Global Climate Finance: An Updated View 2018

Webinar
27th November, 2018
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.
Agenda

• What’s new?
• Overview of updated 2015/2016 global climate finance flows
  – Public and private finance actors
  – Financial Instruments
  – Sectors and end-uses
  – Geographies
• What more needs to be done, progress on Article 2.1(c)
• Q and A
We have updated 2015 and 2016 flows to inform the UNFCCC Biennial Assessment.
Improved Data Capture for 2015 and 2016 data

• International Development Finance Club reported an increase of climate-related finance commitments; USD 51 billion in 2015 and USD 24 billion in 2016 (IDFC 2017).

• OECD Development Assistance Committee (DAC) reported a USD 3.3 billion increase in bilateral climate-related development finance in 2016 (OECD 2018).

• International Energy Agency (IEA) data on electric vehicles; estimated at USD 11 billion in 2015 and USD 18 billion in 2016.
Global climate finance flows surged to **$472 billion** in 2015, before falling 3% to **$455 billion** in 2016.

*Preliminary Estimate*
The private sector is doing more than ever, while the overall share of public investment remains steady.
Project developers consistently drive the largest volume of private finance.

EV investment adds $11 billion sourced from the household sector in the form of retail purchases of battery electric vehicles.
On the public side, development finance institutions made up the majority of public flows, 90% of the total public finance.

**PUBLIC SOURCES & INTERMEDIARIES**

- National DFIs reported double climate finance commitments than in 2013 and 2014.
- Direct grants and incentives for EVs add another USD 4 billion sourced from Governments.
LANDSCAPE OF CLIMATE FINANCE IN 2015/2016

Global climate finance flows along their life cycle in 2015 and 2016. Values are averages of two years data, in USD billions.

**Sources and Intermediaries**
- Government Budgets $15
  - Agencies $3
  - Development Finance Institutions
    - National $122
    - Bilateral $16
    - Multilateral $46
  - Climate Funds $2
- Commercial Financial Institutions $48
  - Private Equity, Venture Capital, Infra. Funds $1
  - Institutional Investors $2
- Corporate Actors $37
- Households $42
- Project Developers $118

**Instruments**
- Low-cost Project Debt $45
- Project-level Market Rate Debt $202
- Project-level Equity $38
- Balance Sheet Financing $160

**Recipients**
- Public $54
  - Adaptation $22
  - Dual Benefits $5
  - Unknown $134
  - Public Private $4
- Private (NGO’s) $1
  - Mitigation $436
- Private $272

**Uses**
- 463 bin USD Annual Average
- Climate finance is not evenly distributed among all categories.
Market rate debt—project or corporate finance—was the largest financial instrument used to channel climate finance.
Renewable energy investments, the largest segment, falls by 16% driven equally by two factors:

- Lower technology costs
- Fewer projects financed due to policy changes
Second edition of our analysis of finance for electricity and clean cooking access

Energizing Finance should be a wake-up call to policy makers and investors who are working to ensure universal and sustainable energy.”

Dr. Barbara Buchner,
Executive Director,
Climate Policy Initiative (CPI)

#SDG7Finance @SEforALLorg SEforALL.org/EnergizingFinance
USD 30.2 billion per year was invested in electricity across the 20 high impact countries over 2015-2016, India a bright spot
Investment in electric vehicles has grown exponentially

- Total investment in electric vehicles reached $43 billion in 2017
Battery electric vehicles represent the largest segment and are integrated into the Landscape data.
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In public finance, sustainable transport is the largest segment driven by new data coverage in China.

- Energy efficiency: 29
- Renewable energy generation: 57
- Sustainable transport: 81
- Others / cross-sectoral: 8
- Transmission & distribution systems: 5
- Agriculture, forestry, land-use, and natural resource management: 3
Adaptation finance, at $22 billion, is a small part of overall flows due to a number of methodological reasons

Two aspects make it difficult to compare to mitigation

1. Only public finance data captured
2. Incremental investment vs whole cost

• Reporting is patchy
In adaptation, water and wastewater management captured 50% of public finance, on average, during 2015/2016.

- Water and wastewater management: 11
- Agriculture, forestry, land-use, and natural resource management: 5
- (Other) Disaster risk management: 3
- Others / cross-sectoral: 2
- Infrastructure, energy and other built environment: 1
- Coastal protection: <1
The vast majority of finance is spent domestically.

81% spent domestically.
Developing countries attract more investment

- **OECD**
  - Domestic sources: $162 bn
  - International sources: $32 bn

- **Non-OECD**
  - Domestic sources: $214 bn
  - International sources: $57 bn

58% Spent in developing countries
More finance is flows from developed to developing countries and south-south

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9% Increases compared to 2013/2014
South Asia, and East Asia and Pacific see the largest increase in climate finance.
More work needs to be done in tracking climate finance.
Three open questions on climate finance tracking to watch for next year

1. Improvements to energy efficiency and adaptation tracking

2. How to assess progress to meeting article 2.1c of the Paris Agreement on making ‘finance flows consistent with a pathway towards low GHG emissions and climate-resilient development’
   - What is consistent with which pathway?
   - What is a finance flow?

3. More work on national climate finance landscapes
   France, Morocco (I4CE); Germany, Latvia, Czech Republic (IKEM); Indonesia, Kenya (CPI)
Summary Points

• Global climate finance is steadily increasing

• Despite bright spots in renewables and electric vehicles, most sectors still fall far short in meeting the required investment.

• Tracking adaptation finance requires better approaches, particularly in private sector

• Existing data gaps to be filled
  – disclosure on climate risk management by corporations and investors,
  – national finance tracking efforts.
Thanks for your attention!

EXPLORE OUR WORK:
climatepolicyinitiative.org/publications

EXPLORE THE INTERACTIVE:
climatefinancelandscape.org
APPENDIX
What climate finance 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
### Responding to measuring progress on Article 2.1c

Broader interpretation to include investment decision-making

Flows only perspective to article 2.1c

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