The Landscape of Climate Finance

Climate Policy Initiative Webinar
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CPI’s Climate Finance Project’s Goal

CPI aims to provide evidence-based analysis on climate finance to policymakers and the private sector, to help them make the best decisions in support of low-carbon growth.
Key messages

In 2011 USD 364 billion on average

Money is flowing but falls short of investment required

Circa USD 1 trillion per year

Private capital is essential to scale up

Well-targeted public capital can catalyze private capital
What is climate finance?

Definitional issues are a major challenge to understanding the scale of financial flows

- All financial flows covering financial support...
  - for mitigation & adaptation...
  - for various geographical configurations...
  - for public, public-private & private flows...
  - for incremental cost & investment capital...
  - counted as gross & net flows
Notes: Figures presented are indicative estimates of annual flows for the latest year available, 2009/2010 (variable according to the data source). Figures are expressed in USD billion and are 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. All flows are incremental except for those identified as full or partial ‘capital investment’. Most data presented relate to commitments in a given year, due to limited availability of disbursement data. *Estimated carbon pricing revenues indicated are not necessarily wholly hypothecated for climate finance.
Landscape 2012: increased coverage

Better coverage of magnitude and nature of climate finance flowing between and within countries.

- Expanded geographic scope
- Expanded coverage of private and public players
- More detailed representation of private sector climate finance flows
- Improved representation of sectors and countries receiving finance
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Global climate finance flows

Annual global climate finance flows reached ~USD 343-385 billion, on average USD 364 billion in 2010/2011

- **Public sources: USD 16-23 bn**
  - ODA more than doubled compared to last year
  - USD 11 bn domestic renewable projects (U.S. stimulus)

- **Private finance: USD 217-243 bn**
  - The inclusion of *small-scale renewable energy finance* highlights the significant contribution of households and corporate actors (USD 83 bn).
  - **Public money standing behind private money:** USD 51 bn could be classified as governments’ direct and indirect shareholdings and lending to private investment structures
2010/11 Private Finance (in USD billions)

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Private sources

Close to **two-thirds of private finance came from developed countries**

- **Developed countries** - USD 143 billion
  - 55% of projects financed on balance sheet basis, 84% of which came from domestic actors
  - Project level debt predominantly from commercial banks (77%). Governments (17%) and corporate players (6%).

- **Developing countries** - USD 85 billion
  - 4/5 of projects financed on balance sheet basis,
  - 84% of private finance came from domestic actors

- **In both cases, the sources of private finance were predominantly domestic.**
2010/11 Intermediaries (in USD billions)
Climate finance: the intermediaries

Public & private financial institutions intermediated
$ 110-120 bn

• Public intermediaries, critical to bridge funding gaps, channeled about two thirds
  o Climate Funds, a small ($ 1.5 bn) but growing portion of finance

• Private commercial banks and infrastructure funds intermediated ~$ 38 bn, including project finance debt and direct investments
2010/11 Instruments (in USD billions)
Climate finance: the instruments

Most climate finance has to be paid back. $293-347 bn are investments with ownership interests or claims

- **$293 billon in market rate loans and equity** mainly from private actors
- Public actors provision of **concessional loans and grants enabled** otherwise unviable **projects**
- **Filling risk gaps is key to unlock finance!**
2010/11 Uses & Recipients (in USD billions)
Climate finance: the uses & recipients

$ 350 bn in mitigation measures
Emerging economies were key recipients

- Renewable energy (85%) and energy efficiency (4%) attracted the bulk of finance
- Investments were made where needed the most. With ~33% of tot mitigation finance to developing countries, China, Brazil, and India were the largest recipients
- Understanding on adaptation finance is improving!
Bottom line

• Money is flowing – but still falls far short of what is needed to finance a low-emissions transition
  – Private capital is essential to scale up
  – Well-targeted public capital can catalyze private capital

• The landscape of climate finance is complex
  – Variety of actors with distinctive roles and responsibilities
  – Climate finance archetypes differ by country and circumstance

• Information about finance flows is growing, but...
  – Gaps and lack of definition continue to hamper the understanding of what is effective climate finance
Next steps

• **Comprehensiveness.** Filling gaps and building a more granular understanding

• **The real money.** Clarify net climate finance flows

• **The impact.** Increase understanding of climate finance effectiveness

• **The benchmark.** Explore business-as-usual (‘brown’) finance flows
Further Reading

• The Landscape of Climate Finance 2012

• The German Landscape of Climate Finance

• Information about the San Giorgio Group
  http://climatepolicyinitiative.org/venice/san-giorgio-group/

• SGG case studies http://climatepolicyinitiative.org/publication/san-giorgio-group-case-studies/
Q&A