Climate Finance Landscape and Implications for SDGs

March 13, 2018

Dario Abramskiehn | Analyst, Climate Finance Program

*Expert Group Meeting on Green Economy for Sustainable Development Goals*

Jeju, Republic of Korea
Climate Policy Initiative

With deep expertise in policy and finance, CPI works to improve the most important energy and land use practices around the world.

Our mission is to help governments, businesses, and financial institutions drive growth while addressing climate risk.
Climate finance addresses key 21st century challenges

**Climate Change**
- Meeting the Paris Agreement goals for Mitigation & Adaptation

**Sustainable Development**
- Meeting Sustainable Development Goals

![Graph showing global greenhouse gas emissions (CO2e) with emissions gaps at 2°C and 1.5°C targets.](image)

© www.climatetracker.org / Climate Analytics / EcoFys / NewClimate/IMI
What do we currently track?

Objective:
Comprehensive breakdown of annual climate finance flows into new low carbon, climate resilient interventions.

- **Annual financial commitments** in the latest available year into new projects/activities;
- **Total primary financial transactions and investment costs** or, where tracked, components of activities that directly contribute to adaptation and/or mitigation,
- No double counting

Not…
- Risk mitigation instruments
- Policy-induced revenue support mechanisms or other public subsidies
- Secondary market transactions
- Investments in manufacturing and sales
Global climate finance flows surged to $437 billion in 2015, before falling 12% to $383 billion in 2016.
The private sector is doing more than ever, while the overall share of public investment remains steady.
Public finance shifts priorities

- Energy efficiency: 39 bn
- Renewable energy generation: 33 bn
- Sustainable transport: 22 bn
- Others / cross-sectoral: 7 bn
- Transmission & distribution systems: 5 bn
- Agriculture, forestry, land-use, & natural resource management: 3 bn
Was there a Paris effect?
Are we on track?

Renewable energy is a bright spot...

...but other areas are behind.

$1 \text{ trillion/year}$ through 2050 needed (just for energy)

Underfunded sectors:
- Industrial energy efficiency
- Transport
- Agriculture
- Water
- Buildings
- Curbing deforestation
- Adaptation
Public funding for adaptation projects remains a challenge

Dual benefits

<table>
<thead>
<tr>
<th>Year</th>
<th>Adaptation</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>27</td>
<td>112</td>
</tr>
<tr>
<td>2014</td>
<td>26</td>
<td>117</td>
</tr>
<tr>
<td>2015</td>
<td>22</td>
<td>111</td>
</tr>
<tr>
<td>2016</td>
<td>23</td>
<td>112</td>
</tr>
</tbody>
</table>
South Asia, and East Asia and Pacific see the largest increase in climate finance
More work needs to be done in tracking climate finance

- **Private (DFIs & Int’l Finance)**
  - Renewable Energy: 270
  - Energy Efficiency: 231*
  - Transport: NA
  - Land Use: NA
  - Adaptation: NA

- **Public (Domestic Finance)**
  - Renewable Energy: 33
  - Energy Efficiency: 39
  - Transport: 22
  - Land Use: 3
  - Adaptation: 22
  - Other: 21

*Source: IEA WEIO 2017
USD 11 billion in 2015: Unique role connecting international finance, domestic governments, and local private sector actors; well-positioned to help mobilize climate investments
Four promising investment & policy trends signal a better outlook for climate finance and SDGs

The Paris agreement means the majority of nations are working to implement NDC plans, many of which also include investment pathways.
Four promising investment & policy trends signal a better outlook for climate finance and SDGs

1. The Paris agreement means the majority of nations are working to implement NDC plans, many of which also include investment pathways.

   A number of initiatives engage broader capital markets, the financial system, and large corporations to align with low-carbon and climate-resilient development.
The Paris agreement means the majority of nations are working to **implement NDC plans**, many of which also include investment pathways.

A number of **initiatives engage broader capital markets, the financial system, and large corporations** to align with low-carbon and climate-resilient development.

**Efforts to green existing public financial flows** are beginning to take root (though more work remains).
Four promising investment & policy trends signal a better outlook for climate finance and SDGs

1. The Paris agreement means the majority of nations are working to implement NDC plans, many of which also include investment pathways.

2. A number of initiatives engage broader capital markets, the financial system, and large corporations to align with low-carbon and climate-resilient development.

3. Efforts to green existing public financial flows are beginning to take root (though more work remains).

4. New and innovative investment vehicles are on the rise and many of these target institutional investors that manage mostly untapped but significant portion of global capital.
Unlocking innovation: The Lab

Since its launch in 2014, Lab instruments have mobilized more than $1 billion for adaptation and mitigation projects around the world.

Founded in 2014, the Lab identifies, develops, and launches sustainable finance instruments that can drive billions to a low-carbon economy.
The approach: A public-private partnership

Funders

- Department for Business, Energy & Industrial Strategy
- Ministry of Foreign Affairs of the Netherlands
- Federal Ministry for the Environment, Nature Conservation and Nuclear Safety
- SHAKTI Sustainable Energy Foundation
- Bloomberg Philanthropies
- OAK Foundation
- the David and Lucile Packard Foundation
- The Rockefeller Foundation

Members

- ACWA Power
- AFC
- Agence France Trésor
- Ministry of Finance
- Government of India
- Renew Power
- SEI Capital Markets Limited
- Simpanetworks
- Allianz
- BlackRock
- BNDES
- Bloomberg New Energy Finance
- Danish Ministry of Energy, Utilities and Climate
- Deutsche Bank
- DBSA
- DBS
- YES Bank
- USTDA
- IFC
- FMO
- FMO
- IDB
- JICA
- Masen
- Norfund
- OPIC
- World Bank Group
- Santander
- Fomento de las Finanzas de España SA (Fomento)
- Global Environment Fund
- Global Environment Fund
- GIZ
- Central Electricity Regulatory Commission
- IL&FS Trust Company Ltd.
- IRA
- IREDA
- ISB
- L&T Infra Finance

Secretariat

CLIMATE POLICY INITIATIVE

Climate Finance Landscape and Implications for SDGs
Thanks for your attention!

EXPLORE OUR WORK:
climatepolicyinitiative.org/publications

EXPLORE THE INTERACTIVE:
climatefinancelandscape.org