Global Landscape of Climate Finance 2019

November 2019
The most comprehensive assessment of climate finance flows

Global Landscape of Climate Finance

Provides a six year trend analysis for a period between 2013 and 2018

Supported by: Federal Ministry for the Environment, Nature Conservation and Nuclear Safety
Agenda

• What are we tracking?

• Overview of 2017/2018 global climate finance flows
  ▪ Public and private finance actors
  ▪ Financial Instruments
  ▪ Sectors and end-uses
  ▪ Geographies

• Opportunities to scale up climate finance

• Q and A
Annual tracked climate finance in 2017 and 2018 crossed the USD half-trillion mark for the first time …
... but is nowhere near enough: action still falls far short of what is needed under a 1.5 °C scenario.
What are we tracking?

We track...

✓ **Annual climate finance commitments** into new low carbon, climate resilient 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**

We don’t track...

× Risk mitigation instruments
× Policy-induced revenue support mechanisms or other public subsidies
× Secondary market transactions
× Investments in manufacturing, sales and R&D
× Fossil fuel-based lower-carbon and energy-efficient generation
What's new? Improved data coverage

- **IEA (USD 3 billion)**: EV charging infrastructure investments
- **Convergence (USD 3 billion)**: blended finance projects
- **Climate Bonds Initiative (USD 3 billion)**: non-energy private and municipal green bonds issuances
- **IJ Global (USD 19 billion)**: non-energy infrastructure project finance transactions
- **Development Financial Institutions**: project level data provided by increased number of institutions
LANDSCAPE OF CLIMATE FINANCE IN 2017/2018
Global climate finance flows along their life cycle in 2017/2018. Values are average of two years’ data, in USD billions.

579 in USD Annual Average

Government Budgets $37
Development Finance Institutions

National $132
Bilateral $23
Multilateral $57
Climate Funds $33
Commercial Financial Institutions $73
PE/Infra Funds $55
Inst. Investors $9
Unknown $1
Corporate Actors $183
Households $55

Grant $29
Low-cost Project Debt $64
Project-level Market Rate Debt $223
Project-level Equity $44
Unknown $1
$93 debt Balance Sheet Financing $219
equity $125

Adaptation $30
Disaster Risk Management $7
Water & Waste $13
Industry & Infra. $6
Other $2
Cross Sectoral $18
Land Use $21
Energy Efficiency $34
Low-Carbon Transport $141
Renewable Energy Generation $337

Mitigation $537

KEY
PUBLIC
PUBLIC FINANCIAL INTERMEDIARIES
PRIVATE FINANCIAL INTERMEDIARIES
PRIVATE MONEY
PRIVATE FINANCIAL INTERMEDIARIES
PUBLIC
PUBLIC FINANCIAL INTERMEDIARIES
PRIVATE MONEY
LANDSCAPE OF CLIMATE FINANCE IN 2017/2018
Global climate finance flows along their life cycle in 2017/2016. Values are averages of two years’ data, in USD billions.

- **Government** Budgets $37
  - National $32
    - Bilateral $23
    - Multilateral $57
    - Climate Funds $5
  - Commercial Financial Institutions $73
    - PE Infa. Funds $5
    - Inst. Investors $9
    - Unknown $1

- **Corporate Actors** $183
- **Households** $55

- **Project-level**
  - Equity $44
  - Debt $223

- **Low-cost** Project Debt $64
  - Grant $29

- **Adaptation** $30
  - Disaster Risk Management $7
  - Water & Waste $13
  - Industry & Infra. $6
  - Other $2
  - Cross Sectoral $18
  - Land Use $21

- **Mitigation** $537
  - Energy Efficiency $34
  - Low-Carbon Transport $141
  - Renewable Energy Generation $337

- **Unknown** $1

**Total** 579 In USD Annual Average

**Key**
- Public Money
- Public-Private Mix
- Private Money
- Private Principal
- Private Debt
- Not Estimated
Public and private commitments continue to rise, with the private sector still providing the majority of climate finance.
DFIs continue to channel majority of public finance on average in 2017/2018, but economic developments in 2018 implied that some major players reduced their investments.
Corporations continue to account for the majority of private investment, but commercial financial institutions play a more important role more than ever.
Market-rate debt was the financial instrument used to channel the most climate finance in 2017/2018, but public grants and concessional loans continue to play an important role.
The vast majority of tracked finance continues to flow towards activities for mitigation, but adaptation finance rose significantly from its previous level in 2015/2016…
...but falls short of the required investment.

- Estimated Adaptation Needs*: $180 bn
- Estimated Adaptation Needs* (Non-Annex I Countries): $50
- Adaptation Finance (Tracked): $30

USD billion per annum

Source: Global Adaptation Commission, 2019
Renewable energy remains the primary destination sector, but financing for low-carbon transport is increasing rapidly.
While finance for renewable energy exceeds that for generation from fossil fuels, including investment in fossil fuel supply infrastructure paints a different picture.
Growing public sector commitments and households’ purchases of electric vehicles led to increased financing for low-carbon transport.
Spending on transport again outpaced renewable energy to become the largest beneficiary of public finance

<table>
<thead>
<tr>
<th>Category</th>
<th>2015/16</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-carbon transport</td>
<td>81</td>
<td>94</td>
</tr>
<tr>
<td>Renewable energy generation</td>
<td>57</td>
<td>58</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>29</td>
<td>33</td>
</tr>
<tr>
<td>Agriculture, forestry, land-use, and natural resource management</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Cross-sectoral</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Transmission and distribution systems</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Waste and water</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Non-energy GHG reductions</td>
<td>&lt;1</td>
<td>1</td>
</tr>
<tr>
<td>Policy and national budget support &amp; capacity building</td>
<td>&lt;1</td>
<td>1</td>
</tr>
<tr>
<td>Low-carbon technologies</td>
<td>&lt;1</td>
<td>&lt;1</td>
</tr>
</tbody>
</table>
Increased investment in adaptation has been accompanied by greater balance in spending across sectors.

Note: Only USD 0.5 billion of adaptation finance was tracked from private sector sources.
Geographic Flows

- A strong domestic preference (76%)
- Equally sourced from OECD and non-OECD
- Majority of finance fund projects in developing countries (61%)
- USD 72 billion flowed from OECD to non-OECD countries
- Stronger south-to-south cooperation in climate actions
Finance for projects in non-OECD countries reached USD 356 billion— with East Asia & Pacific still the primary destination.
Gaps remain in tracking climate finance, though coverage has improved on previous years.

<table>
<thead>
<tr>
<th>Category</th>
<th>Renewable Energy</th>
<th>Transport</th>
<th>Energy Efficiency</th>
<th>Adaptation</th>
<th>Others</th>
<th>Land Use*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private (DFIs &amp; International Finance)</td>
<td>278</td>
<td>47</td>
<td>?</td>
<td>?</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>Public (Domestic Finance)</td>
<td>54</td>
<td>82</td>
<td>34</td>
<td>28</td>
<td>22</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>13</td>
<td>?</td>
<td>1</td>
<td>0.2</td>
<td>?</td>
</tr>
</tbody>
</table>

All figures in USD Billions

*Note: This excludes amount allocated towards adaptation projects
Recommendations
Climate finance in 2017/2018 reveals several positive trends, but the current scope and scale are grossly insufficient to limit the worst effects of climate change.
Increasing climate finance commitments is not enough on its own – today more than ever it is crucial to phase out investment in the fossil fuel supply chain.
Opportunities exist to scale up and speed up the growth of global climate finance.

1. Governments should continue to raise the level of ambition in national climate plans and allocate resources to enable their implementation

2. Public and private actors must coordinate to rapidly scale up finance in sectors beyond renewable energy generation

3. All financial actors should seek full alignment with the Paris Agreement across all of their operations
Opportunities exist to scale up and speed up the growth of global climate finance.


5. Public institutions in particular must make every dollar count and ensure quality as well as quantity of flows.

6. The climate finance tracking community must anticipate, adapt to, and promote these changes to facilitate a rapid transition.
Related Projects

- Implementing Alignment: Recommendations for the International Development Finance Club
- Energizing Finance: Understanding the Landscape 2019
- Measuring the Private Capital Response to Climate Change: A Proposed Dashboard
Please type questions into the chat box on the lower right-hand side of the screen.
Thank You
How do we track climate finance?

**Sources and Intermediaries**

1. Private
   a. Commercial FI
   b. Corporations
   c. Private Equity, Venture Capital, Infrastructure Funds
   d. Households
   e. Institutional investors

2. Public
   a. Government
   b. Climate Funds
   c. Bilateral DFIs
   d. Multilateral DFIs
   e. National DFIs

**Instruments**

1. Balance Sheet Financing (Debt & Equity)
2. Grants
3. Low Cost Project Debt
4. Project-level Market Rate Debt
5. Project-Level Equity

**Uses**

1. Mitigation
2. Adaptation
3. Dual Benefits

**Sectors**

1. Disaster risk management
2. Agriculture, forestry, land-use, and natural resource management
3. Coastal protection
4. Energy efficiency
5. Industry, Extractive Industries, Manufacturing & Trade
6. Infrastructure, energy and other built environment
7. Low-carbon technologies
8. Non-energy GHG reductions
9. Others / cross-sectoral
10. Policy and national budget support & capacity building
11. Renewable energy generation
12. Sustainable transport
13. Transmission and distribution systems
14. Waste and Wastewater
15. Water and wastewater management