

The Landscape of Climate Finance 2013

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THE FLOWS OF CLIMATE FINANCE 2013

The Flow of Climate Finance 2013, also known as the 'spaghetti' diagram, illustrates the landscape of climate finance flows along their life cycle for the latest year available, mostly 2012.

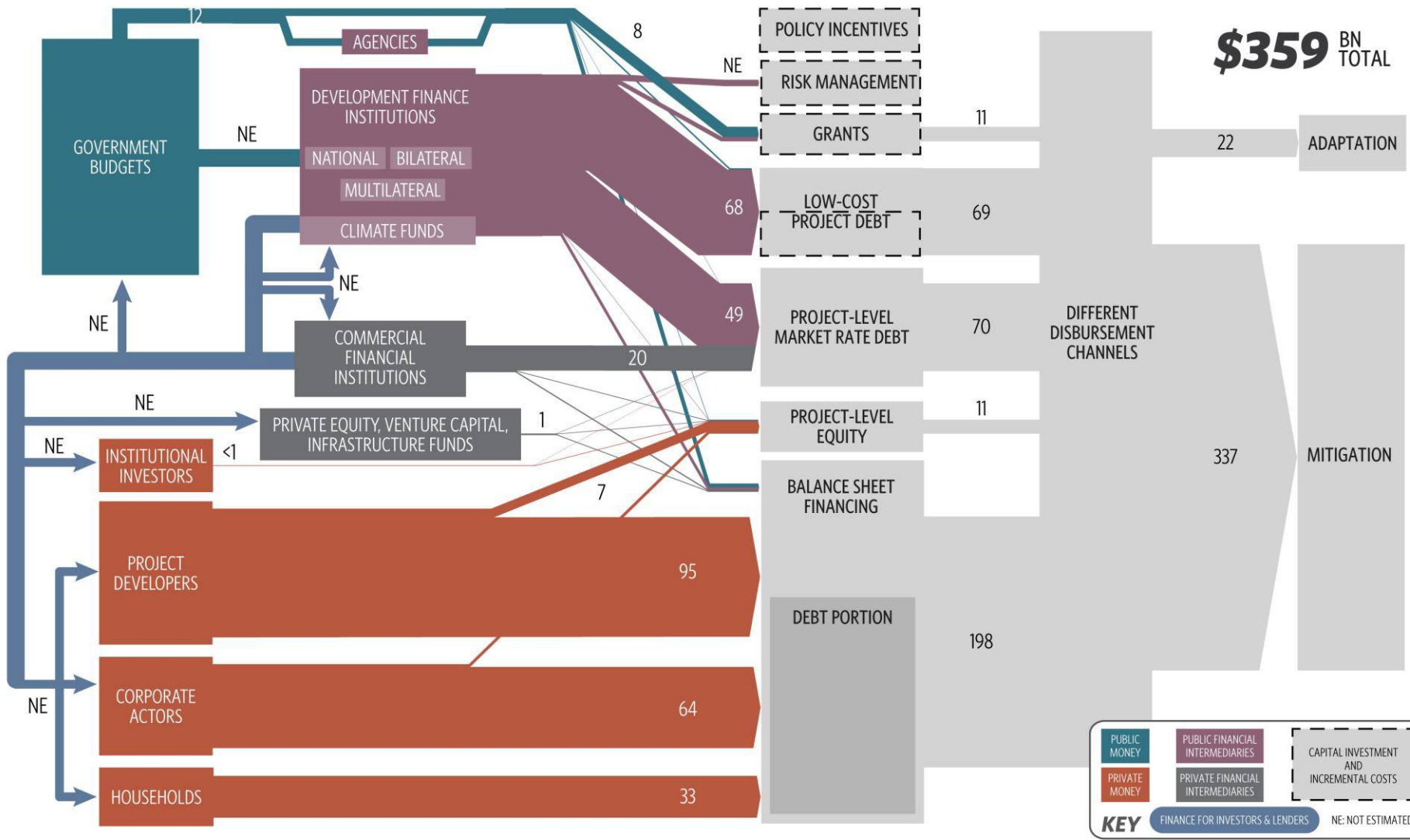


SOURCES AND INTERMEDIARIES

INSTRUMENTS

CHANNELS

USES

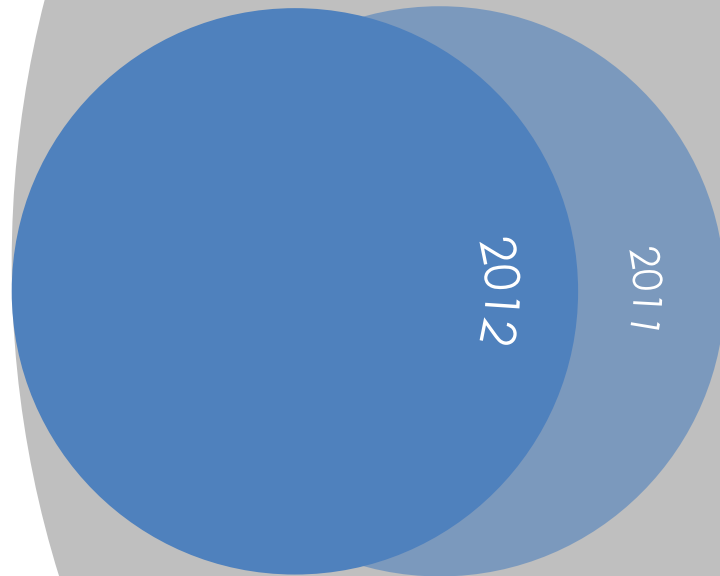


Notes: Figures are indicative estimates of annual flows for the latest year available, 2011 or 2012 (variable according to the data source). Flows are expressed in USD billions and rounded to produce whole numbers. Where ranges of estimates are available, the mid-point is presented. All data presented relates to commitments in a given year due to the limited availability of disbursement data. The diagram captures upfront capital investment costs of low carbon, climate resilient activities plus grants for e.g. capacity building and enabling environment activities. The diagram highlights with a dotted line those financial resources which contribute to paying for upfront incremental investment costs, that is the difference in investment cost between cheaper, more polluting options and costlier, climate-friendly ones. This includes some portion of low cost debt. As Landscape 2013 only tracks upfront investments and not lifetime inflows (revenues) or outflows (costs), our estimate of finance only includes policy incentives provided as grants or concessional loans, excluding the value of policy-induced revenues, such as feed-in tariffs or carbon market payments.

Total climate investment equaled **\$359 billion** in 2012...

That's roughly the same as the year before.

...and **not nearly enough.**



\$5 trillion
needed
through 2020

We're falling further and further behind globally agreed upon goals for safe emissions levels.

If we're going to **close the gap**, we've got to know **how finance is flowing, now:**

- Who are the **important actors** in the market?
- How and where are they **investing**?
- What are the appropriate **incentives** to scale up finance?

The **private sector** provides
the **lion's share** of finance.



\$359 bn

The **public sector** plays a
central role providing incentives,
low-cost loans, risk coverage
mechanisms, direct project investment,
and technical support.

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PUBLIC



PRIVATE

The **public sector** plays a **central role** providing incentives, low-cost loans, risk coverage mechanisms, direct project investment, and technical support.

- USD 224 bn in private investments (62%)
 - The domestic private sector is a cornerstone in both developed and developing countries
 - Project developers (USD 102 bn), corporate actors (USD 66 bn), households (USD 33 bn)
 - Familiarity, and stable enabling policy environments, are a key factor
- Public resources, actors, and investment modes lie at the heart of the climate finance system
 - Governments, UN and bilateral aid agencies, ECAs, DFIs
 - Direct public investments in renewable energy (USD 41 bn)
 - Shareholding (USD 37 bn)
 - Intermediation (USD 121 bn)
 - Provision of public goods (e.g., USD 22 bn for adaptation)
 - Provision of risk instruments and guarantees

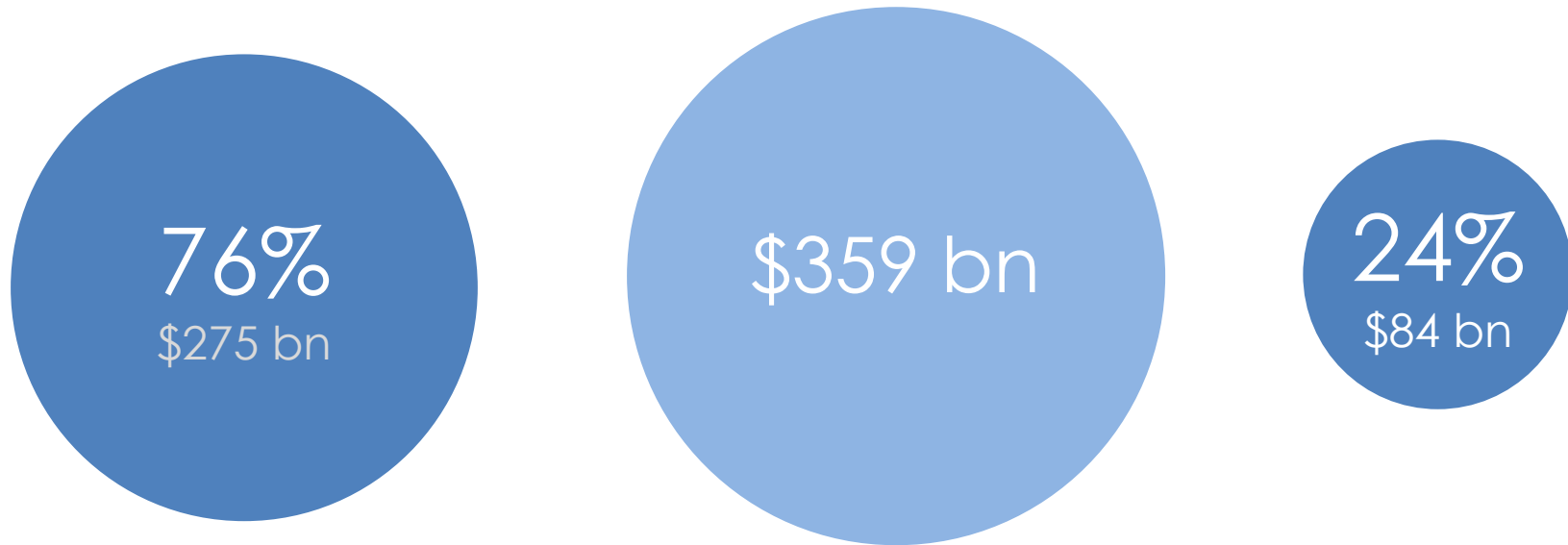
These public measures for climate change are significant...



...but remain dwarfed by government support to fossil fuel consumption.

Of the \$359 bn:

76% is spent domestically... ...only **24%** flows between countries.



Much of the international money flowing between developed countries is **private**.

The vast majority of money flowing from developed to developing countries is **public**.

USD 177 bn was invested in developed, USD 182 bn in developing countries

- Strong domestic bias
- Europe (32%), East Asia & Pacific (29%), and North America (9%) were top regional recipients – and largest sources

Public & private financial institutions play a cornerstone role raising, managing, and distributing global climate finance

- DFIs committed just about one third, or USD 121 bn

The majority was invested in mitigation (USD 337 bn)

- We captured USD 22 bn of adaptation finance and USD 32 bn of energy efficiency finance

Investors channel money via a range of economic and financial instruments that lower investment costs or close viability gaps

- USD 8-14 bn of grants, USD 69 bn of low-cost debt
- USD 279 bn as investment expecting market returns
- Importance of policy incentives and risk mitigation

Money is flowing – but falls far short of what is needed to finance system transformation

- Ability to manage risk is pivotal to climate investment decisions
- Public resources and actors can be game changers
 - Domestic bias points to importance of predictable enabling environments
 - Investment modes & intermediation take off risks and lower costs

Six groups of actors play, or could play, cornerstone roles in the global finance landscape

- DFIs, governments & their agents, climate funds
- Corporates, utilities, independent power producers & project developers, households, institutional investors

Important information gaps continue to hamper the understanding of climate finance

...helping nations spend their money wisely

More at: www.ClimatePolicyInitiative.org



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