The Landscape of Climate Finance 2013

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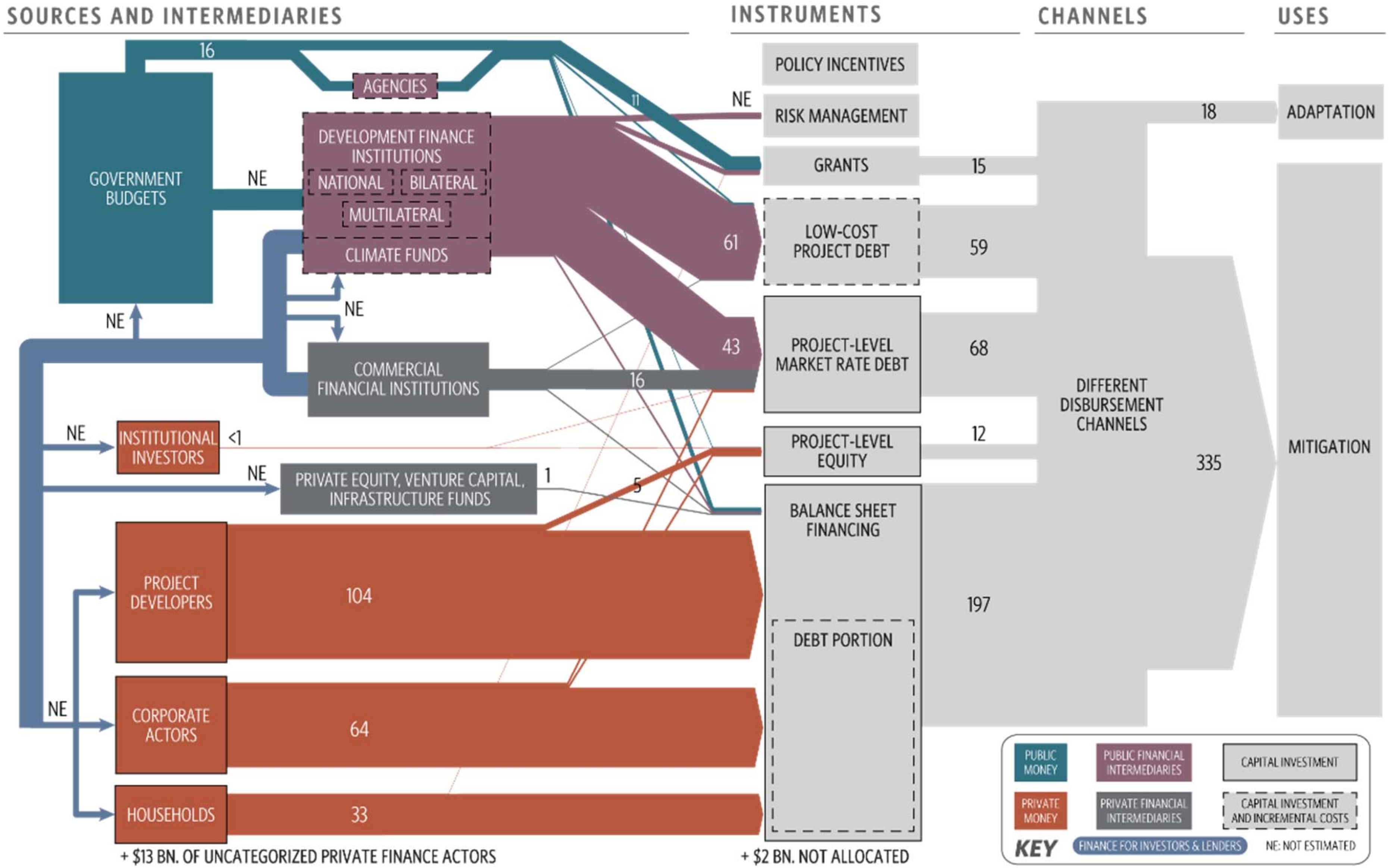
THE FLOWS OF CLIMATE FINANCE 2013

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.



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. Estimates spanning multiple years are adjusted to produce annual-equivalent estimates. Where ranges of estimates are available, the mid-point is presented. The diagram distinguishes between 'incremental costs,' that is, financial resources that cover the price difference between a cheaper, more polluting options and costlier, climate-friendly ones and do not need to be paid back — and 'capital investment,' which are tangible investments in mitigation or adaptation projects that need to be paid back. Categories not representing capital investment, or a mix of capital investment and incremental costs, are incremental costs only. The group of National Finance Institutions includes Sub-regional entities. Most data presented relates to commitments in a given year due to limited availability of disbursement data.

Global climate finance flows

Annual global climate finance flows reached approximately
USD 353 billion in 2012.

- **USD 225 bn in private investments – 64% of global flows**
  - Close to USD 126 billion (56%) came from developed countries.
  - The domestic private sector is a cornerstone in both developed and developing countries
  - 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**
  - Direct public investments in renewable energy (USD 48.8 billion)
  - Shareholding (USD 42.2 billion)
  - Intermediation (USD 110.5 billion)
  - Provision of public goods (e.g., USD17.9 billion for adaptation)

Early findings

- The majority was invested in mitigation (USD 335 bn)
  – We captured USD 17.9 bn of adaptation finance and USD 52.3 bn of energy efficiency finance
- 49% was invested in developed, 51% in developing countries
  – USD 42 bn of overall investments in developing countries originated in developed countries (ODA makes up 11 bn)
  – Europe (33%), 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 under one third, or USD 110.5 bn
- Investors channel money via a range of economic and financial instruments that lower investment costs or close viability gaps
  – USD 15.1 bn of grants, USD 59 bn of low-cost debt

Bottom line

Progress toward scale-up has stagnated
- the financing gap remains huge

- **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 and 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**

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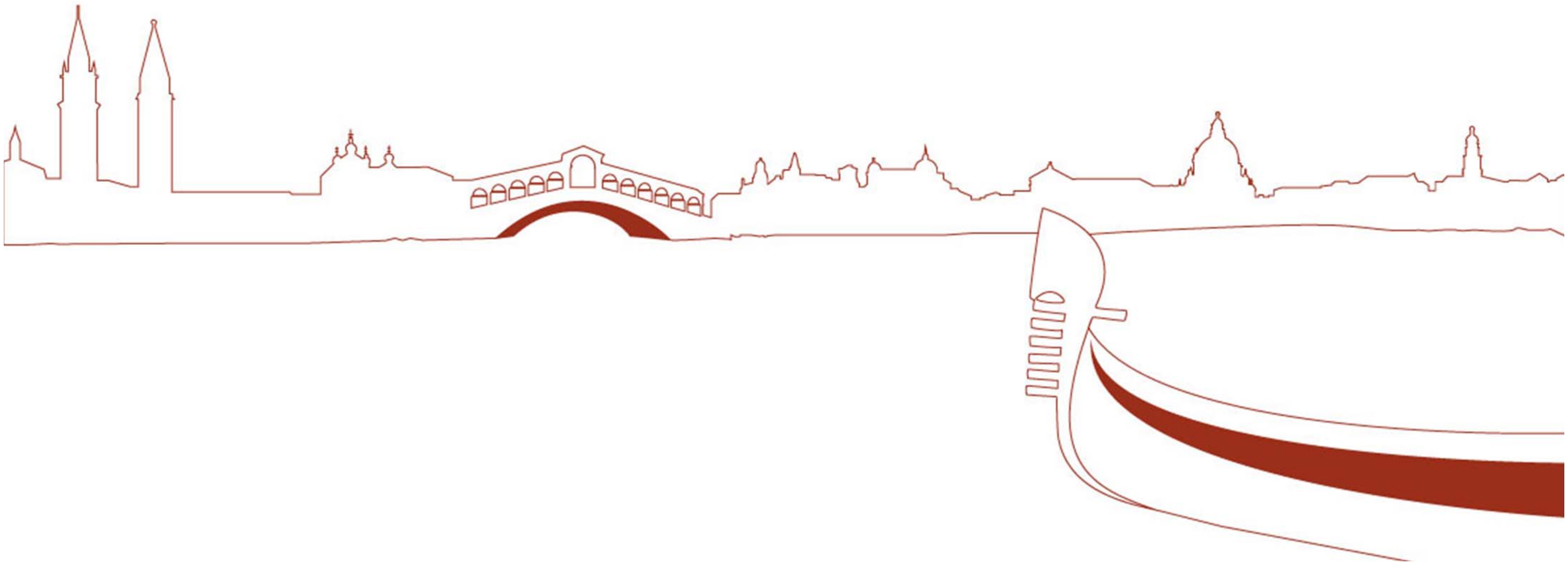
The San Giorgio Group: Expanding Green, Low-Emissions Finance



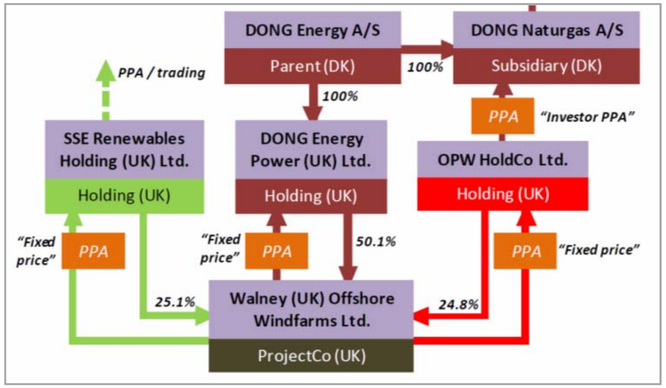
San Giorgio Group

The **San Giorgio Group** assembles **financial intermediaries** & **institutions actively engaged in green, low-emissions finance**

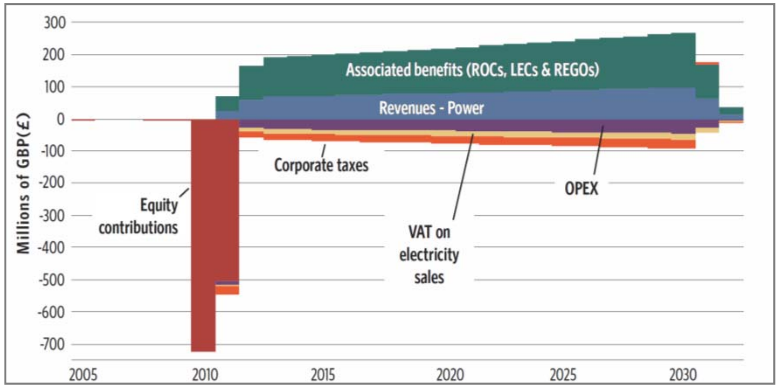
- **Effective investment**: systematic analysis of case studies and tracking of existing green investments
  - What is the **role and reasons for public finance**?
  - What are the **best delivery mechanisms for public monies**?
  - How can **international and national public investment flows be aligned with each other and with private investments**?
- **Ensuring learning**: distil lessons from evolving financing practices
- **Scaling up**: provide insights on how public resources can be spent wisely to mobilize private finance

Case studies: analytical framework

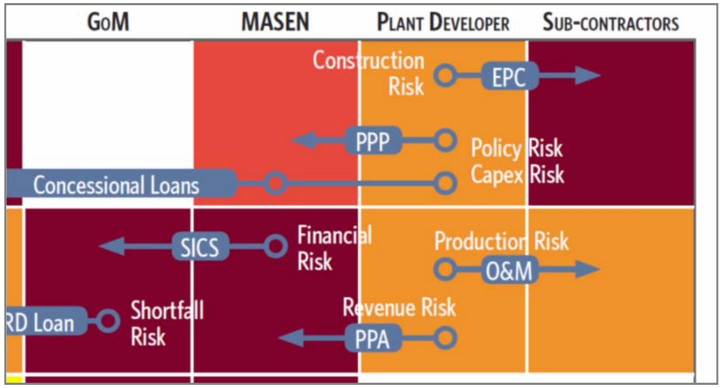
- Complex interactions between all stakeholders



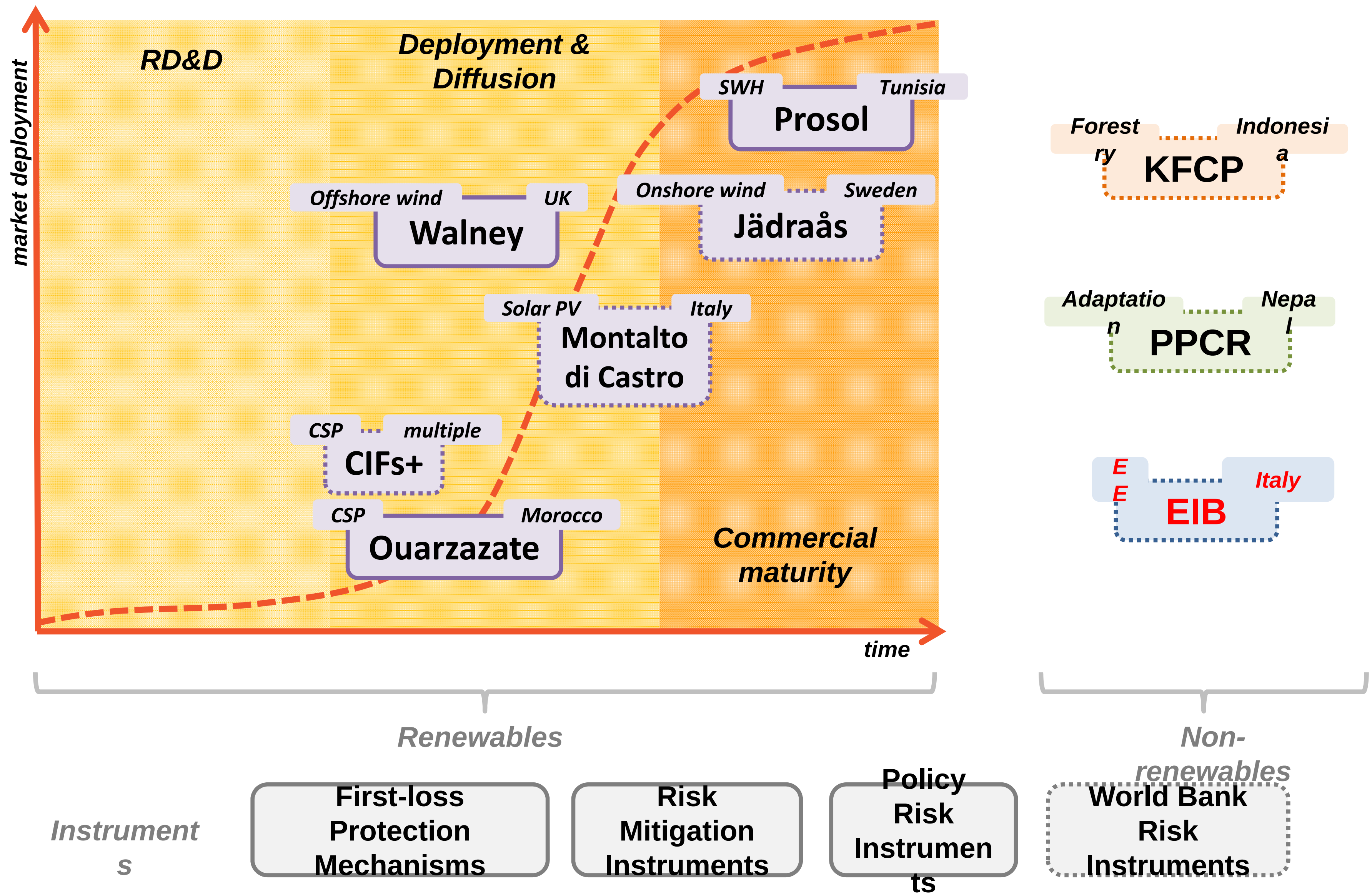
- Investment, returns and profitability



- Risk allocation arrangements



SGG case studies overview



...helping nations spend their money wisely

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