



International climate change policies: Climate Finance

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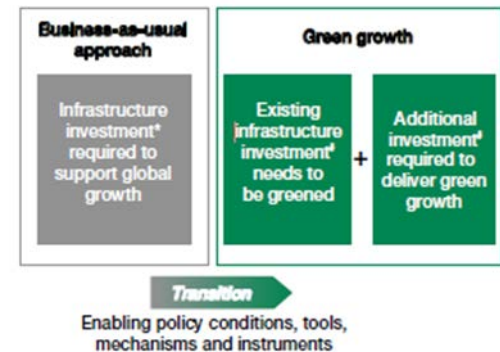
Importance of Climate Finance

Climate finance is critical to:

- provide large-scale investments to significantly reduce emissions
- financial resources to allow countries to adapt to the adverse effects and reduce the impacts of climate change

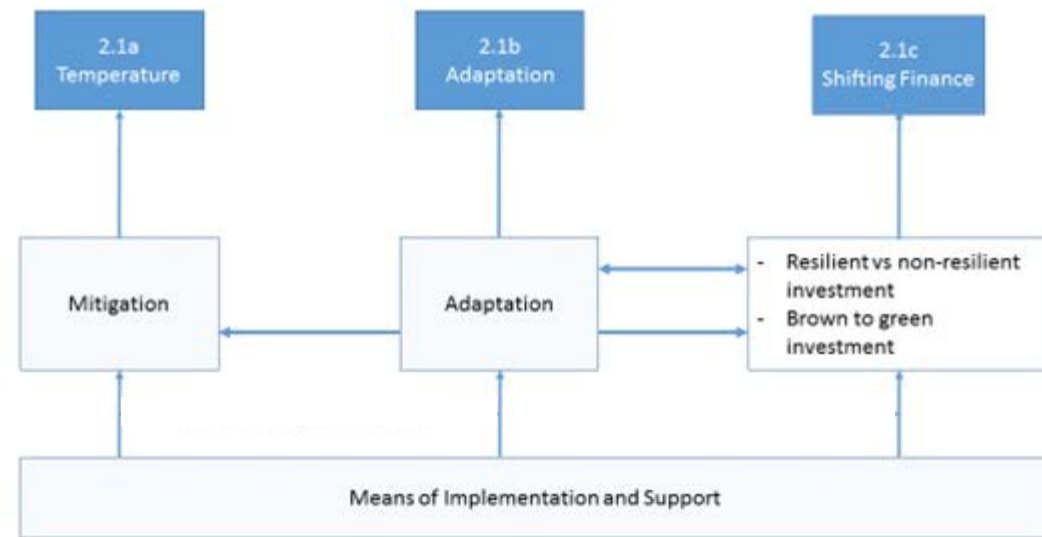
Climate finance refers to:

- local, national or transnational financing
- public, private and alternative sources of financing



Climate finance in the context of the Paris Agreement

- ..hold temperature increase well below 2°C above pre-industrial levels and to pursue efforts to limit temperature increase to 1,5°C..
- ..increase ability to adapt to adverse impacts of climate change and foster climate resilience..
- ..make finance flows consistent with pathways towards low greenhouse gas emissions and climate resilient development..



Level of Climate finance

- pre-2020 provision of urgent and adequate finance (technology transfer and capacity building) support.
- Developed country Parties strongly urged to scale up level of support with a concrete roadmap to achieve **\$100bn annually by 2020**; enhancement of adaptation support
- Developed country Parties continue the collective \$100bn/year goal to 2025.
- Prior to 2025 a **new quantified goal** (from \$100bn floor) shall be set.

Main aspects from COP 22 (Marrakesh) as related to Climate Finance

Future role of the Adaptation Fund

- AF, created under the Kyoto Protocol, should serve the Paris Agreement
- ? governance and institutional arrangements, safeguards, and operating modalities

Long-term Climate Finance (LTF):

- Scaling up of climate finance
- ? Predictability and sources of financing

Modalities for accounting of financial resources provided:

- ? Definition of climate finance
- ? Accounting for private climate finance
- ? Avoidance of double-counting of financial flows

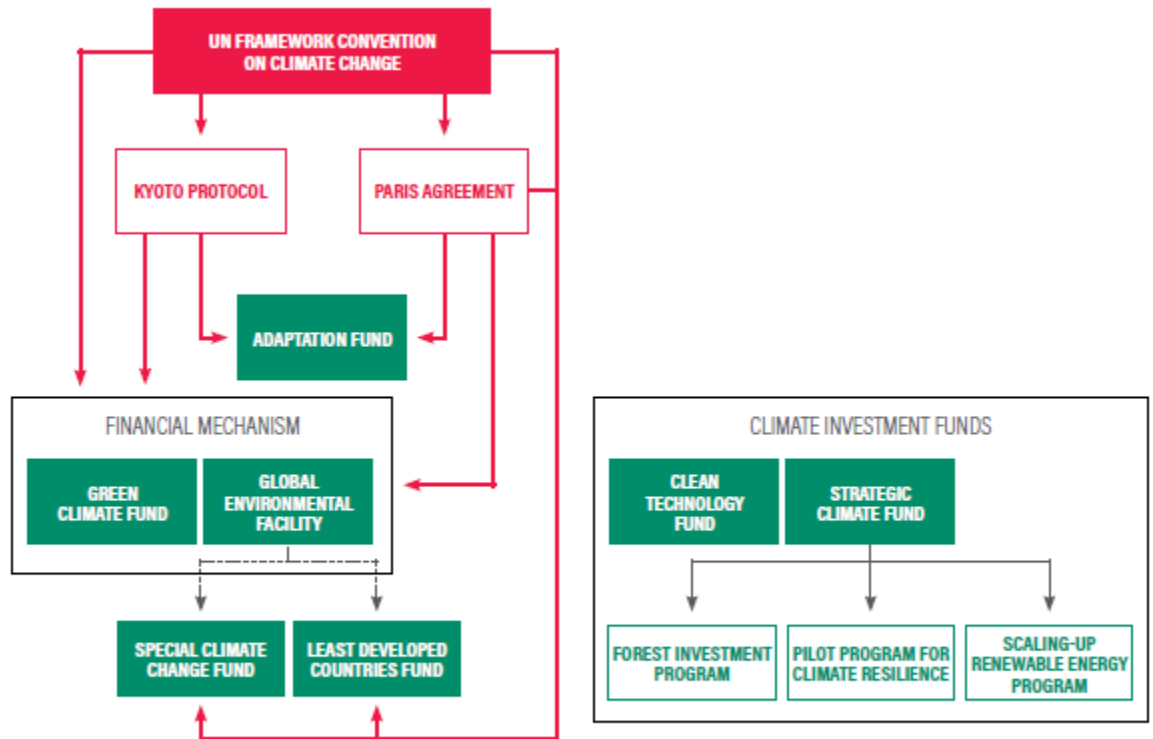
Landscape of Funds related to International Climate Agreements

Overview:

Cumulative pledged funding: **USD 23,7bn**

Funding approved: **USD 11,7bn**

Projects approved: **967**

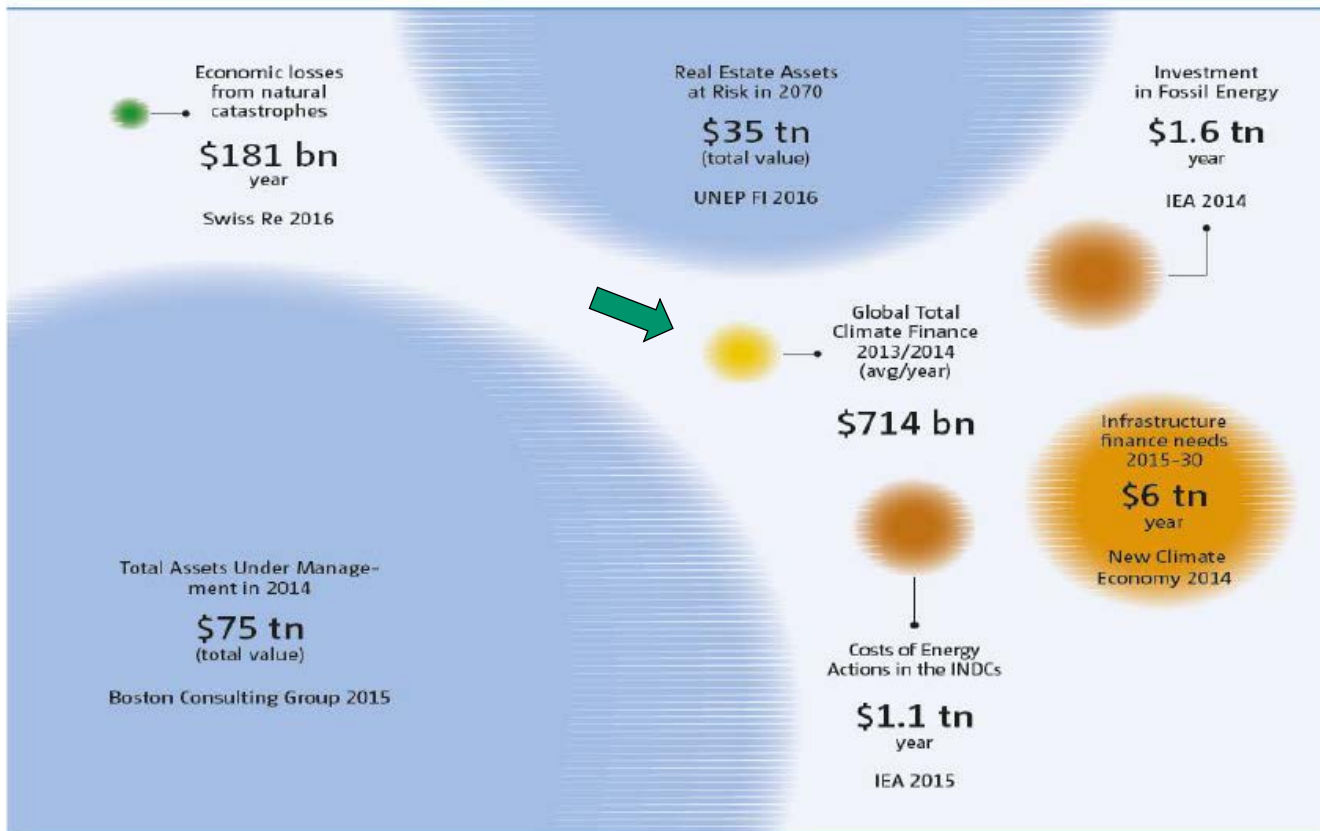


Note: The dotted arrows indicate that the LDCF and SCCF are administered by the GEF.
Source: WRI.

What else is Climate Finance

- Climate finance funding is used to support climate change **mitigation and adaptation**
- Involves traditional funds and new sources
- Plays a key role in shifting and scaling up funding for low carbon investments (such as infrastructure investments / energy efficiency / renewable energy / waste / transport...)
- Combines different sources from state budgets / multilateral sources / bilateral sources / private investments
- Involves financial products (e.g. green bonds)/ leveraging debt finance / equity investment / de-risking instruments (loan guarantees, insurance, foreign exchange facilities)

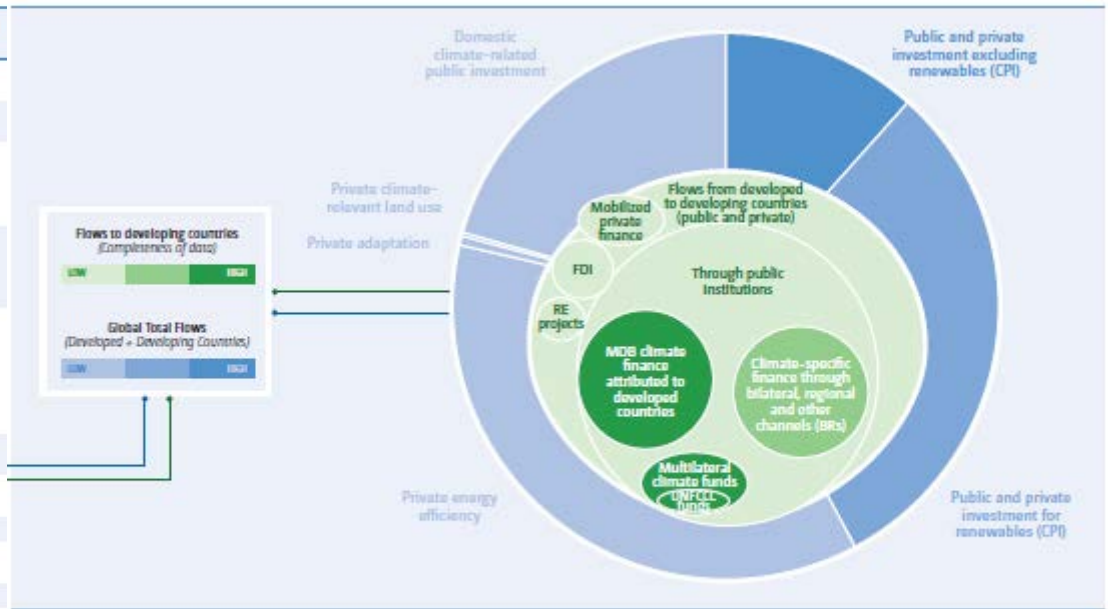
Importance of Climate Finance in context



Source: Standing Committee on Finance (SCF)

Climate finance flows

		2013 (USD billion face value)	2014 (USD billion face value)
Flows to developing countries 2013–2014 average total Public: USD 41 billion Private: USD 2 billion renewables USD 24 billion FDI USD 14.8 billion mobilized	UNFCCC funds*	0.6	0.8
	Multilateral climate funds (including UNFCCC funds)	1.9	2.5
	Climate-specific finance through bilateral, regional and other channels	23.1	23.9
	<i>Of which grants and concessional loans</i>	11.7	12.4
	MDB climate finance attributed to developed countries (own resources only)^a	14.9	16.6
	Renewable energy projects^c	1.8	2.1
	FDI in greenfield alternative and renewable energy	26.4	21.6
	Mobilized private finance^d	12.8	16.7
Global total flows (inclusive of flows to developing countries above) 2013–2014 average total USD 714 billion	Public and private investment excluding renewables (CPI)	95–102	102–112
	Public and private investment for renewables (CPI)	244	285
	Private energy efficiency	334	337
	Private sustainable transport	Not available	Not available
	Private climate-relevant land use	5	5
	Private adaptation	1.5	1.5
	Domestic climate-related public investment	192	192



Abbreviations: BR = biennial report, CPI = Climate Policy Initiative, FDI = foreign direct investment, MDB = multilateral development bank, RE = renewable energy
Note: Figure is not to scale, but seeks to show the relative size of flows. Flows to developing countries are a subset of global total flows.

Source: Standing Committee on Finance (SCF)

Conclusions

- ...to prevent the impacts of climate change -> investment required lies in the trillions of dollars...
- ...largest sums of capital lie in the private sector -> key to align investments with climate and sustainable development goals...
- ...public finance is critical -> direct control by policymakers, essential for providing public goods and services that private sector is unwilling or unable to support...
- ...multilateral climate actors such as MDBs play key role -> using finance to drive the economic and societal transformation necessary to address climate change...

Outlook

Lessons from Climate Finance:

- ...market signals that investment in fossil fuels may no longer be a low-risk business case...
- **need for...**
 - policy frameworks and enabling environments essential
 - public money as „seed money“ (guarantees, insurance, incentives, policy support) to attract private finance
 - the importance of MDBs as front-runner in climate finance mainstreaming



Thank you !

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