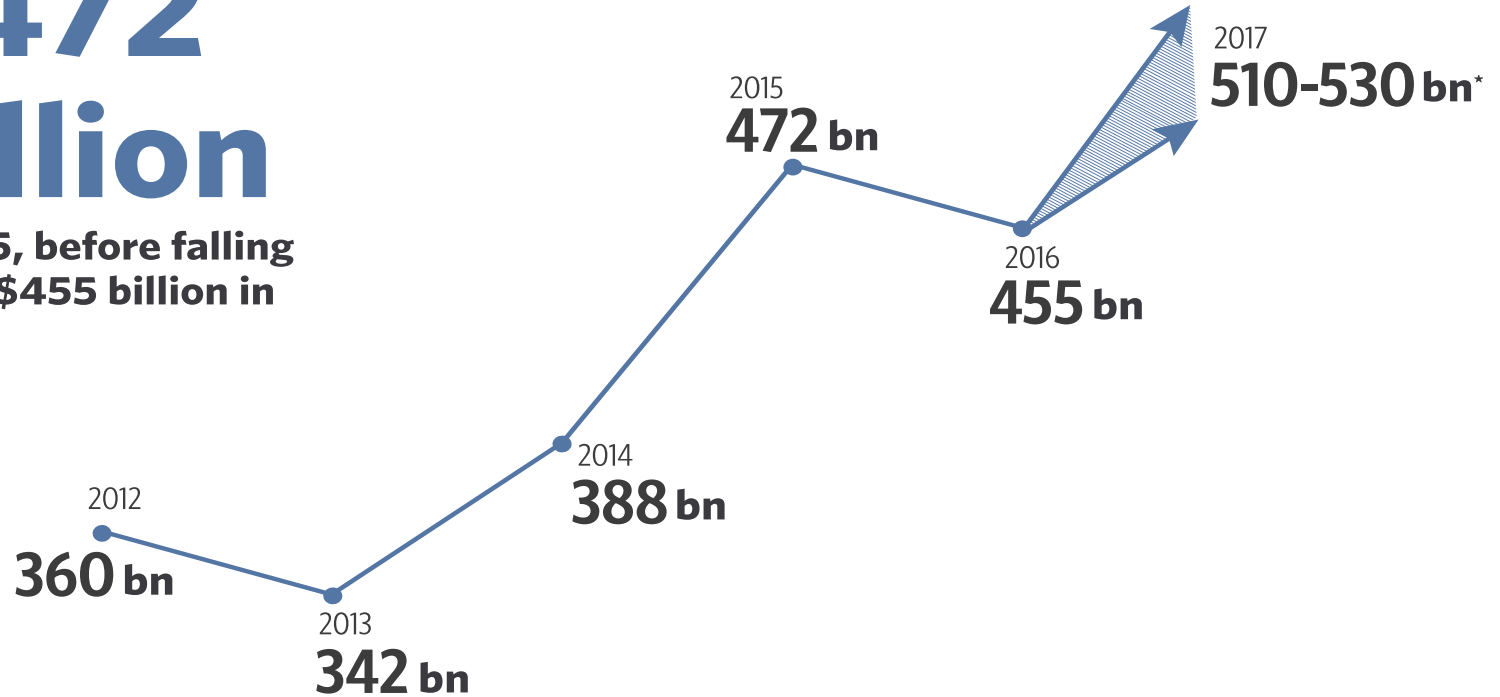
# Improved Data Capture for 2015 and 2016 data

- **International Development Finance Club** reported an increase of climate-related finance commitments; USD 51 billion in 2015 and USD 24 billion in 2016 (IDFC 2017).
- **OECD Development Assistance Committee** (DAC) reported a USD 3.3 billion increase in bilateral climate-related development finance in 2016 (OECD 2018).
- **International Energy Agency** (IEA) data on electric vehicles; estimated at USD 11 billion in 2015 and USD 18 billion in 2016.

**Global climate finance  
flows surged to**

**\$472  
billion**

**in 2015, before falling  
3% to \$455 billion in  
2016.**



\* Preliminary Estimate

# 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.

**463** BN USD  
ANNUAL AVERAGE



## SOURCES AND INTERMEDIARIES

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

## INSTRUMENTS

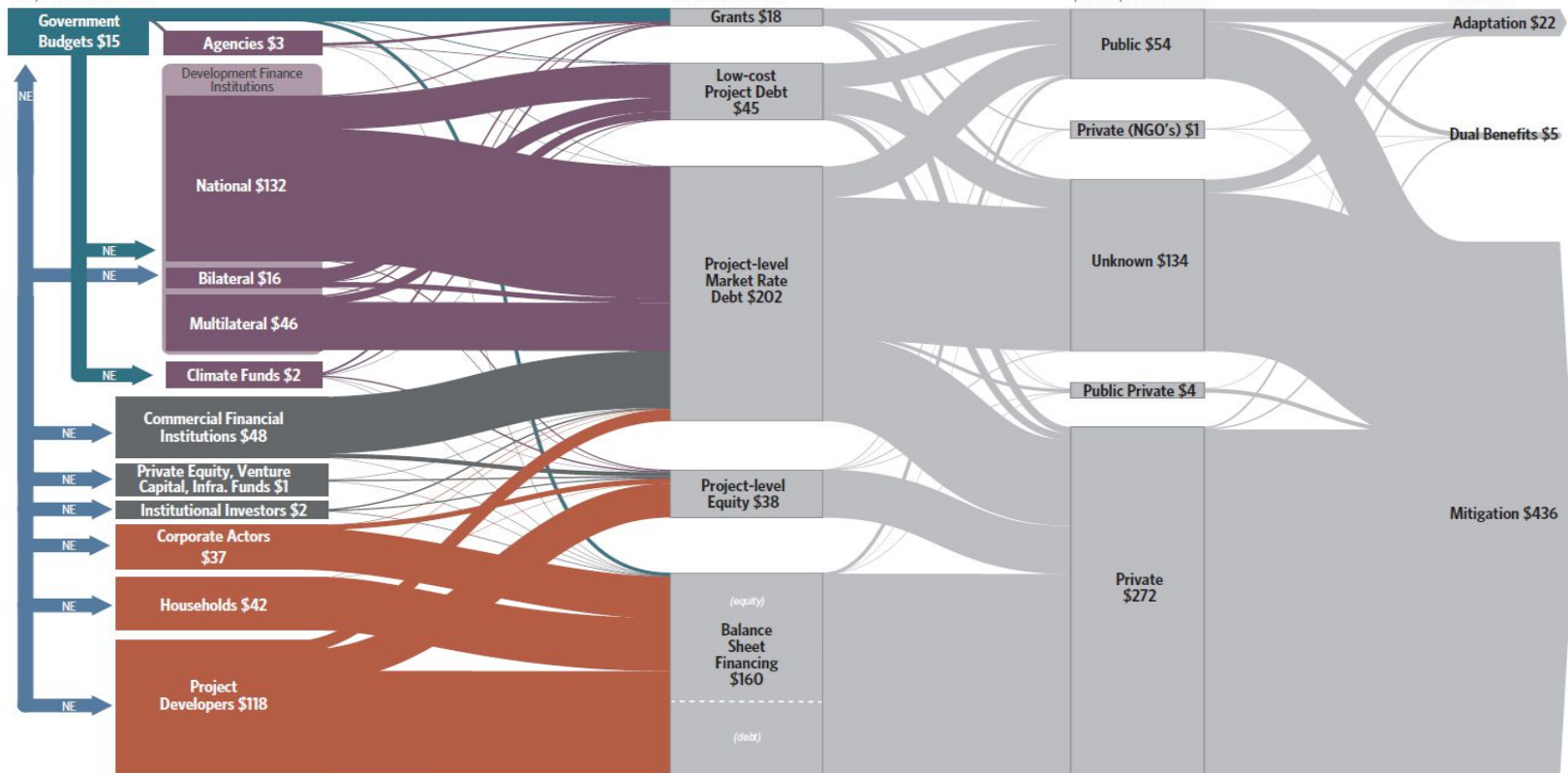
What mix of financial instruments are used?

## RECIPIENTS

Does climate finance go through public or private channels?

## USES

What types of activities are financed?



KEY

PUBLIC MONEY

PRIVATE MONEY

PUBLIC FINANCIAL INTERMEDIARIES

PRIVATE FINANCIAL INTERMEDIARIES

FINANCE FOR INVESTORS & LENDERS

NE: NOT ESTIMATED

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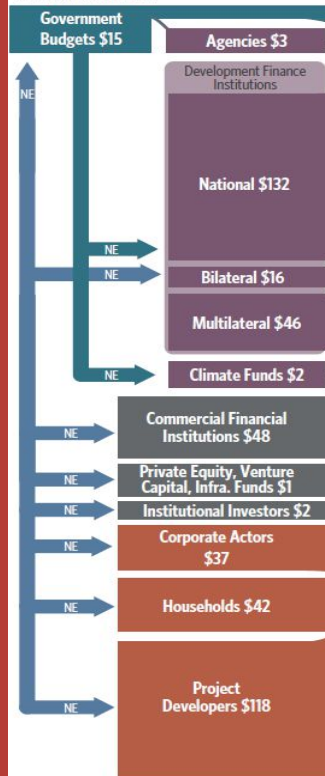


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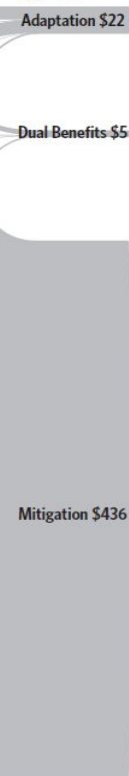
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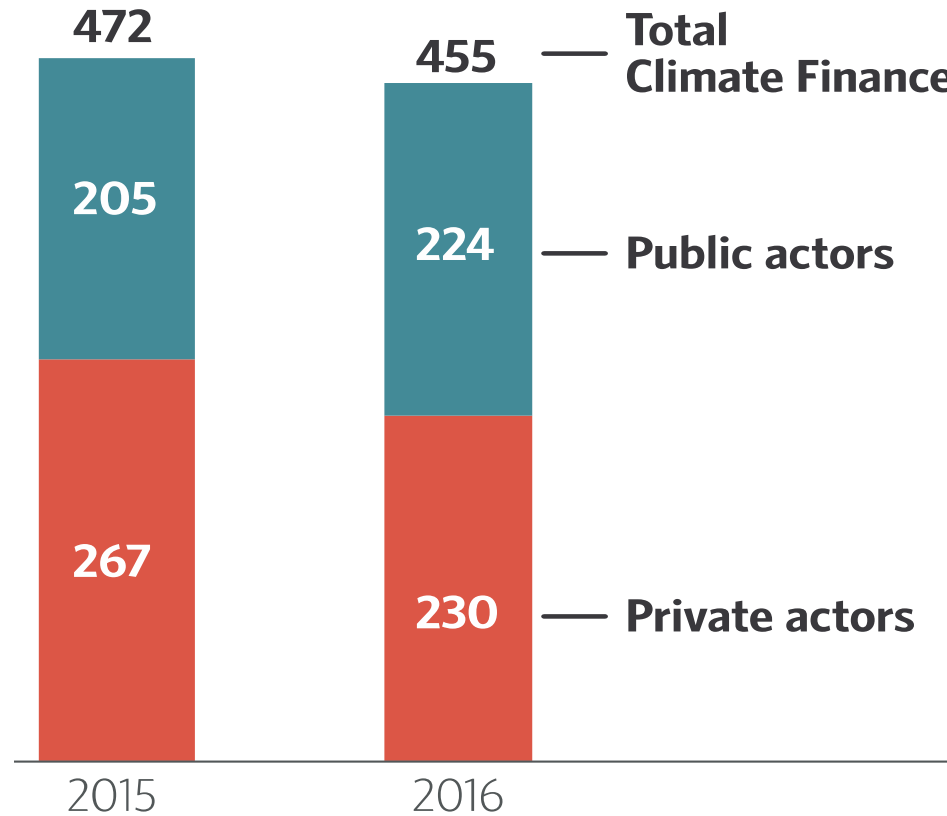
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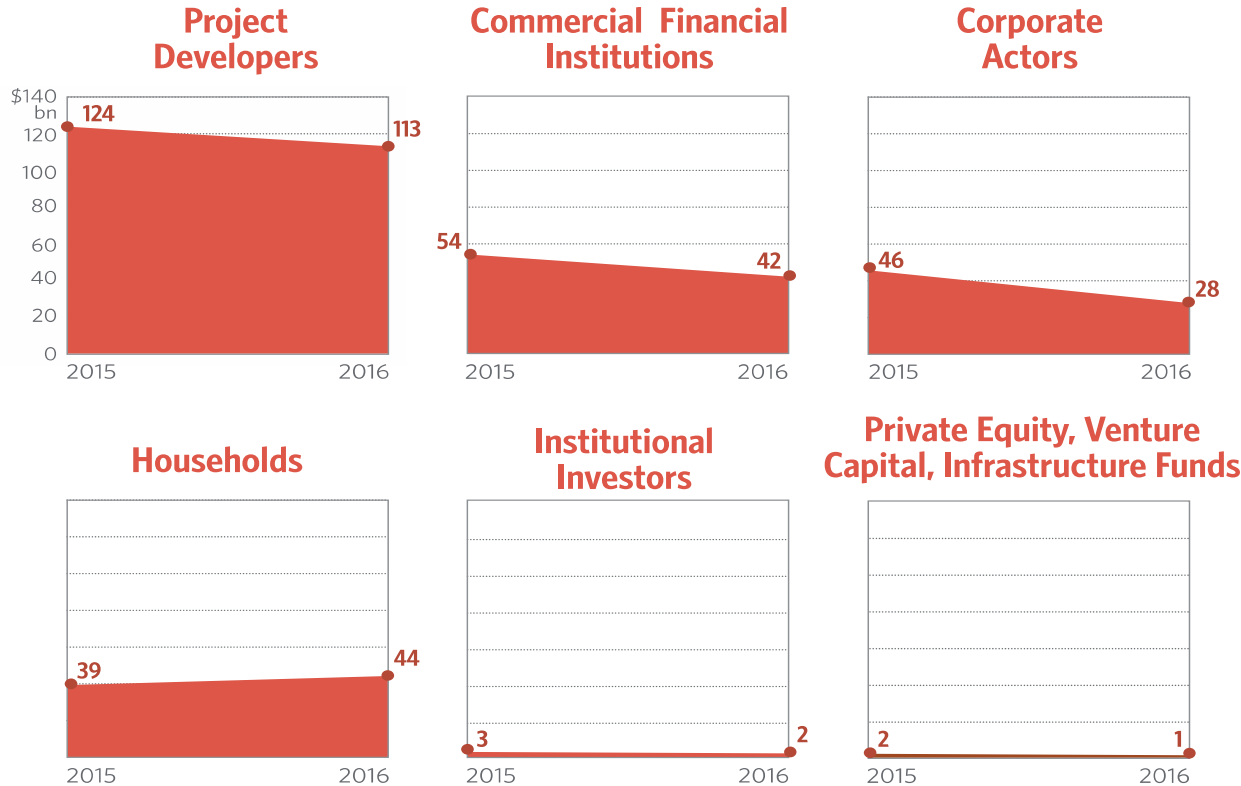
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The private sector is doing more than ever, while the overall share of public investment remains steady



# Project developers consistently drive the largest volume of private finance

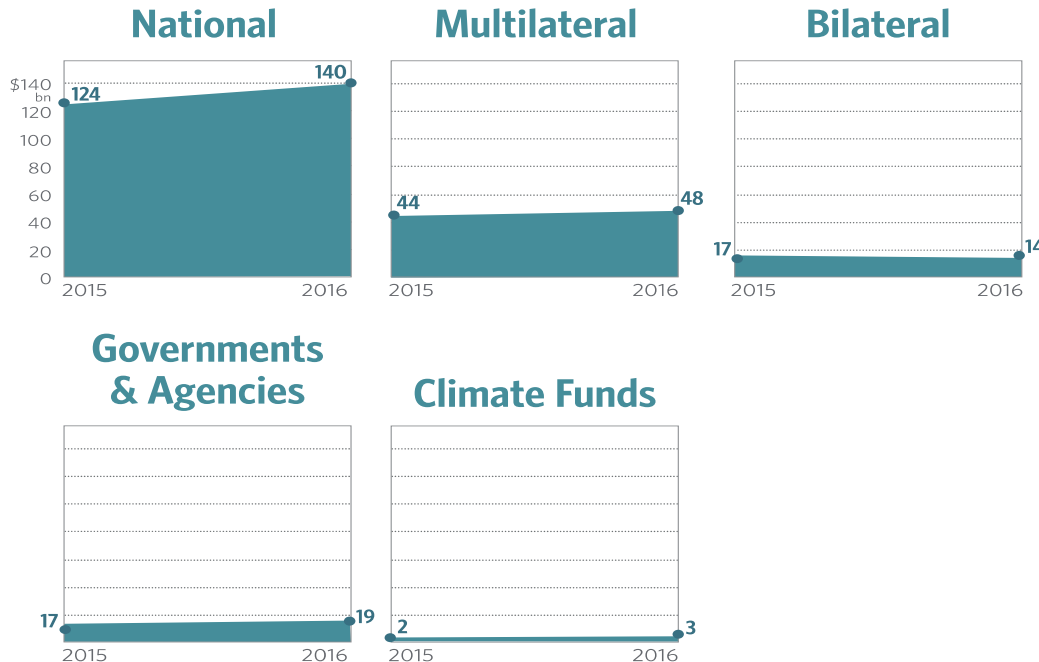


EV investment adds \$11 billion sourced from the household sector in the form of retail purchases of battery electric vehicles

On the public side, development finance institutions made up the majority of public flows, 90% of the total public finance.

## PUBLIC SOURCES & INTERMEDIARIES

### Development Finance Institutions



- National DFIs reported double climate finance commitments than in 2013 and 2014
- Direct grants and incentives for EVs add another USD 4 billion sourced from Governments.

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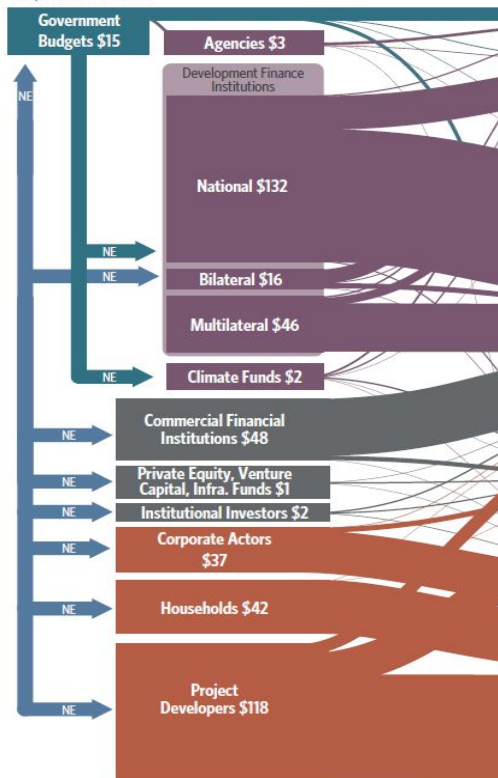
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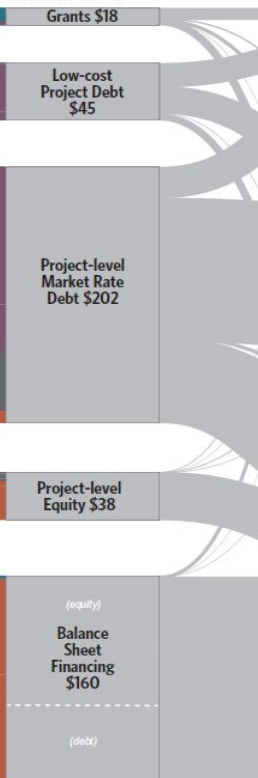
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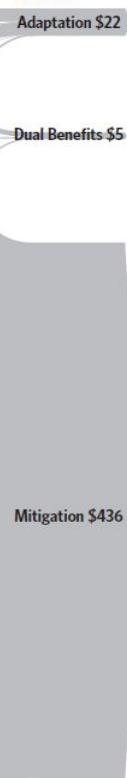
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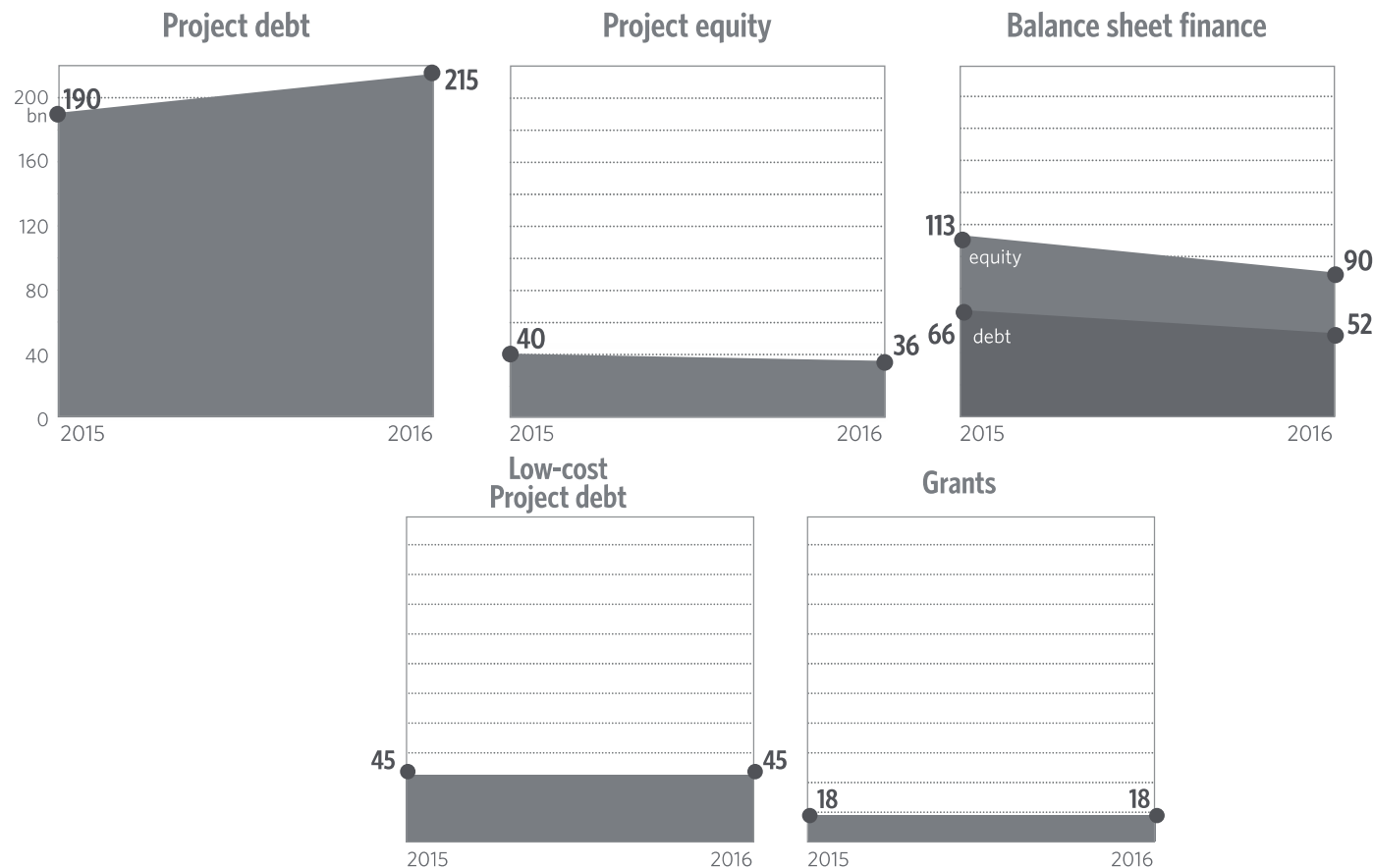
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# Market rate debt—project or corporate finance—was the largest financial instrument used to channel climate finance



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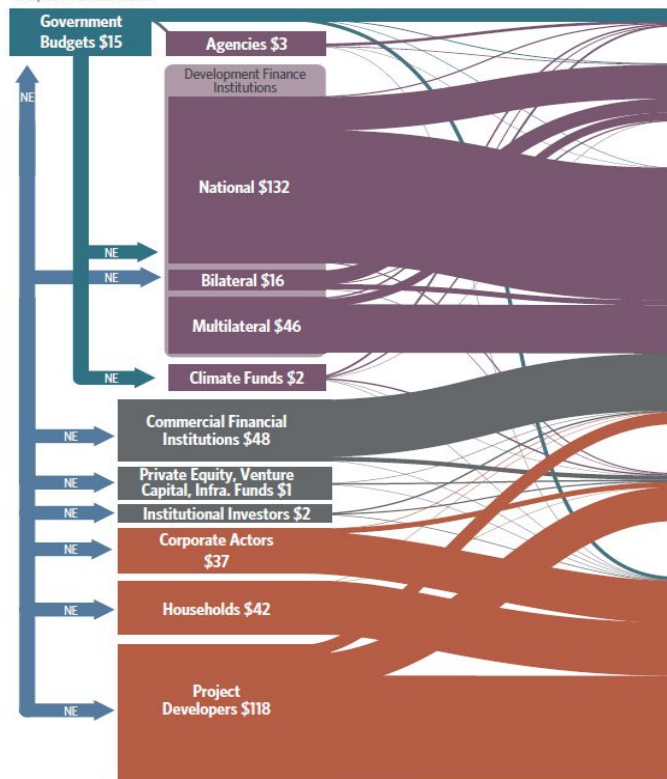
BN USD  
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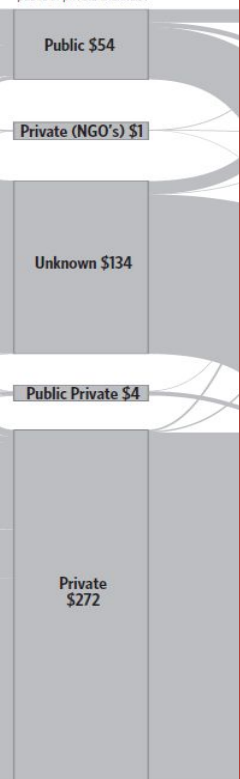
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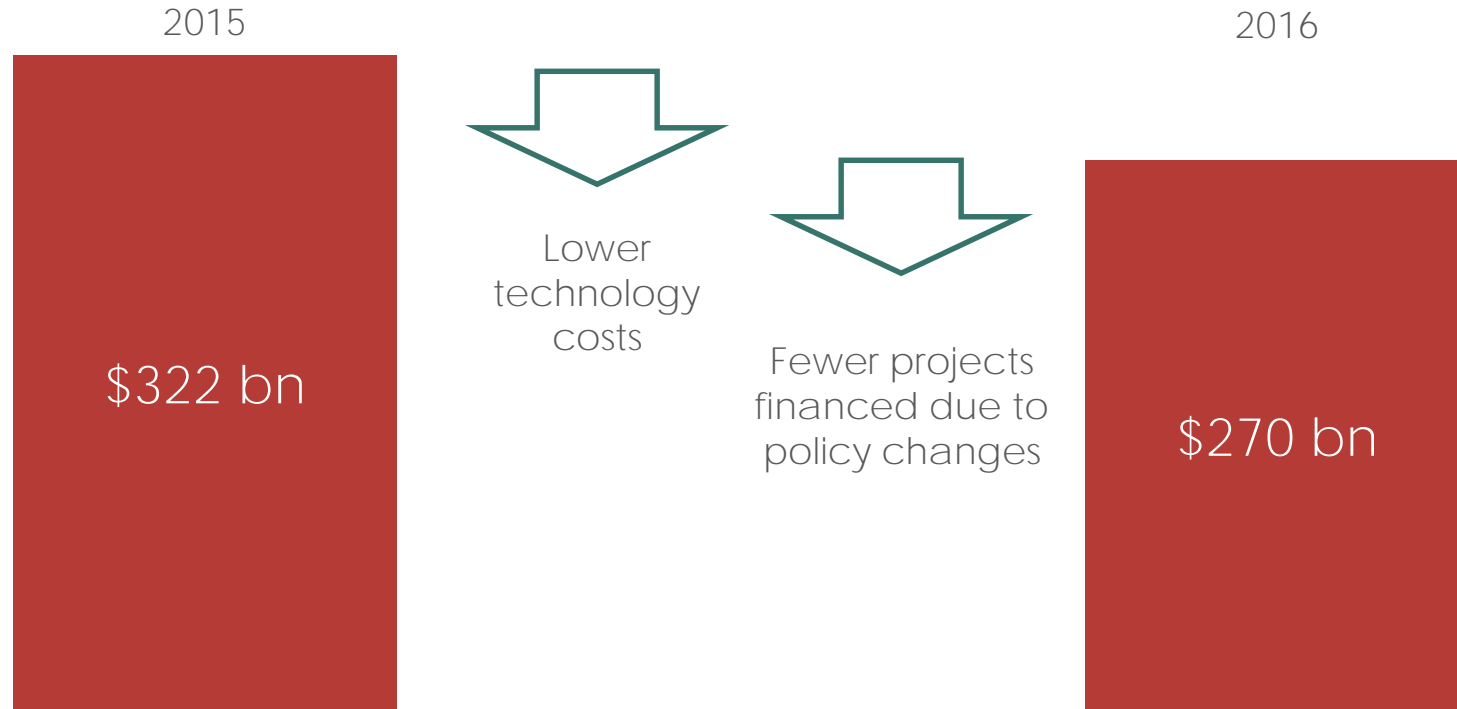
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Renewable energy investments, the largest segment, falls by 16% driven equally by two factors



# Second edition of our analysis of finance for electricity and clean cooking access



“Energizing Finance should be a wake-up call to policy makers and investors who are working to ensure universal and sustainable energy.”

**Dr. Barbara Buchner,**  
Executive Director,  
Climate Policy Initiative (CPI)

#SDG7Finance @SEforALLorg [SEforALL.org/EnergizingFinance](https://SEforALL.org/EnergizingFinance)

**ENERGIZING  
FINANCE:**  
UNDERSTANDING  
THE LANDSCAPE

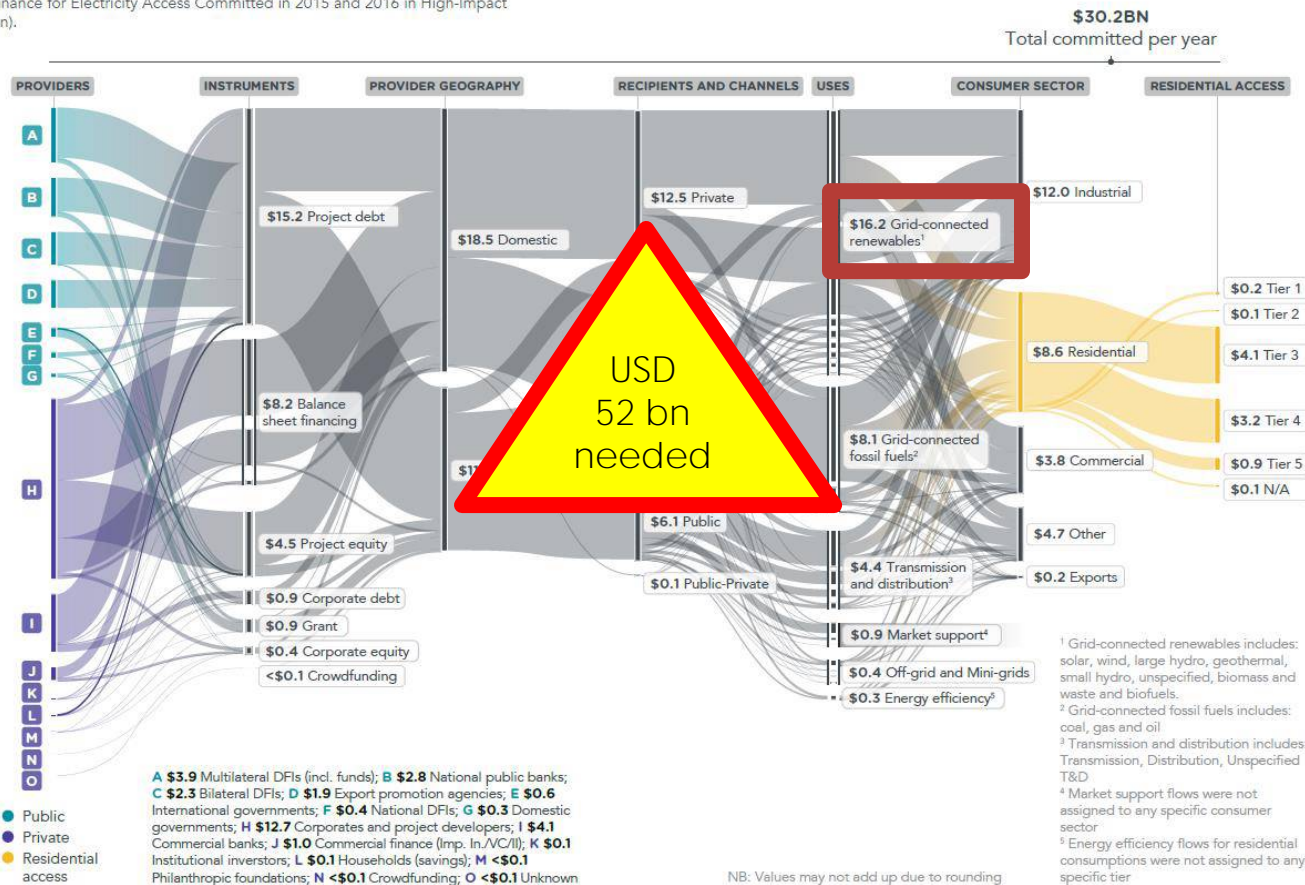
**2018**



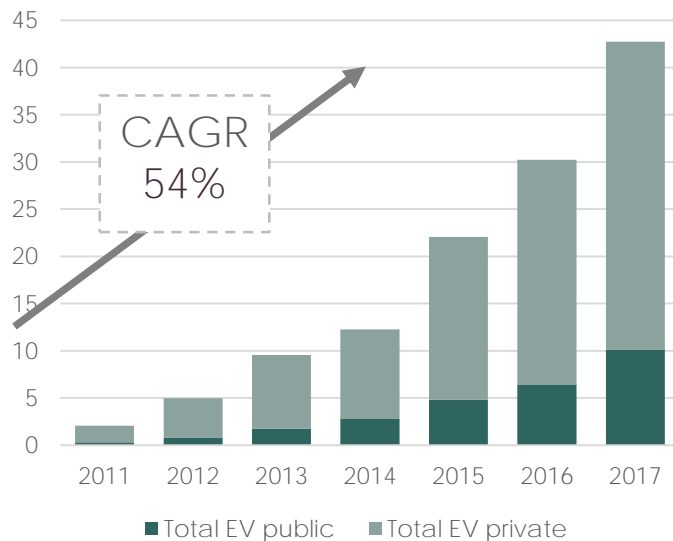
# USD 30.2 billion per year was invested in electricity across the 20 high impact countries over 2015-2016, India a bright spot

Finance for electricity in 2015-16

Average Annual Finance for Electricity Access Committed in 2015 and 2016 in High-Impact Countries (\$, Billion).

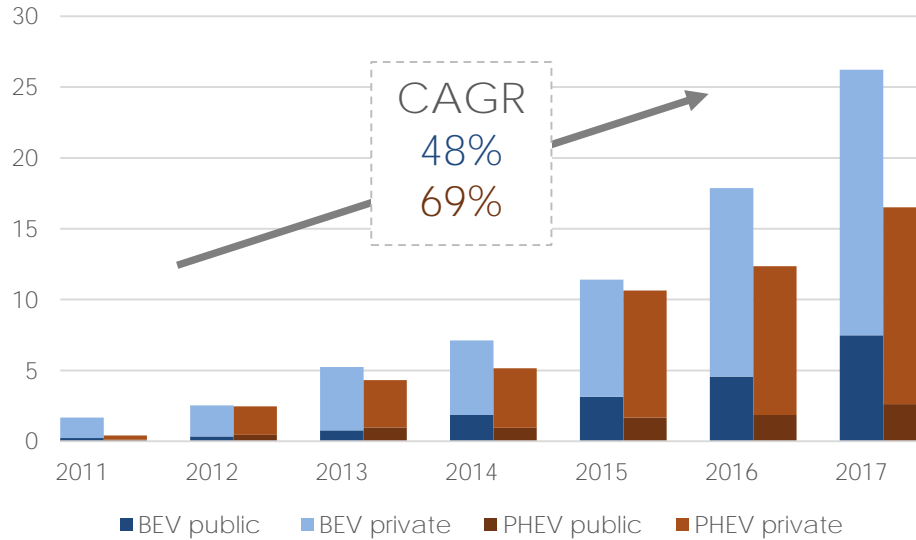


# Investment in electric vehicles has grown exponentially

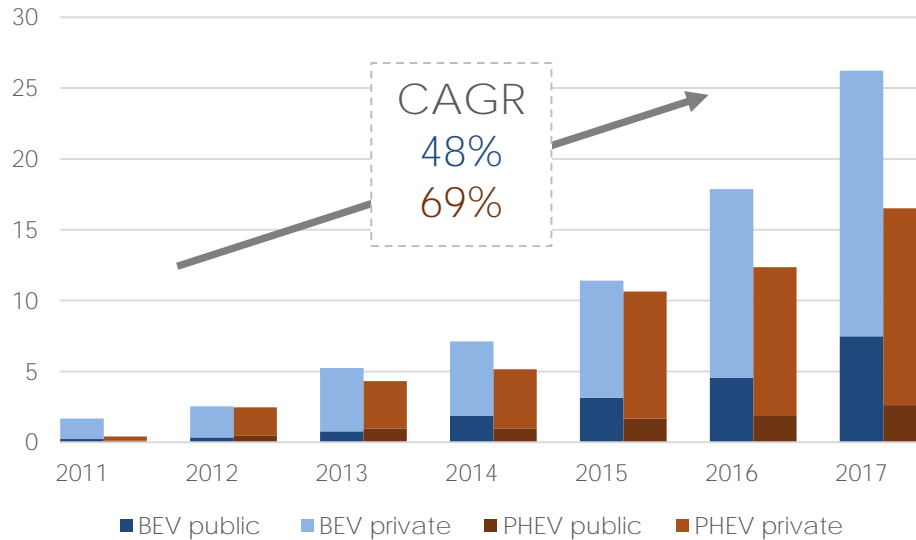


- Total investment in electric vehicles reached \$43 billion in 2017

# Battery electric vehicles represent the largest segment and are integrated into the Landscape data

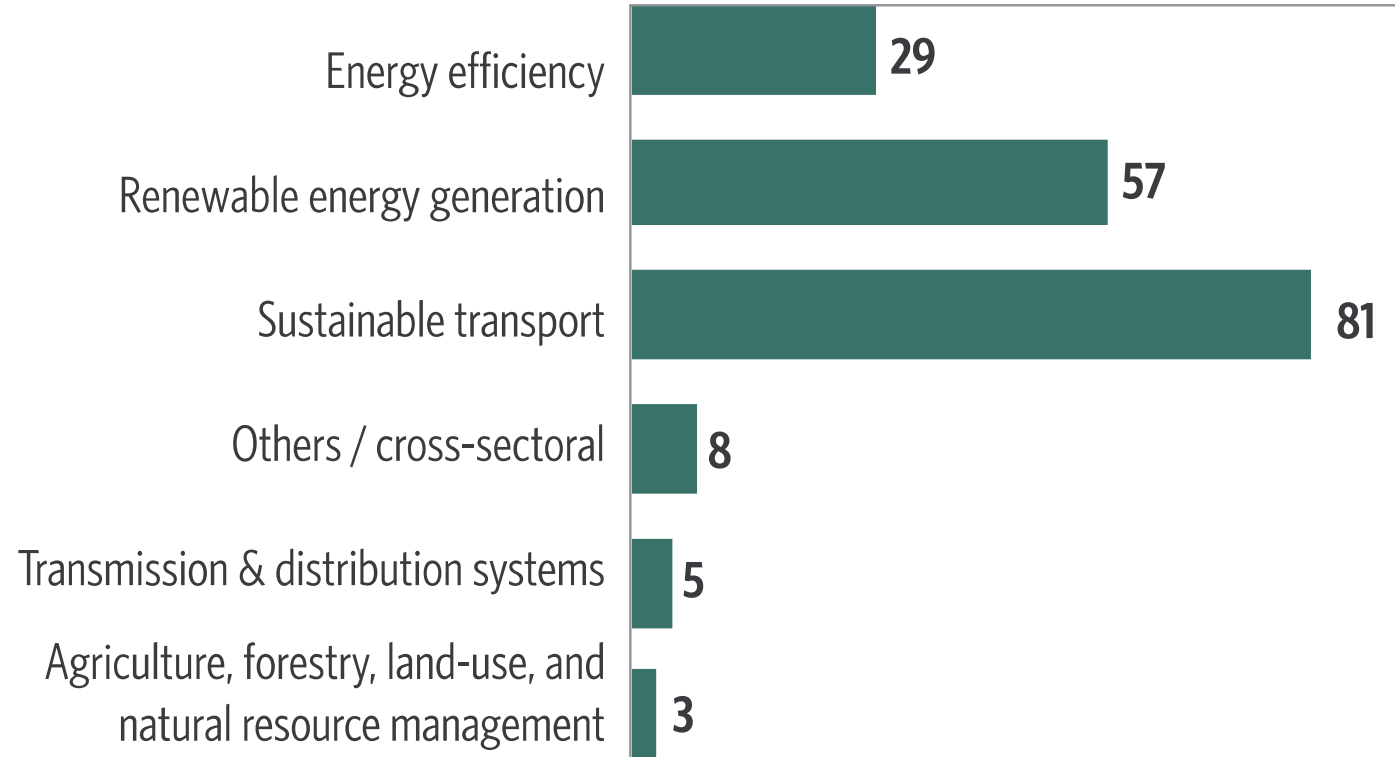


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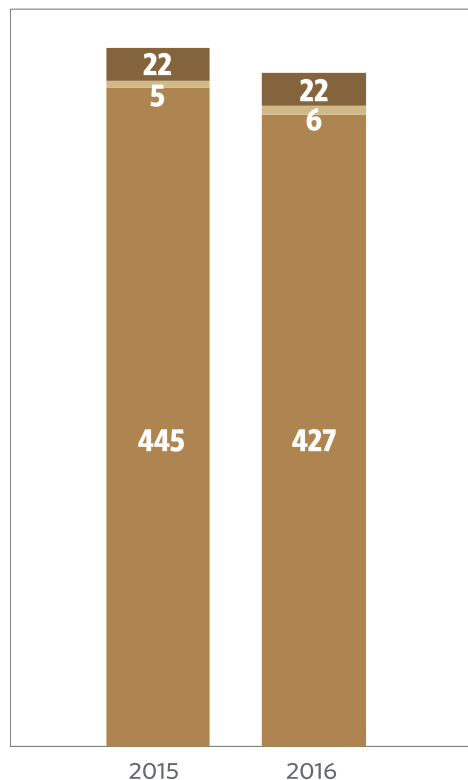


Sustainable  
Transport  
**20%**  
of total climate  
finance

# In public finance, sustainable transport is the largest segment driven by new data coverage in China



Adaptation finance, at \$22 billion, is a small part of overall flows due to a number of methodological reasons



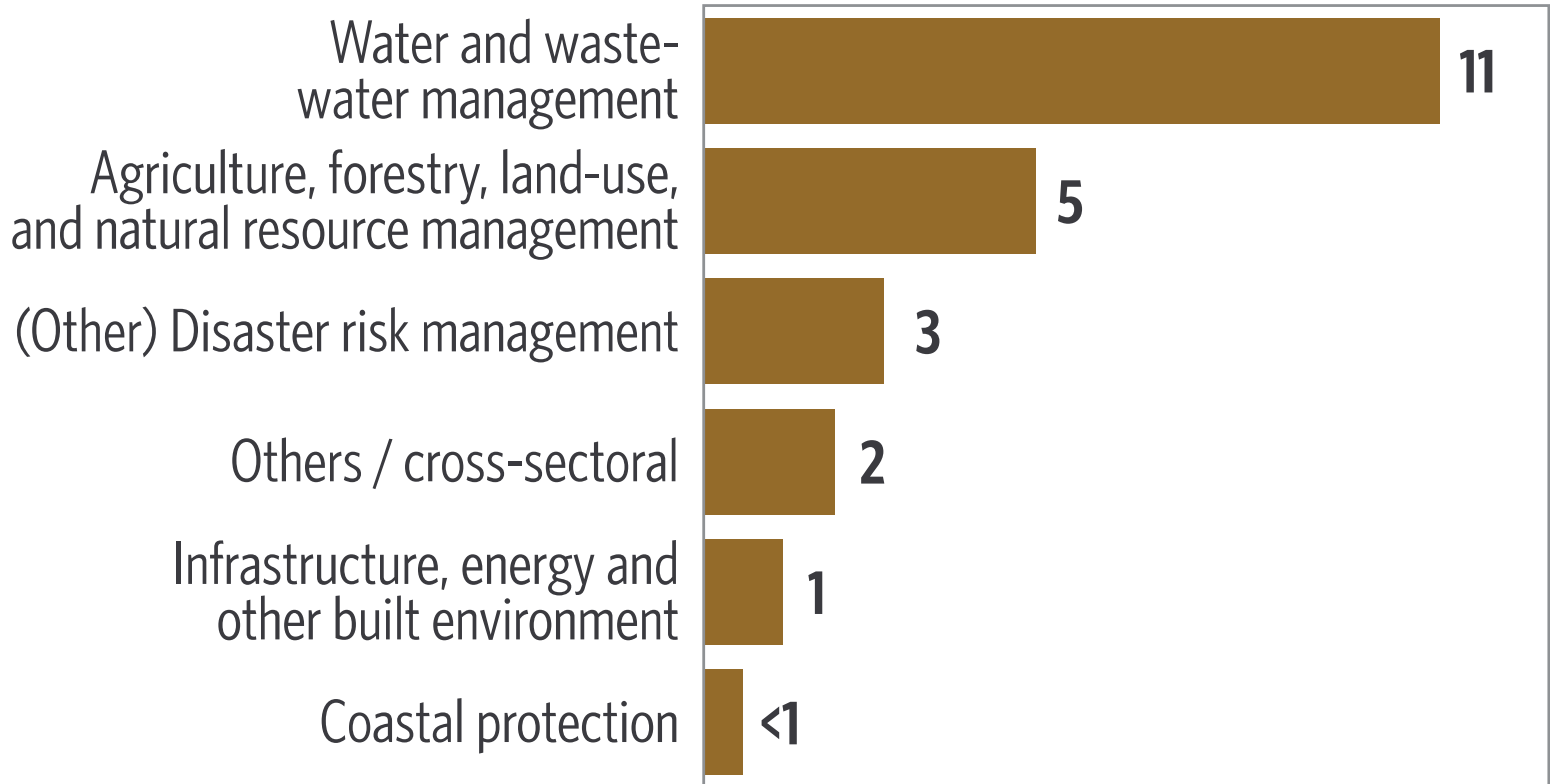
Adaptation Dual benefits Mitigation

Two aspects make it difficult to compare to mitigation

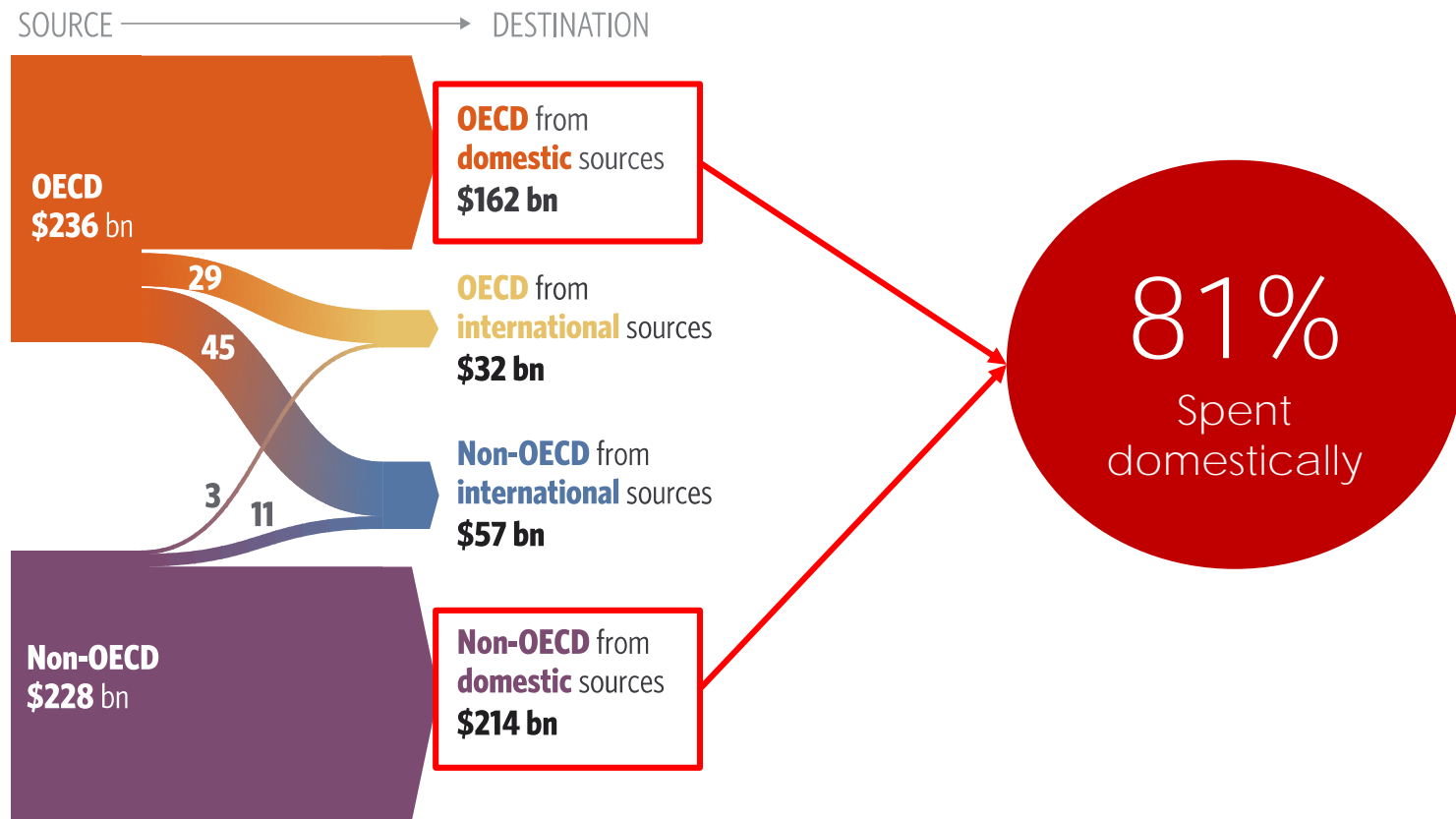
1. Only public finance data captured
2. Incremental investment vs whole cost

- Reporting is patchy

In adaptation, water and wastewater management captured 50% of public finance, on average, during 2015/2016

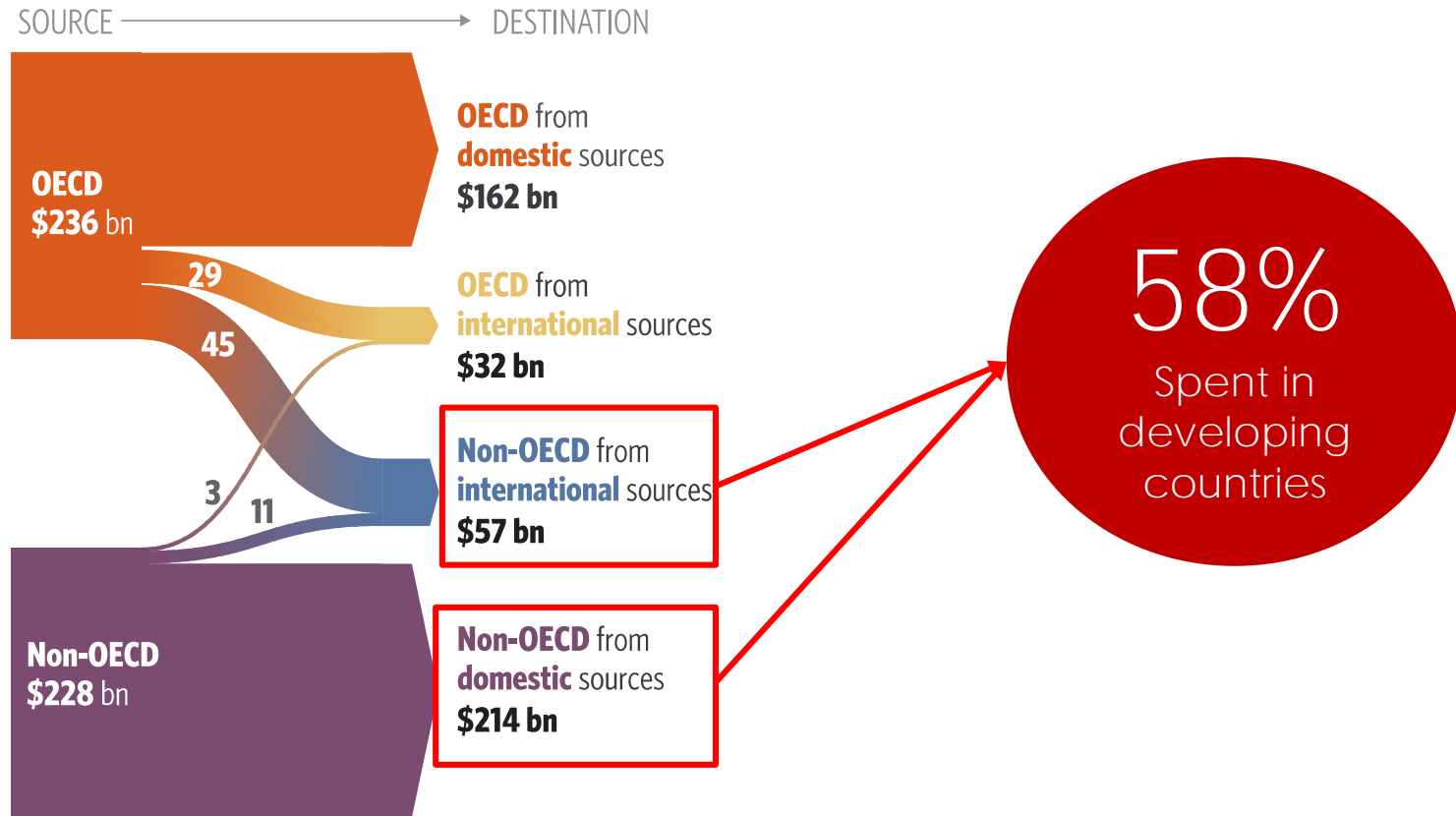


# The vast majority of finance is spent domestically

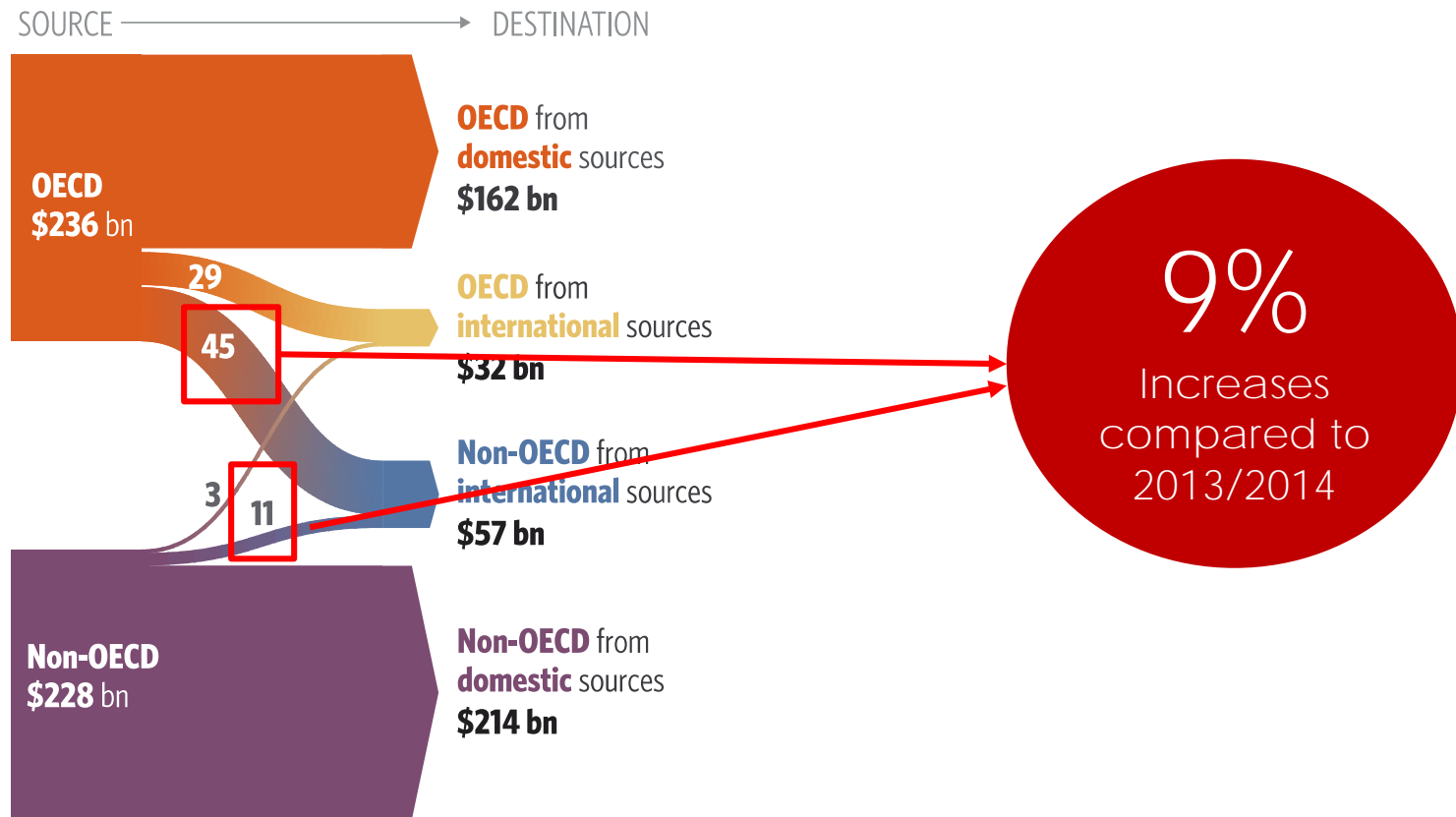




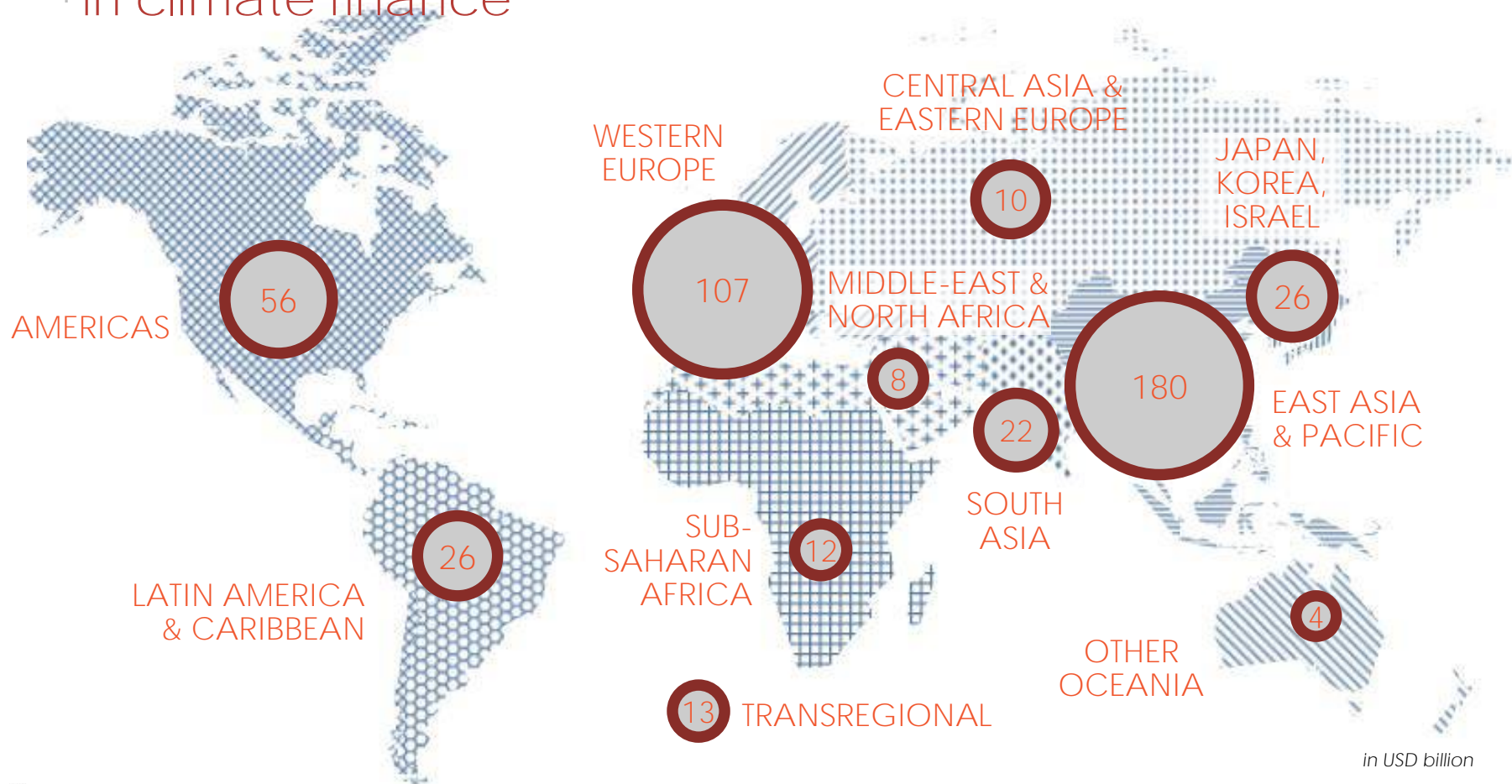
# Developing countries attract more investment



# More finance is flows from developed to developing countries and south-south

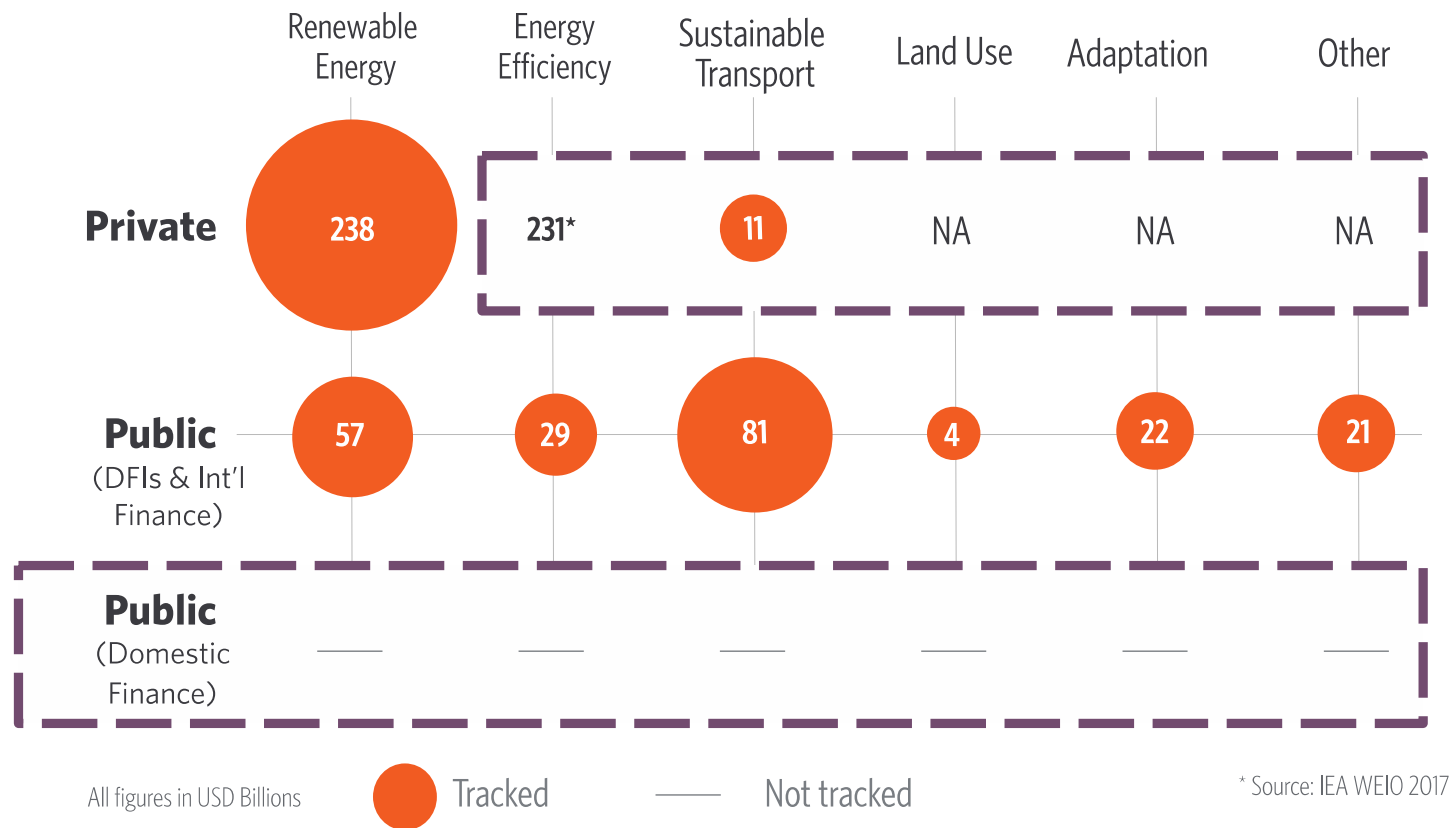


# South Asia, and East Asia and Pacific see the largest increase in climate finance



in USD billion

# More work needs to be done in tracking climate finance



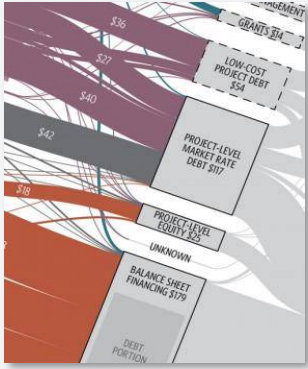
# Three open questions on climate finance tracking to watch for next year

1. Improvements to energy efficiency and adaptation tracking
2. How to assess progress to meeting article 2.1c of the Paris Agreement on making '*finance flows consistent with a pathway towards low GHG emissions and climate-resilient development*'
  - » What is consistent with which pathway?
  - » What is a finance flow?
3. More work on national climate finance landscapes
  - France, Morocco (I4CE); Germany, Latvia, Czech Republic (IKEM); Indonesia, Kenya (CPI)

# Summary Points

- Global climate finance is steadily increasing
- Despite bright spots in renewables and electric vehicles, most sectors still fall far short in meeting the required investment.
- Tracking adaptation finance requires better approaches, particularly in private sector
- Existing data gaps to be filled
  - disclosure on climate risk management by corporations and investors,
  - national finance tracking efforts.

# Thanks for your attention!



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## EXPLORE THE INTERACTIVE:

[climatefinancelandscape.org](https://climatefinancelandscape.org)



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# APPENDIX



# What climate finance 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

# Responding to measuring progress on Article 2.1c

Broader interpretation to include investment decision-making

Flows only perspective to article 2.1c

	Financial flows	Integration of climate change into decision-making
Bank lending	Loans	Loan approvals; governance, strategy and risk management processes
Bond markets	Bond issuance	Bond disclosure and listings rules
Listed equity	Equity issuance, IPOs, retained earnings	Corporate disclosure and listings rules; governance, strategy and risk management processes
Private equity	Venture capital, private equity funds	Memorandums and risk management processes
Insurance and Reinsurance	Underwriting policies and premiums	Governance, strategy and risk management processes
Assets under Management	Asset allocation and divestment policies/mandates	
Financial services		Credit rating decisions; investment consultant advice