



The State of Cities Climate Finance 2024 - Executive Summary

The Landscape of Urban Climate Finance
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EXECUTIVE SUMMARY

Cities are indispensable actors in the climate transition but need much more investment to meet climate goals. Currently, 56% of the world’s population lives in cities and 70% of people are expected to reside in urban areas by 2050 (World Bank 2023a). This increasing urbanization underscores the importance of climate finance for cities. Many are already facing frequent and intense extreme weather events such as floods and extreme heat, particularly in emerging markets and developing economies (EMDEs). For example, 2024 has already seen flooding in Brazil’s Rio Grande do Sul state that displaced 200,000 people and caused USD 3.7 billion in damages (OHCA 2024), while temperatures exceeding 52°C in Delhi worsened public health challenges and water shortages (Reuters 2024).

Cities have demonstrated motivation to collaborate with national governments and lead subnational climate action. At COP28, the Local Climate Action Summit highlighted local leaders’ role in emissions reduction while the Coalition for High Ambition Multilevel Partnerships, endorsed by 72 governments, promoted multilevel collaboration on updated Nationally Determined Contributions (C40 2023a, UNFCCC 2023).

However, our data shows that annual urban climate finance must increase more than fivefold to attain a 1.5°C climate pathway. This reveals a great investment opportunity in low-emissions and resilient infrastructure if the following key challenges can be overcome (see Table ES1).

Table ES1: Summary of systemic challenges to closing cities’ climate finance gap

Systemic challenge	Overview	Impact on urban climate finance
Insufficient commitment to urban climate action	Global and national climate discussions prioritize national commitments and often overlook urban needs.	<ul style="list-style-type: none"> • Reduces national governments’ political will to commit to long-term funding for cities. • Weakens the enabling environment for urban investments. • Lowers investor awareness of urban climate finance opportunities.
Weak enabling environments	Inefficient cooperation between levels of government misses the opportunity to strengthen city-level climate policy, provide predictable and stable regulatory and financial support for cities, and create a multi-level governance system that elevates cities’ needs.	<ul style="list-style-type: none"> • Undermines climate policy, planning and investment processes, and municipal fiscal autonomy. • Hinders multi-level governance, impacting project approvals and investor confidence.

Systemic challenge	Overview	Impact on urban climate finance
City-level capacity gaps	Cities often lack the capacity to craft climate policies, develop necessary financial and investment plans, and make data-driven decisions relating to climate risk and resilience.	<ul style="list-style-type: none"> Creates financing gaps due to a lack of targets for climate action. Limits the ability of cities to source, prepare, and implement investable projects.
Inadequate capital mobilization	Cities struggle with poor creditworthiness, limited access to capital markets, and limited fiscal capacity. This is particularly pronounced in EMDEs, which often suffer from inadequate capital flows.	<ul style="list-style-type: none"> Increases reliance on insufficient local revenues. Deters direct investment in cities due to repayment risk.

The 2024 State of Cities Climate Finance report (SCCFR) provides the most comprehensive assessment of urban climate flows and needs globally. It aims to inform action on the Cities Climate Finance Leadership Alliance (CCFLA) goal of mobilizing finance for city-level climate action at scale by 2030.

This work builds on the framework of the SCCFR 2021, ensuring data comparability and revealing trends in urban climate flows over time. This information can be used to monitor, benchmark, and inform progress. The current report also makes methodological improvements for assessing urban climate finance and, for the first time, presents a granular estimate of what cities need to reach crucial climate benchmarks.

WHERE ARE WE NOW?

Tracked urban climate finance flows¹ have more than doubled between 2017 and 2022, reaching USD 831 billion in 2021/2022. Most of this increase (USD 391 billion) represents additional finance over time, especially for mitigation activities in transport, energy systems, and buildings and infrastructure. Improvements to our methodology and data sources account for the remaining growth (USD 57 billion).

Private finance accounted for 49% (USD 404 billion) of total urban climate finance, and public finance accounted for 22% in 2021/2022.² Private finance tripled between 2017 and 2022, while public finance more than doubled. The largest source of tracked private finance was households and individuals (USD 187 billion, 46% of private finance), mostly investing in electric cars (USD 128 billion) and the buildings sector (USD 36 billion).

¹ This report defines “urban climate finance” as including all sources of finance flowing within cities and channeled by all types of public and private actors (including households/individuals) for climate mitigation and adaptation. These tracked flows are a combination of primary project-level investments and capital expenditure estimations across different sectors.

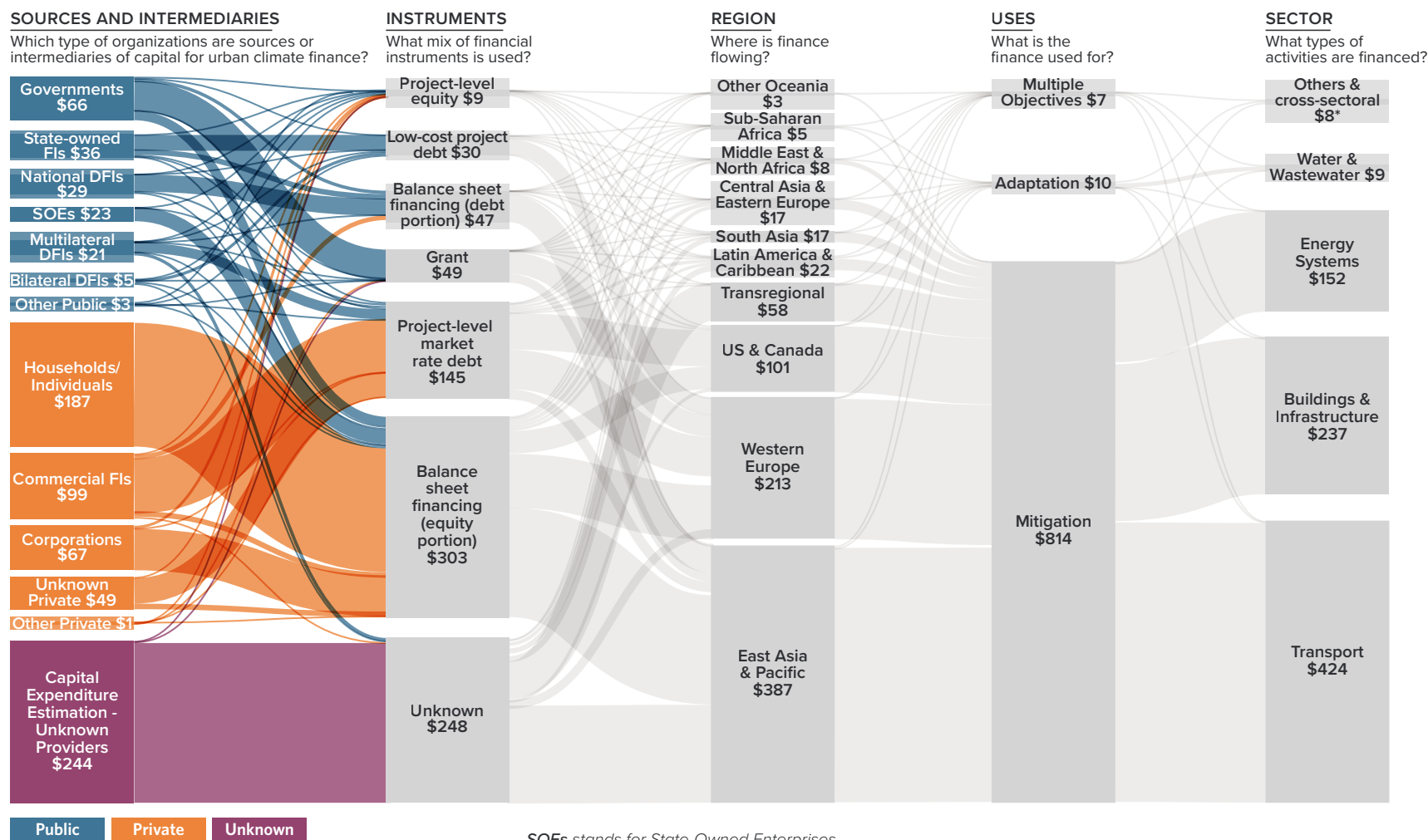
² The sources of the remaining 29% are unknown, largely due to capital expenditure estimations.

Figure ES1: The landscape of urban climate finance in 2021/2022 (USD billion)

LANDSCAPE OF URBAN CLIMATE FINANCE IN 2021/2022

Global urban climate finance flows for 2021 and 2022. Values are averages of two years' data to smooth out fluctuations, in USD billions.

831 BILLION USD ANNUAL AVERAGE



"Other Public" sources include export credit agencies (ECAs), multilateral climate funds, public funds and unknown public.
 "Other Private" sources include institutional investors and funds.

SOEs stands for State-Owned Enterprises.
 FIs stands for Financial Institutions.
 DFIs stands for Development Finance Institutions.
 Transregional refers to financing that was tracked for multiple regions.

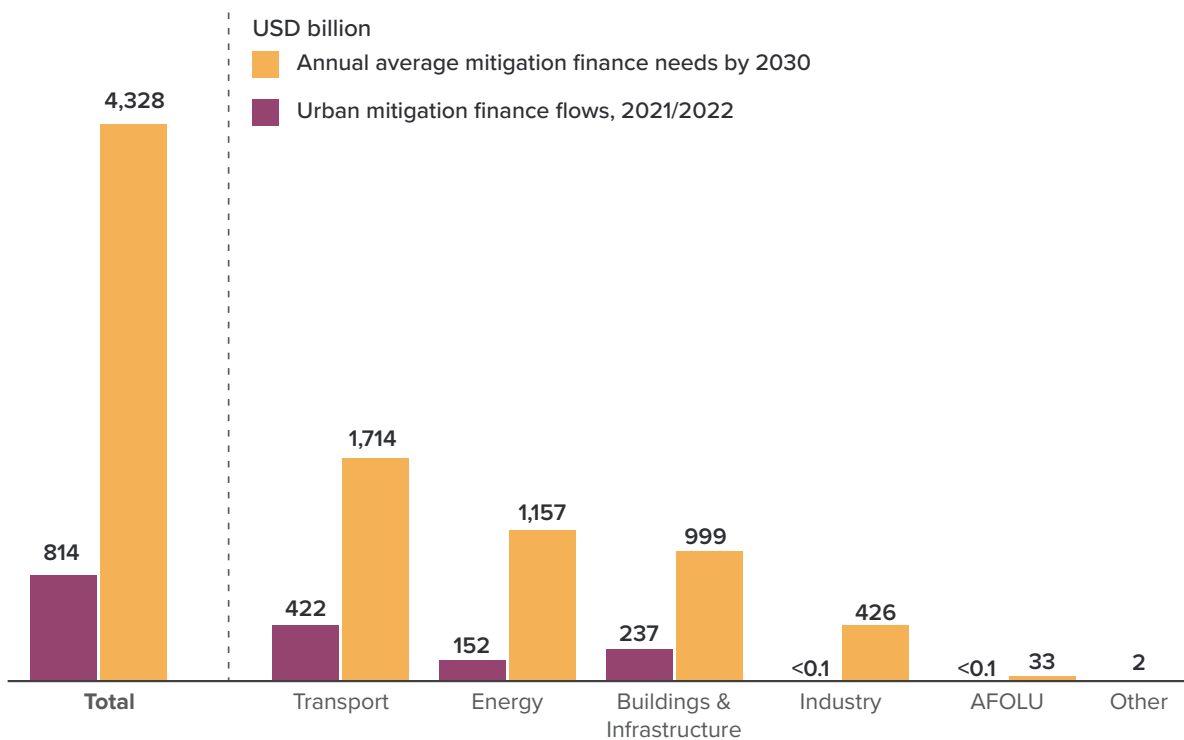
* Includes waste, agriculture, forestry and other land use, information and communications technology, and industry

National governments and development finance institutions (DFIs) were the largest providers of public urban climate finance in 2021/2022. These actors committed 36% (USD 66 billion) and 30% (USD 56 billion) of total public investments, respectively. Within the DFI group, national DFIs provided more climate finance to cities than multilateral DFIs, even though the multilaterals provided more climate finance overall, according to CPI’s Global Landscape of Climate Finance (2023).

Domestic sources provided 69% of overall urban climate finance (USD 570 billion). This is particularly true for private flows, where domestic sources accounted for 96% (USD 389 billion).³ Most of this tracked domestically sourced private finance was in developed countries (USD 240 billion or approximately 62% of domestic private finance), followed by EMDEs (USD 147 billion or almost 38%), with just 0.2% (USD 0.8 billion) in least developed countries (LDCs). Regionally, 92% of total private finance was concentrated in East Asia and the Pacific (USD 146 billion), Western Europe (USD 133 billion), and the US and Canada (USD 92 billion).

Some key mitigation sectors saw increased finance (energy, transport, and buildings and infrastructure) in 2021/2022, but all sectors remain underfunded relative to their needs. Urban transport received the most mitigation finance, amounting to 52% (USD 422 billion) of these funds, with a focus on electric cars and metro infrastructure. This was followed by buildings and infrastructure, receiving 29% (USD 237 billion), concentrating on appliances, lighting, and energy efficiency investments. The next-largest recipient sector was energy, receiving 19% (USD 152 billion), mostly for solar PV.

Figure ES2: Climate finance in key urban mitigation sectors vs finance needs



³ Chinese domestic private flows reached USD 124 billion, including USD 86 billion of investment in electric cars by Chinese households.

Tracked urban climate finance remained heavily skewed toward developed economies and China.⁴ Flows were severely insufficient in developing economies in South Asia (at USD 17 billion), the Middle East and North Africa (USD 8 billion), and sub-Saharan Africa (USD 5 billion). Limited investment in these rapidly urbanizing and developing regions highlights inequity in global climate finance flows, undermining their ability to mitigate and adapt to climate change and exacerbating urban vulnerabilities.

Urban adaptation finance rose to USD 10 billion in 2021/2022, up from USD 7 billion in 2017/2018. Adaptation flows to EMDEs totalled USD 6 billion. Most tracked adaptation finance was in the water and wastewater sector (68%, or USD 7 billion). Private and public sources provided similar amounts of urban adaptation finance, about USD 4 billion each. We note that a lack of data limits our ability to fully track adaptation finance.

WHAT DO CITIES NEED?

For climate mitigation alone, cities require an estimated USD 4.3 trillion annually from now until 2030, and over USD 6 trillion per year from 2031 to 2050. This report provides the first granular assessment of urban mitigation finance needs, disaggregated by sector and region. Underlying data gaps prevent a similarly comprehensive estimate of urban adaptation needs, though we present initial estimates for some EMDEs.⁵ Comparing urban climate finance flows and needs data can elucidate the climate investment required globally in cities and the opportunity gaps by region, climate uses, and other critical factors. CCFLA's urban climate mitigation needs estimates are based on projections of the finance required to fund action to keep global temperature rise within 1.5°C on average by 2100.⁶

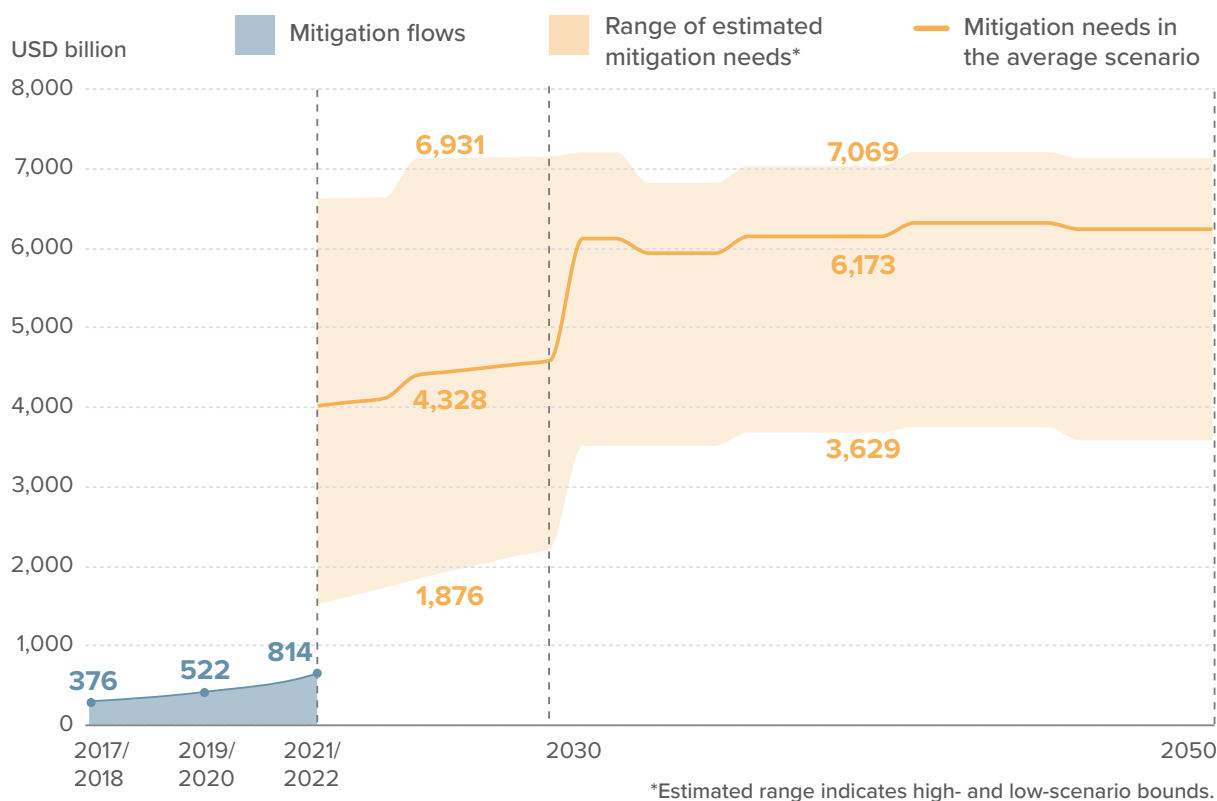
Transport, energy, and buildings dominate cities' mitigation investment needs. Until 2030, cities will require annual investment of USD 1.7 trillion for transport solutions (e.g., EVs and urban rail systems), and USD 1.2 trillion for energy (particularly for renewable power and heat generation). They will also need USD 1 trillion for retrofitting buildings and new construction, as well as energy-efficient Heating, Ventilation, and Air Conditioning (HVAC), water heaters, and cooking systems. The regions with the highest annual urban mitigation investment needs by 2030 are East Asia and the Pacific (USD 1 trillion), Western Europe (USD 978 billion), and the US and Canada (USD 618 billion).

4 East Asia and the Pacific received 47% of global urban climate finance in 2021/2022, with China alone accounting for 28% of global flows.

5 Adaptation needs estimates cover Non-Annex I countries only, a subset of EMDEs. For consistency with the rest of the report, we refer to these as EMDEs. Details are provided in the SCCFR Methodology document.

6 These needs are compiled in the Climate Policy Initiative (CPI) Global Landscape of Climate Finance (GLCF) Climate Finance Needs Database based on predictive models and scenarios, representing pathways aligned with the temperature goals. CCFLA applied estimations to disaggregate these needs into city-specific climate finance according to our definition of urban climate finance. Methodological challenges limit our ability to calculate the urban climate investment gap for every sector.

Figure ES3: Urban climate finance compared with urban mitigation needs by 2050



Note: The range of estimated needs represents high- and low-scenario finance bounds based on predictive models across sectors. This highlights climate-compatible scenarios that vary due to differences in data, assumptions, models, and scope (see SCCFR Methodology Document).

Adaptation needs are more difficult to project due to a general lack of data, particularly from the private sector. We currently only cover the needs of cities in EMDEs, which total USD 147 billion per year until 2030 and USD 165 billion from then until 2050. These estimates are likely gross underestimations due to multiple uncertainties over climate impacts and risks, as well as limitations with the underlying scenario-based models, data, and methodologies. Further, our estimates do not fully capture future adaptation needs, such as the anticipated threefold surge in cooling demand globally by 2050 (IEA 2018), which could require an additional USD 1.5 trillion investment in India alone by 2040 (World Bank 2022).

Moreover, the high cost of climate inaction in cities globally highlights the urgency to close the adaptation financing gap. The economic impacts of climate-related events are massive, with some cities already experiencing billions of dollars in losses due to water shortages, flooding, and infrastructure damage.⁷ The costs of inaction could be severe in the future, with projections for damage covering many different types and geographies of cities.

⁷ For example, Jackson, Mississippi, faced losses of USD 2 billion after flooding in 2022 (Pettus 2023). Auckland, New Zealand, and Durban, South Africa, incurred USD 2 billion (Munich Re 2024) and USD 1.5 billion (Swiss Re 2023) in insured losses from floods in 2023 and 2022, respectively, while the Indian city of Chennai's 2015 flood damages were estimated to be around USD 1.1 billion (The Hindu 2015).

CLOSING CITIES' CLIMATE FINANCE GAP

The global shift to a sustainable economy will hinge on cities, and it is crucial to ensure that they receive adequate finance to achieve climate targets and undergo an equitable transition. Building on our analysis, CCFLA proposes **four key recommendations to scale urban climate finance**:

1. **Improve the quantity and quality of urban climate finance.**

The growing flows of urban climate finance must accelerate even faster—by at least fivefold—to achieve decarbonization goals and safeguard cities from climate hazards. Enhancing the quality of finance—how it is distributed among sectors, addresses underlying inequities, and strengthens enabling environments—is also key. The limited available public finance must be used strategically to crowd in private investment to fill these gaps. Cities' climate action is typically financed by regular market instruments such as balance sheet equity and market-rate debt financing. While grant financing will remain limited, this can be used more strategically to mitigate risk and increase flows. Finally, addressing inequities both between regions and within cities has huge potential to enhance the effectiveness of urban climate finance as it scales.

2. **Strengthen domestic markets through the strategic use of public finance.**

The urban climate finance ecosystem will need to bolster domestic markets so cities and local governments can better access both public and private finance. This can be done through 1) active collaboration to create country platforms that prioritize urban climate investment, ensuring that cities have a voice in these efforts, and 2) strengthening local governments' capacity to access domestic markets by enhancing capacity building, project preparation, and improving fiscal, financial, and data management.

3. **Rapidly scale urban adaptation finance, particularly in EMDEs.**

The urgency of investing in urban adaptation cannot be overstated, as adaptation finance flows are far from where they need to be. Increasing adaptation finance may require widening the definition and understanding of urban adaptation activities in order to encompass broader resilience-building efforts. Standardized metrics and methodologies that can be widely adopted to track and report adaptation finance will also help to increase coordination and alignment. Cities urgently need to build their capacities to identify climate risks and build the resilience of essential utilities, such as water and energy services. Furthermore, national and local governments should collaborate with DFIs and the private sector to mobilize innovative financial instruments such as blended finance, green bonds, and resilience bonds, which can attract private investments and diversify risks on adaptation finance.

4. **Improve data and tracking of urban climate finance flows and needs.**

There is a significant need to enhance the tracking of urban climate finance and the availability of related data across all public and private institutions. It is also essential for reporting institutions to use harmonized taxonomies of urban climate finance to enhance the interoperability of these tools to reduce reporting inconsistencies. Tracking urban climate finance generates crucial data to support policy and investment decisions by both national and subnational policymakers, as well as impact-oriented investors. This

data is essential for identifying progress, gaps, and opportunities in the green transition of cities.

Addressing systemic barriers and implementing these four recommendations will require coordinated action across sectors, levels of government, and actors. To achieve this, CCFLA proposes that all actors adopt **the 4C Urban Climate Finance Agenda: Commitment, Collaboration, Capacity, and Capital Mobilization.**

Figure ES4: The 4C Urban Climate Finance Agenda

