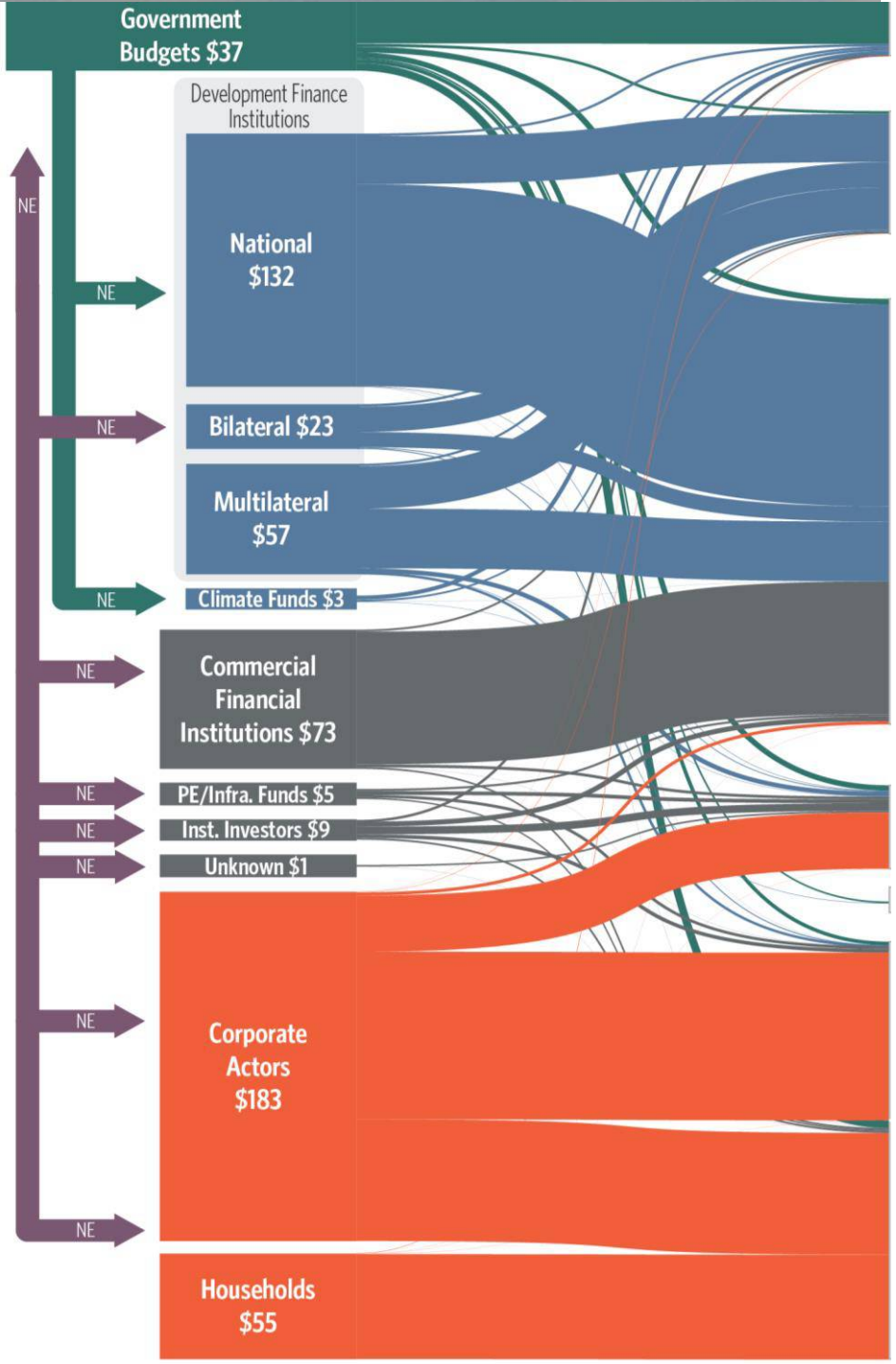
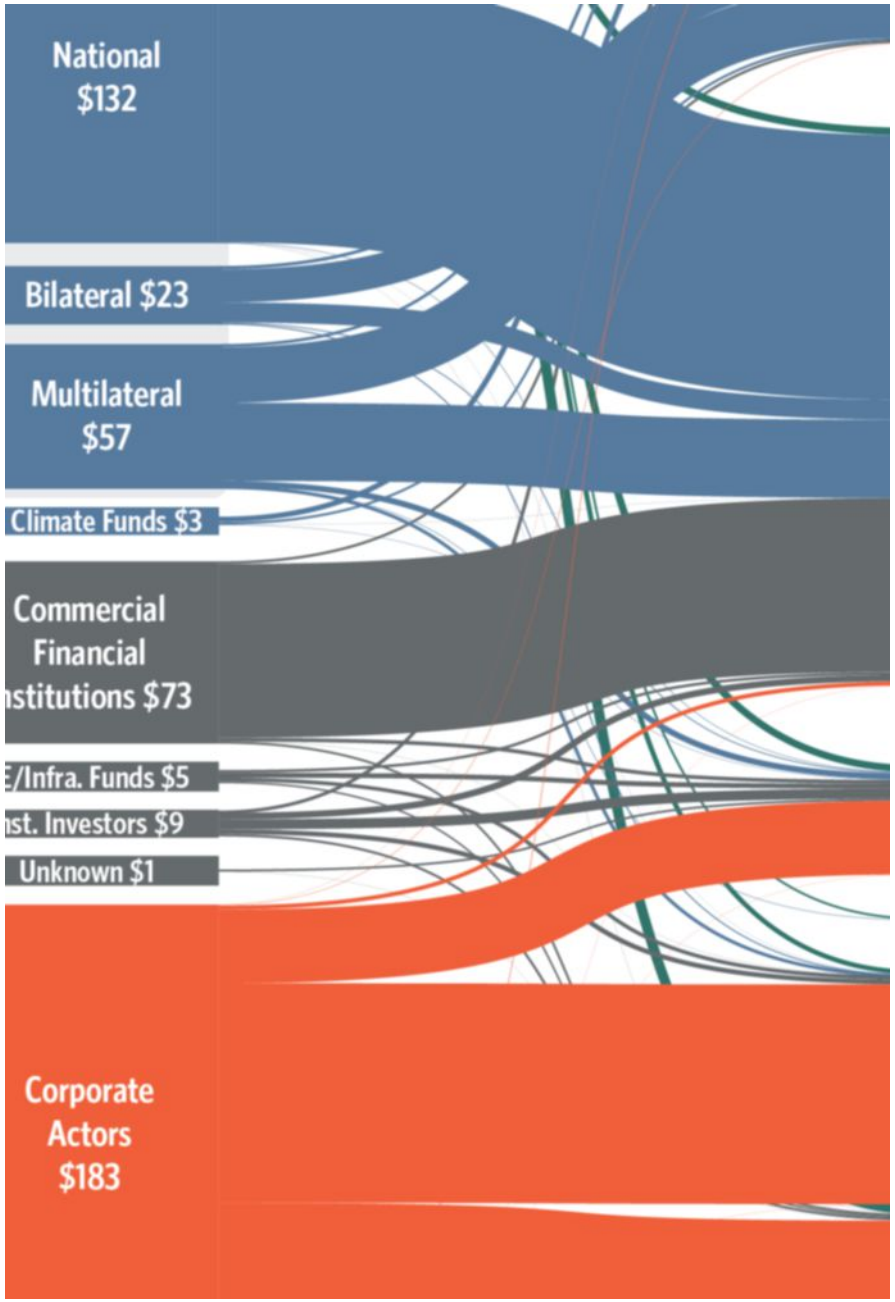


CLIMATE POLICY INITIATIVE

Global Landscape of Climate Finance 2019

November 2019

CLIMATE POLICY INITIATIVE



Global Landscape of Climate Finance

The most comprehensive assessment of climate finance flows

Informs policy makers and investment leaders including UNFCCC, IPCC, G7 and others

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

CLIMATE POLICY INITIATIVE

Agenda

- What are we tracking?

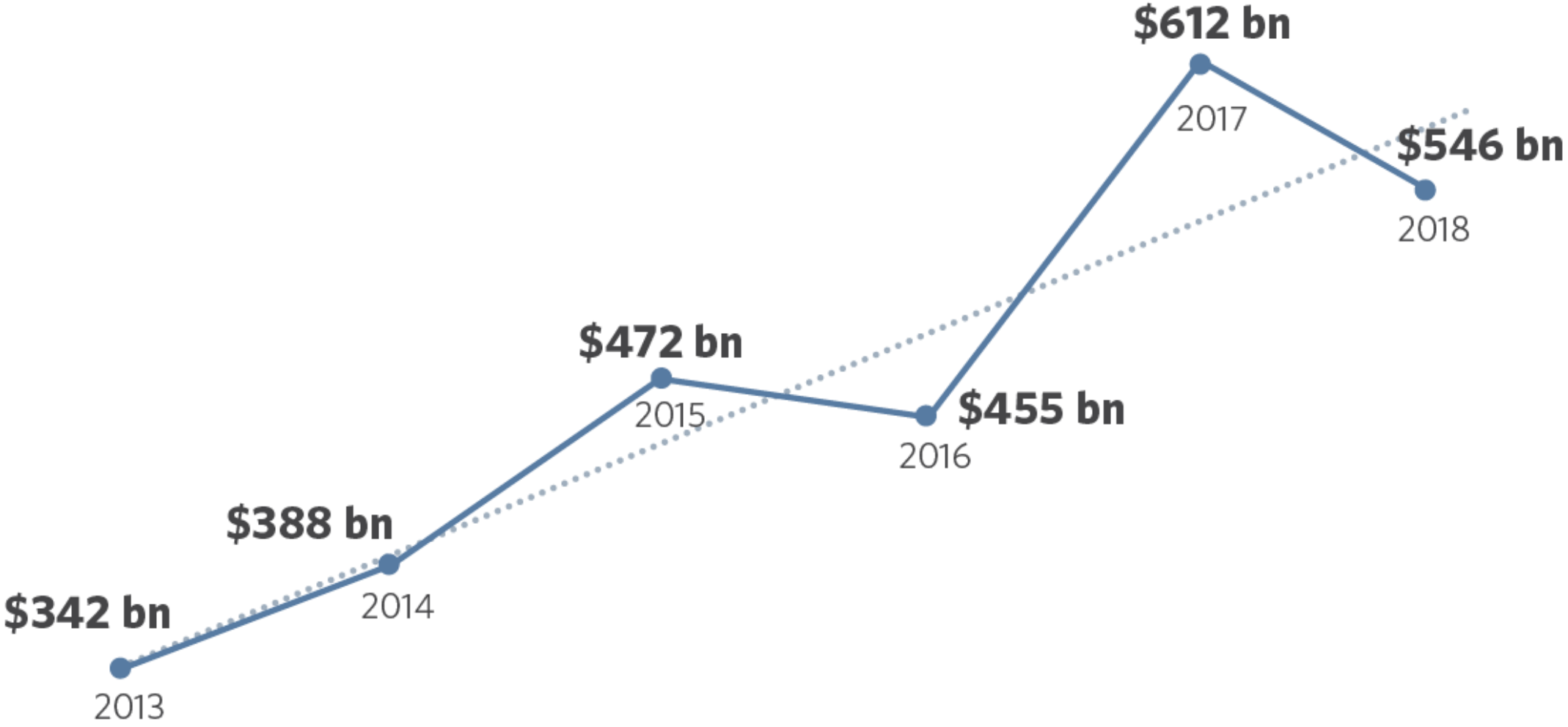
- Overview of 2017/2018 global climate finance flows
  - Public and private finance actors
  - Financial Instruments
  - Sectors and end-uses
  - Geographies

- Opportunities to scale up climate finance

- Q and A

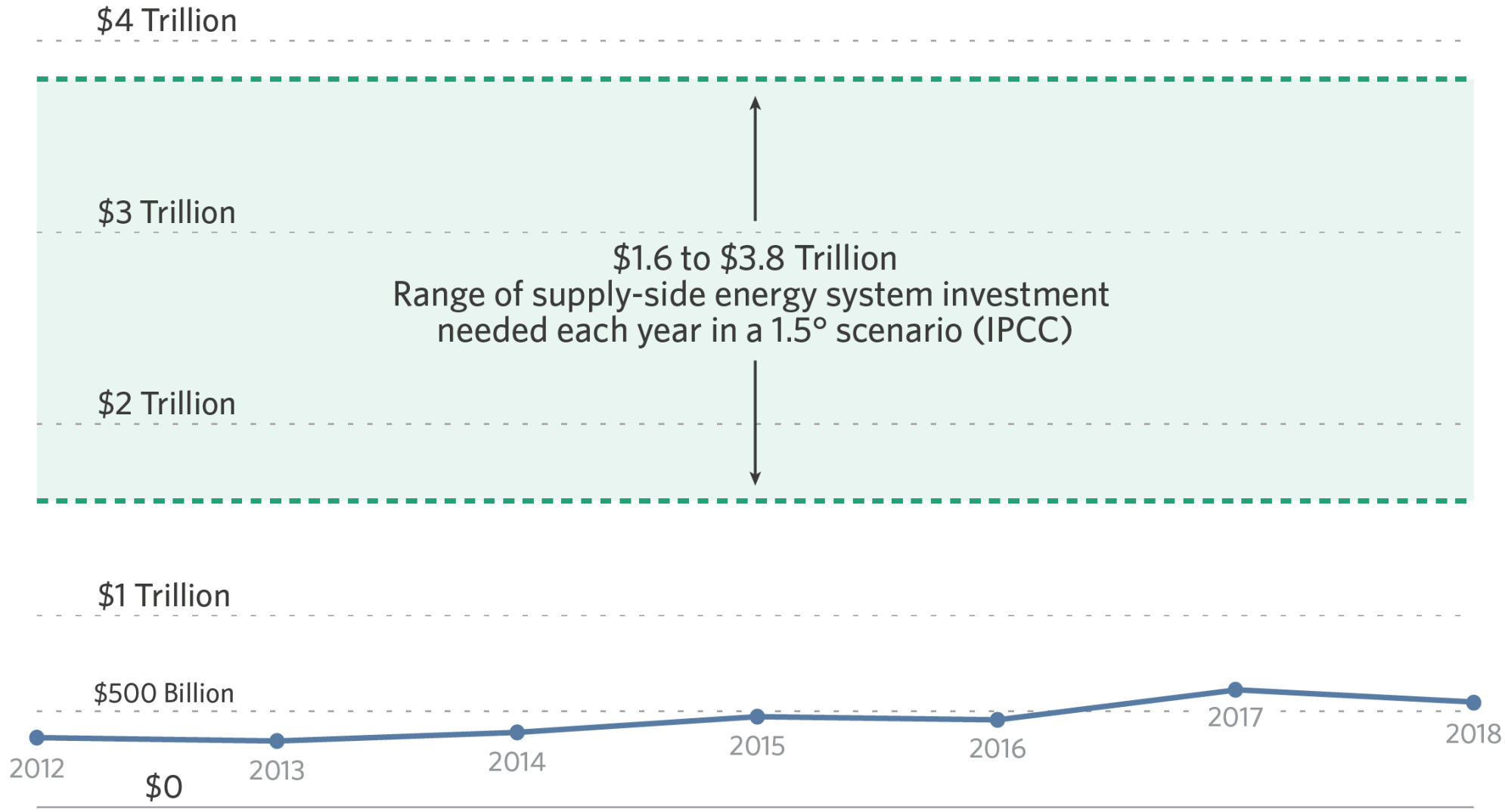
CLIMATE POLICY INITIATIVE

Annual tracked climate finance in 2017 and 2018 crossed the USD half-**trillion mark for the first time …**



CLIMATE POLICY INITIATIVE

… but is nowhere near enough: action still falls far short of what is needed under a 1.5 ˚C scenario.



CLIMATE POLICY INITIATIVE

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

CLIMATE POLICY INITIATIVE

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
- IJGlobal (USD19 billion): non-energy infrastructure project finance transactions
- Development Financial Institutions: project level data provided by increased number of institutions

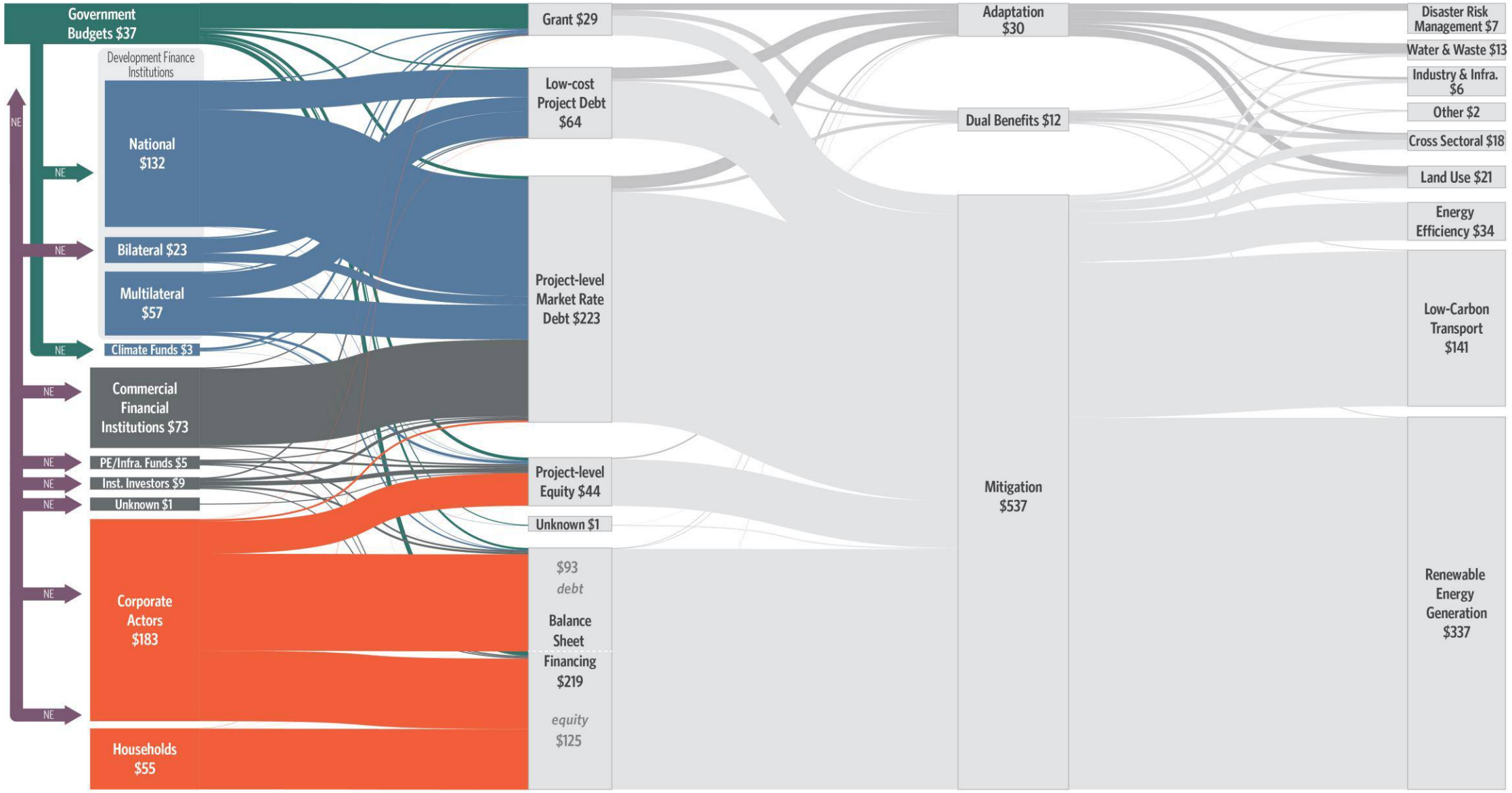
CLIMATE POLICY INITIATIVE

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 BN USD ANNUAL AVERAGE

CLIMATE POLICY INITIATIVE



KEY

PUBLIC MONEY | PUBLIC FINANCIAL INTERMEDIARIES | PRIVATE FINANCIAL INTERMEDIARIES | PRIVATE MONEY | FINANCE FOR INVESTORS & LENDERS

NE: NOT ESTIMATED

CLIMATE POLICY INITIATIVE

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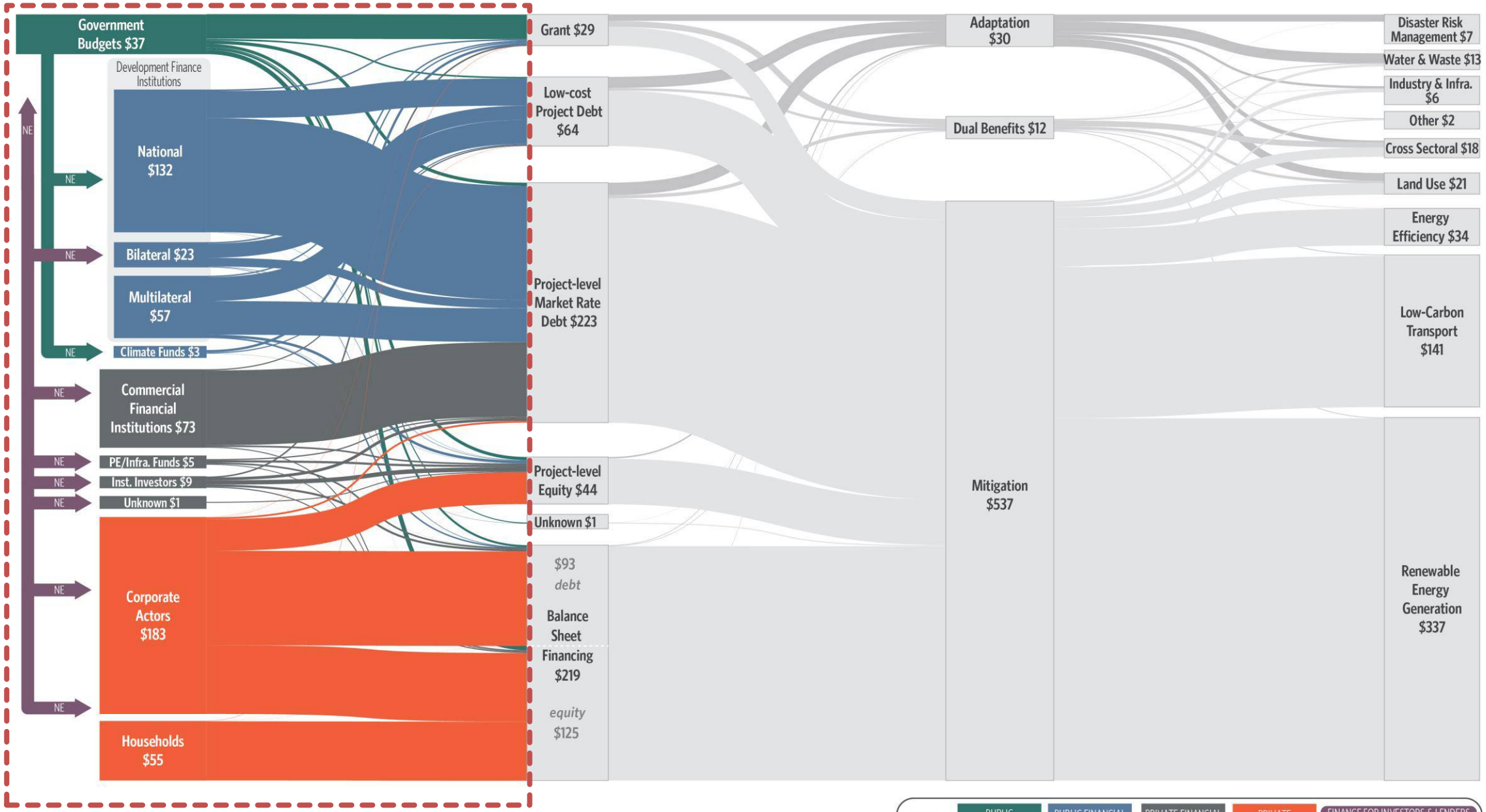
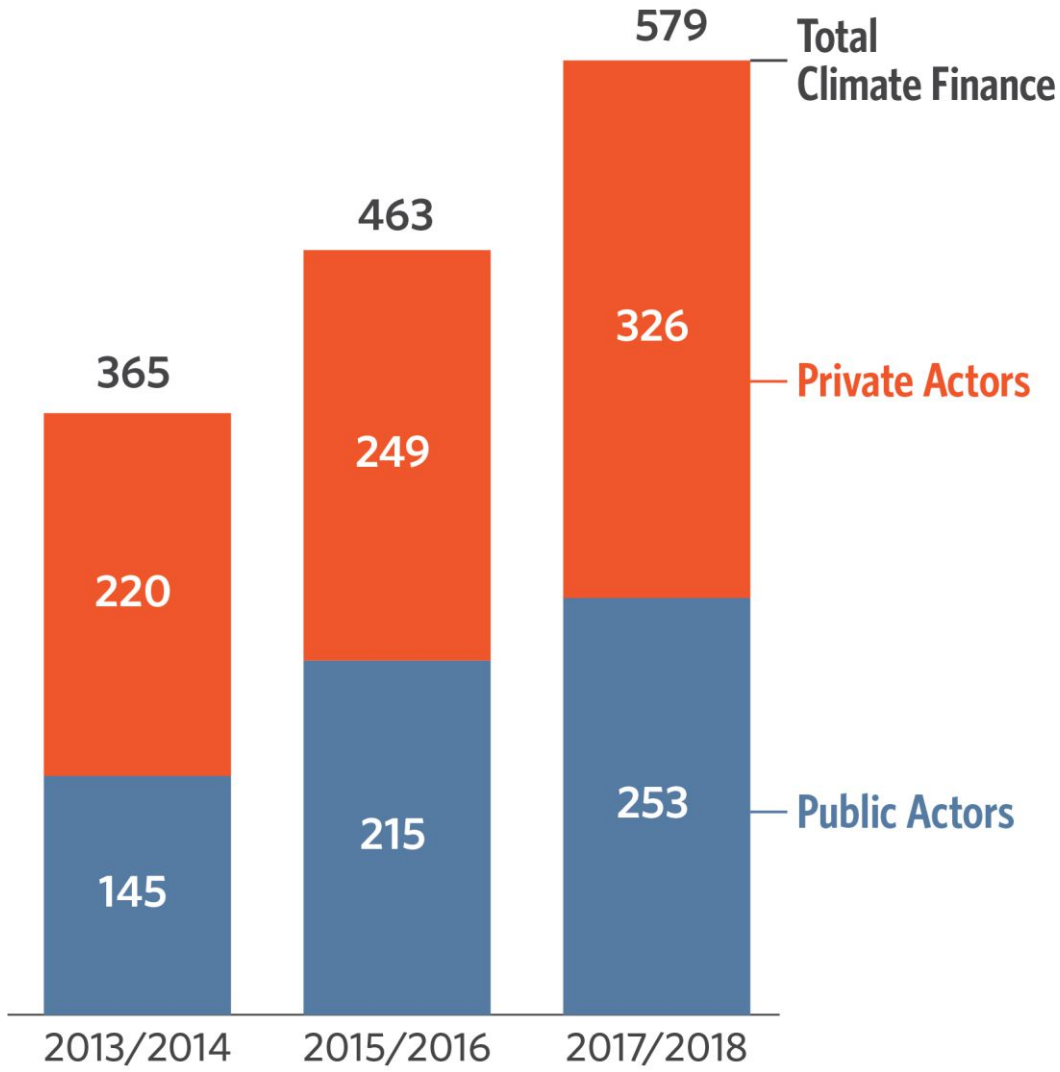


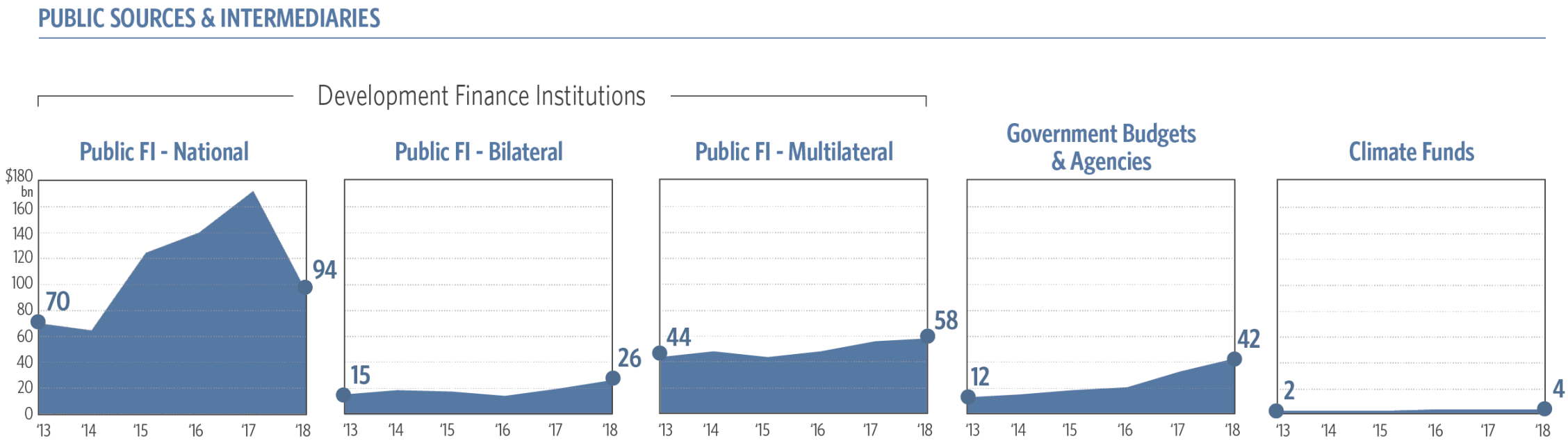
CLIMATE POLICY INITIATIVE

Public and private commitments continue to rise, with the private sector still providing the majority of climate finance.



CLIMATE POLICY INITIATIVE

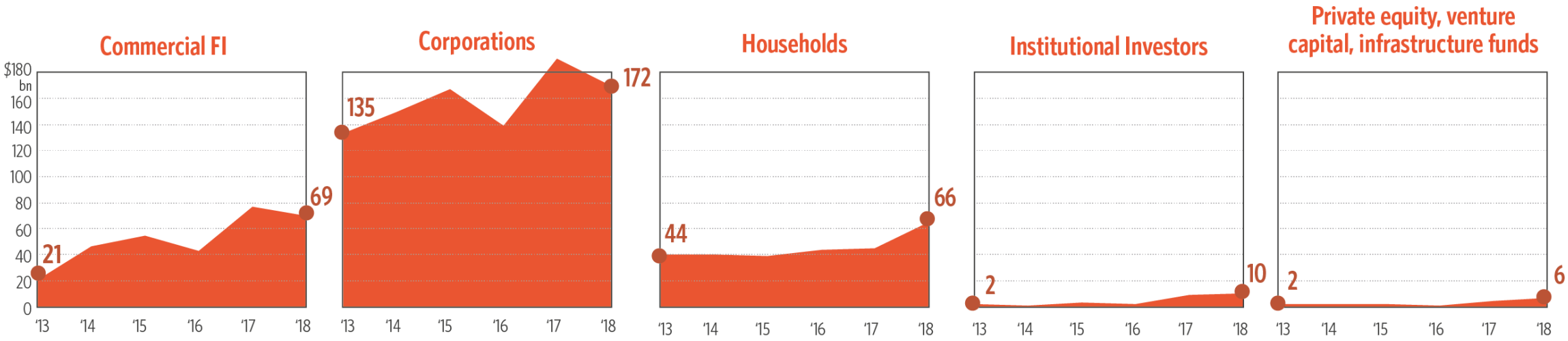
DFIs continue to channel majority of public finance on average in 2017/2018, but economic developments in 2018 implied that some major players reduced their investments.



CLIMATE POLICY INITIATIVE

Corporations continue to account for the majority of private investment, but commercial financial institutions play a more important role more than ever.

PRIVATE SOURCES & INTERMEDIARIES



CLIMATE POLICY INITIATIVE

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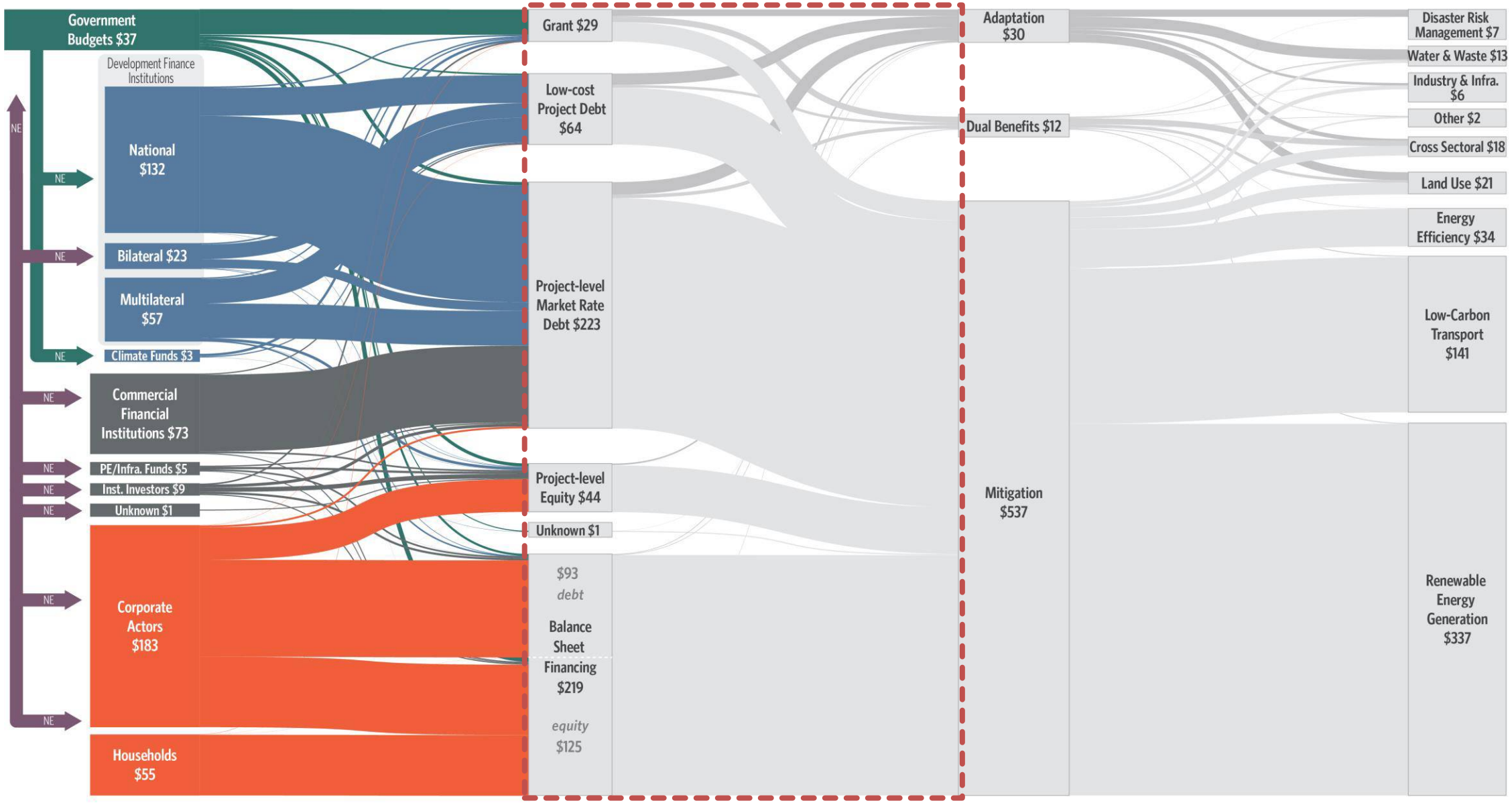


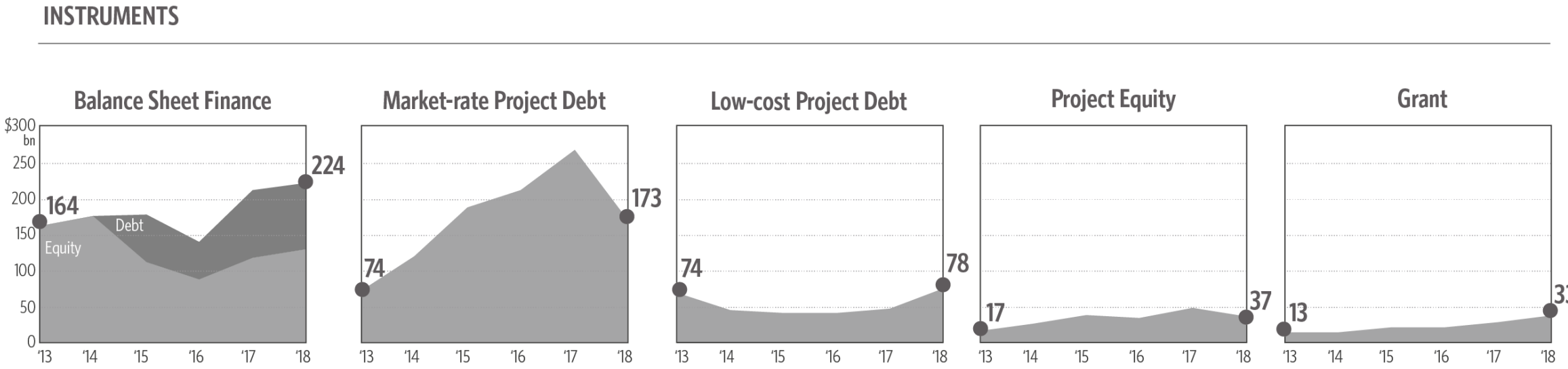
KEY

PUBLIC MONEY | PUBLIC FINANCIAL INTERMEDIARIES | PRIVATE FINANCIAL INTERMEDIARIES | PRIVATE MONEY | FINANCE FOR INVESTORS & LENDERS

NE: NOT ESTIMATED

CLIMATE POLICY INITIATIVE

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.



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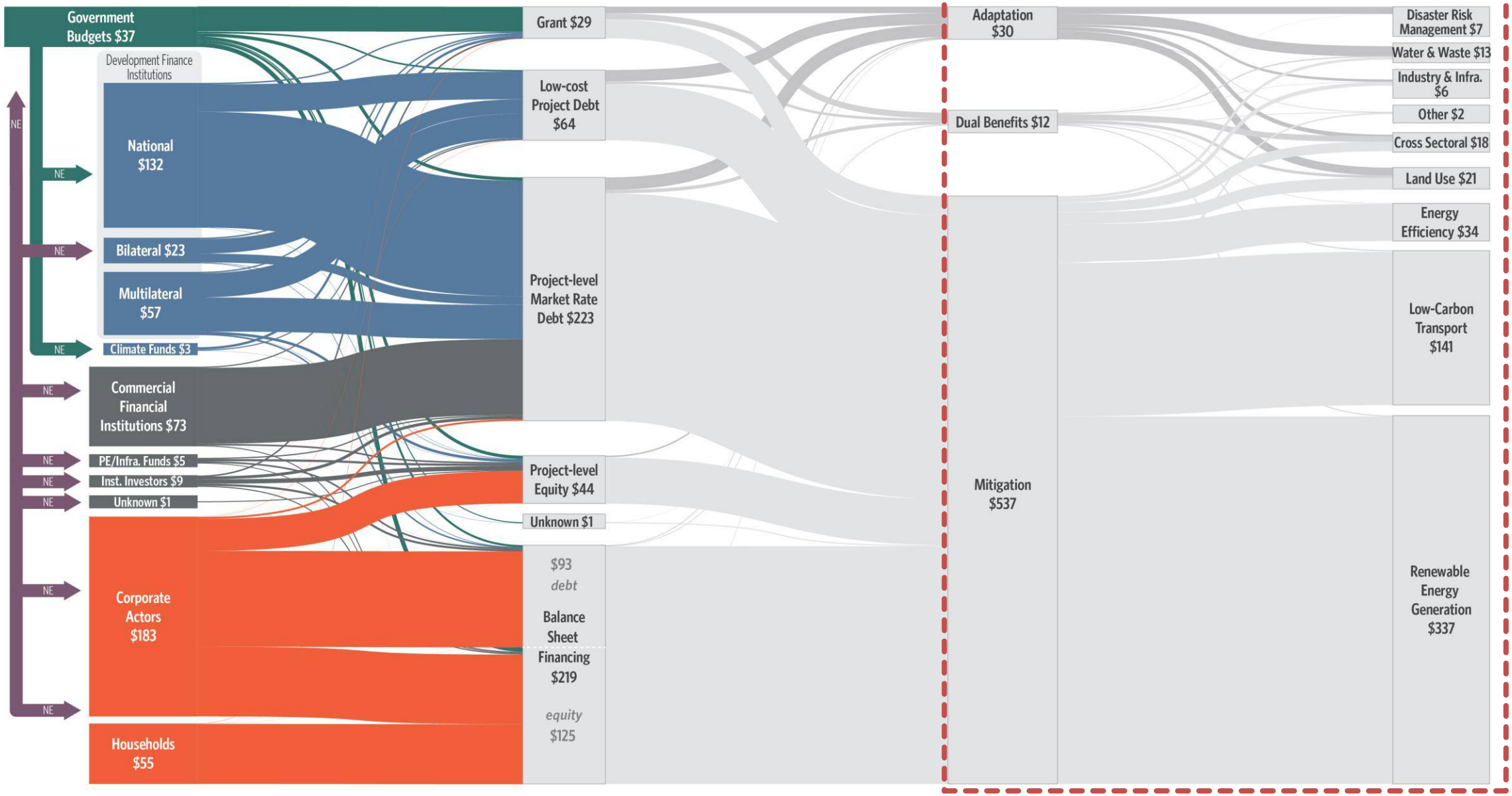
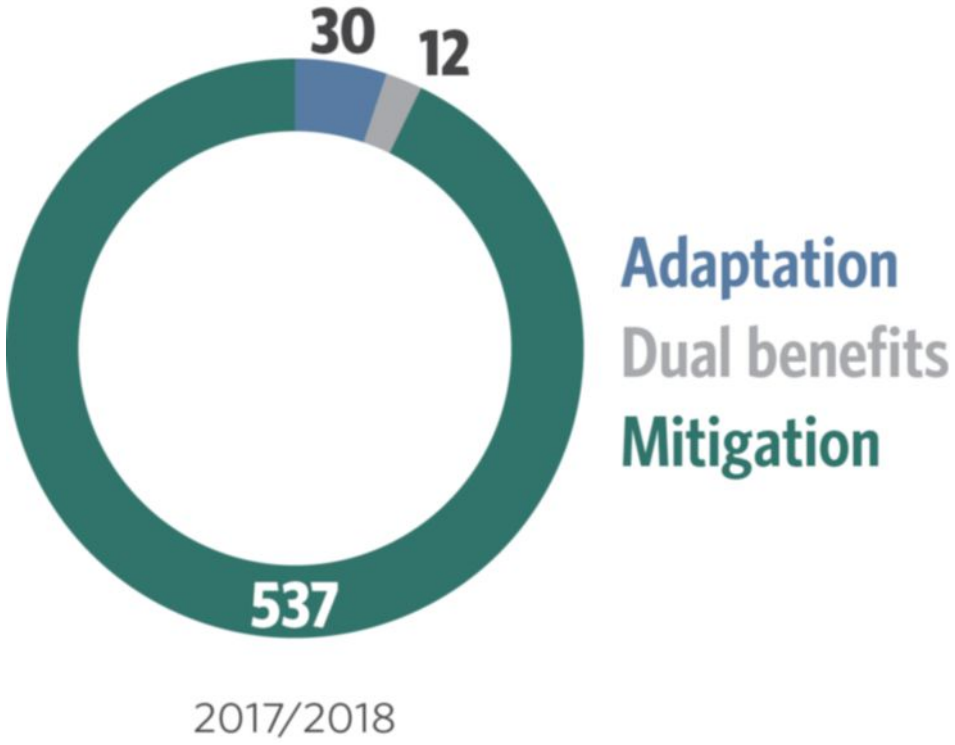
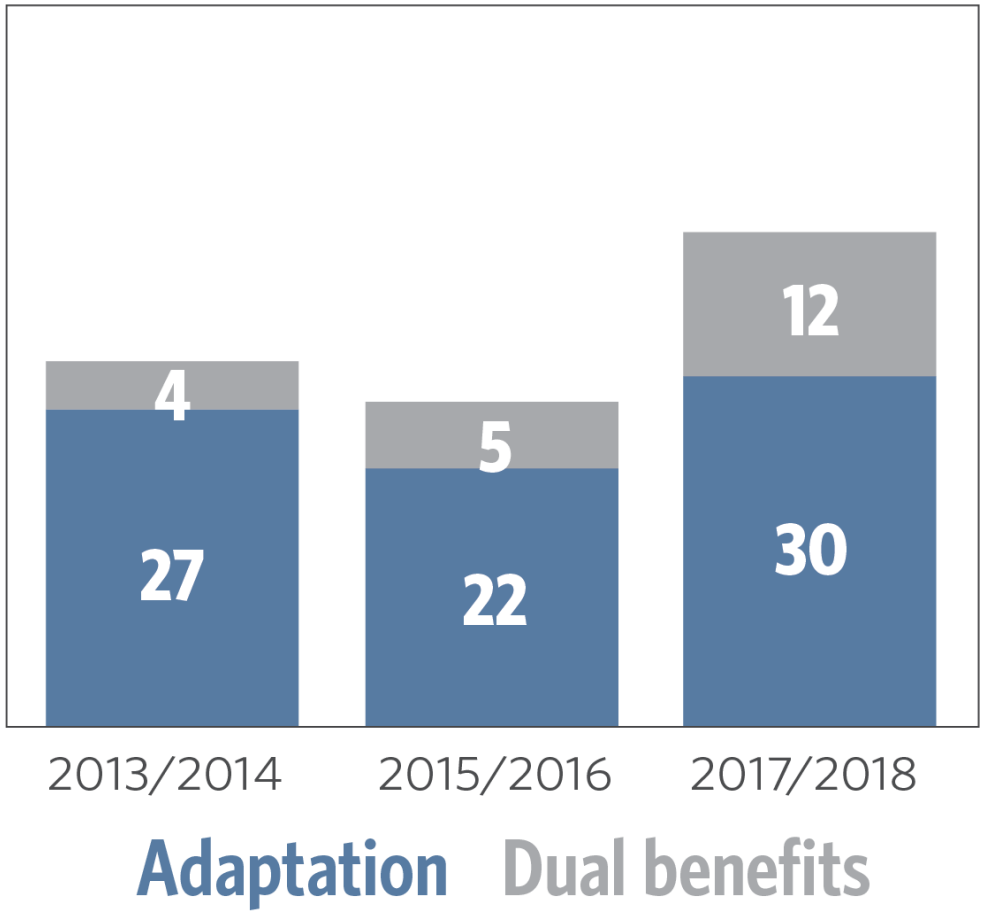
CLIMATE POLICY INITIATIVE



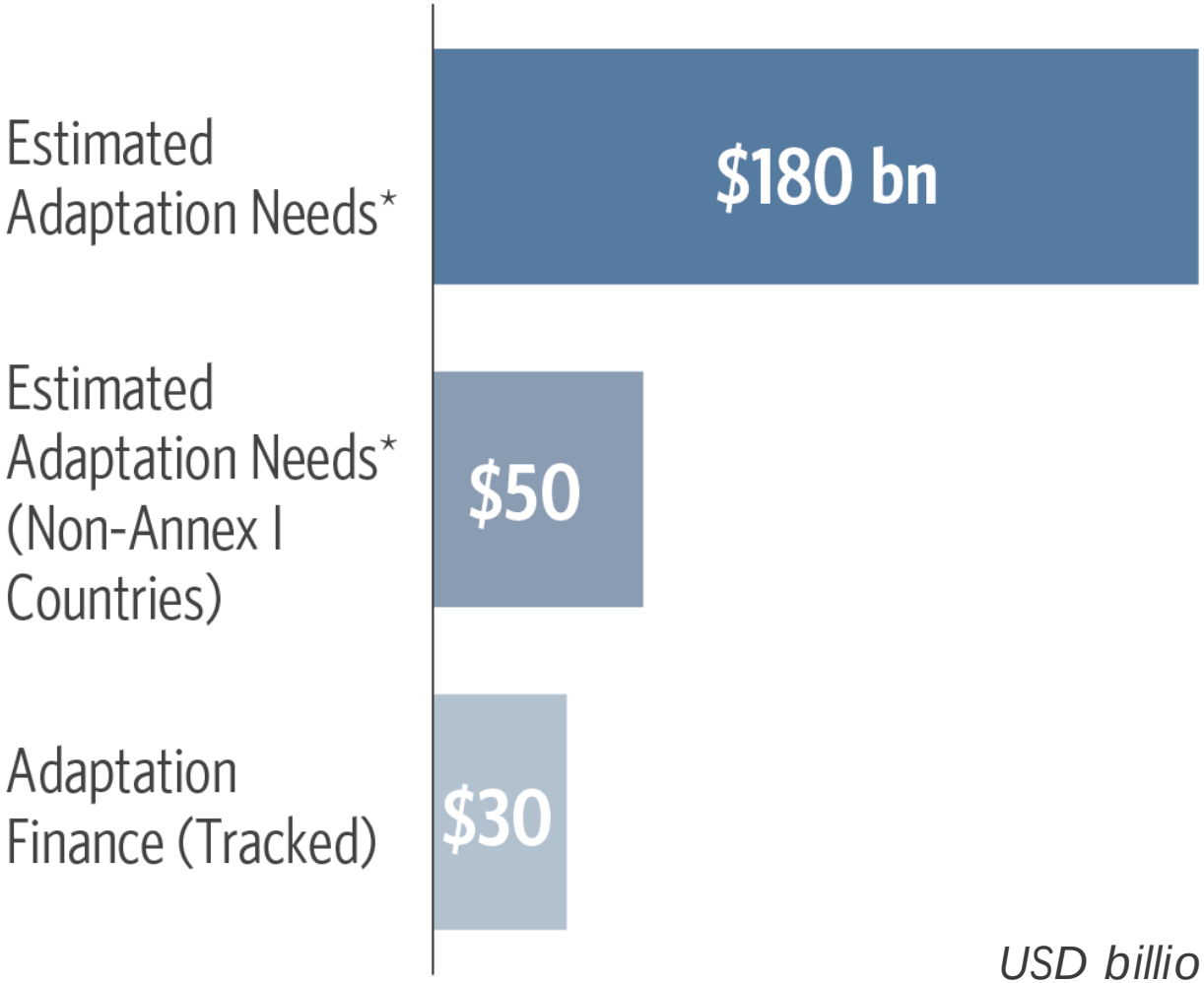
The vast majority of tracked finance continues to flow towards activities for mitigation, but adaptation finance rose **significantly from its previous level in 2015/2016…**





CLIMATE POLICY INITIATIVE

…but falls short of the required investment.

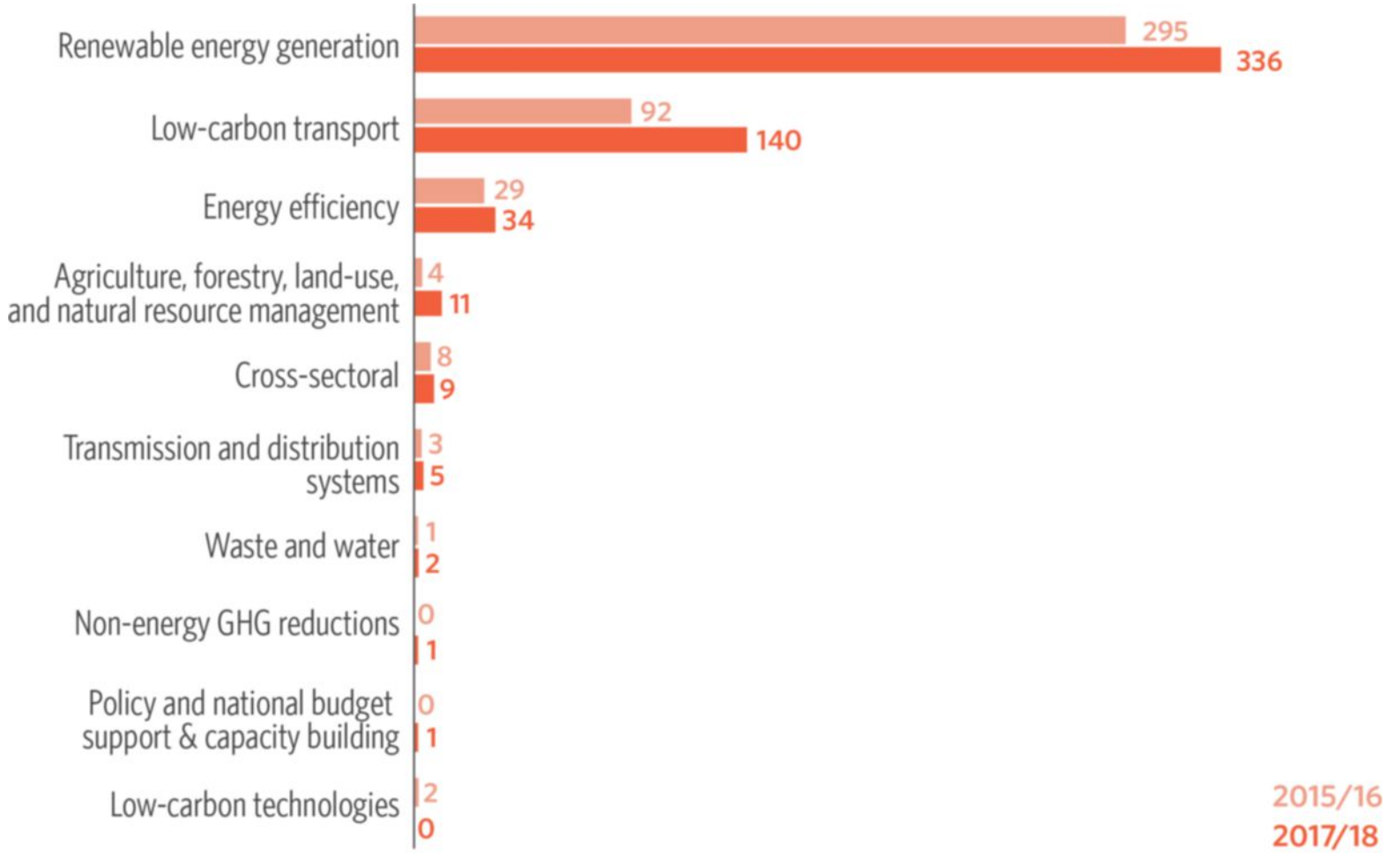


USD billion per annum

Source: Global Adaptation Commission, 2019

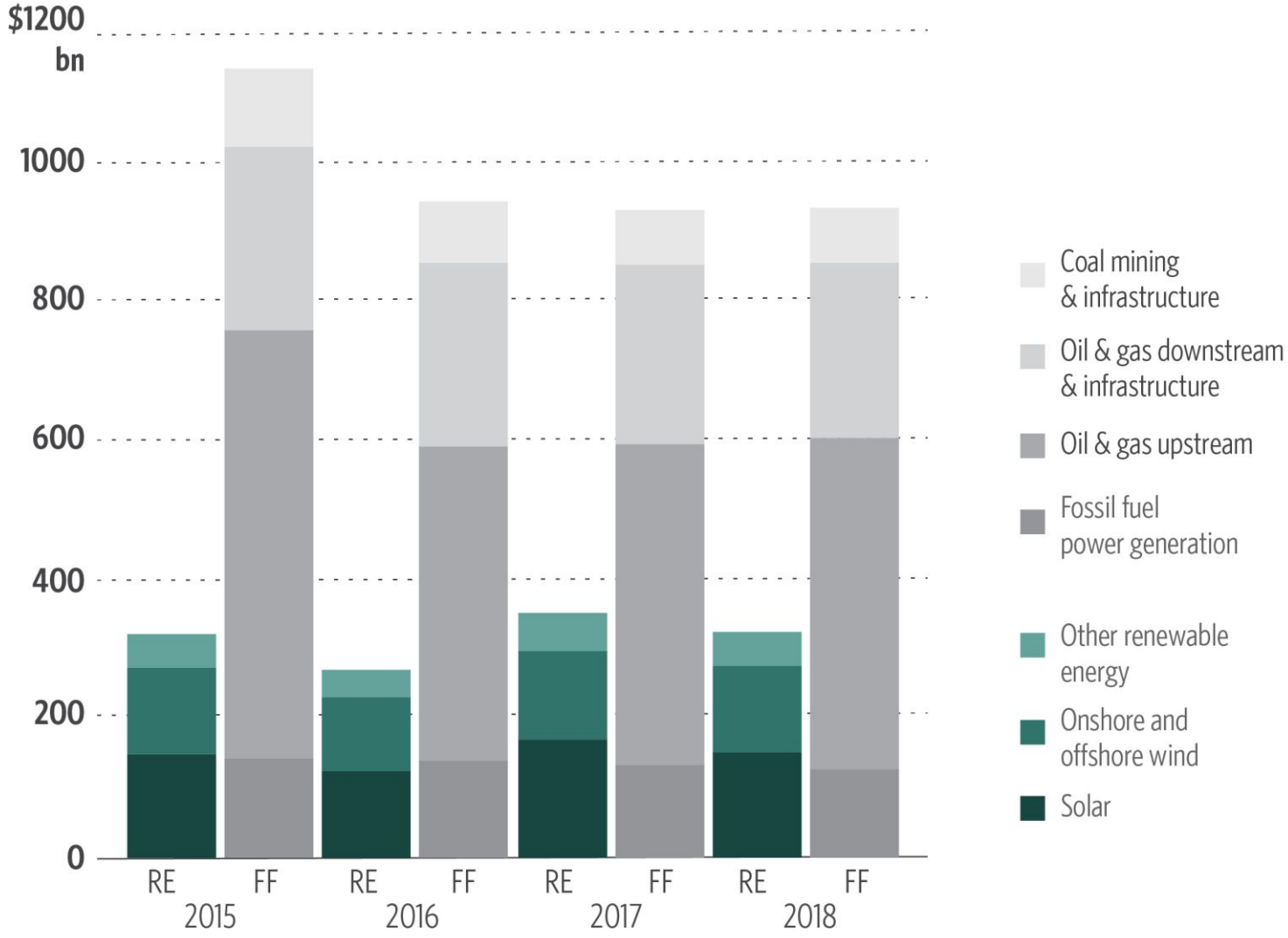
CLIMATE POLICY INITIATIVE

Renewable energy remains the primary destination sector, but financing for low-carbon transport is increasing rapidly.



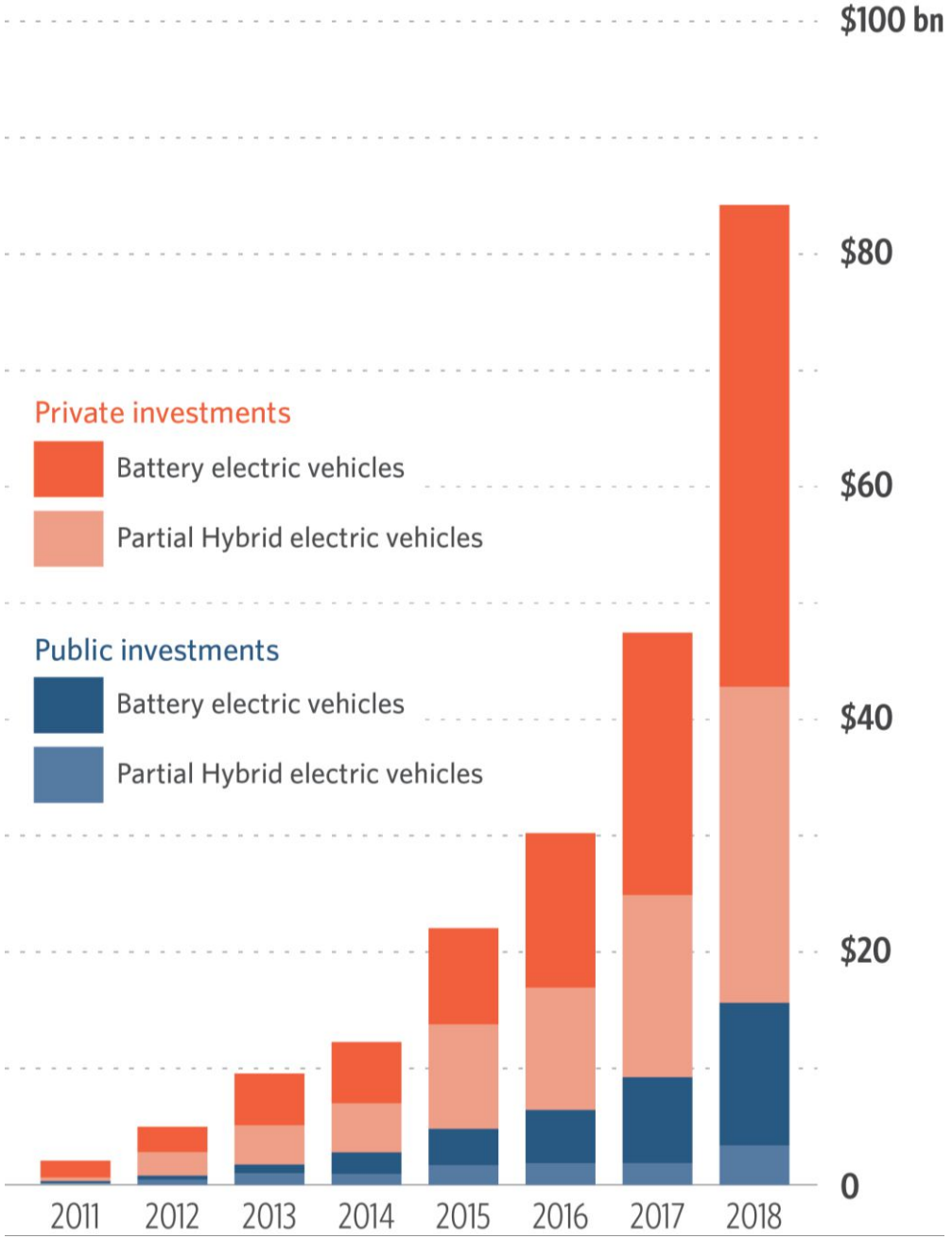
CLIMATE POLICY INITIATIVE

While finance for renewable energy exceeds that for generation from fossil fuels, including investment in fossil fuel supply infrastructure paints a different picture.



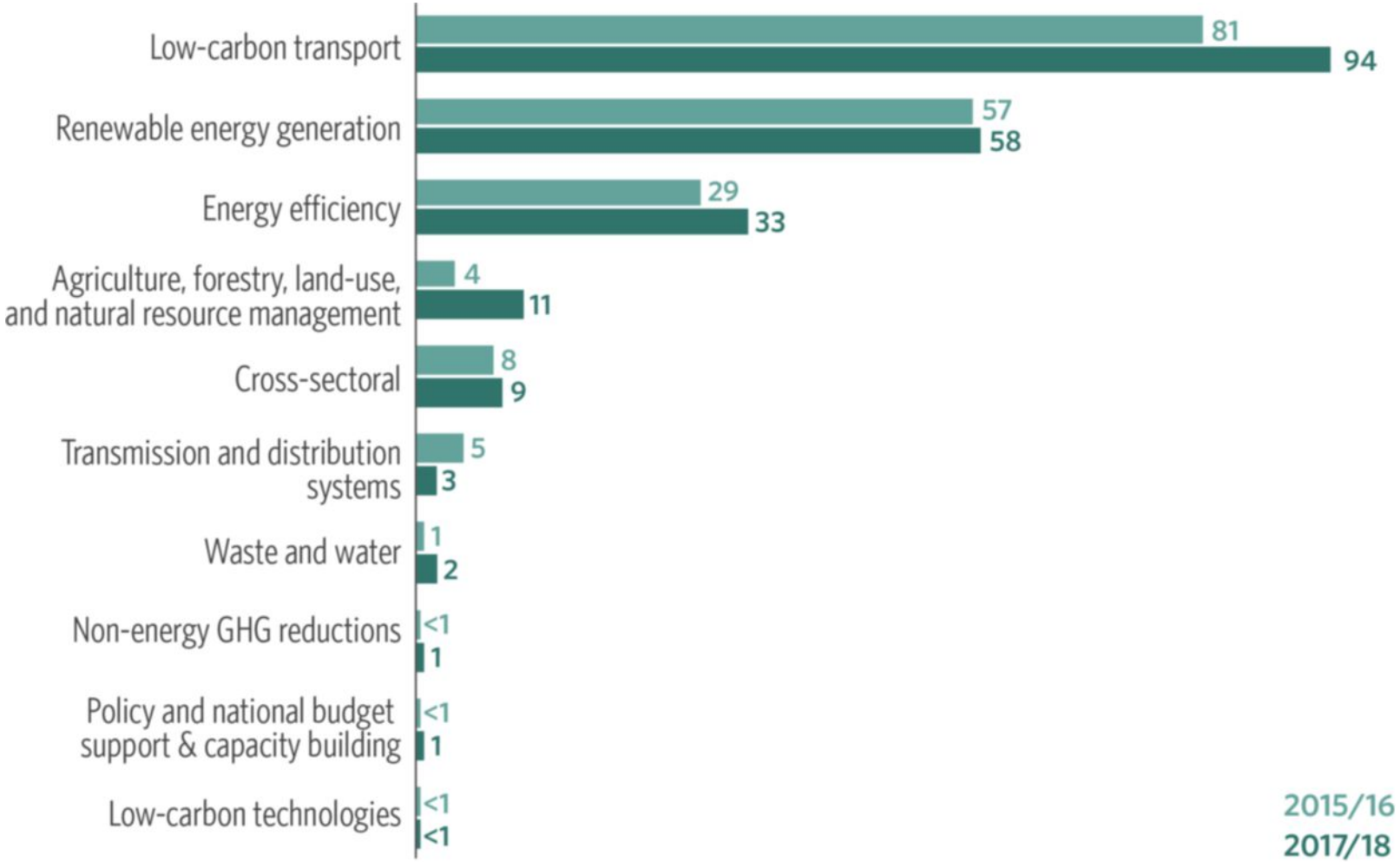
CLIMATE POLICY INITIATIVE

Growing public sector commitments **and households'** purchases of electric vehicles led to increased financing for low-carbon transport.

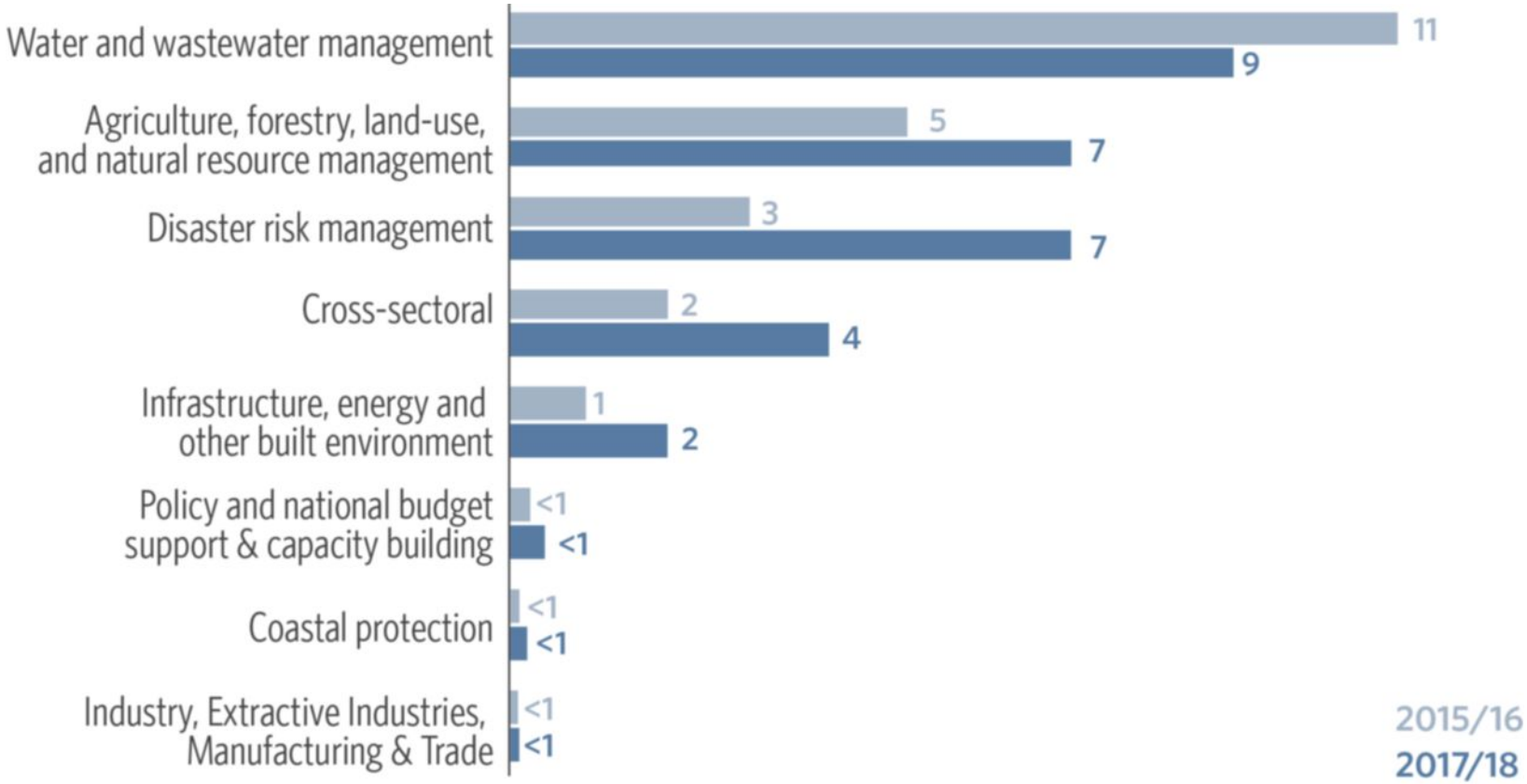


CLIMATE POLICY INITIATIVE

Spending on transport again outpaced renewable energy to become the largest beneficiary of public finance



Increased investment in adaptation has been accompanied by greater balance in spending across sectors

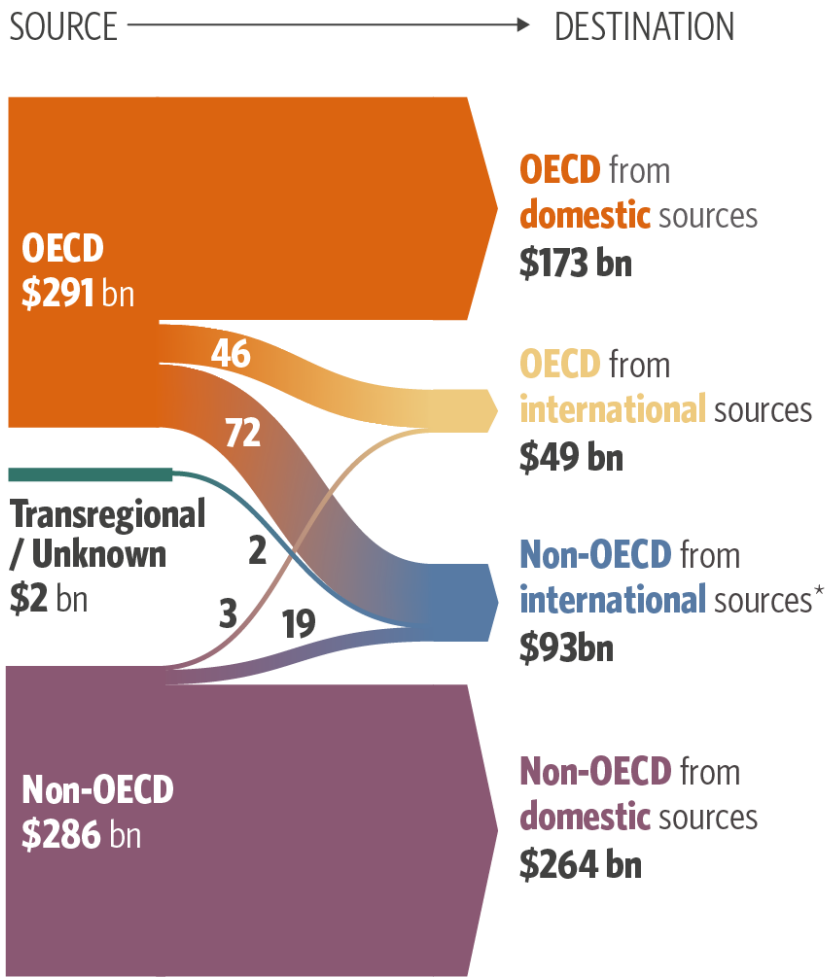


Note: Only USD 0.5 billion of adaptation finance was tracked from private sector sources.

CLIMATE POLICY INITIATIVE

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

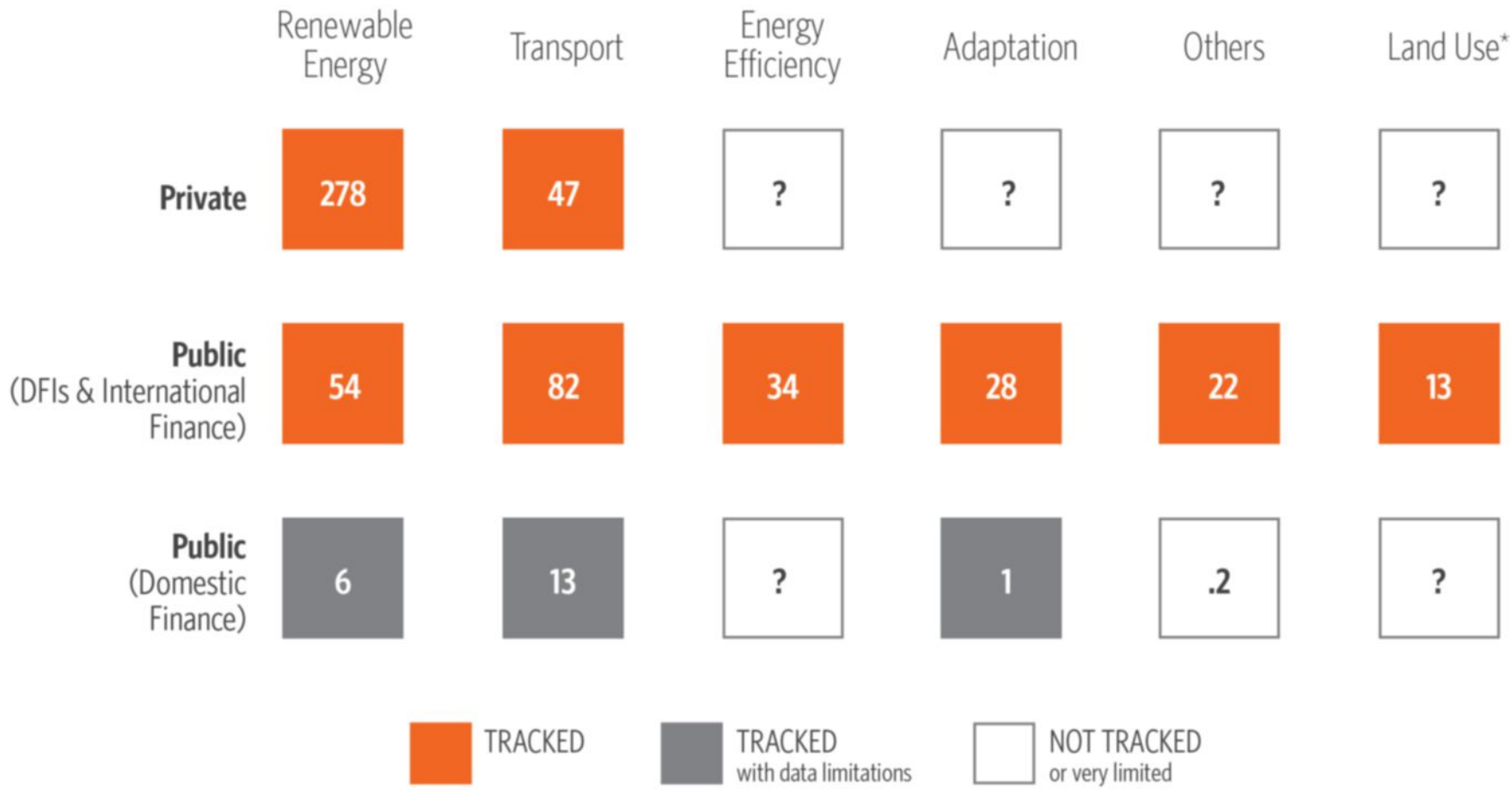


*Flows with transregional destination are assumed to be directed to non-OECD countries.

Finance for projects in non-OECD countries reached USD 356 billion- with East Asia & Pacific still the primary destination

CLIMATE POLICY INITIATIVE

Gaps remain in tracking climate finance, though coverage has improved on previous years.

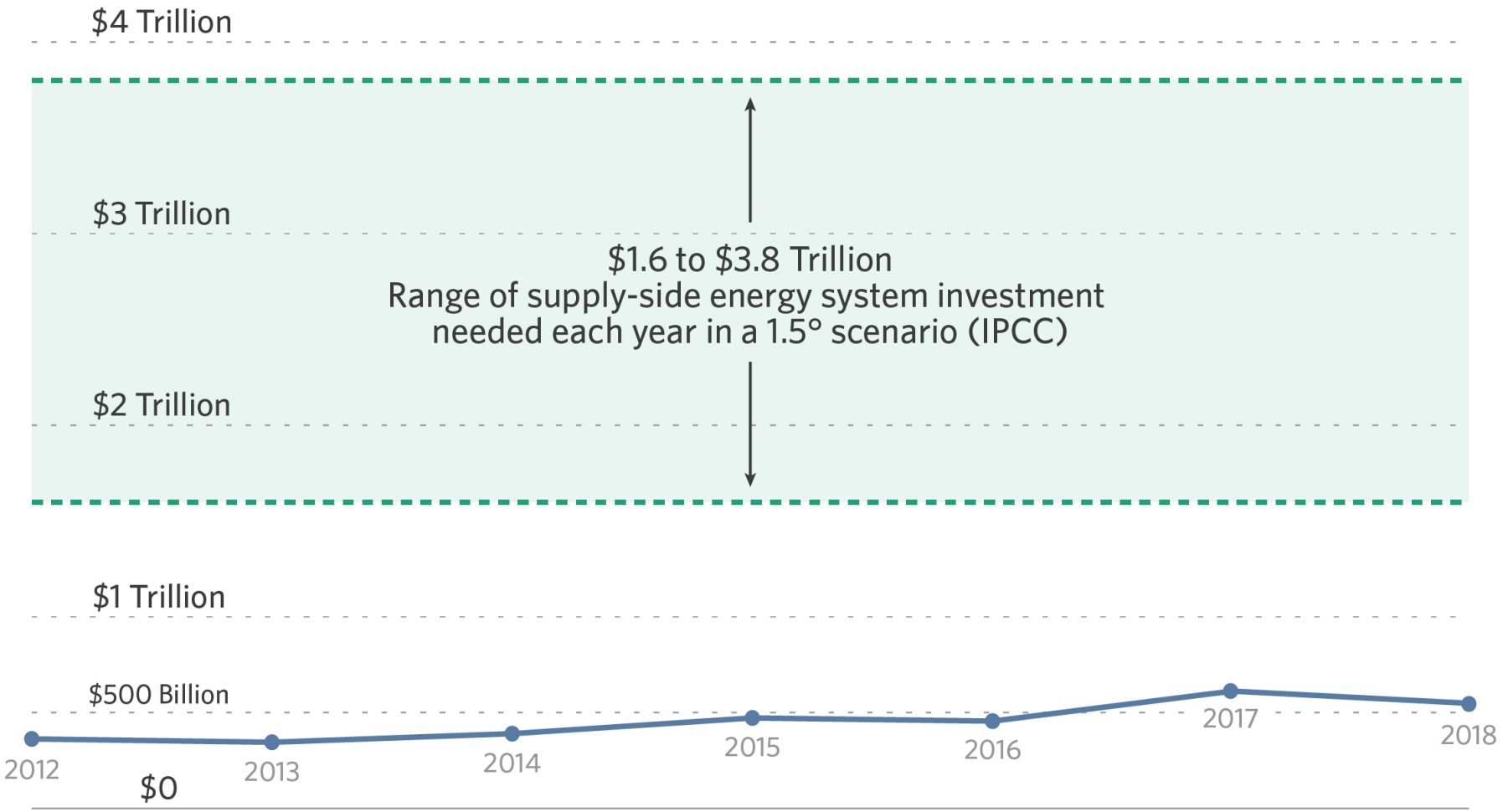


CLIMATE POLICY INITIATIVE

Recommendations

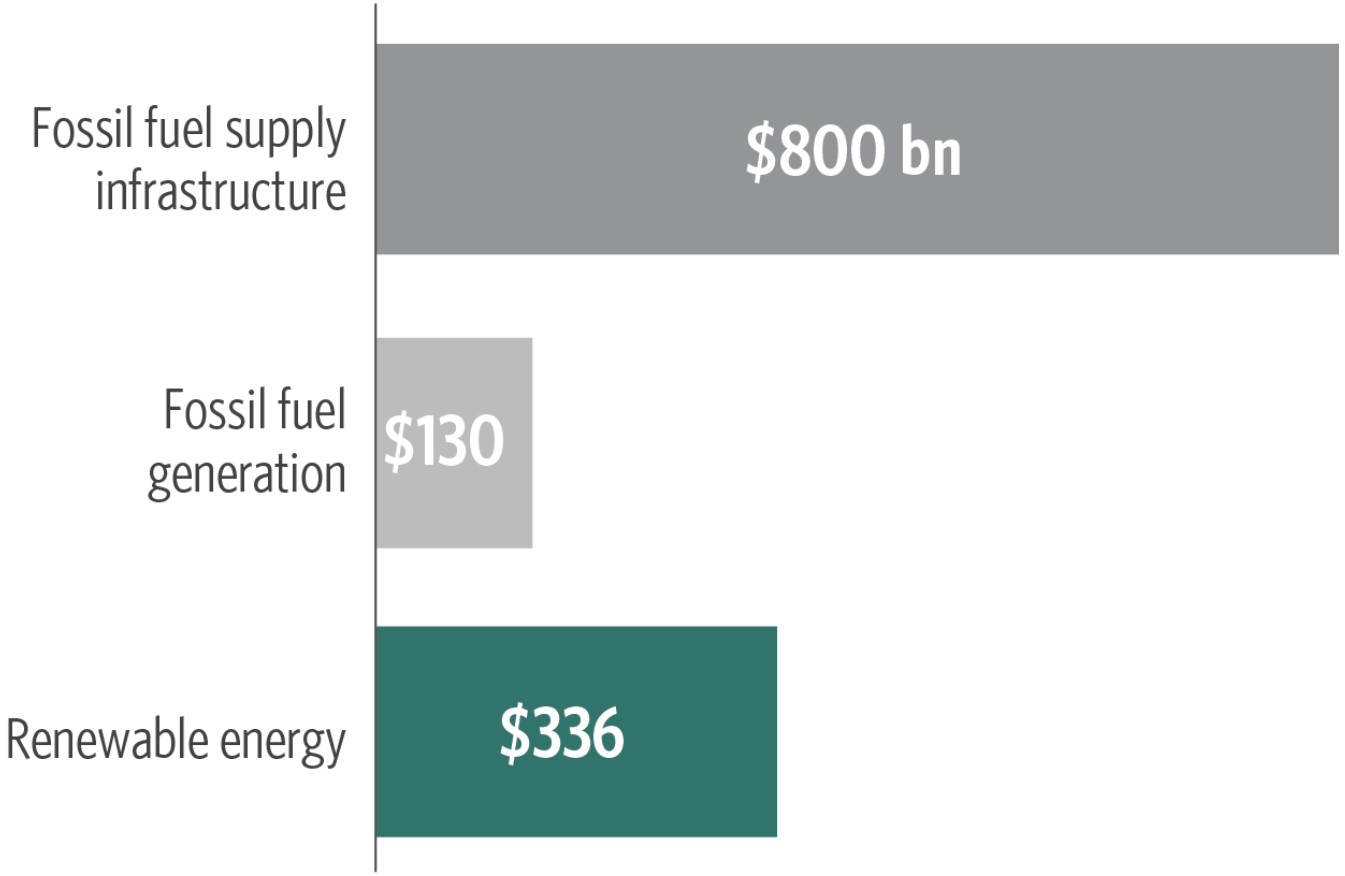
CLIMATE POLICY INITIATIVE

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.



CLIMATE POLICY INITIATIVE

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.



2017/2018 Finance in USD billion

CLIMATE POLICY INITIATIVE

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

CLIMATE POLICY INITIATIVE

Opportunities exist to scale up and speed up the growth of global climate finance.

4. Capital markets and banking must shift toward green 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

CLIMATE POLICY INITIATIVE

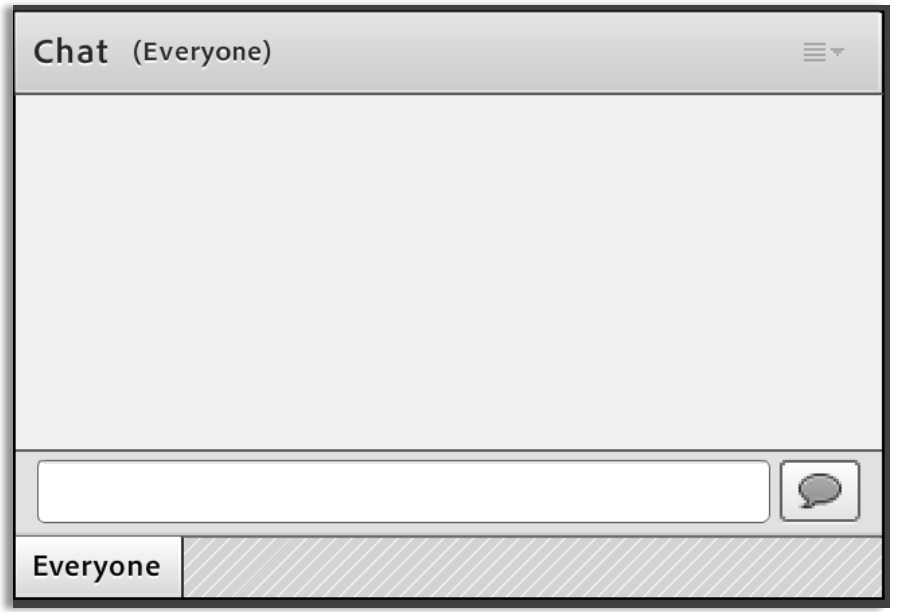
Related Projects

- 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

CLIMATE POLICY INITIATIVE

Questions?

Please type questions into the chat box on the lower right-hand side of the screen.



Contact –

CPI: climatepolicyinitiative.org

The Lab: climatefinancelab.org

USICEF: usicef.org

Global Landscape of Climate Finance: climatefinancelandscape.org

@climatepolicy

@climatepolicyinitiative

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Thank You

CLIMATE POLICY INITIATIVE

How do we track climate finance?

What type of organizations are sources or intermediaries of capital for climate finance? → What mixes of financial instruments are used? → What types of activities are financed? → What is the finance used for?

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