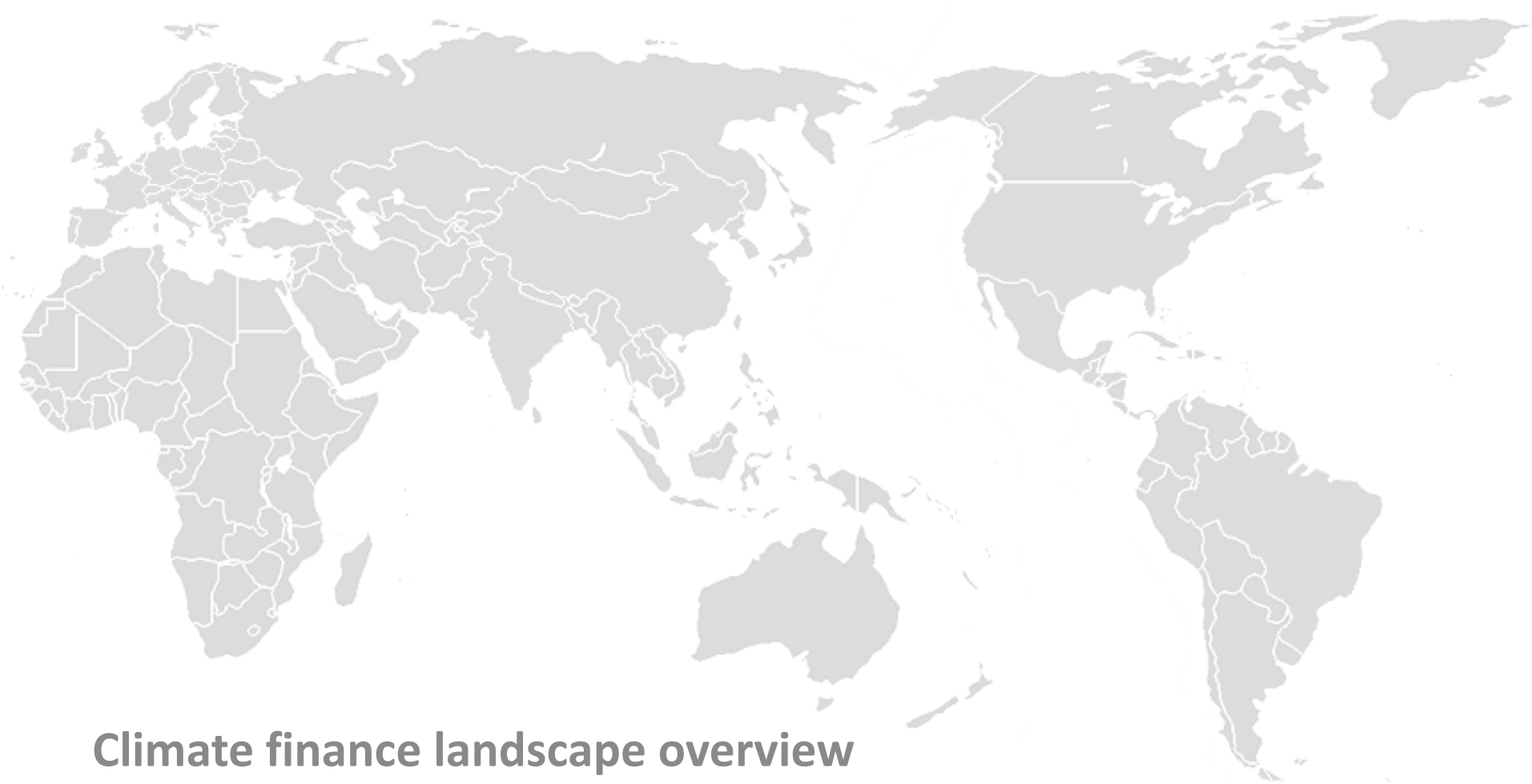




CLIMATE
POLICY
INITIATIVE



Climate finance landscape overview

Presentation October 14

Topics of this presentation

- What is climate finance?
- What are the elements of the climate finance landscape?
- What are the current climate finance flows? What is the relative order of magnitude of current flows?
- What is the potential development of flows in the short term (2010-12) and the long term (2020)?
- What are the issues in tracking climate finance? What to track and who is tracking what?
- What are the key questions to be addressed?



What is climate finance?

Definition

Climate finance is all financial flows ...

... from developed to developing countries...

... covering climate-specific support for mitigation, adaptation, capability building, and technological R&D, potentially furthering economic development...

... including public and private flows...

... including incremental cost and investment capital...

... counted as gross flows

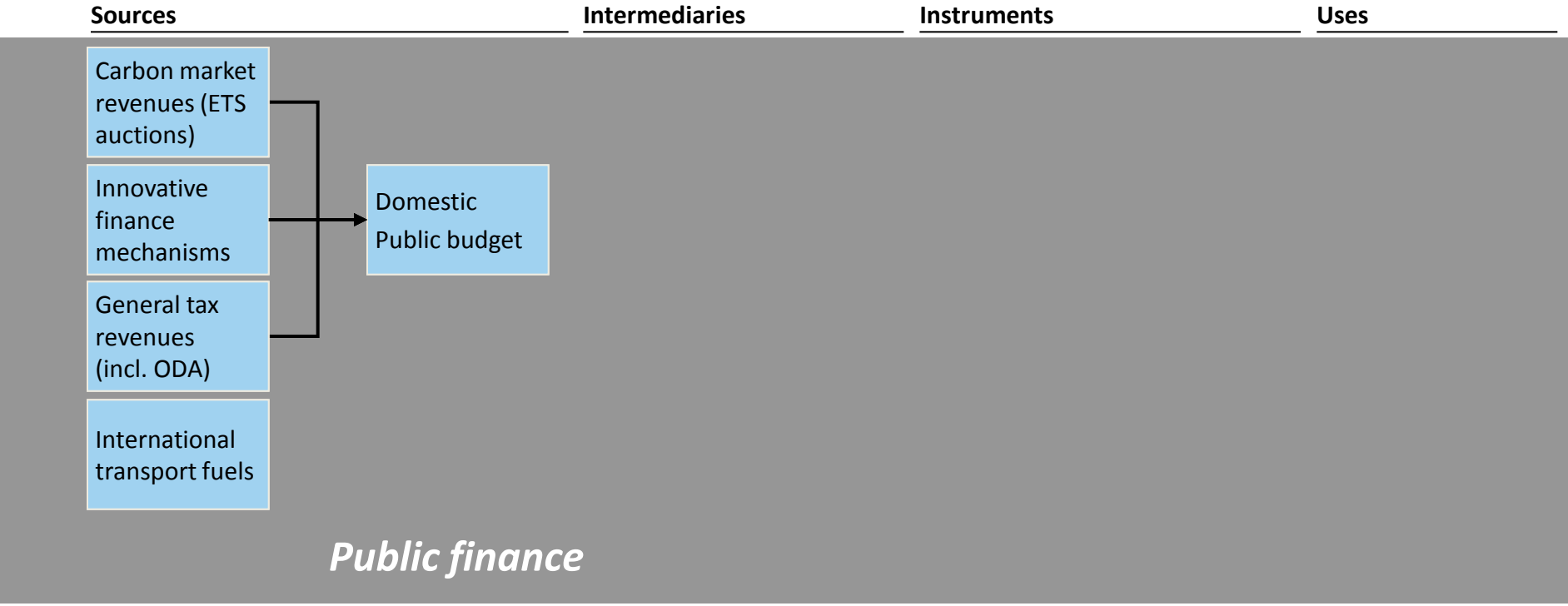
Comments

- Excluding all domestic flows
- Excluding flows between developed countries only
- We aim for a broad definition which can be shaped based on the specific context
- Public flows covering e.g. MDB grants and most adaptation efforts
- Private flows covering e.g. private MDB co-financing, investments in renewable energy production, or carbon offset markets
- Distinction between the two concepts should be made clear wherever possible
- Net flows are an important 'lens' on climate finance and can be calculated where appropriate



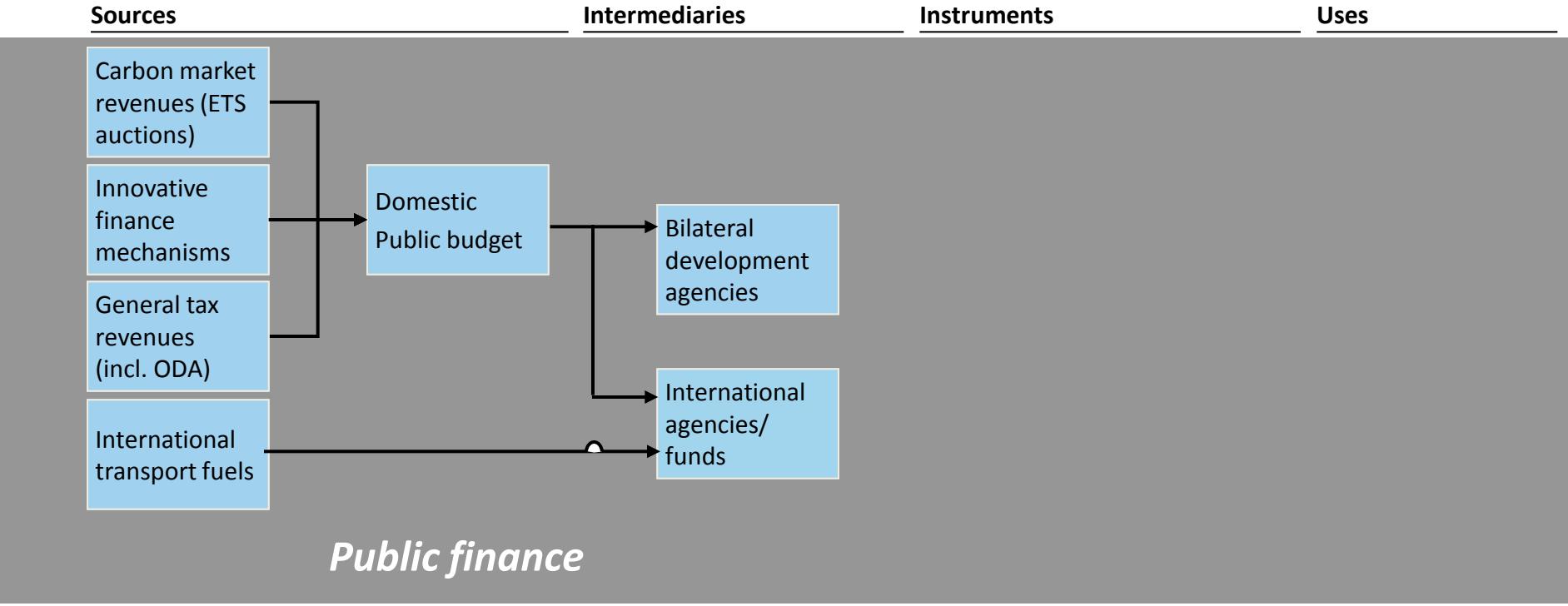
What are elements of the climate finance system?

- Incremental cost
- Capital investment



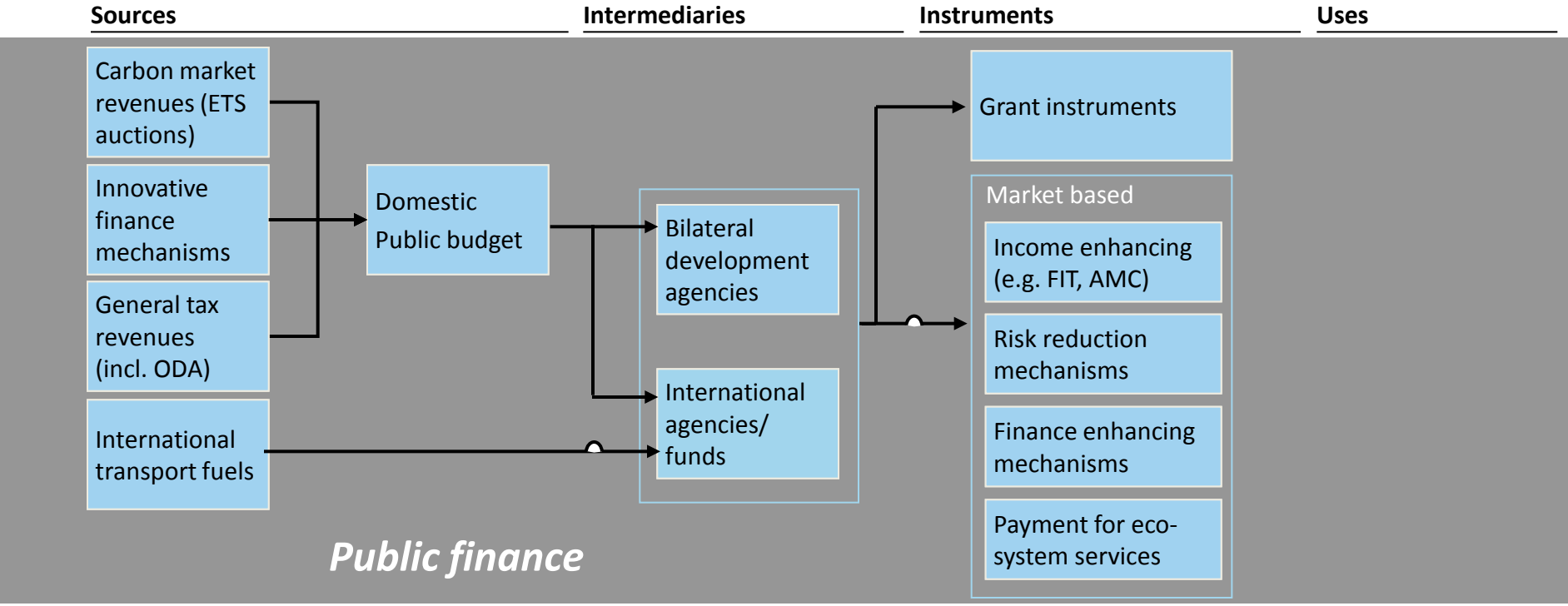
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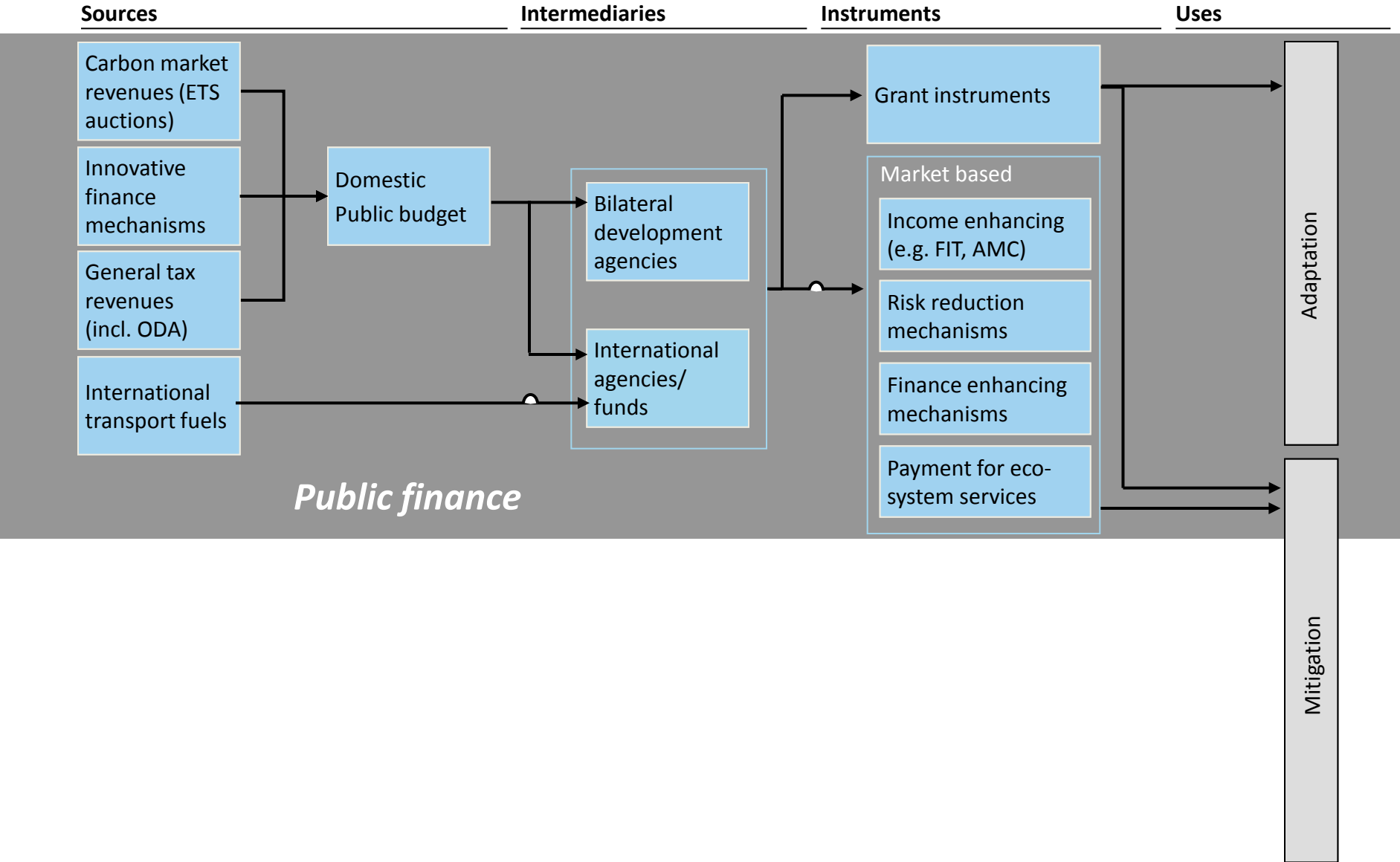
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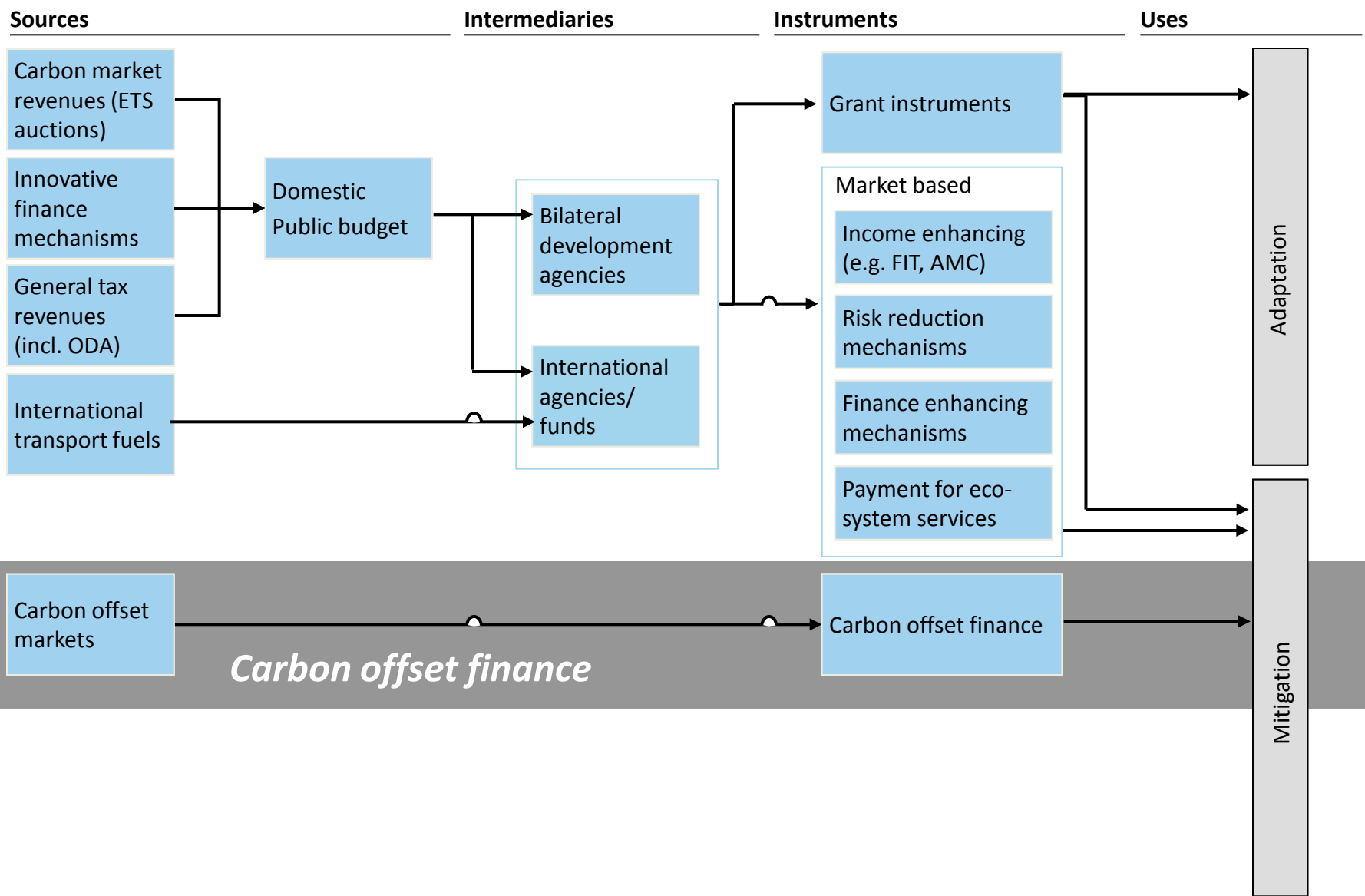
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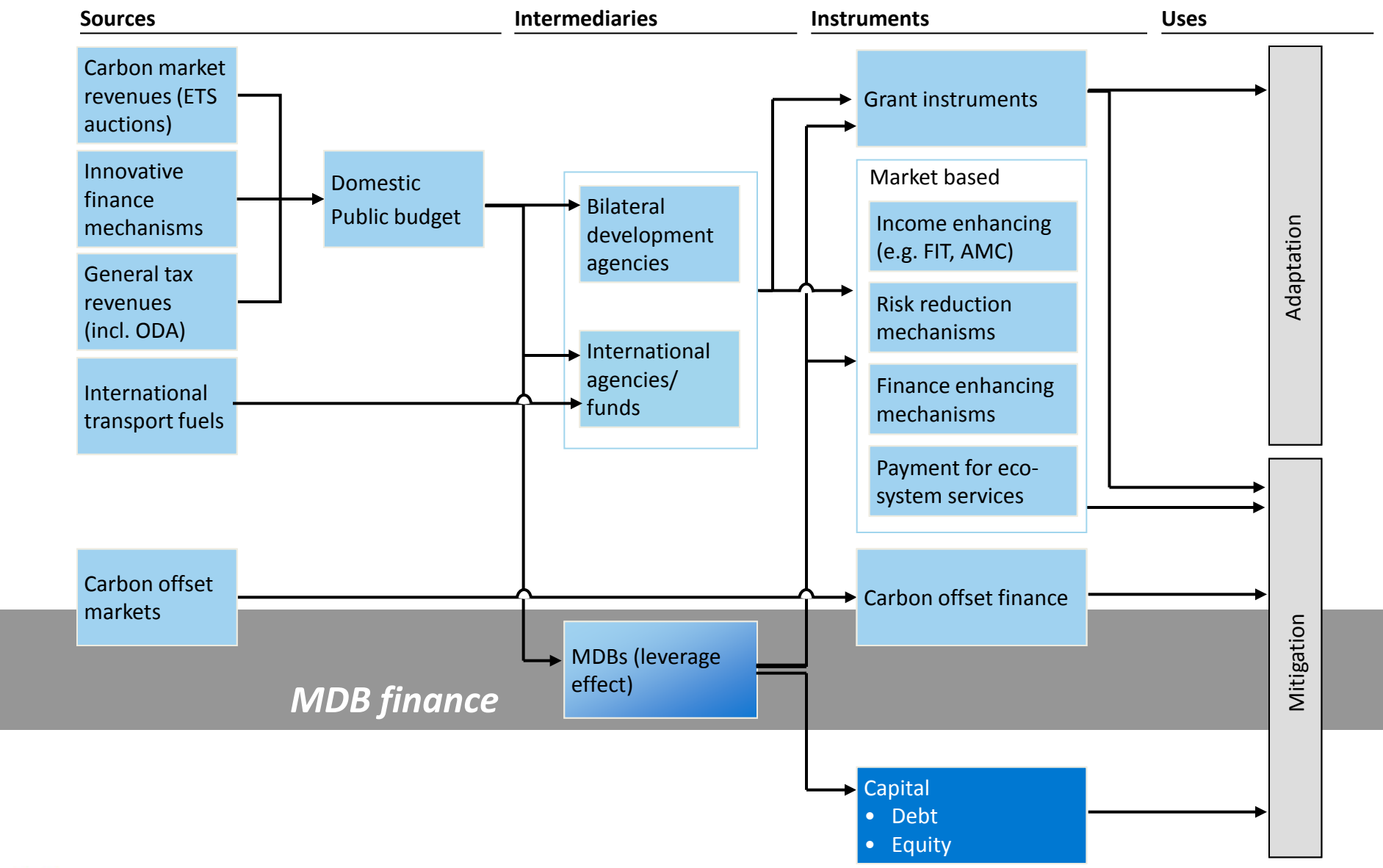
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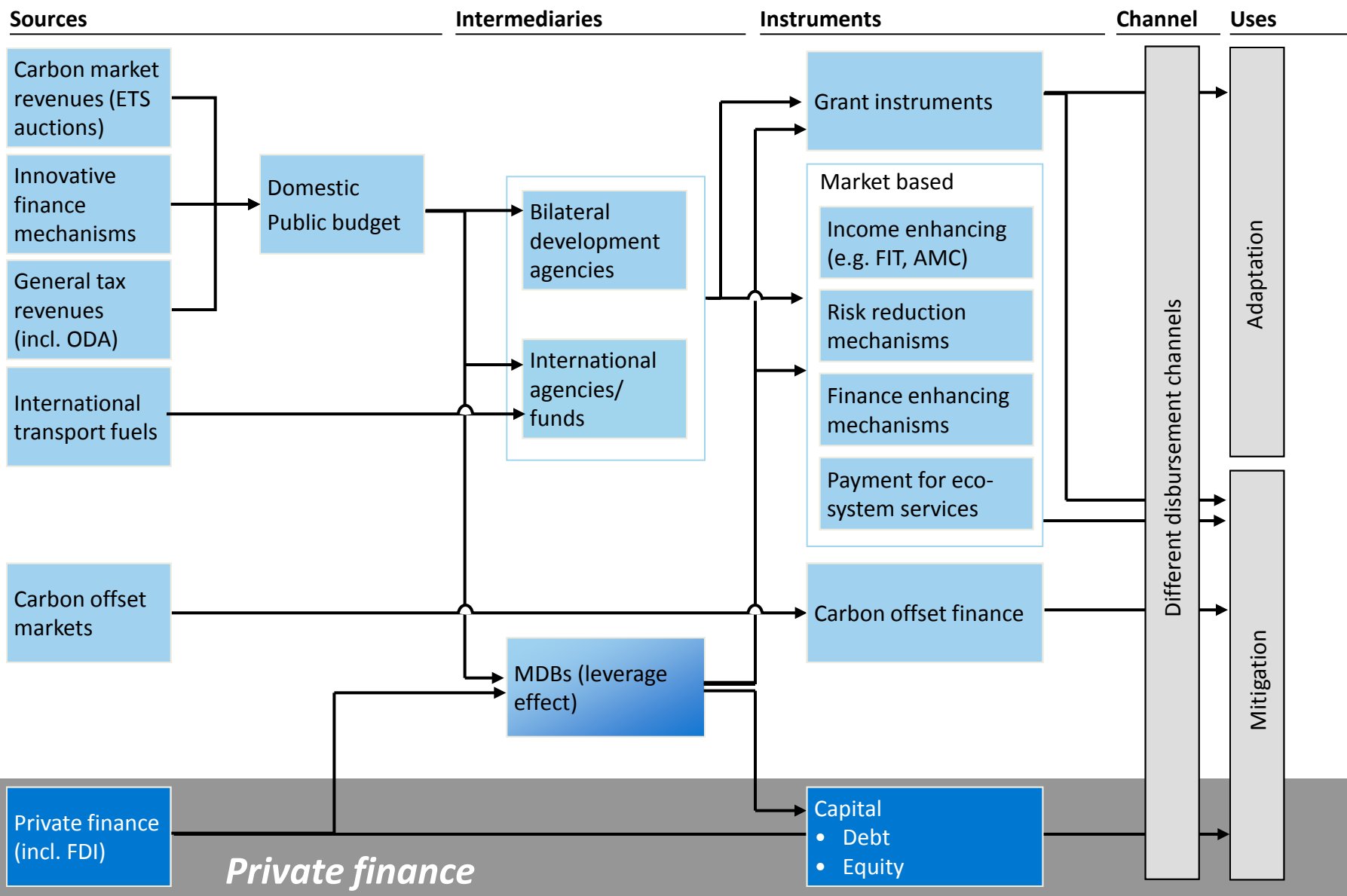
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What are elements of the climate finance system?

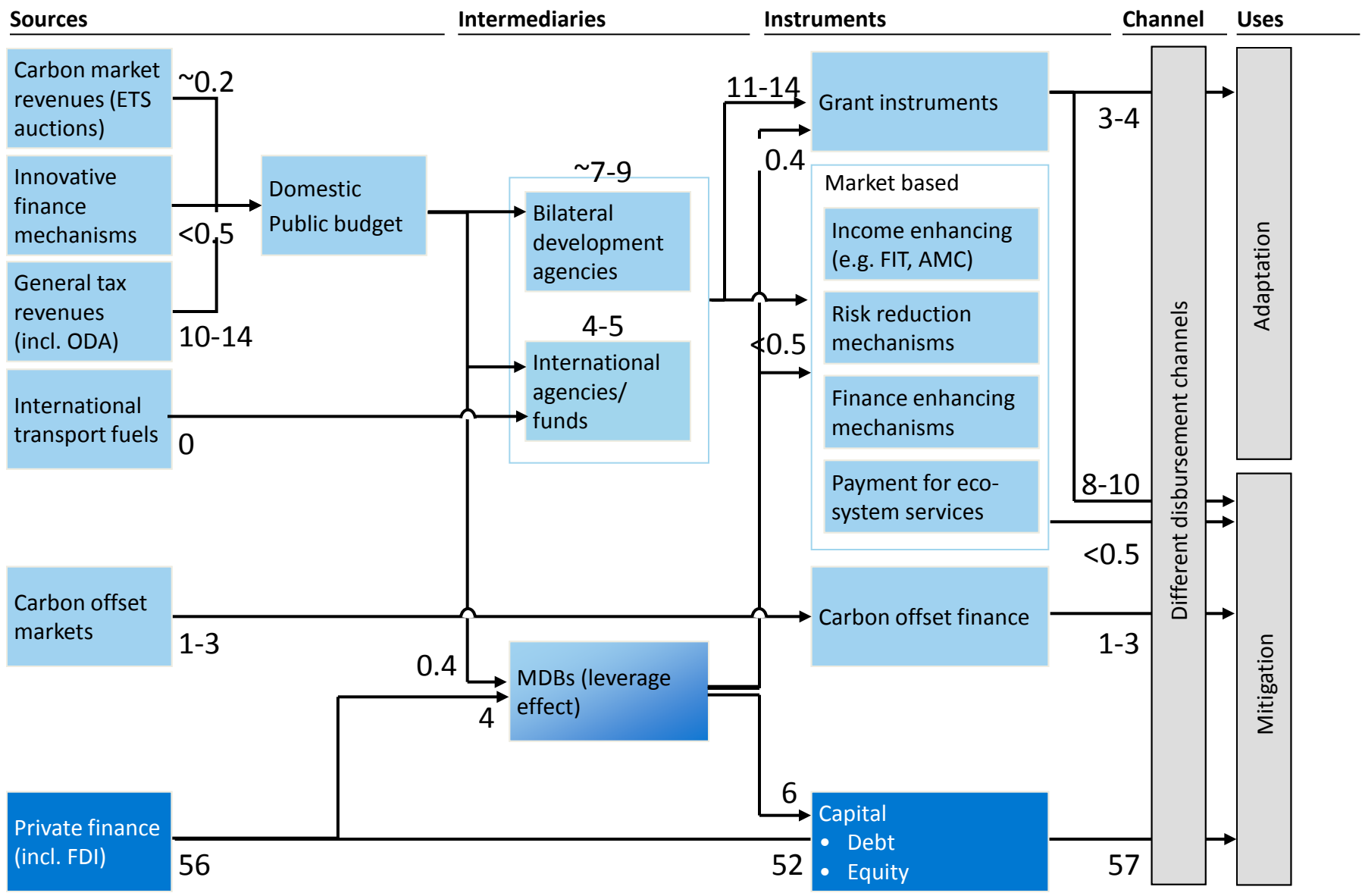
■ Incremental cost
■ Capital investment



What are current flows?

ROUGH ESTIMATES

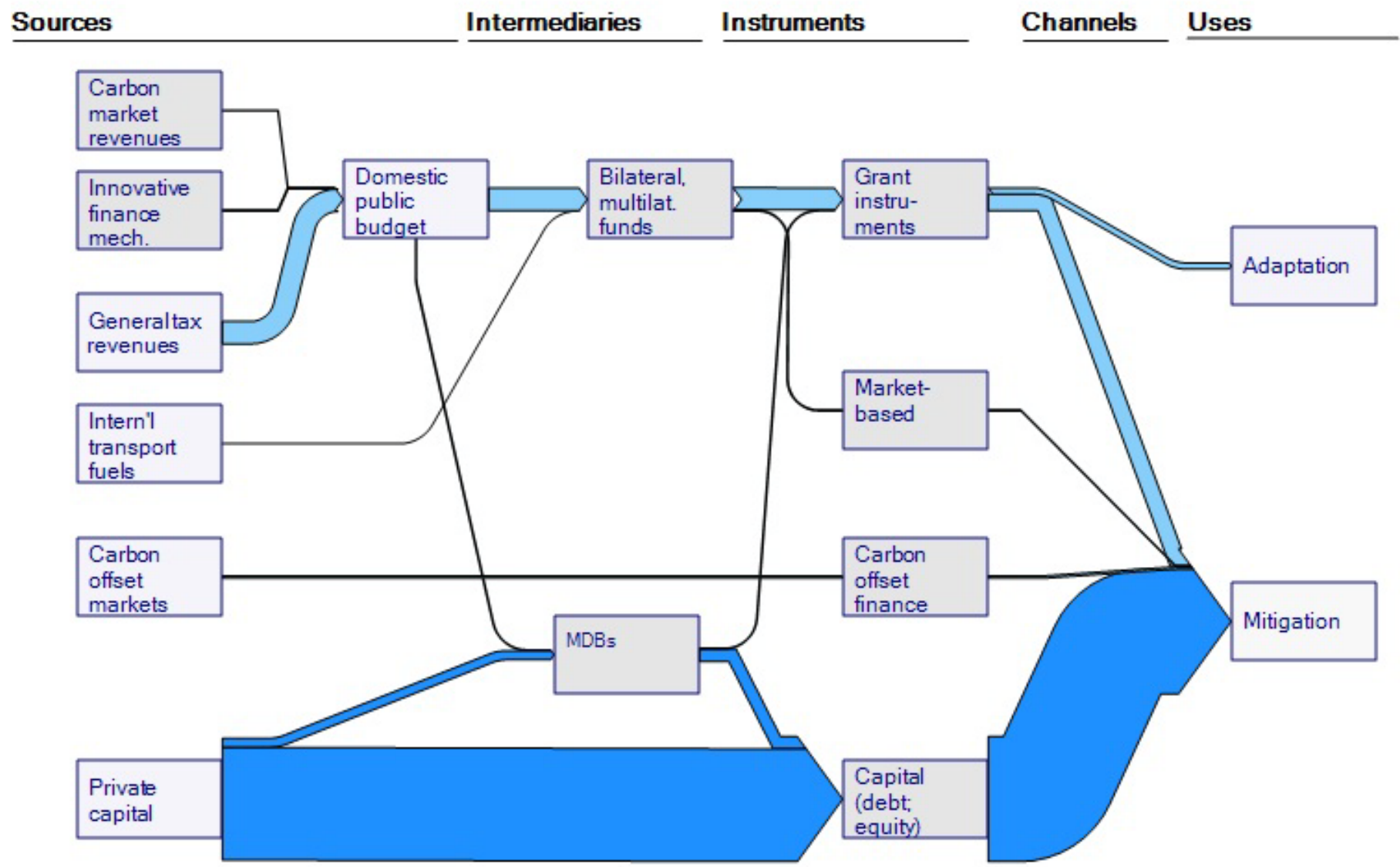
■ Incremental cost
■ Capital investment



What are current flows?

ROUGH ESTIMATES

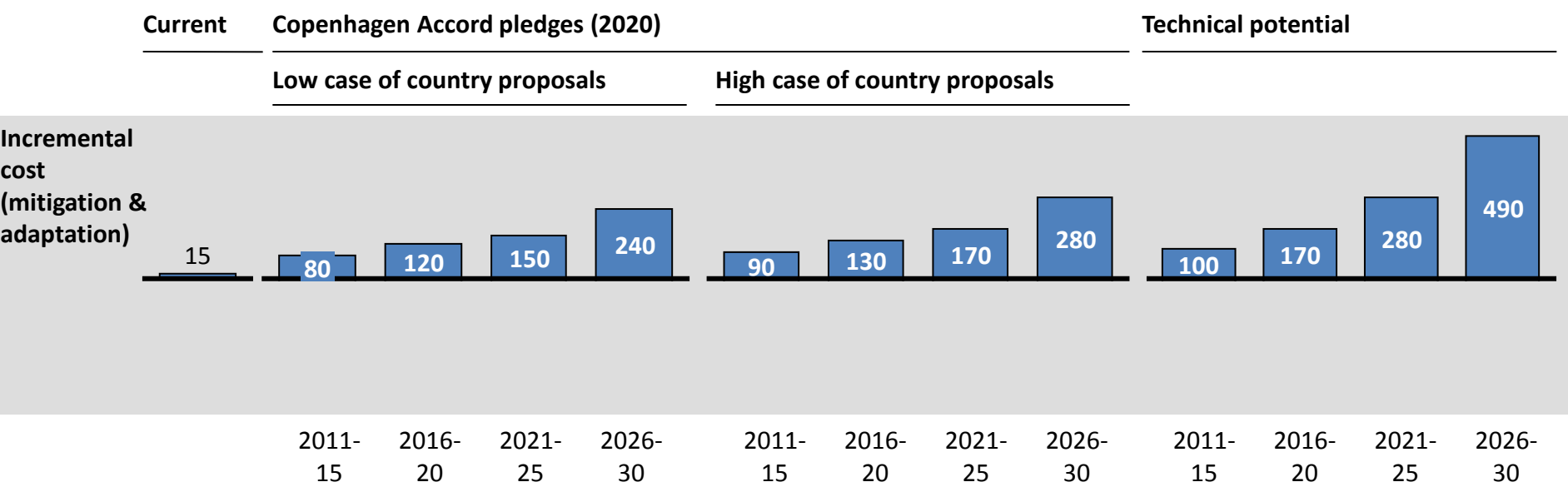
█ Incremental cost
█ Capital investment



What are future flows?

VERY PRELIMINARY

Finance flows required; developing countries; USD bn p.a.



Note: 1. For Low and High cases, the investment capital in year 2016-2020 corresponds to abatement from actual country pledges. Data for other years are extrapolated using a linear percent reduction in full technical potential scenario

2. Transport Air and Transport Sea are excluded

Source: McKinsey Global Abatement Cost Curve v2.1



What are the issues in tracking climate finance?

- Rapidly developing landscape of tracking functions – covering current and prospective emissions and finance
- Rapidly developing emissions tracking
 - Fast developing methodologies for tracking current emissions
 - Some promising initiatives to develop perspectives on expected future emissions based on pledge tracking
- Rapidly developing finance tracking
 - Well developed systems for tracking current government spending (ODA), but relatively immature tracking of government spending on climate related causes
 - Good tracking of current carbon market flows
 - Fragmented tracking of current (private) investment capital flows
 - Multiple efforts to ‘predict’ future capital flows, but not one that is comprehensive in its scope
- No consistent methodology to calculate finance flows
 - Differences in what types of finance count for specific categories of finance
- No current tracking of effectiveness of climate finance spent



What to track and who is tracking what?

	Countries	International institutions	MDBs	NGOs	Academics	Private
Track commitments (GT, degree)		UNDP, UNEP		WRI, Project Catalyst	✓	Ecofys
Track finance sources – public (\$)	Country governments	OECD, UNFCCC, UNDP, UNEP-Risoe, UNEP-SEFI	WB, ADB, AfDB, EBRD, IDB, IFC	WRI, ODI/ HBF, Climate Analytics, AidData, Ecosystem Marketplace, Project Catalyst	✓	
Track finance sources – private (\$)		UNEP-SEFI, UNEP-Risoe, UNFCCC, OECD		REN21	✓	Commercial data providers (e.g. Dealogic, DB, Bloomberg NEF, PointCarbon)
Track finance effectiveness (GT, \$)			Sustainability reports of MDBs		✓	
MRV methodology		OECD, IEA	WB	WRI, IIED, AidData...	✓	



Key questions to be addressed

Panel 2 – How to define and calculate finance flows?

- What is a reasonably broad and mutually agreeable definition of climate finance flows?
- How can these climate finance flows be calculated?
- What flows count for which categories of finance?

Panel 3 – How to evaluate the effectiveness of finance flows?

- How can effective and efficient spending of climate finance money be prepared ex ante?
- How can the effectiveness and the efficiency of spending be measured and evaluated ex post?

Panel 4 – How to reduce the risk of investing into climate finance?

- What are the most relevant risks around investments in climate finance?
- How can the risks of investing in climate finance be mitigated (e.g. risk-sharing mechanisms)?

Concluding panel – What is needed to make climate finance successful?

- How do we define and measure success of climate finance?
- What does it take to achieve successful climate finance?



APPENDIX

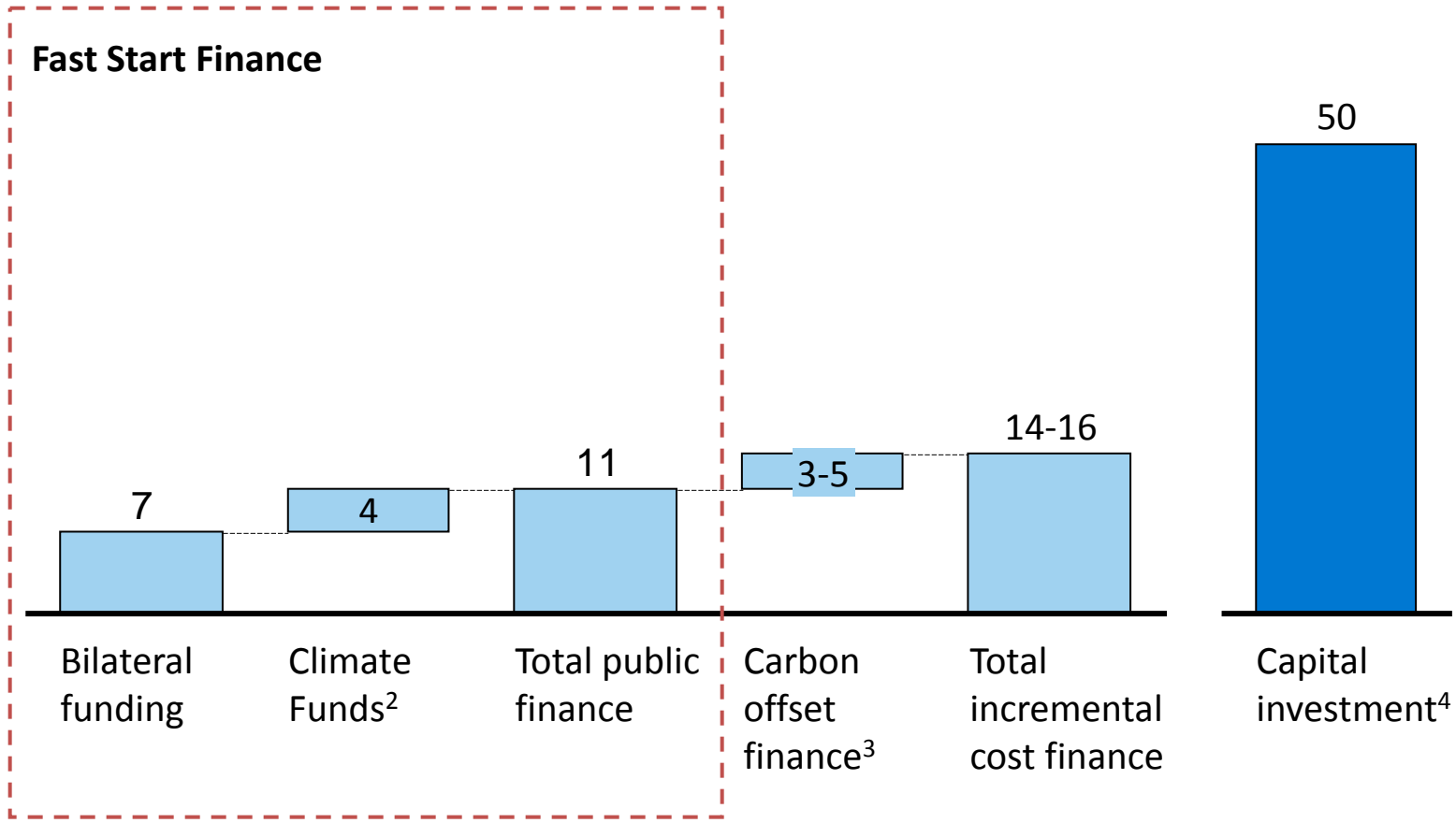


What are future flows?

ESTIMATE

USD bn, Annual average for 2010-12¹

Incremental finance



¹ Includes climate finance pledges of Australia, Canada, EU (EU commission and member states), Japan, Norway, and US; numbers may not sum to total due to rounding. Exchange rate from April 26, 2010 used (\$1.33 to €1)

² Multilateral funds include the World Bank climate funds, GEF, and other funds providing concessional climate-related financing; excludes general funding for the World Bank and other development bodies; share for some donor countries based on historical allocation of multi- and bilateral funding

³ Expected CDMs issued from 2010-2012 at an assumed price of EUR 10-15 per tonne CO₂

⁴ Based on 2009 extrapolation