




CLIMATE
POLICY
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Global Landscape of Climate Finance 2021

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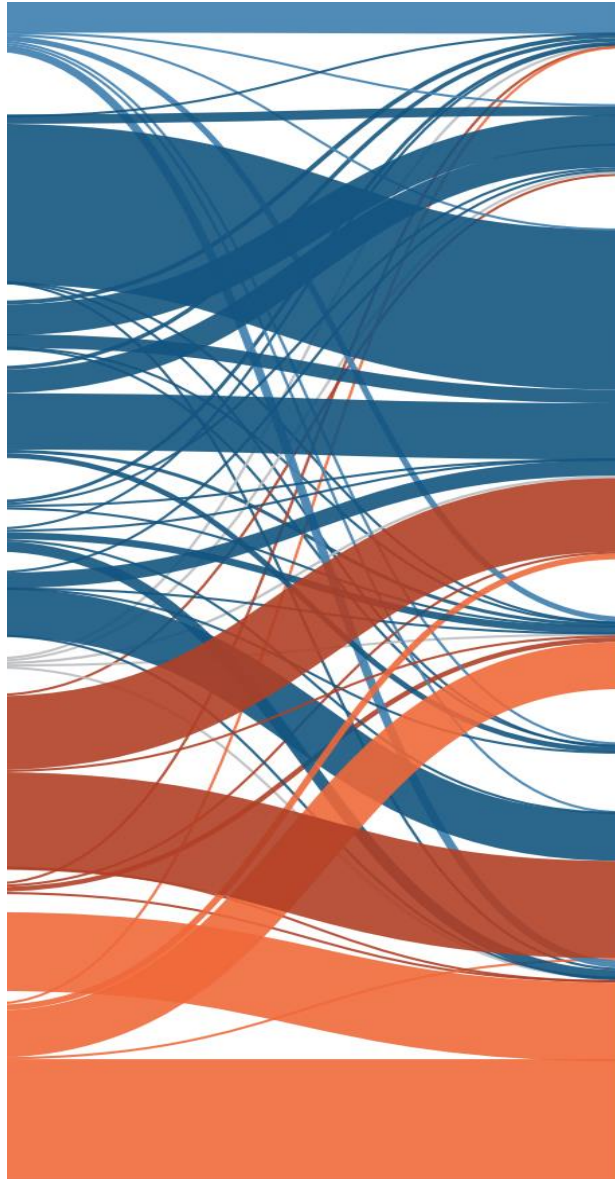
 Department for
Business, Energy
& Industrial Strategy

 Federal Ministry
for the Environment, Nature Conservation
and Nuclear Safety

 Norwegian Ministry
of Climate and Environment

 Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Bundesamt für Umwelt BAFU

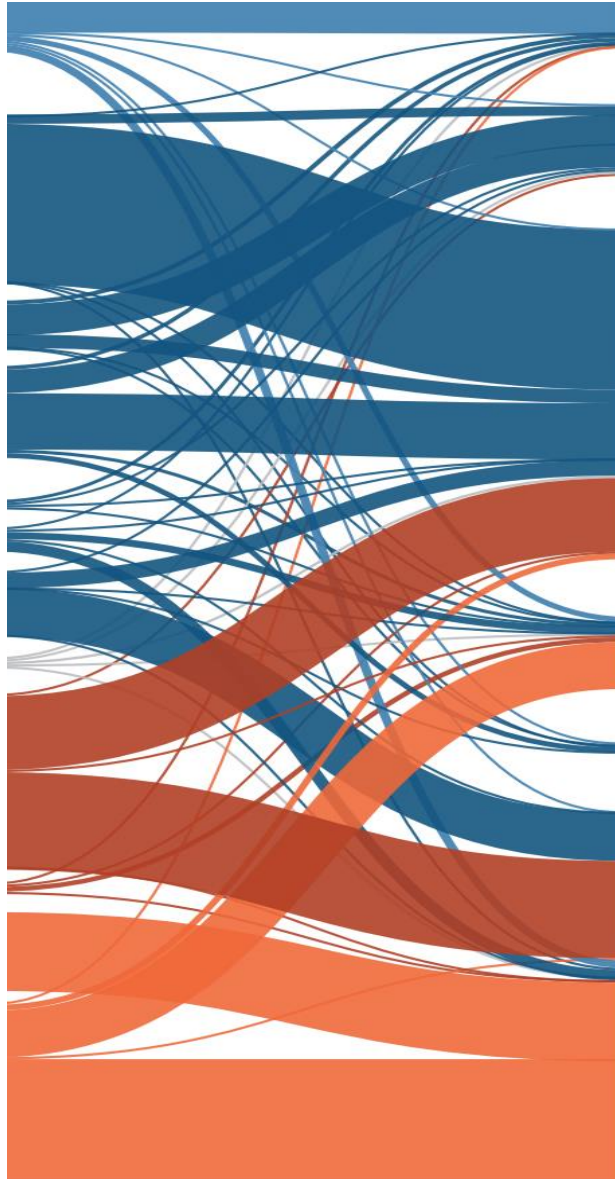


CPI flagship report

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



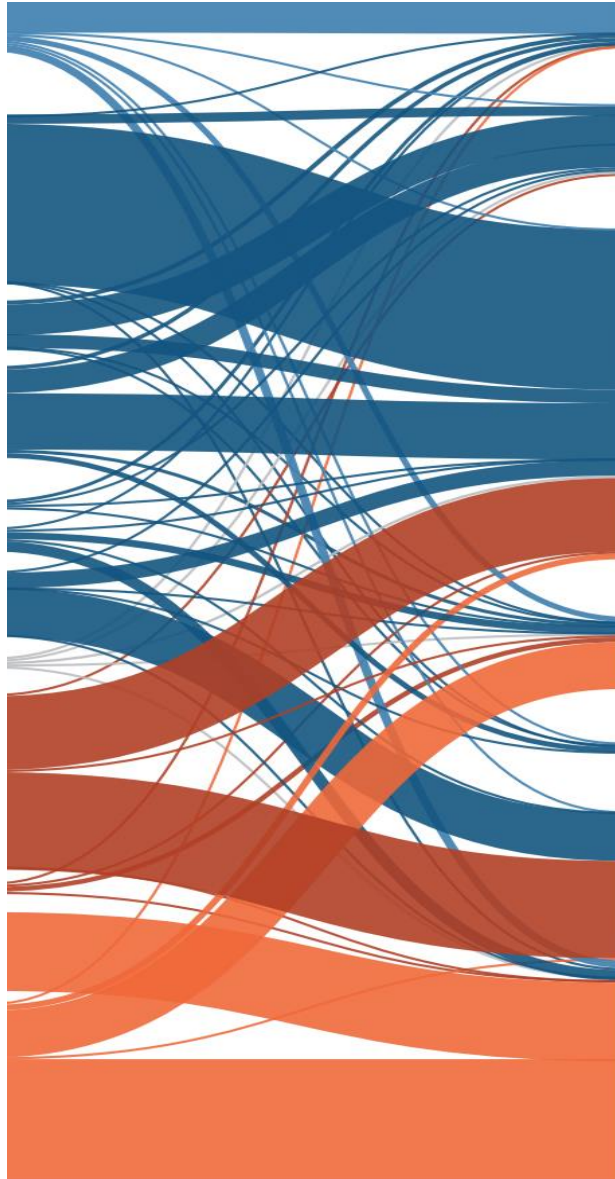
A milestone edition

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

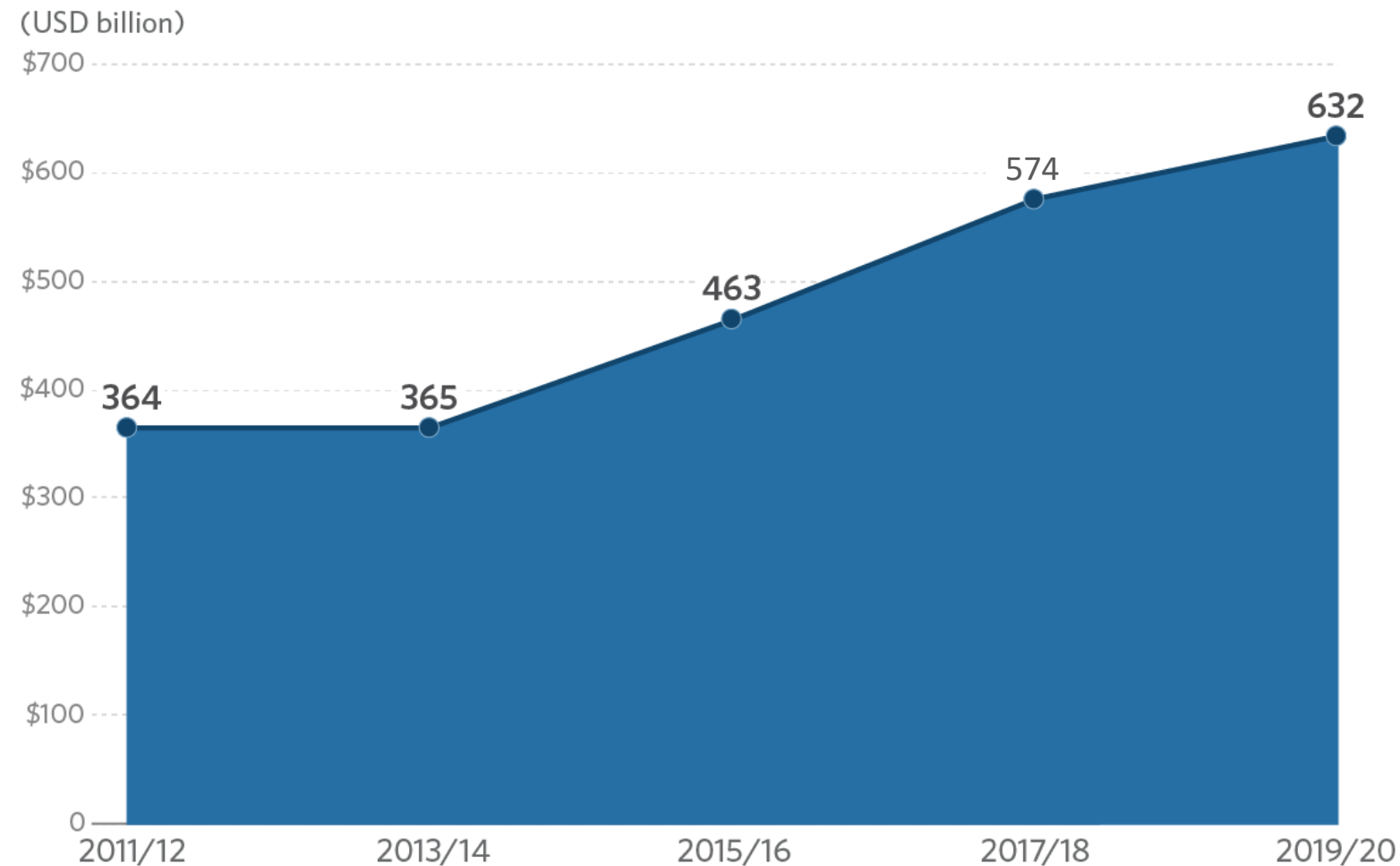
- Mitigation finance
- Adaptation finance
- Geographic flows

Conclusion

Key Findings

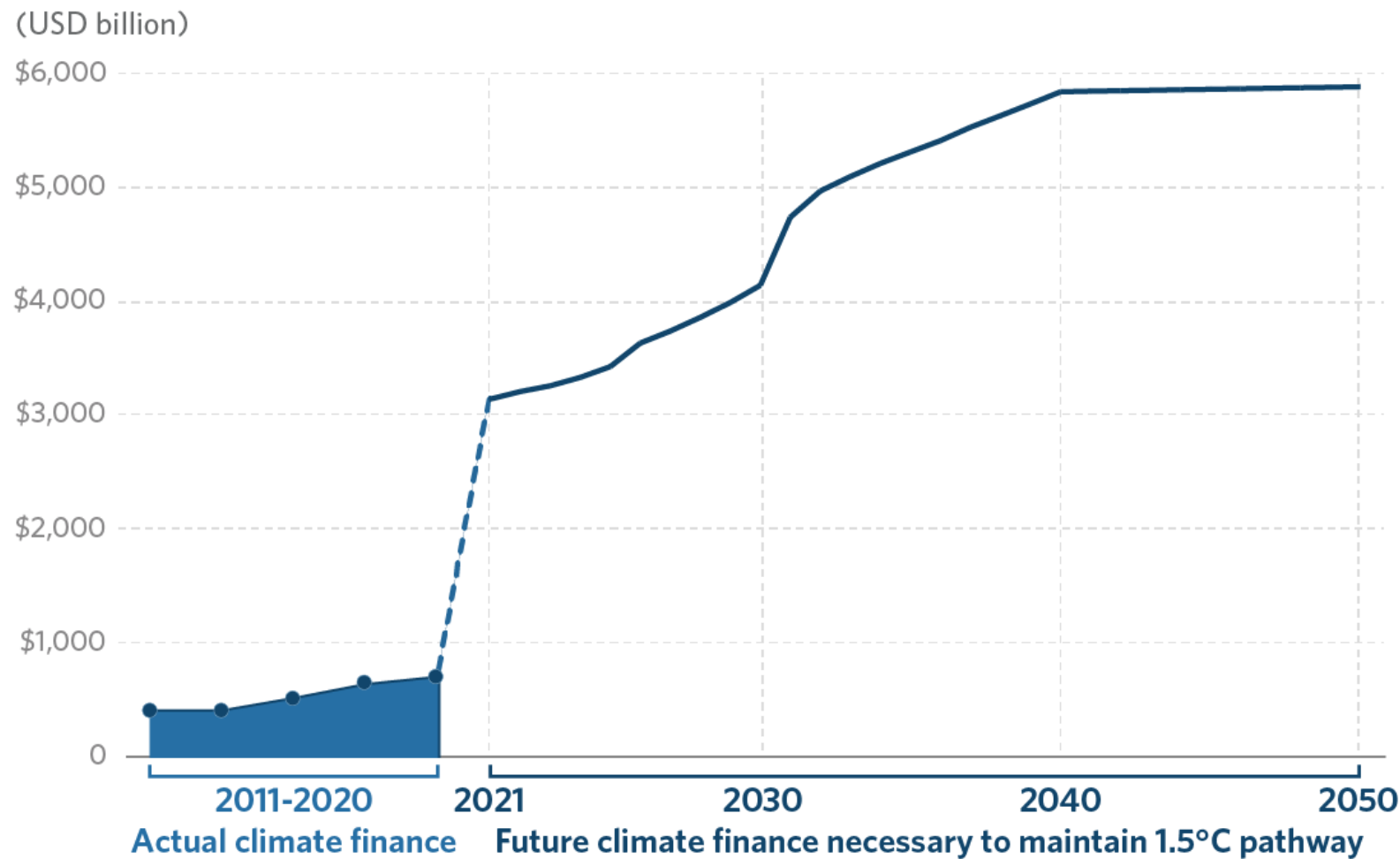
Global climate finance flows reached USD 632 billion in 2019/2020, but with tepid growth rate

Figure 1.2: Global climate finance flows between 2011 – 2020, biannual averages

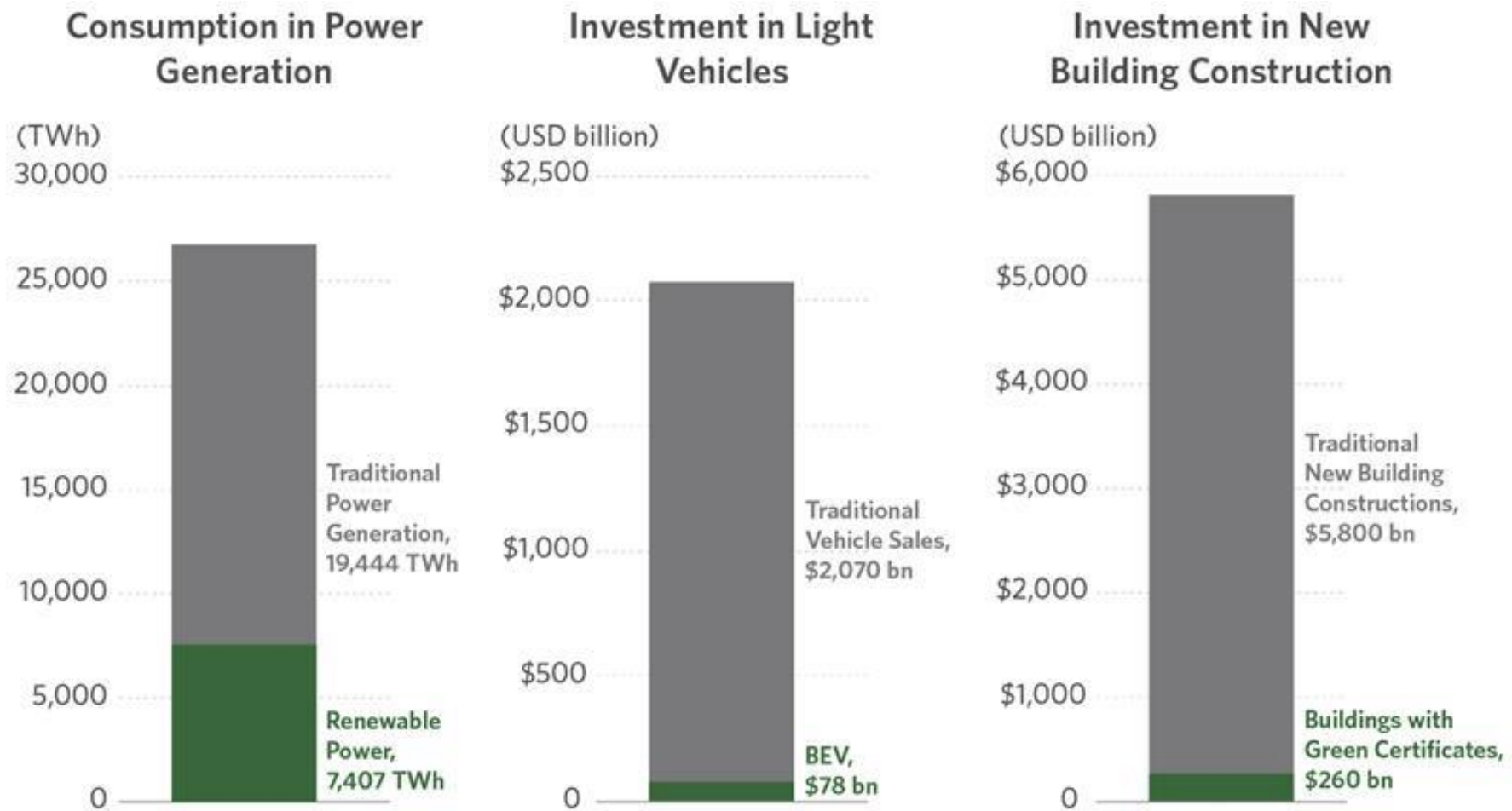


Current investment levels are nowhere near enough to limit global warming to 1.5 °C

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

LANDSCAPE OF CLIMATE FINANCE IN 2019/2020

Global climate finance flows along their life cycle in 2019 and 2020. Values are average of two years' data, in USD billions.

632 BN USD
ANNUAL
AVERAGE



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SOURCES AND INTERMEDIARIES

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

INSTRUMENTS

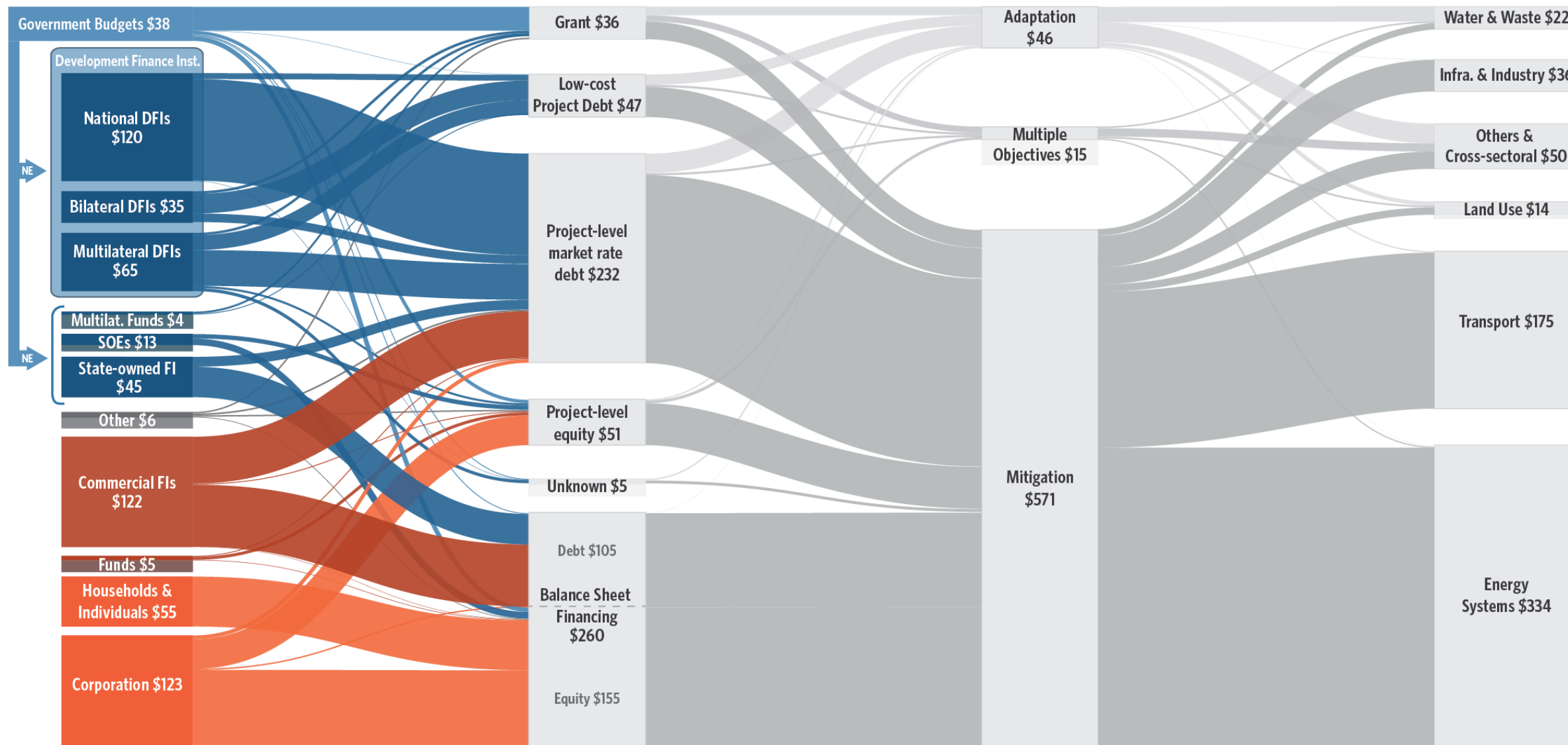
What mix of financial instruments are used?

USES

What types of activities are financed?

SECTORS

What is the finance used for?



KEY

PUBLIC
MONEY

PRIVATE
MONEY

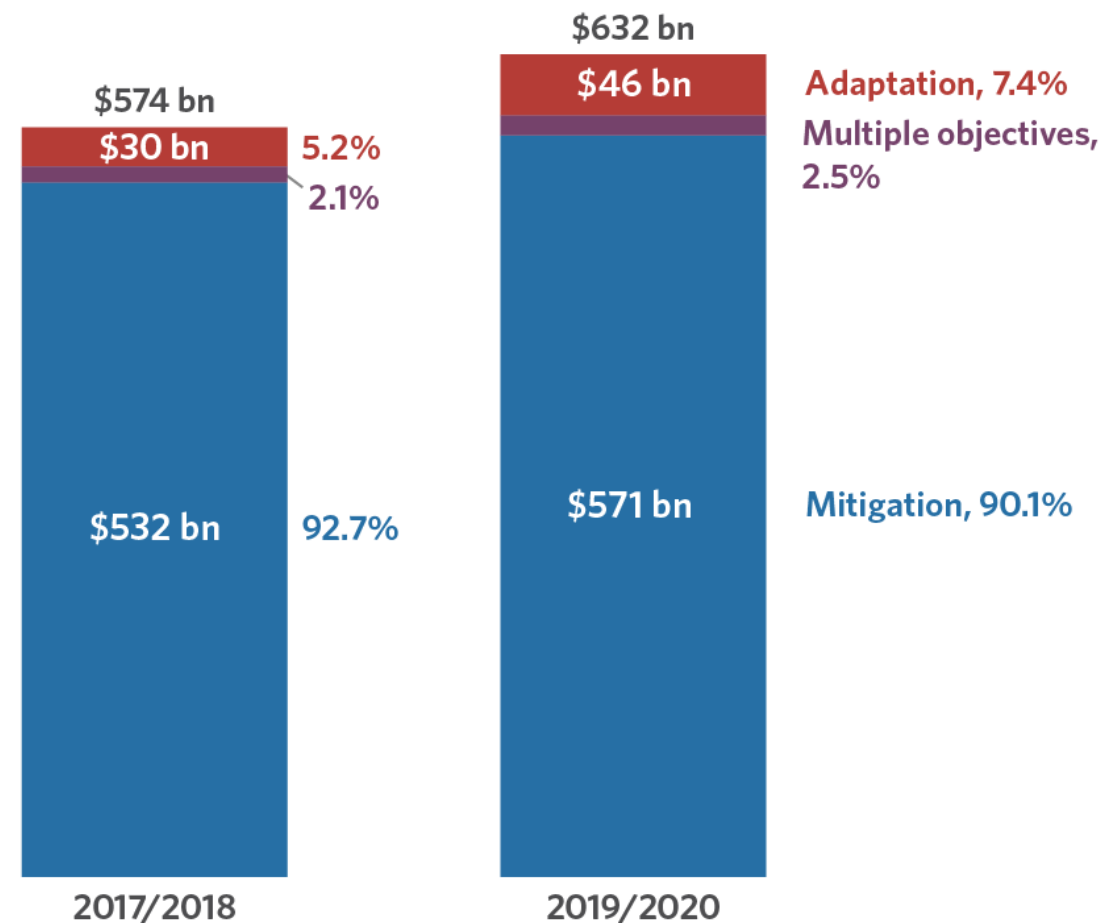
PUBLIC FINANCIAL
INTERMEDIARIES

PRIVATE FINANCIAL
INTERMEDIARIES

NE
NOT ESTIMATED

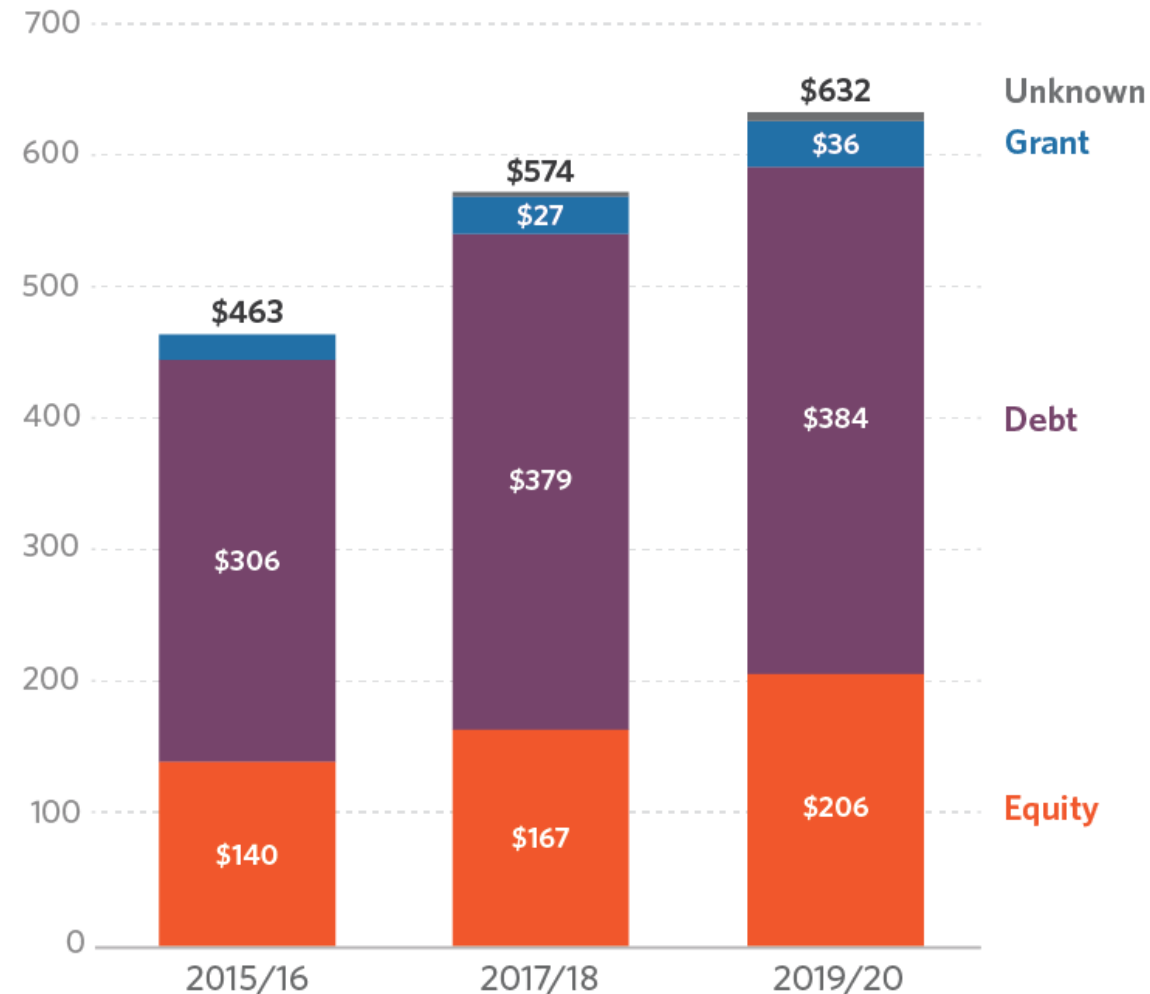
Majority of climate finance went to mitigation, but adaptation finance is gaining momentum

Figure 1.5: Biannual average climate finance by mitigation, adaptation and dual objectives (USD bn)



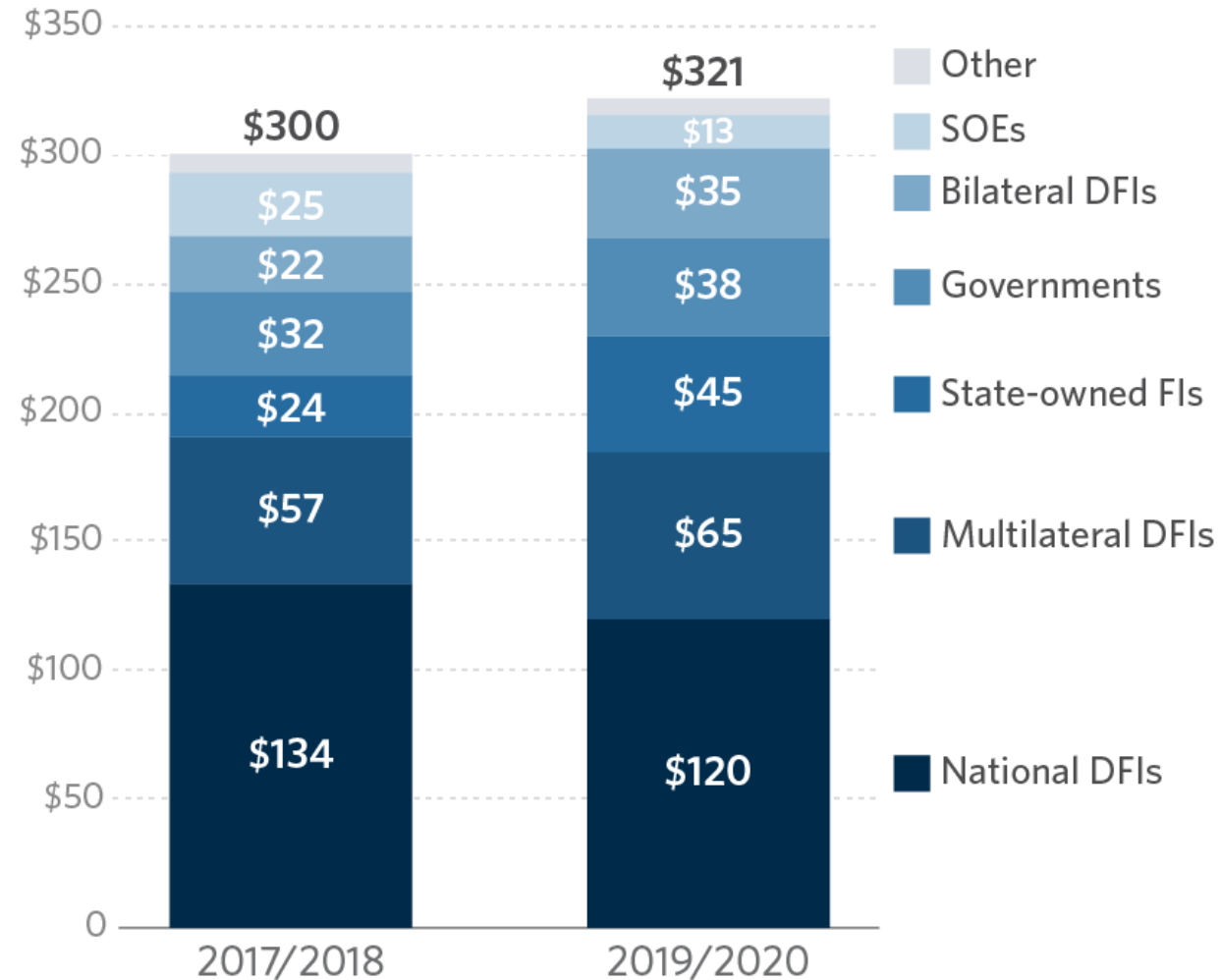
Debt remains the main instrument for climate finance, but equity's share and amount has increased.

Figure 3.1: Climate Finance by instrument (USD bn)



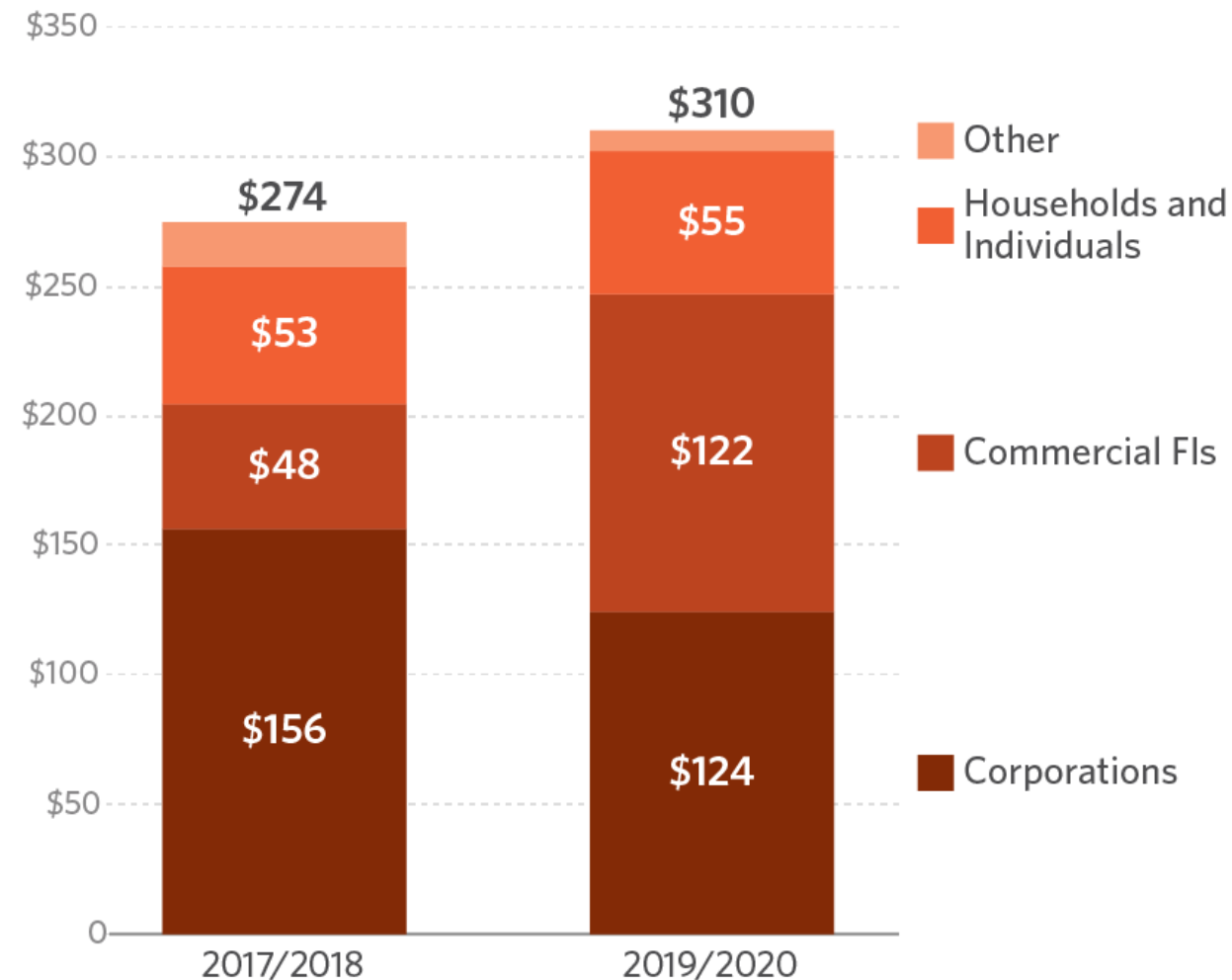
Public actors slightly ahead of private actors

Figure 2.1: Public investment by institutions (USD bn)



Commercial financial institutions made the biggest stride in growth

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



FI commitments

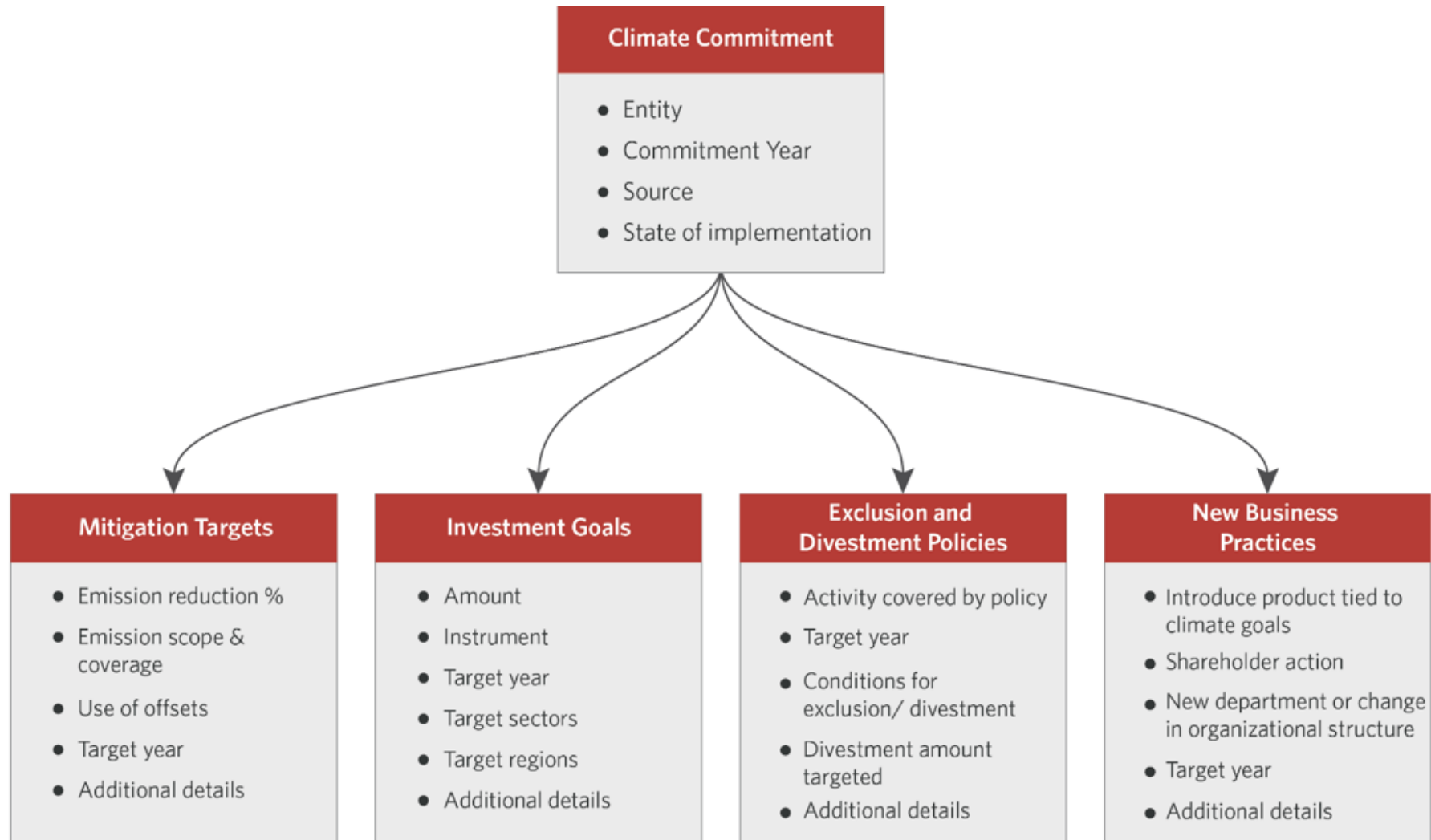
301 financial institutions – representing USD 93.3 trillion of financial assets – have committed to net zero by 2050, mainly in Western Europe and US & Canada

Region	Financial Institutions Committed to Net Zero	Assets Committed to Net Zero (USD billion)
Western Europe	181	\$ 44,267
US & Canada	62	\$ 40,291
East Asia and Pacific	15	\$ 7,006
Others	43	\$ 1,746

Asset managers and banks are leading the way in net zero targets

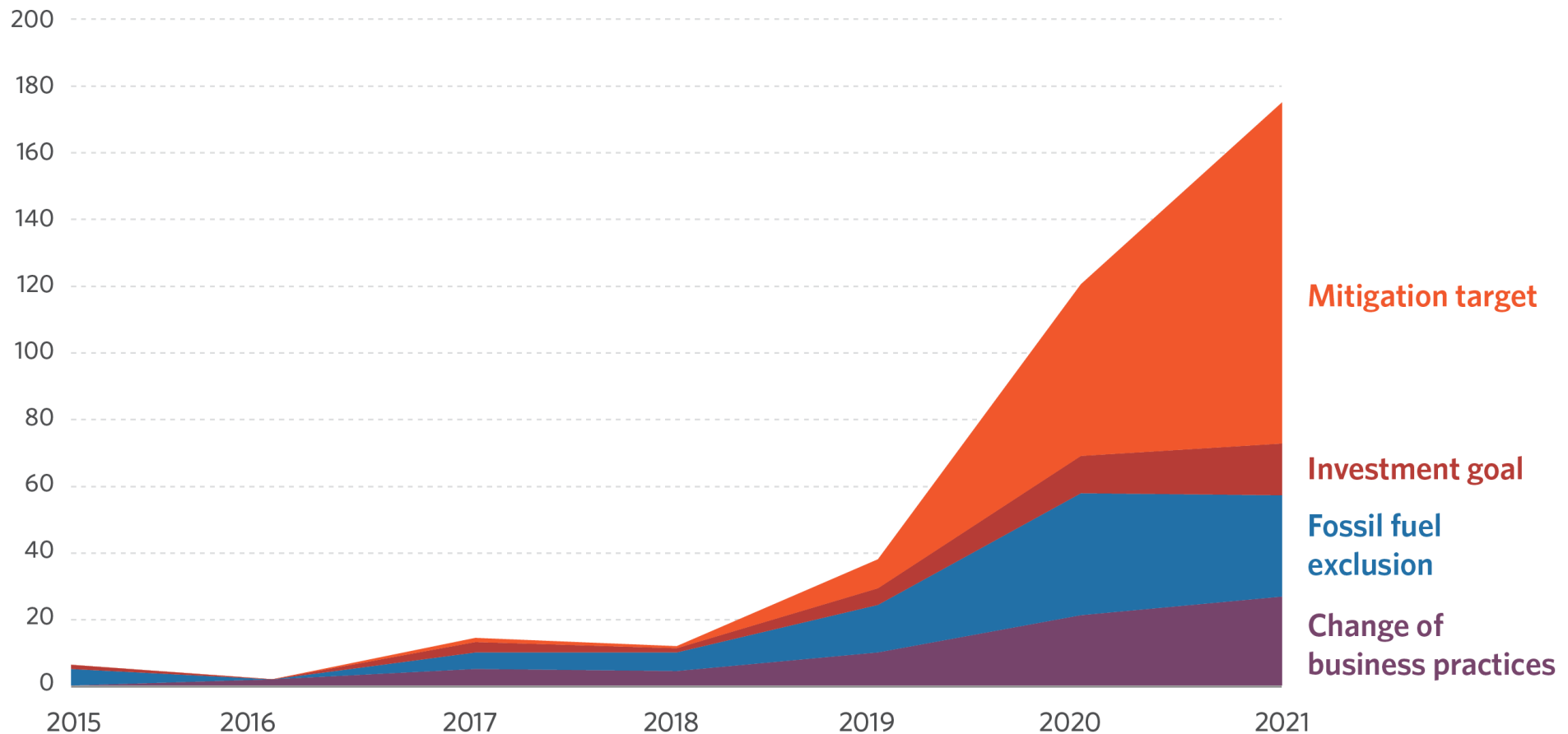
Actor Type	Financial Institutions Committed to Net Zero	Assets Committed to Net Zero (USD billion)
Asset manager	131	\$ 31,109
Commercial bank	72	\$ 49,439
Insurer	22	\$ 3,123
Asset owner	50	\$ 2,971
Multiple	13	\$ 4,345
Unknown	13	\$ 2,316

Our new taxonomy of climate commitments captures what steps institutions are taking to meet net zero goals



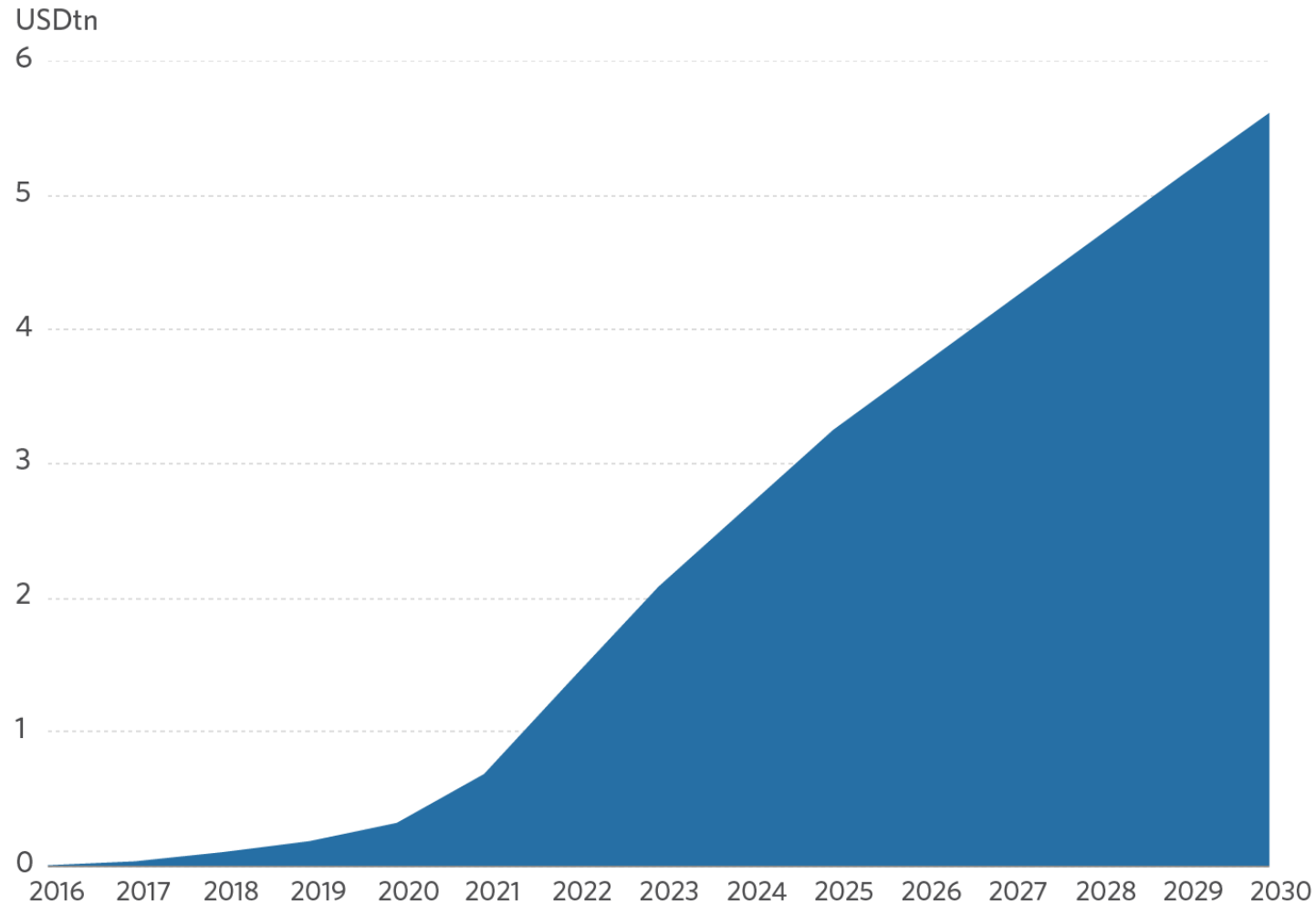
2021 brought a dramatic acceleration in financial institution climate announcements – particularly net zero targets, but more details are needed

Financial Institution Commitments By Year



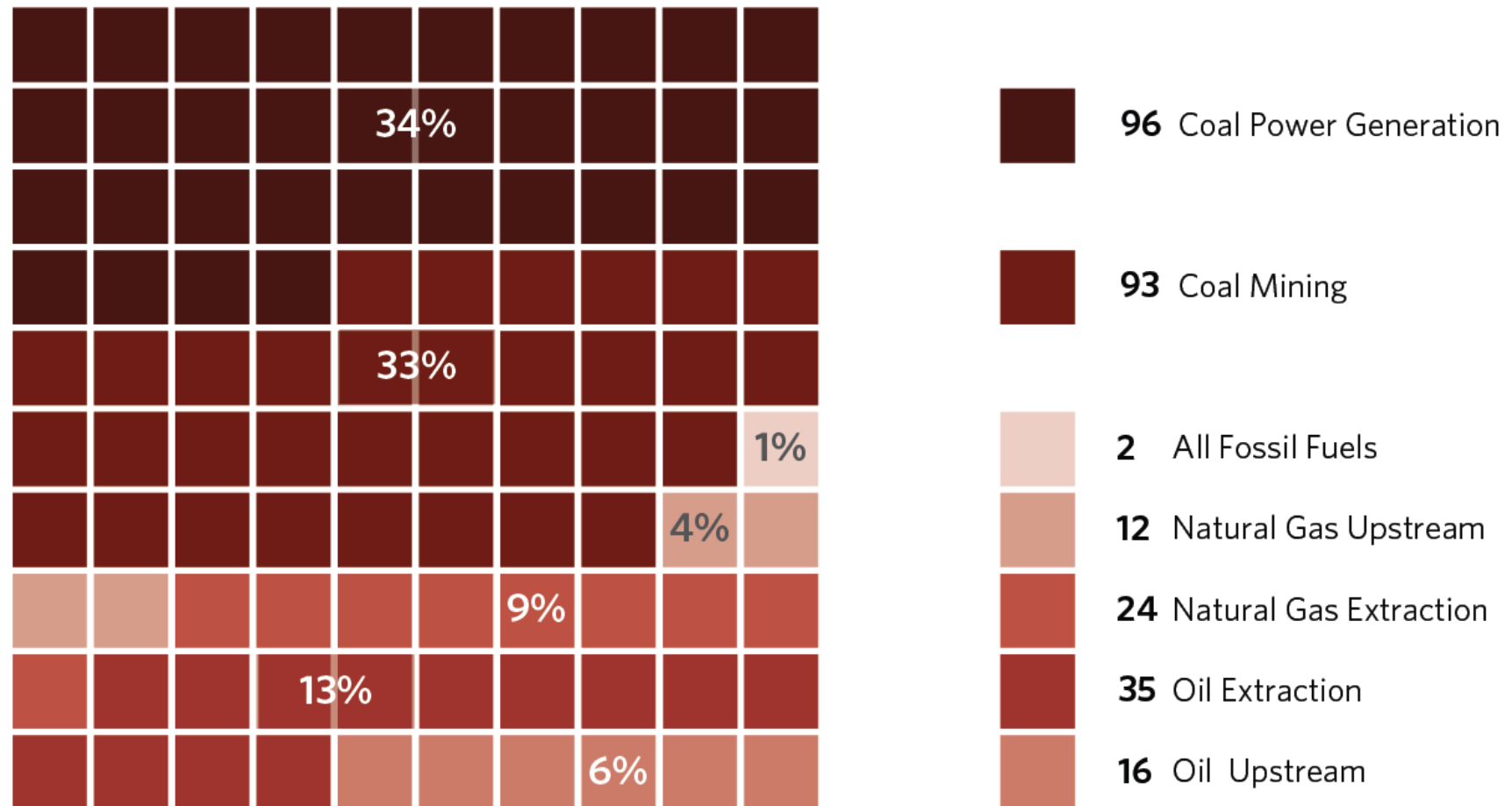
Financial institutions are raising ambition in climate investment goals, but lack specificity

Cumulative climate-earmarked investment commitments assuming linear progress



Exclusion and divestment policies are aimed at coal, and vary in their scope and stringency

Fossil fuel exclusion and divestment announcements



Recommendations

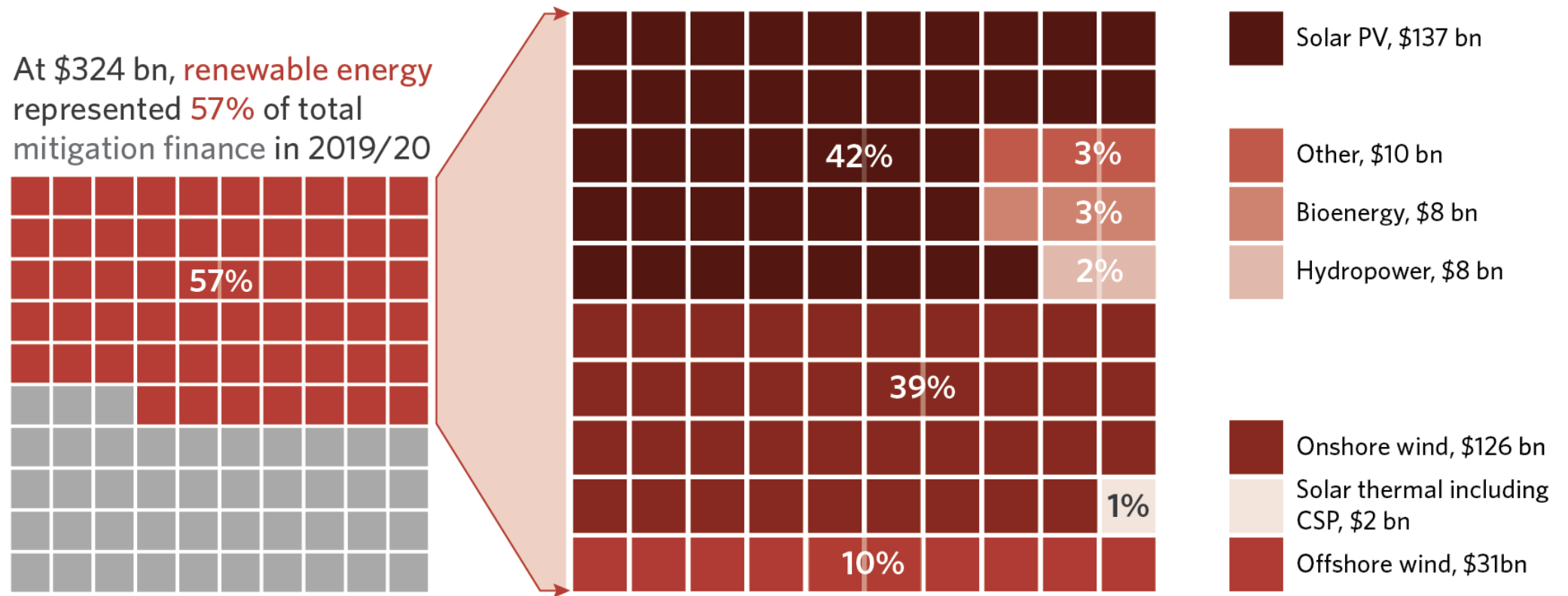
- 1. Provide more details and standardized reporting on current commitments consistent with requirements of joining net zero alliances.**
- 2. Increase ambition in top-level goals.**
- 3. Bring in financial institutions which have not yet made ambitious climate commitments.**
- 4. Work with policymakers to support policies that will make achieving net zero goals easier for financial institutions and portfolio companies.**

Mitigation Finance



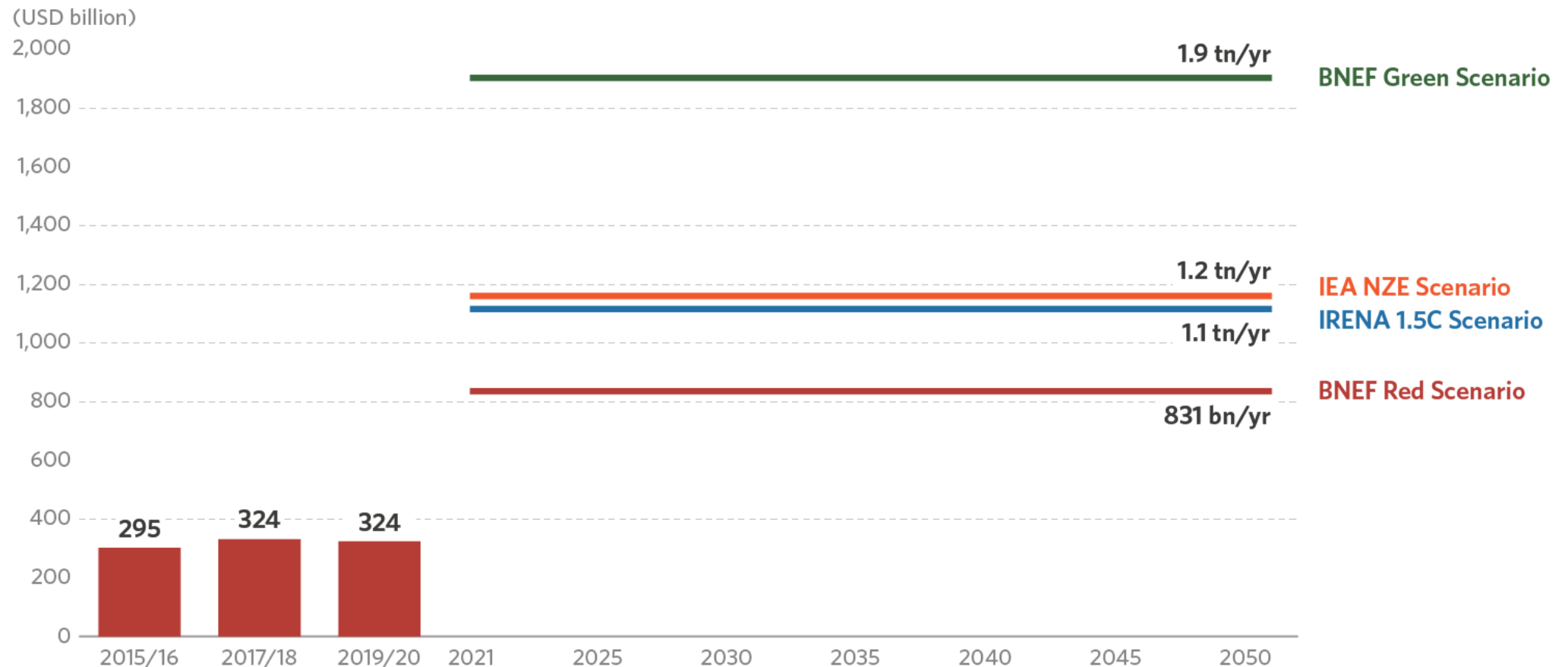
Renewable energy remains the largest mitigation sector, with solar PV and wind attracting over 91% of investments

Renewable energy investments by sector as a share of mitigation finance (USD bn, 2019/2020 average)



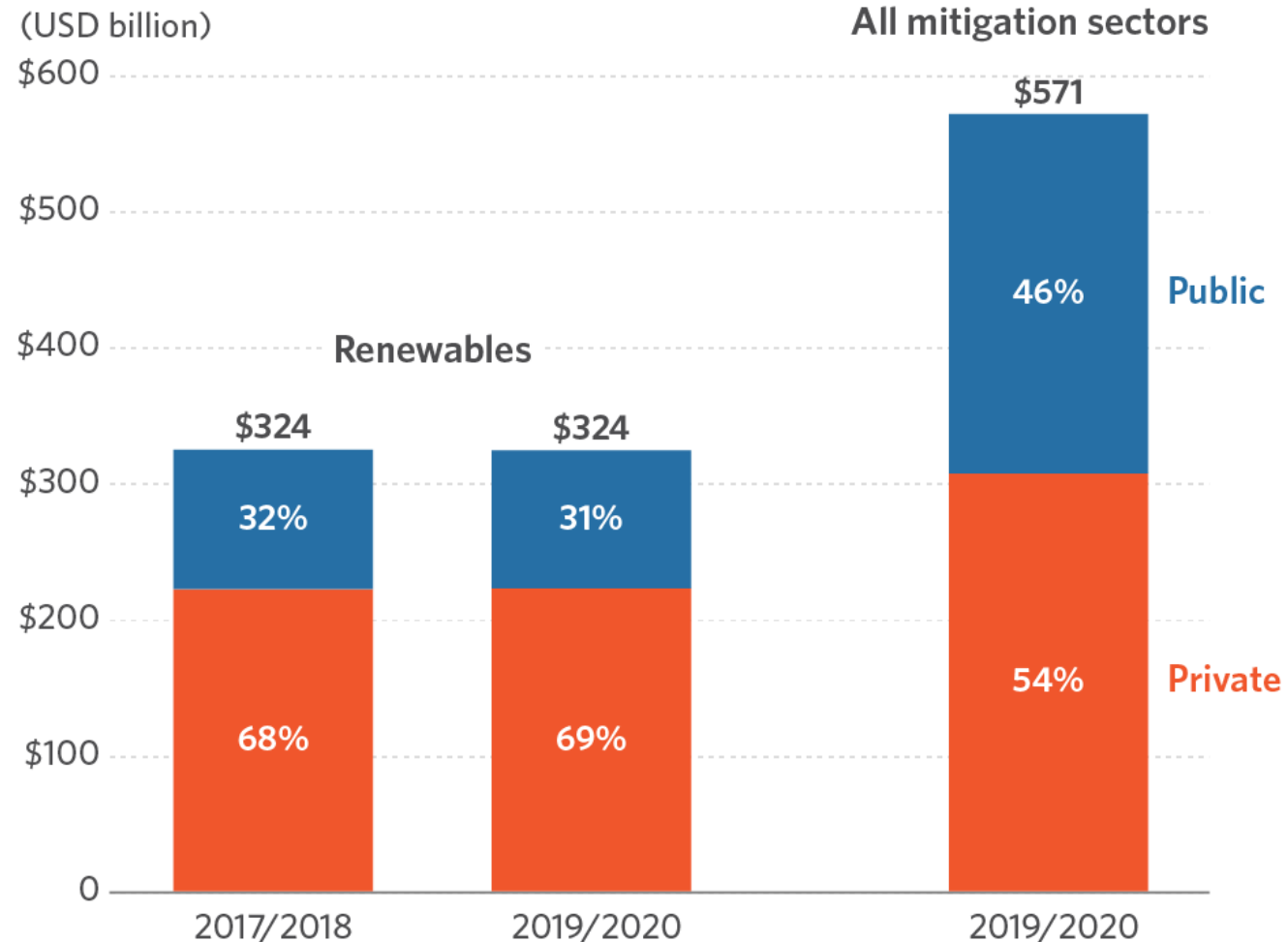
Annual renewable energy investments need to at least triple to keep warming within 1.5° C by mid-century

Annual renewable energy investments (2015-2020) vs investment needs through 2050



Private sources continue to provide the majority of renewable energy finance

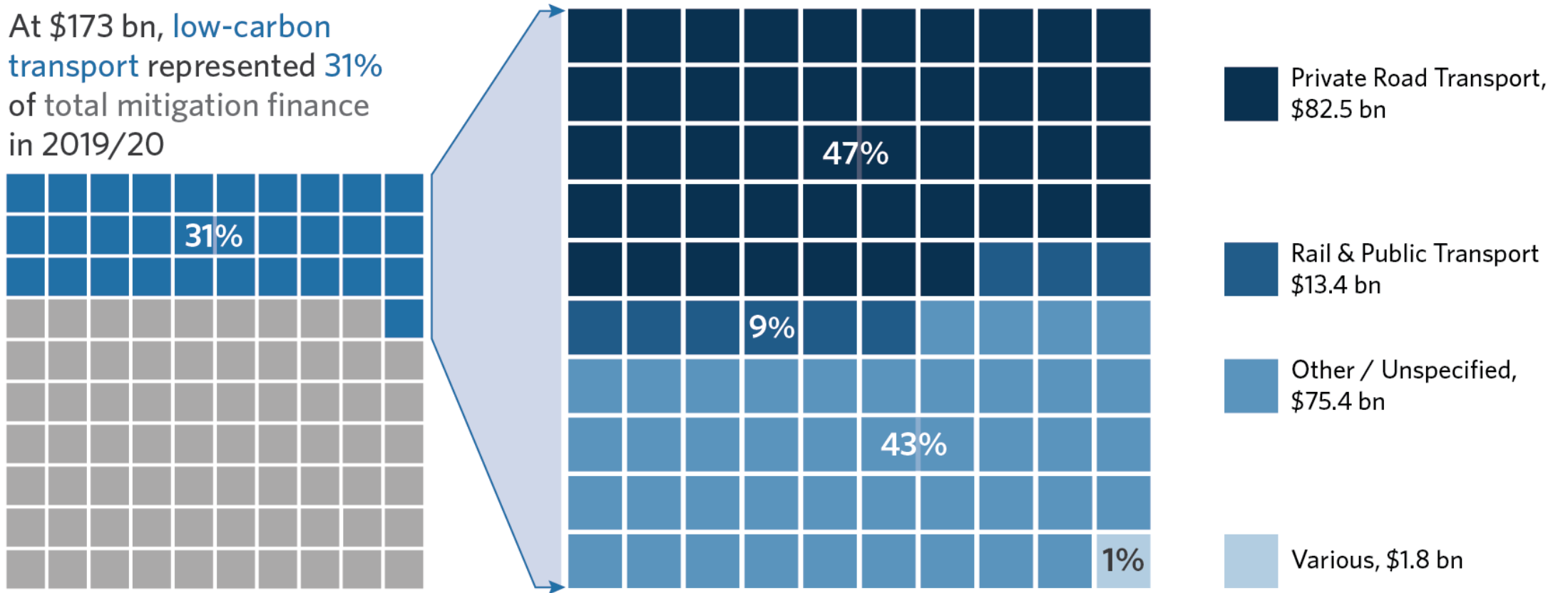
Investment by public/private source – renewables vs. mitigation (USD bn)



Low-carbon transport is the fastest-growing sector in 2019/2020

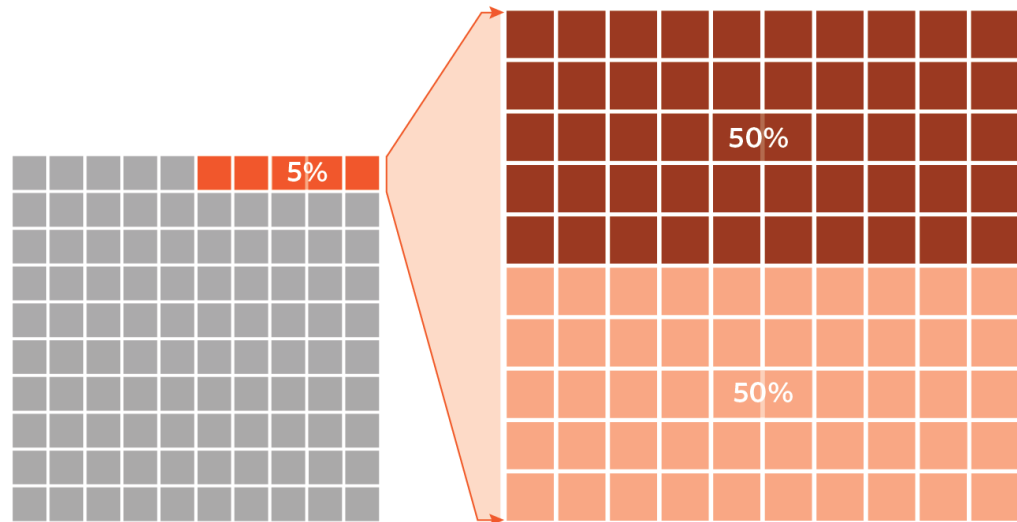
Low-carbon transport sub-sector investment

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



Tracking Climate Finance in Buildings and in Industry hindered by poor data availability and inconsistent reporting practices

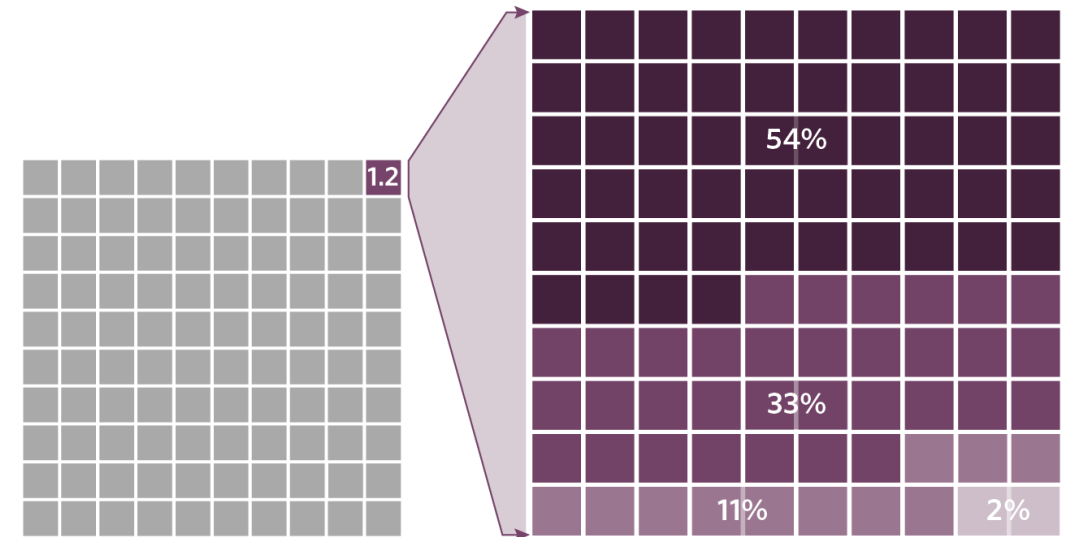
Buildings & Infrastructure: USD 28 billion



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

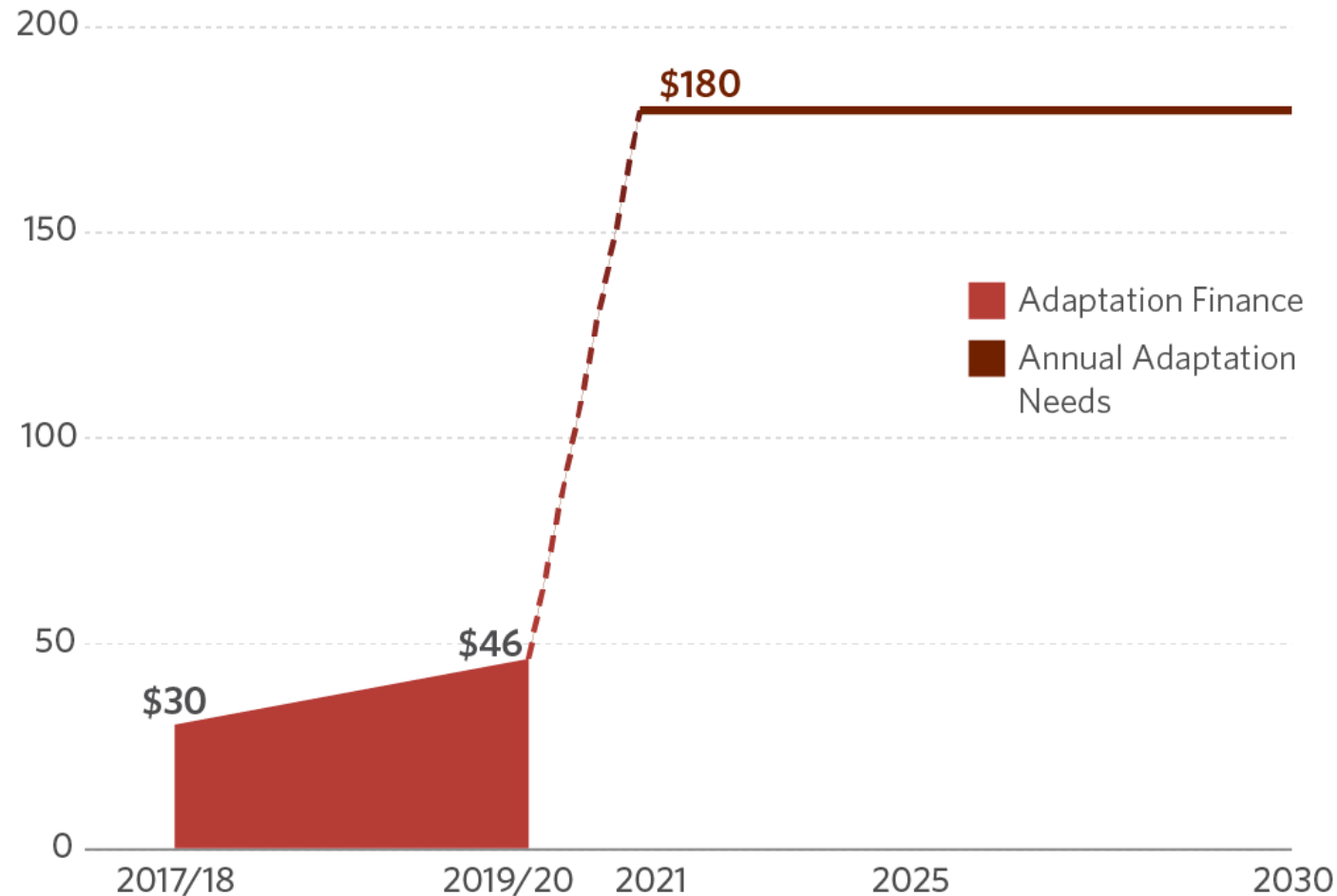
Other/Unspecified, \$800 mn
Policy & National Budget Support & Capacity Building, \$100 mn

Adaptation Finance

Adaptation finance gained momentum in 2019/2020 but remains well short of estimated needs

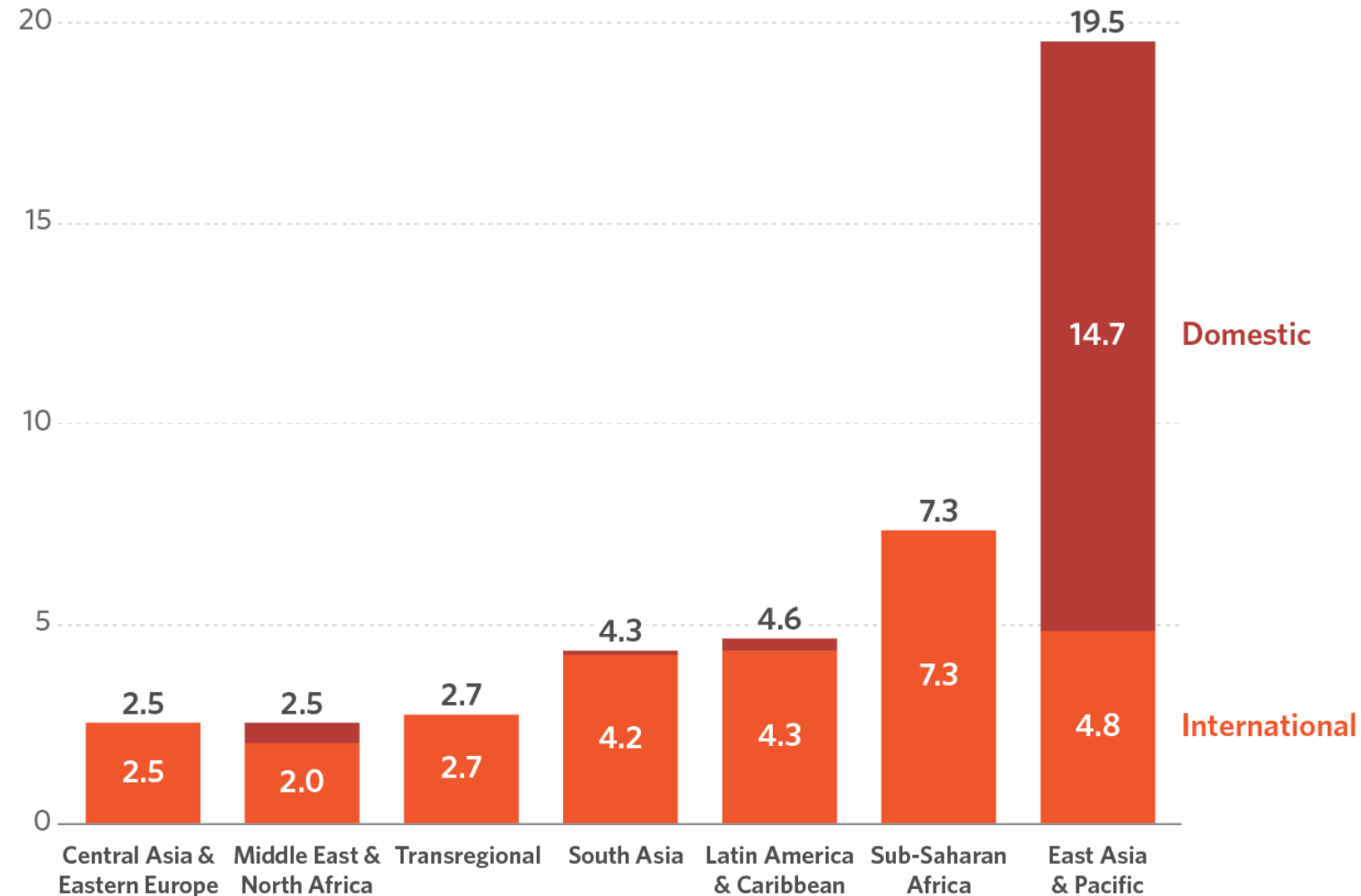
Adaptation finance and needs

(USD billion)



Largest recipient of international adaptation finance is Sub-Saharan Africa; East Asia & Pacific lead the way overall

Adaptation finance by region (USD bn, 2019/2020 annual average)



Geographic Flows

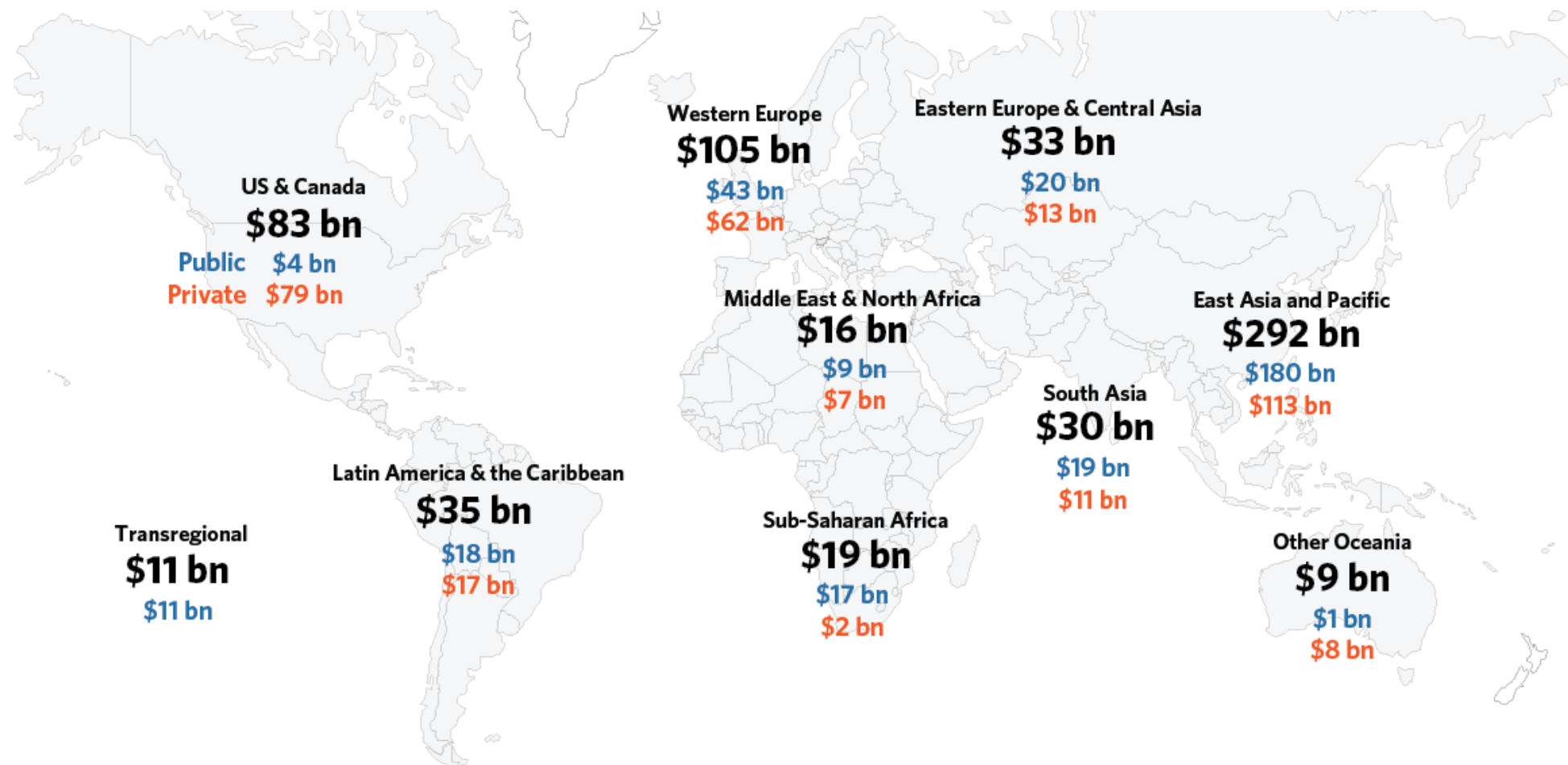
Climate finance flows are concentrated in East Asia and Pacific, Western Europe, and North America

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



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)



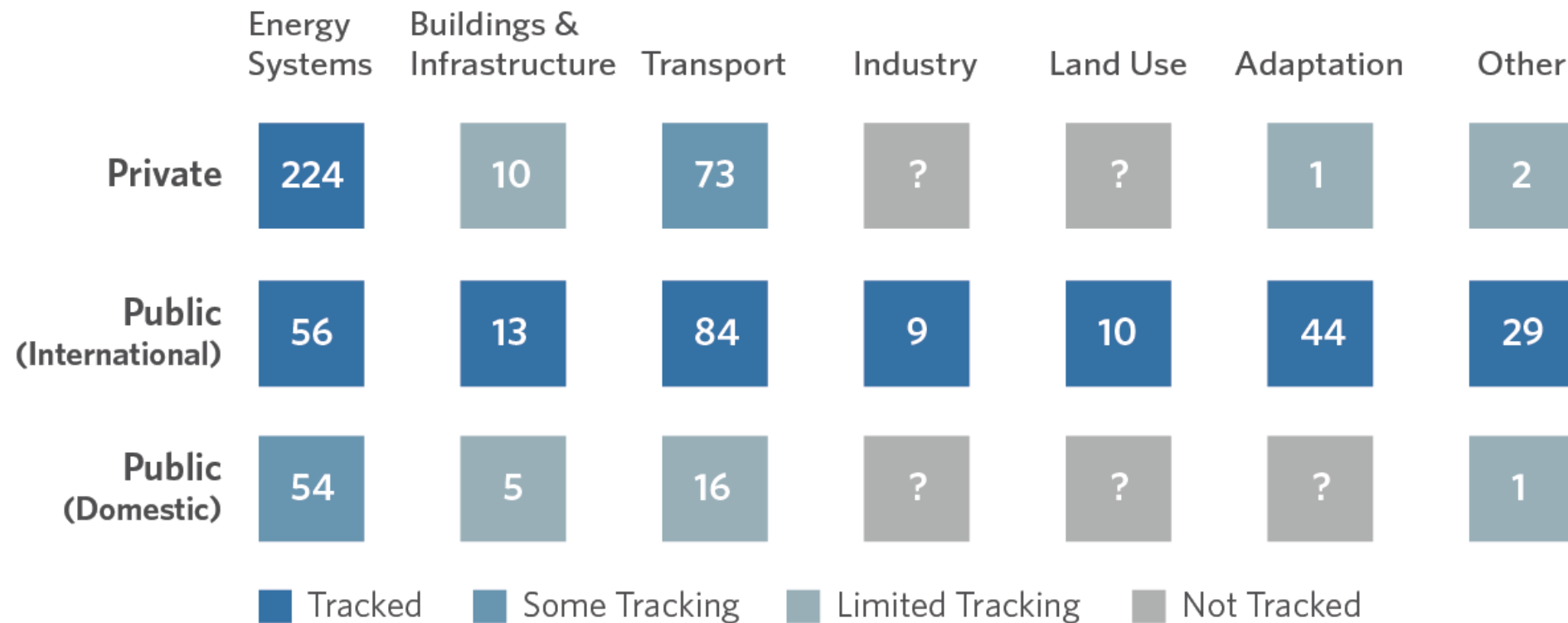
Recommendations

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)



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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Thank You

