Global Landscape of Climate Finance 2021

Supported by:
CPI flagship report

The most comprehensive assessment of climate finance flows

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

This edition closes a decade of climate finance tracking
A milestone edition

Two publications: today’s pre-release and a full narrative report in November - December

Innovations & improvements in 2021:
- Reformed sector classification
- Bolstered investment need estimates
- Data on gender-tagging
- Improved assumptions
- Project case study
- And more…

Please stay tuned for the full narrative report in November
Agenda

Key findings

Private Financial Institution Net Zero commitments

A closer look at
  • Mitigation finance
  • Adaptation finance
  • Geographic flows

Conclusion
Key Findings
Global climate finance flows reached USD 632 billion in 2019/2020, but with tepid growth rate.
Current investment levels are nowhere near enough to limit global warming to 1.5 °C

Figure 1.3: Global tracked climate finance flows and the average estimated annual climate investment need through 2050
Achieving net-zero will require all public and private actors to align their finance with Paris goals.
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 sales and R&D
× Fossil fuel-based lower-carbon and energy-efficient generation
Majority of climate finance went to mitigation, but adaptation finance is gaining momentum

Figure 1.5: Biannual average climate finance by mitigation, adaptation and dual objectives (USD bn)
Debt remains the main instrument for climate finance, but equity’s share and amount has increased.

Figure 3.1: Climate Finance by instrument (USD bn)
Public actors slightly ahead of private actors

Figure 2.1: Public investment by institutions (USD bn)

- $300: Other, SOEs, Bilateral DFIs, Governments, State-owned FIs
- $321: Multilateral DFIs, National DFIs

- 2019/2020: $120, $13, $35, $38, $45
Commercial financial institutions made the biggest stride in growth

Figure 2.2: Private investment by institution type (USD bn)

- **2017/2018**
  - Commercial FIs: $156
  - Corporations: $48
  - Households and Individuals: $53
  - Other: $5

- **2019/2020**
  - Commercial FIs: $124
  - Corporations: $122
  - Households and Individuals: $55
  - Other: $310

Sources and intermediaries
FI commitments
301 financial institutions – representing USD 93.3 trillion of financial assets – have committed to net zero by 2050, mainly in Western Europe and US & Canada

<table>
<thead>
<tr>
<th>Region</th>
<th>Financial Institutions Committed to Net Zero</th>
<th>Assets Committed to Net Zero (USD billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>181</td>
<td>$ 44,267</td>
</tr>
<tr>
<td>US &amp; Canada</td>
<td>62</td>
<td>$ 40,291</td>
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<tr>
<td>East Asia and Pacific</td>
<td>15</td>
<td>$ 7,006</td>
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<tr>
<td>Others</td>
<td>43</td>
<td>$ 1,746</td>
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Asset managers and banks are leading the way in net zero targets

<table>
<thead>
<tr>
<th>Actor Type</th>
<th>Financial Institutions Committed to Net Zero</th>
<th>Assets Committed to Net Zero (USD billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset manager</td>
<td>131</td>
<td>$ 31,109</td>
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<tr>
<td>Commercial bank</td>
<td>72</td>
<td>$ 49,439</td>
</tr>
<tr>
<td>Insurer</td>
<td>22</td>
<td>$ 3,123</td>
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<tr>
<td>Asset owner</td>
<td>50</td>
<td>$ 2,971</td>
</tr>
<tr>
<td>Multiple</td>
<td>13</td>
<td>$ 4,345</td>
</tr>
<tr>
<td>Unknown</td>
<td>13</td>
<td>$ 2,316</td>
</tr>
</tbody>
</table>
Our new taxonomy of climate commitments captures what steps institutions are taking to meet net zero goals.
2021 brought a dramatic acceleration in financial institution climate announcements – particularly net zero targets, but more details are needed.
Financial institutions are raising ambition in climate investment goals, but lack specificity

Cumulative climate-earmarked investment commitments assuming linear progress
Exclusion and divestment policies are aimed at coal, and vary in their scope and stringency.
Recommendations

1. Provide more details and standardized reporting on current commitments consistent with requirements of joining net zero alliances.

2. Increase ambition in top-level goals.

3. Bring in financial institutions which have not yet made ambitious climate commitments.

4. Work with policymakers to support policies that will make achieving net zero goals easier for financial institutions and portfolio companies.
Mitigation Finance
Renewable energy remains the largest mitigation sector, with solar PV and wind attracting over 91% of investments.

At $324 bn, renewable energy represented 57% of total mitigation finance in 2019/20.

- Solar PV, $137 bn (42%)
- Other, $10 bn (3%)
- Bioenergy, $8 bn (3%)
- Hydropower, $8 bn (2%)
- Offshore wind, $31 bn (10%)
- Onshore wind, $126 bn (10%)
- Solar thermal including CSP, $2 bn (1%)

Renewable energy investments by sector as a share of mitigation finance (USD bn, 2019/2020 average)
Annual renewable energy investments need to at least triple to keep warming within 1.5°C by mid-century.
Private sources continue to provide the majority of renewable energy finance

Investment by public/private source – renewables vs. mitigation (USD bn)

- **All mitigation sectors**: $571
  - Public: 46%
  - Private: 54%

- **Renewables**
  - 2017/2018: $324 (32% Public, 68% Private)
  - 2019/2020: $324 (31% Public, 69% Private)

- **Energy supply: Renewable energy**
Low-carbon transport is the fastest-growing sector in 2019/2020

Low-carbon transport sub-sector investment

At $173 bn, low-carbon transport represented 31% of total mitigation finance in 2019/20

- Private Road Transport, $82.5 bn
- Rail & Public Transport, $13.4 bn
- Other / Unspecified, $75.4 bn
- Various, $1.8 bn
Tracking Climate Finance in Buildings and in Industry hindered by poor data availability and inconsistent reporting practices

Buildings & Infrastructure: USD 28 billion

- Low-carbon HVAC & Water Heaters, $14 bn
- Low-energy consumption buildings, $14 bn

Industry: USD 7 billion

- Upstream and Midstream Renewables, $2.2 bn
- Industrial, Extraction, & Manufacturing processes, $3.7 bn
- Other/Unspecified, $800 mn
- Policy & National Budget Support & Capacity Building, $100 mn
Adaptation Finance
Adaptation finance gained momentum in 2019/2020 but remains well short of estimated needs.
Largest recipient of international adaptation finance is Sub-Saharan Africa; East Asia & Pacific lead the way overall
Geographic Flows
Climate finance flows are concentrated in East Asia and Pacific, Western Europe, and North America

Domestic and international climate finance flows by region of destination (USD bn, 2019/2020 annual average)

- Transregional: Domestic $10, International $10
- Other Oceania: Domestic $9, International $9
- Middle East & North Africa: Domestic $16, International $16
- Sub-Saharan Africa: Domestic $18, International $20
- South Asia: Domestic $11, International $19, Total $31
- Central Asia & Eastern Europe: Domestic $17, International $15, Total $32
- Latin America & Caribbean: Domestic $16, International $19, Total $35
- US & Canada: Domestic $76, International $83
- Western Europe: Domestic $74, International $31, Total $105
- East Asia & Pacific: Domestic $270, International $292
East Asia and Pacific remained the main region of destination of climate finance

Destination region of climate finance, by public/private (USD bn, 2019/2020 annual average)
Recommendations
Conclusions and key recommendations

1. The scale of finance must increase – this decade will make or break the transition to a sustainable, net zero world

2. Public and private actors should prioritise data on credible climate action and impact on the ground
Data gaps and methodological issues limit our understanding of progress and impact

Figure 1.6: Data gaps in climate finance (USD bn, 2019/2020 annual average)

<table>
<thead>
<tr>
<th></th>
<th>Energy Systems</th>
<th>Buildings &amp; Infrastructure</th>
<th>Transport</th>
<th>Industry</th>
<th>Land Use</th>
<th>Adaptation</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>224</td>
<td>10</td>
<td>73</td>
<td>?</td>
<td>?</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Public (International)</td>
<td>56</td>
<td>13</td>
<td>84</td>
<td>9</td>
<td>10</td>
<td>44</td>
<td>29</td>
</tr>
<tr>
<td>Public (Domestic)</td>
<td>54</td>
<td>5</td>
<td>16</td>
<td>?</td>
<td>?</td>
<td>?</td>
<td>1</td>
</tr>
</tbody>
</table>

- **Tracked**
- **Some Tracking**
- **Limited Tracking**
- **Not Tracked**
Conclusions and key recommendations

3. We need credible Net Zero Commitments with clear transition plans, including interim goals

4. We need structural change focusing on the nexus between the environment, the economy, and the people
Questions?

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

- Net Zero Finance Tracker
- Framework for Sustainable Finance Integrity
- Energizing Finance: Understanding the Landscape 2021
Contact –

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