Global Landscape of Climate Finance 2023

Supported by:
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
Innovations & improvements in 2023:

- Improved data on finance flows
- Bolstered investment need estimates
- New addition: Cost of inaction
- Flows into EMDE and LDCs
- And more…
Agenda

Key findings

A closer look at
Mitigation finance
Adaptation finance
Geographic flows

Net Zero Finance Tracker

Conclusion
Key Findings
Global climate finance flows reached the first trillion

Global climate finance flows between 2011 – 2020, biannual averages

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

Global tracked climate finance flows and the average estimated annual climate investment need through 2050
Lack of climate action is not due to lack of finance

- **USD 1.3 tn**: Global climate finance flows, 2021/2022
- **USD 2.2 tn**: Global public expenditure in military, 2022
- **USD 7 tn**: Global (implicit & explicit) fossil fuel subsidies, 2022
- **USD 11.7 tn**: Global COVID-19 emergency fiscal measures, 2020
- **USD 8.6 tn**: Global climate finance needs annually until 2030
Investing now makes the most long-term socio-economic sense.
LANDSCAPE OF CLIMATE FINANCE IN 2021/2022

Global climate finance flows along their life cycle in 2021 and 2022. Values are averages of two years' data to smooth out fluctuations, in USD billions.

**INSTRUMENTS**

What mix of financial instruments is used?

- **Grants** $69
- **Low-cost project debt** $76
- **Project-level market rate debt** $561
- **Project-level equity** $54
- **Equity** $368
- **Unknown** $7
- **Debt** $129
- **Balance sheet financing** $498

**USES**

What types of activities are financed?

- **Adaptation** $63
- **Dual benefits** $51
- **Mitigation** $1,150

**SECTORS**

What is the finance used for?

- **Water & waste** $67
- **Industry** $9
- **Buildings & infrastructure** $240
- **Others & cross-sectoral** $50
- **AFOLU** $43
- **Energy systems** $515
- **Transport** $336

**SOURCES AND INTERMEDIARIES**

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

- **Governments** $100
- **National DFIs** $238
- **Bilateral DFIs** $33
- **Multilateral DFIs** $93
- **Multilateral climate funds** $3
- **SOEs** $110
- **State-owned FIs** $6
- **Commercial FIs** $235
- **Households/individuals** $184
- **Corporations** $192

*Other* public sources include export credit agencies and unknown public funds.

*Other* private sources include institutional investors, funds, and unknown.

*AFOLU* stands for agriculture, forestry, other land use, and fisheries.

*Others & cross-sectoral* includes $6bn unknown.
Public actors slightly ahead of private actors

2021/22 annual average, USD billion

- Public funds: 0.2
- Export credit agencies (ECAs): 1.8
- Multilateral climate funds: 2.9
- Bilateral DFIs: 32.6
- State-owned FIs: 60.9
- Multilateral DFIs: 93.1
- Governments: 99.6
- SOEs: 110.3
- National DFIs: 238.4
- Funds: 6.2
- Institutional investors: 6.3
- Households/individuals: 184.5
- Corporations: 192.2
- Commercial FIs: 235.0

Sources and intermediaries
Mitigation Finance
Mitigation continues to receive the majority of climate finance in 2021/2022, accounting for 91%
Investments in solar PV and wind continue to drive growth in mitigation finance in the energy sector
Finance for sustainable transport reached an all-time high in 2021/2022, following increase in EV sales.

At $334 bn, low-carbon transport represented 29% of total mitigation finance in 2021/22.

- Private road transport, $239.4 bn
- Rail & public transport, $77.6 bn
- Waterways, $4.1 bn
- Other/unspecified, $12.6 bn
Filling the investment gaps, especially in AFOLU and energy, will be critical to avoid catastrophic consequences.
Mitigation finance is disbursed through a variety of instruments, with debt accounting for almost 60%.
Adaptation Finance
Adaptation finance grew modestly reaching USD 63 bn. At only 5% of global climate finance, the adaptation gap is widening.
Adaptation finance needs are approximately 3.5 times higher than the tracked global total, for developing countries alone.
Adaptation finance exhibits a more even split between domestic and international flows, with Sub-Saharan Africa the largest recipient of international funding.
Geography
East Asia and Pacific dominates the regional picture of global climate finance, followed by Western Europe and US & Canada (USD bn, 2021/2022 annual average)
South-South flows, another emerging avenue for tackling the climate crisis, accounted for under 2% of global climate finance.
Recommendations
Four Priorities

1. Transforming the financial system
2. Bridging climate and development needs
3. Mobilizing domestic capital
4. Acting to improve data
Net Zero Finance Tracker

- Banking Environment Initiative (BEI)
- Bloomberg New Energy Finance (BNEF)
- Climate Action 100+ (CA 100+)
- Climate Action in Financial Institutions (CAFIs)
- Climate Bonds Initiative (CBI)
- CDP
- Carbon Pricing Leadership Coalition (CPLC)
- CPI’s Global Landscape of Climate Finance
- ESG Book
- FinanceMap/InfluenceMap (FM)
- Fossil Free Divestment (FFD)
- Global Climate Action Portal (GCAP)
- IJ Global
- Investor Agenda (IA)
- Net Zero Asset Managers Initiative (NZAMI)
- Net-Zero Asset Owner Alliance (NZAOA)
- Net Zero Banking Alliance (NZBA)
- Net Zero Insurance Alliance (NZIA)
- Observatoire de la finance durable
- Paris Aligned Investment Initiative (PAII)
- Partnership for Carbon Accounting Financials (PCAF)
- Principles for Responsible Banking (PRB)
- Principles of Responsible Investment (PRI)
- Principles for Sustainable Insurance (PSI)
- Race To Zero (RTZ)
- Rainforest Action Network (RAN)
- Science Based Targets (SBT)
- Task Force on Climate-Related Financial Disclosure (TCFD)
- We Mean Business Coalition (WMB)
- WRI’s Green Targets
3 dimensions with increasing levels of materiality relying on a set of underlying indicators

**Targets**

Signaling *intent to respond*

- Adoption of a mitigation target
- Adoption of climate finance goals
- Adoption of divestment goals

**Implementation**

Measuring whether climate considerations are *factored into decision-making processes*

- Internal accountability frameworks
- Shareholder and client engagement
- Policy engagement
- Climate risk strategy
- Climate risk due diligence
- Disclosure of emissions data
- Disclosure of investment data
- Disclosure of climate risk

**Impact**

Creating real economy impact by supporting *investment* in climate solutions and *divestment* in fossil fuels

- Real Economy Investments
  - Project-level green investment
  - Corporate-level green investment
  - Project-level fossil fuel investment
- Transition Risk
  - Portfolio emissions
  - Exposure to misaligned assets

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**TARGET INDICATORS**

**IMPLEMENTATION INDICATORS**

**IMPACT INDICATORS**
Thank You

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