The Global Landscape of Climate Finance 2013

www.ClimatePolicyInitiative.org
Agenda

• **Presentation**
  – Definitions
  – “Spaghetti” diagram
  – Increased scope
  – Investment gap
  – Climate finance breakdown
    • Important actors
    • Geographical breakdown
    • Final uses
  – How can the public sector incentivize investment?
  – Conclusions

• **Q&A Session**
Key findings

• Money is flowing but still falls far short of what is needed to finance system transformation.

• Four action points for the public sector to mobilize private climate finance:
  – Develop domestic enabling environments
  – Invest in international public resources
  – Address risks
  – Improve capacity and knowledge

• Important tracking gaps continue to hamper the understanding of climate finance.
What is climate finance?

Landscape focus

- Capital flows targeting low-carbon and climate-resilient development
- Direct or indirect mitigation or adaptation objectives/outcomes
- Upfront capital investment costs and grants
- For various geographical configurations
- Focus on project level data
- Captured on a gross rather than net basis
The Global Landscape of Climate Finance in 2011/2012 (USD billion)

- **Sources and Intermediaries**
  - Government Budgets
  - Agencies
  - Development Finance Institutions
  - National Bilateral Multilateral
  - Climate Funds
  - Commercial Financial Institutions
  - Private Equity, Venture Capital, Infrastructure Funds

- **Instruments**
  - Policy Incentives
  - Risk Management
  - Grants
  - Low-Cost Project Debt
  - Project-Level Market Rate Debt
  - Project-Level Equity
  - Balance Sheet Financing

- **Channels**
  - Debt Portion
  - 198
  - Project Developers
  - 95
  - Corporate Actors
  - 64
  - Households
  - 33

- **Uses**
  - Adaptation
  - 22
  - Mitigation
  - 337

**Total** $359 BN
Landscape 2013: increased coverage

- Landscape 2013 updated last year’s estimates.
- It provides a **deeper breakdown of geographic flows** and sheds light on the **latest trends**.
- We increased the coverage but **total flows decreased**.

2012: $364 bn
- Developed and developing countries included; changed methodologies from 2011

2011: $97 bn
- Only developing countries included

2013: $359 bn
- Developed and developing countries included; changed methodologies from 2012

Climate Finance (billion $)

Scope
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.
Closing the gap

If we are going to close the gap, we have got to know how finance is flowing, now:

- Who are the important actors in the market?
- Where is climate finance going?
- What are the appropriate incentives to scale up finance?
Who are the important actors?

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

The **public sector** plays a **central role** providing incentives, low-cost loans, risk coverage mechanisms, direct project investment, and technical support.
Who are the important actors? 
These public measures for climate change are significant...

$135 \text{ bn} \quad \text{PUBLIC CLIMATE FINANCE}

$523 \text{ bn} \quad \text{PUBLIC FOSSIL FUEL SUBSIDIES}

* in developing and emerging economies, alone

...but remain dwarfed by government support to fossil fuel consumption.
Where is climate finance going?

Of total climate finance:

- $359 bn

  76% is spent domestically...

  ...only 24% flows between countries
Where is climate finance going?

$177 bn invested in OECD countries

$182 bn invested in NON-OECD countries
What are the final uses of climate finance?

- **$337 bn**
- **$22 bn**

**MITIGATION**
- Renewable Energy Generation: $265 bn
- Energy Efficiency: $32 bn
- Other Mitigation Measures: $40 bn

**ADAPTATION**
How can the public sector incentivize investment?

1. Develop well-articulated **domestic enabling environments** to encourage further private investment.

2. Continue to invest in, and ensure effective use of, **international public resources**.

3. **Address risk**, which lies at the heart of private investment decisions.

4. Improve **capacity and knowledge** on financing, policies and clean technologies.
Key findings

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• Four **action points for the public sector** to mobilize private climate finance:
  – Develop **domestic enabling environments**
  – Invest in **international public resources**
  – **Address risks**
  – Improve **capacity and knowledge**

• Important **tracking gaps** continue to hamper the understanding of climate finance.
Additional information

www.ClimateFinanceLandscape.org

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Thank you!

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