

Towards a Sustainable Future: The Role of Finance

15 January 2018, Paris

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 @bbuchner13



CLIMATE
POLICY
INITIATIVE

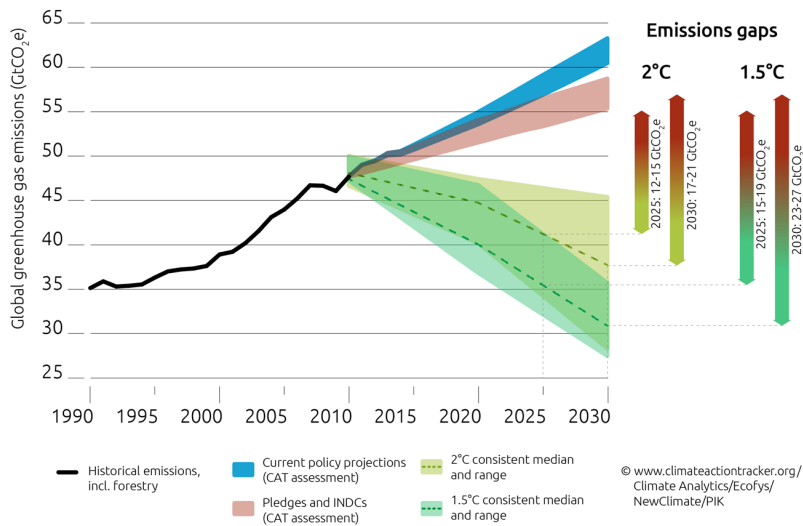
Key challenges of the 21st century

Climate Change

→ Meeting the Paris Agreement goals for Mitigation & Adaptation

Sustainable Development

→ Meeting Sustainable Development Goals



SUSTAINABLE DEVELOPMENT GOALS



LANDSCAPE OF CLIMATE FINANCE IN 2015/2016

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

410 BN USD ANNUAL AVERAGE



SOURCES AND INTERMEDIARIES

Which type of organizations are sources or intermediaries of capital for climate finance?

INSTRUMENTS

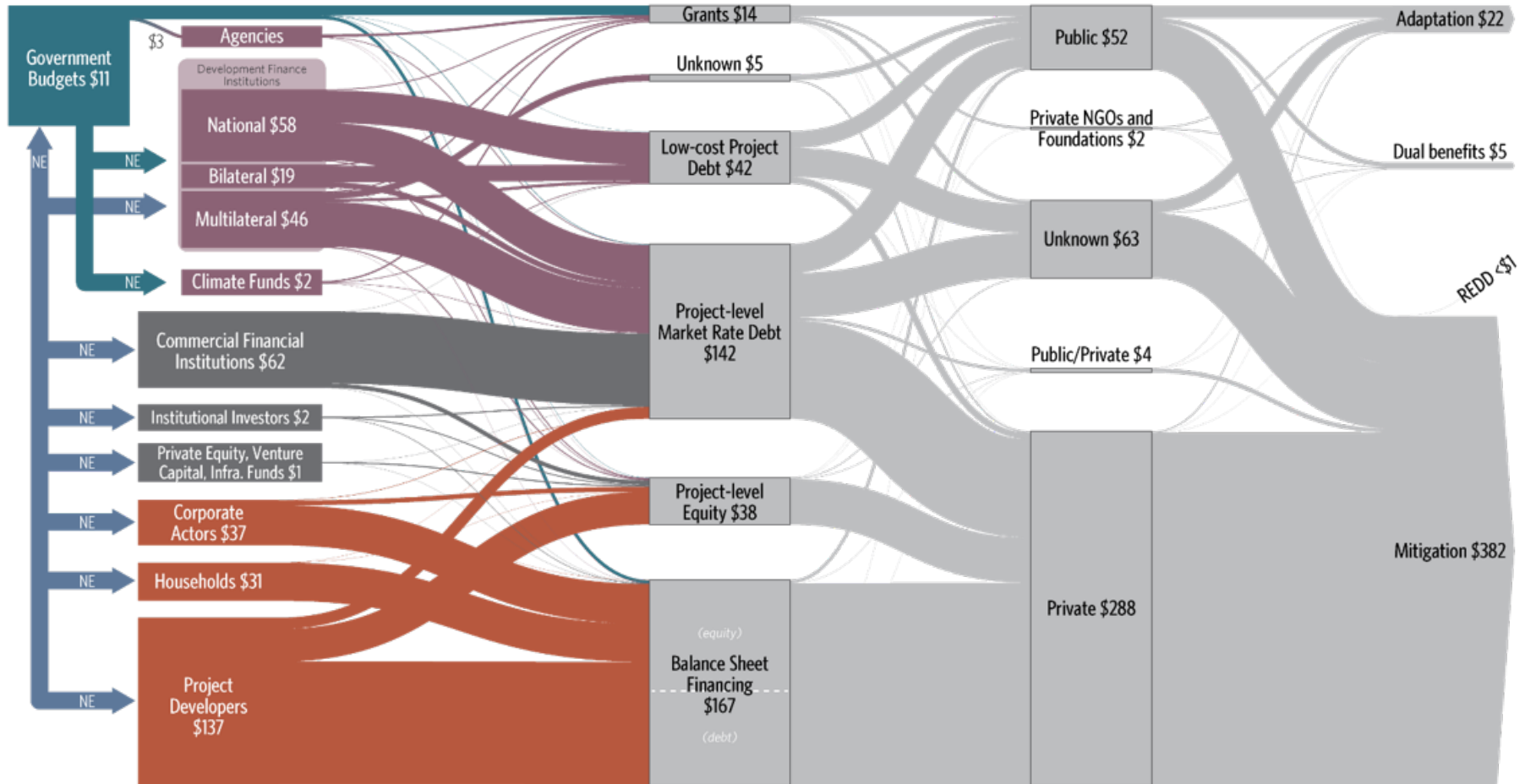
What mix of financial instruments are used?

RECIPIENTS

Does climate finance go through public or private channels?

USES

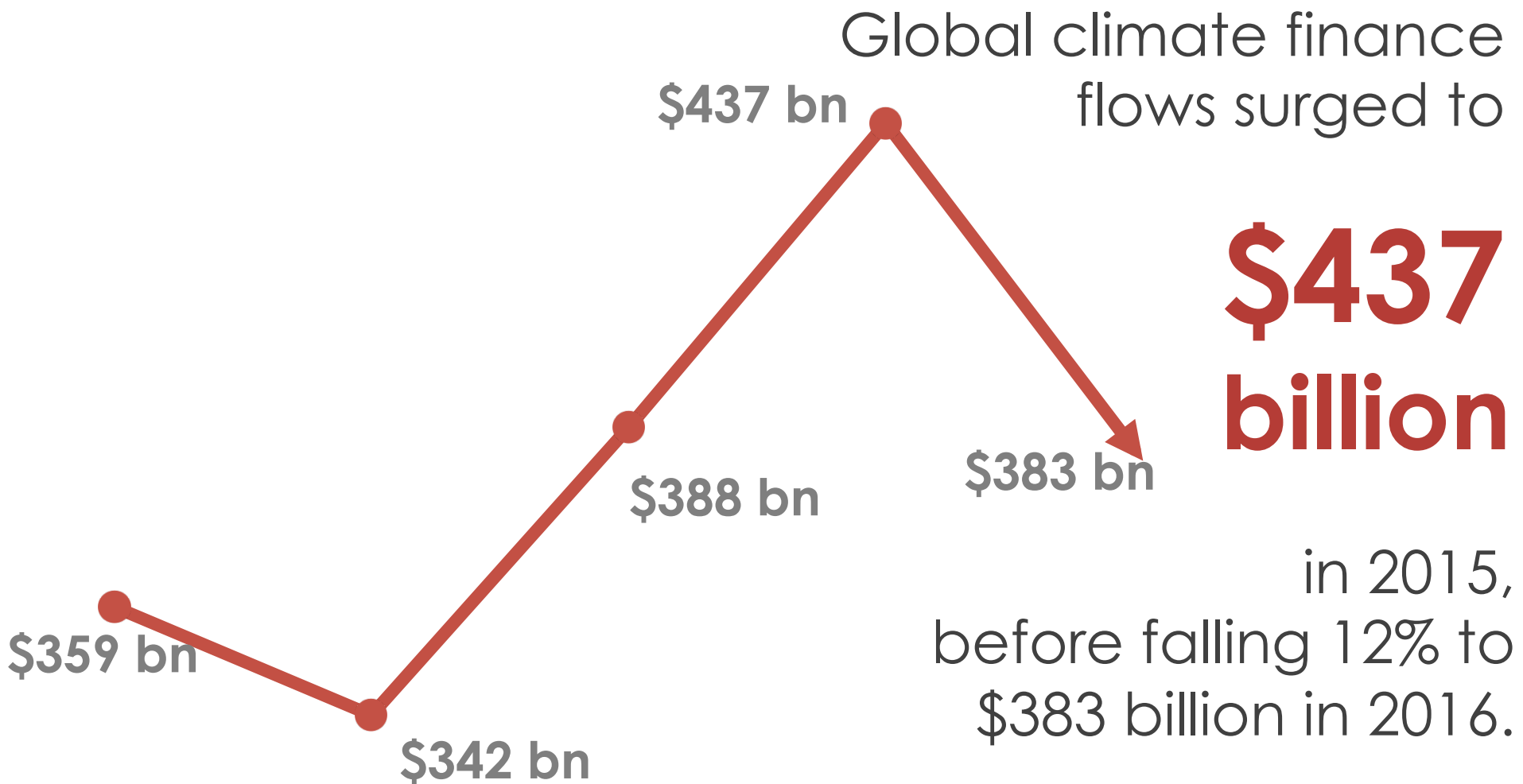
What types of activities are financed?



KEY

- PUBLIC MONEY
- PRIVATE MONEY
- PUBLIC FINANCIAL INTERMEDIARIES
- PRIVATE FINANCIAL INTERMEDIARIES
- FINANCE FOR INVESTORS & LENDERS
- NE: NOT ESTIMATED

Where do we stand?



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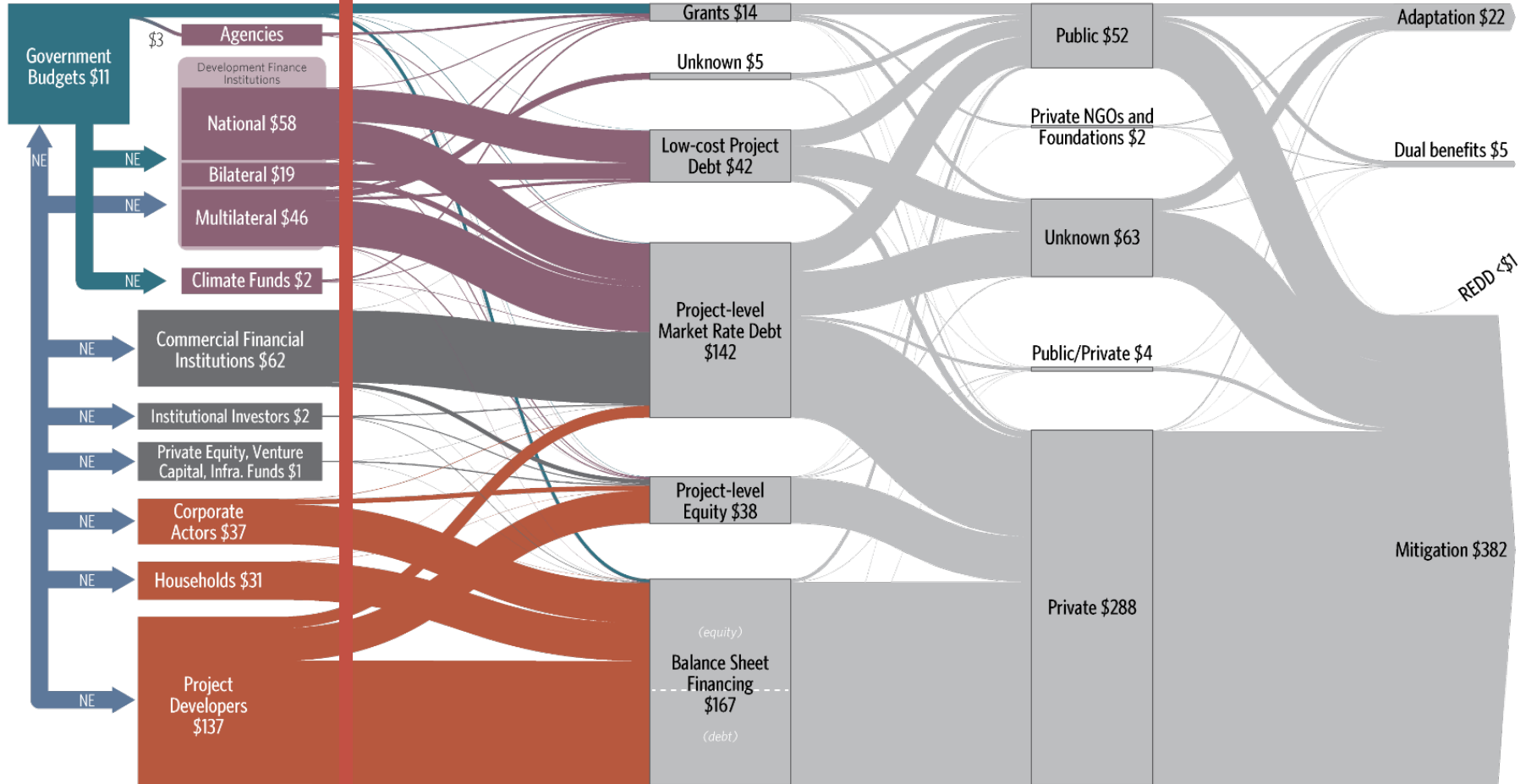
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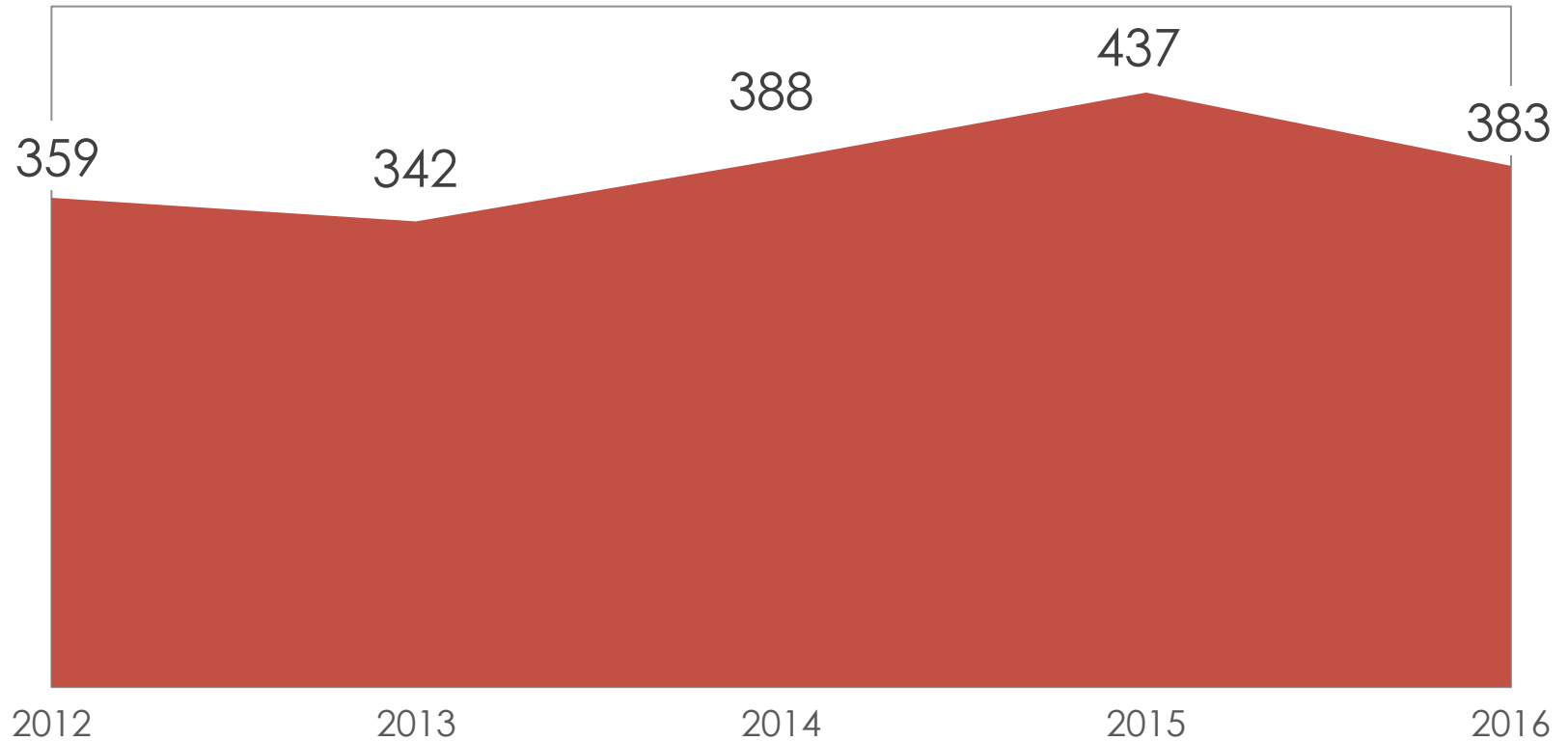
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PRIVATE FINANCIAL INTERMEDIARIES

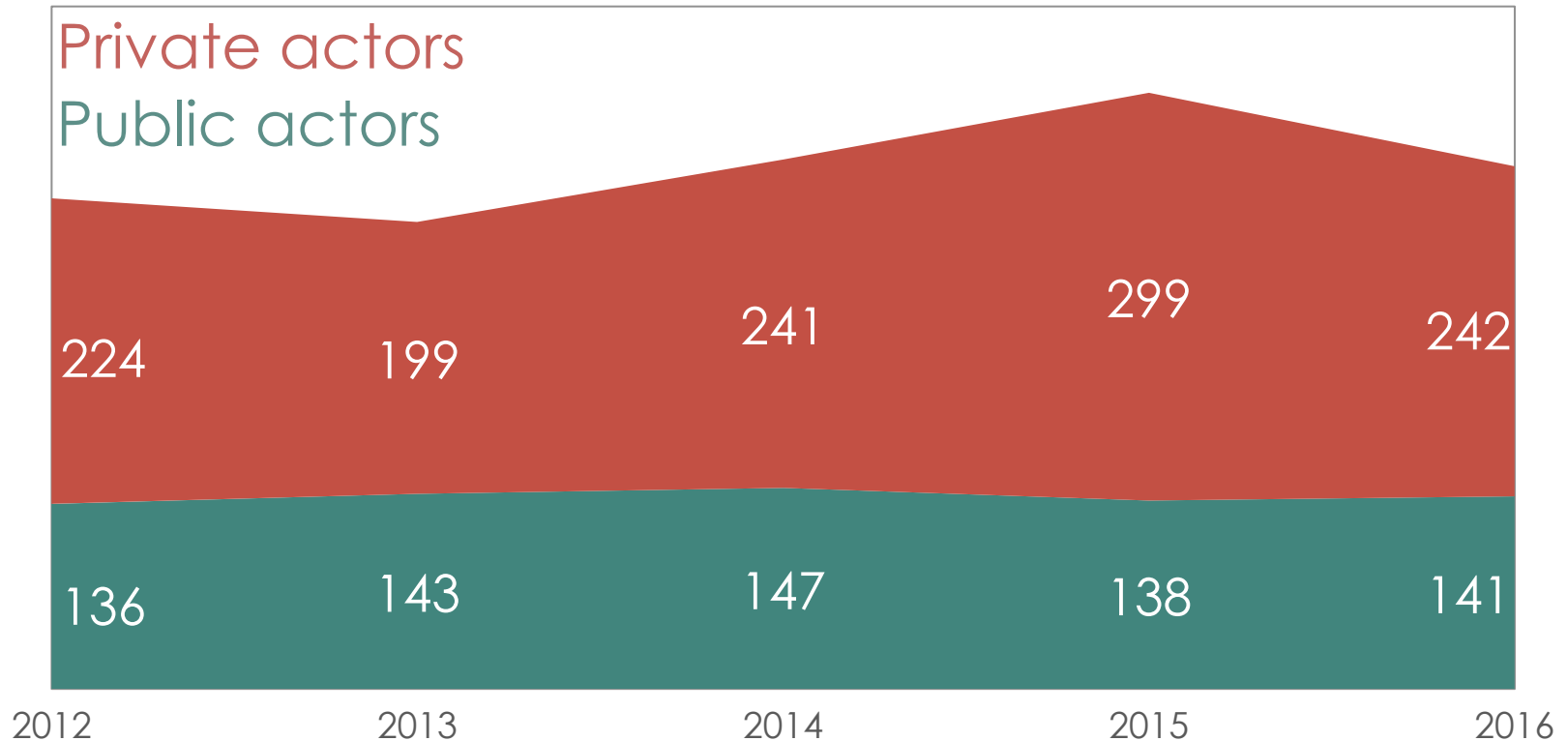
FINANCE FOR INVESTORS & LENDERS

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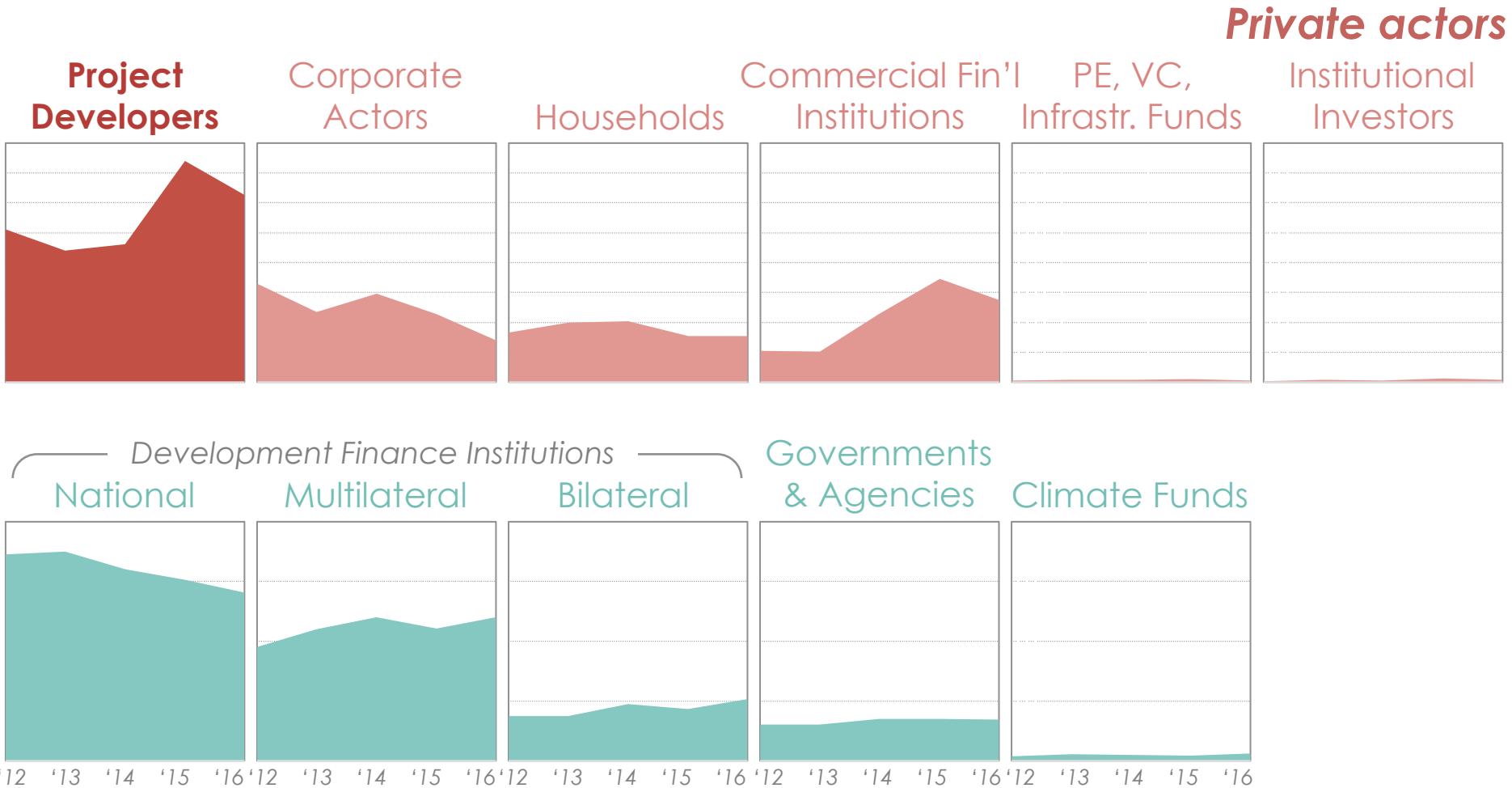
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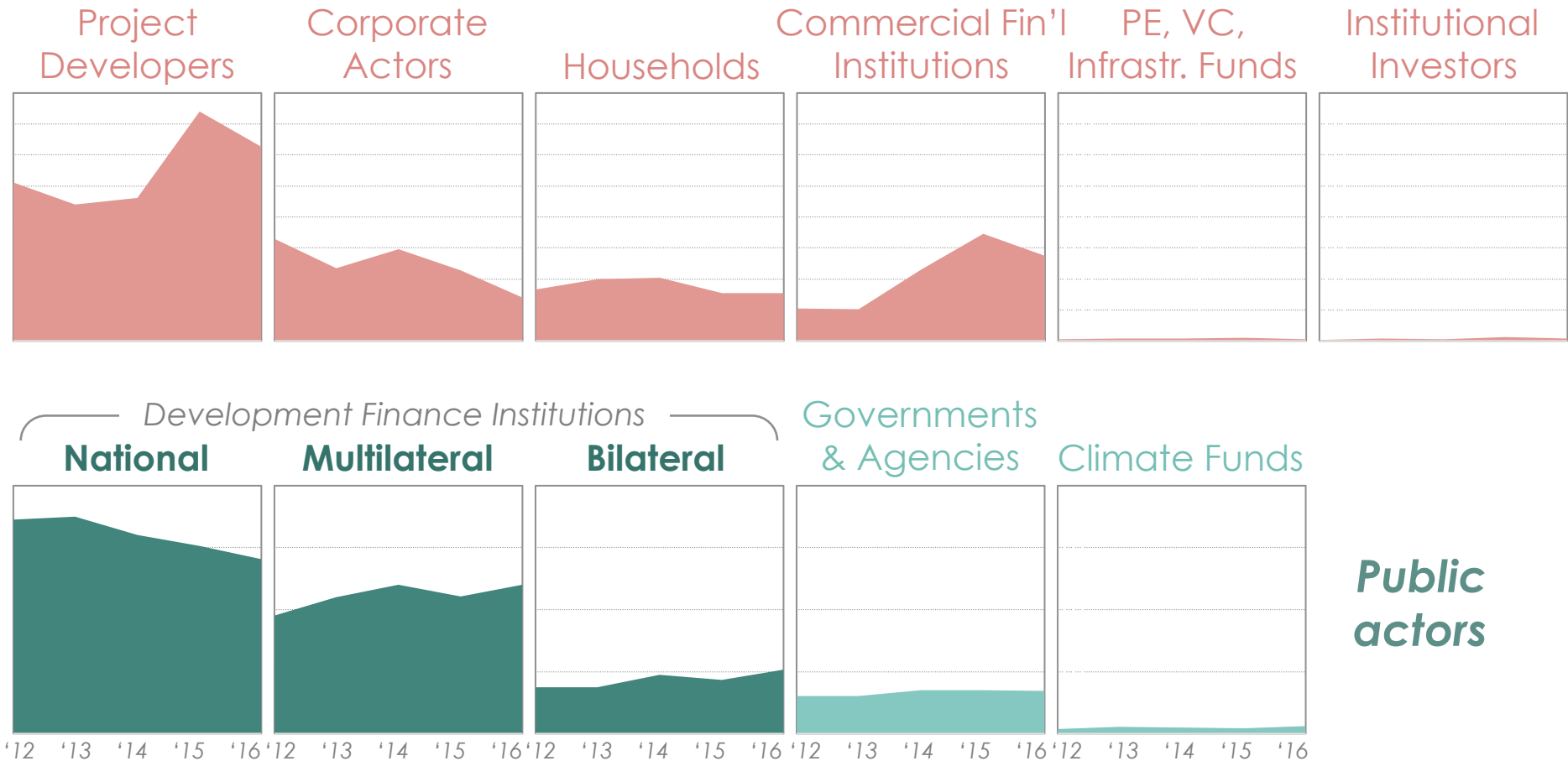
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Project developers consistently drive the largest volume of private finance



On the public side, **development finance institutions** made up the majority of public flows, 89% of the total public finance.



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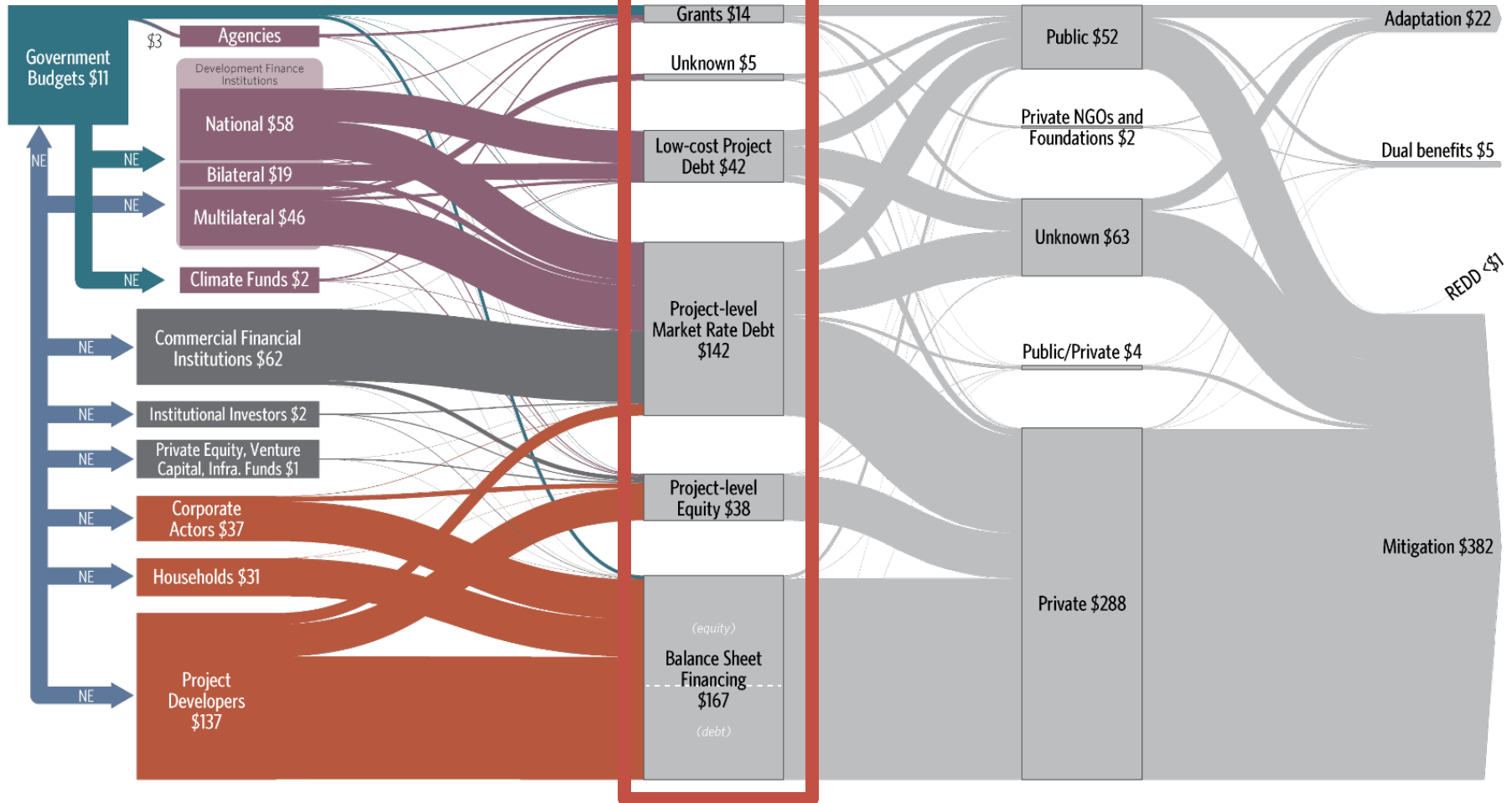
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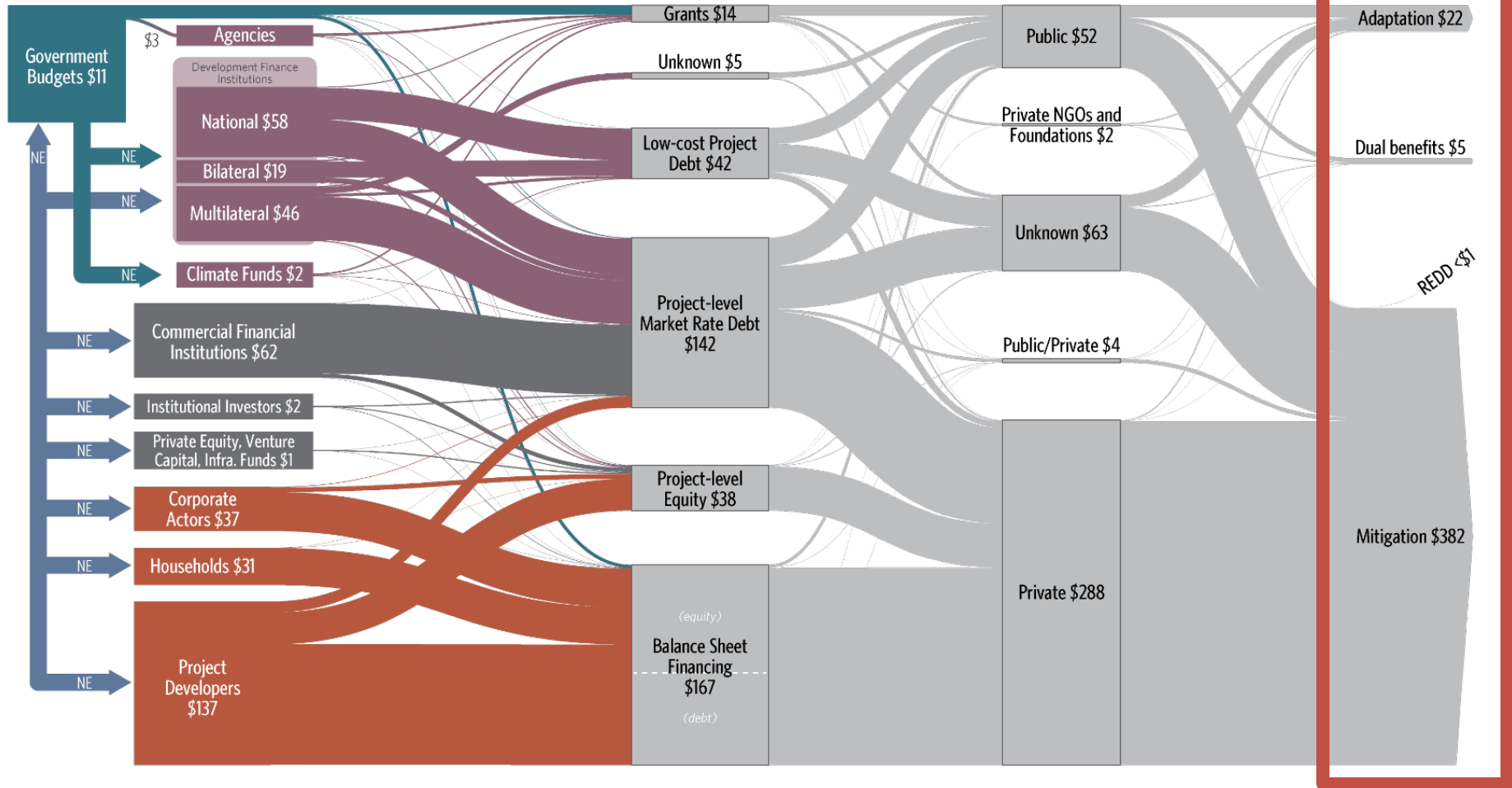
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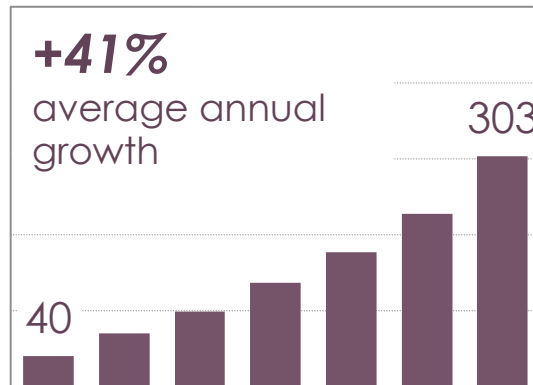
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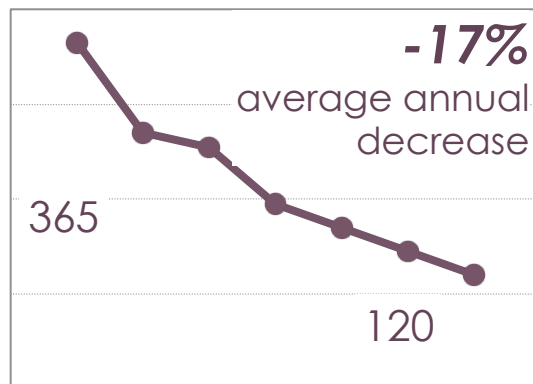
Renewable energy is on track

Global
Cumulative
Installed
Generation
Capacity
(GW)

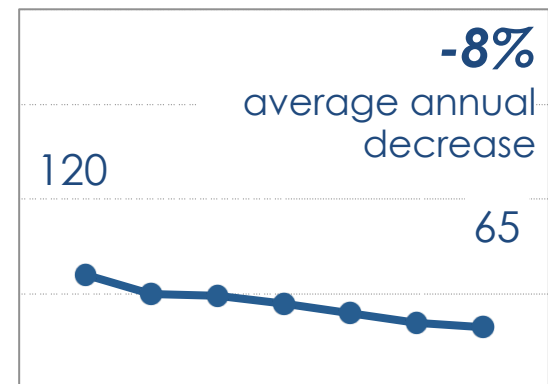
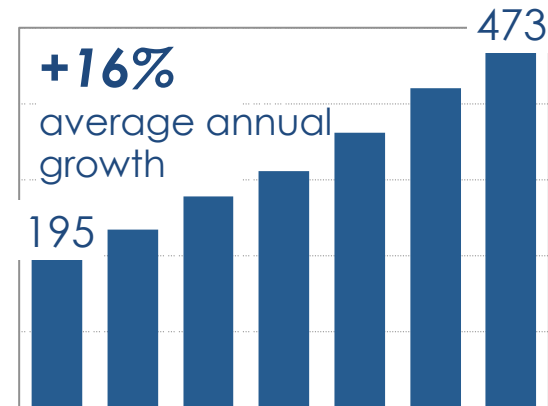
Solar PV



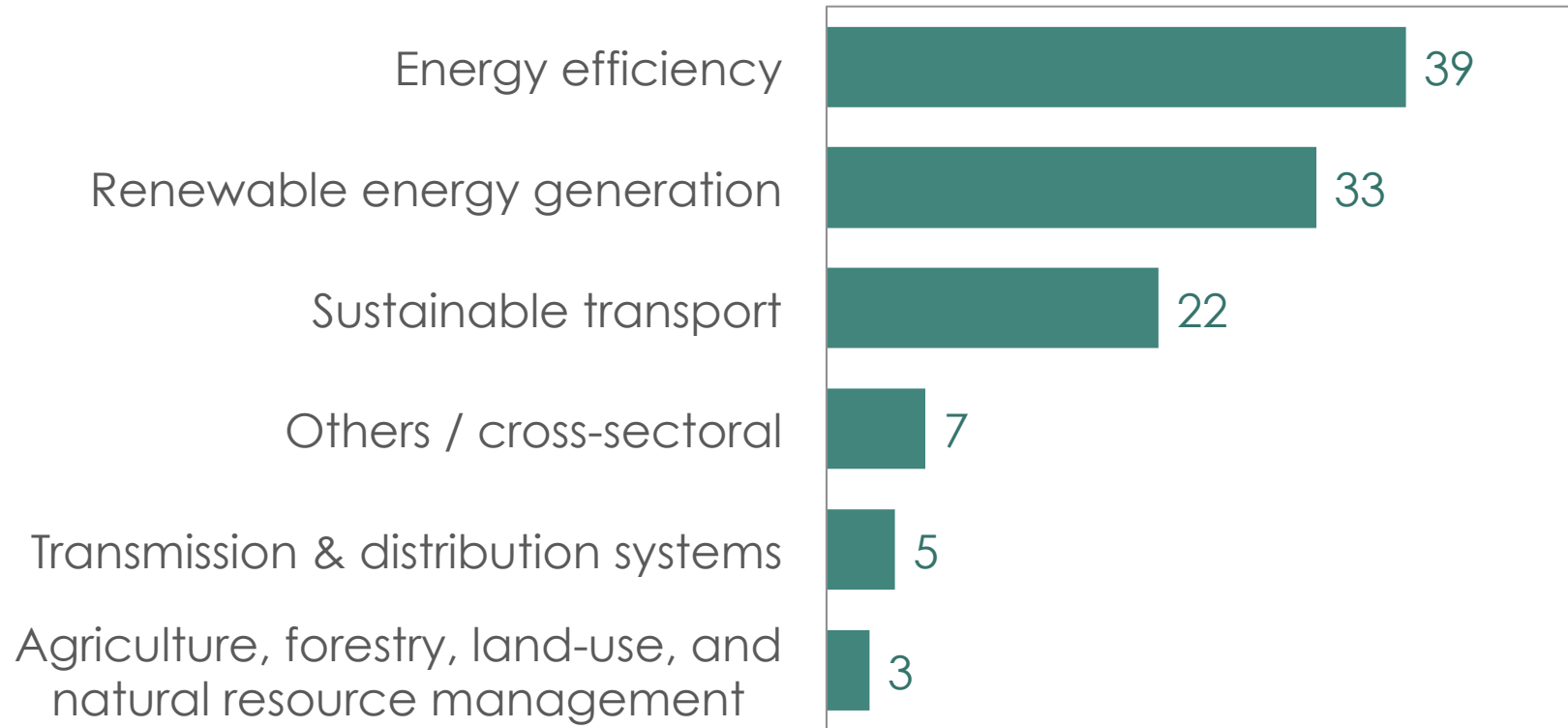
Levelized
Cost of
Electricity
(USD/MWh)



Onshore Wind



Public finance for energy efficiency has overtaken public funding for renewable energy for the first time.



However, fossil fuel investment still dwarfs climate-related investment.

Fossil fuel investments

\$825 bn
(2016)

Climate projects

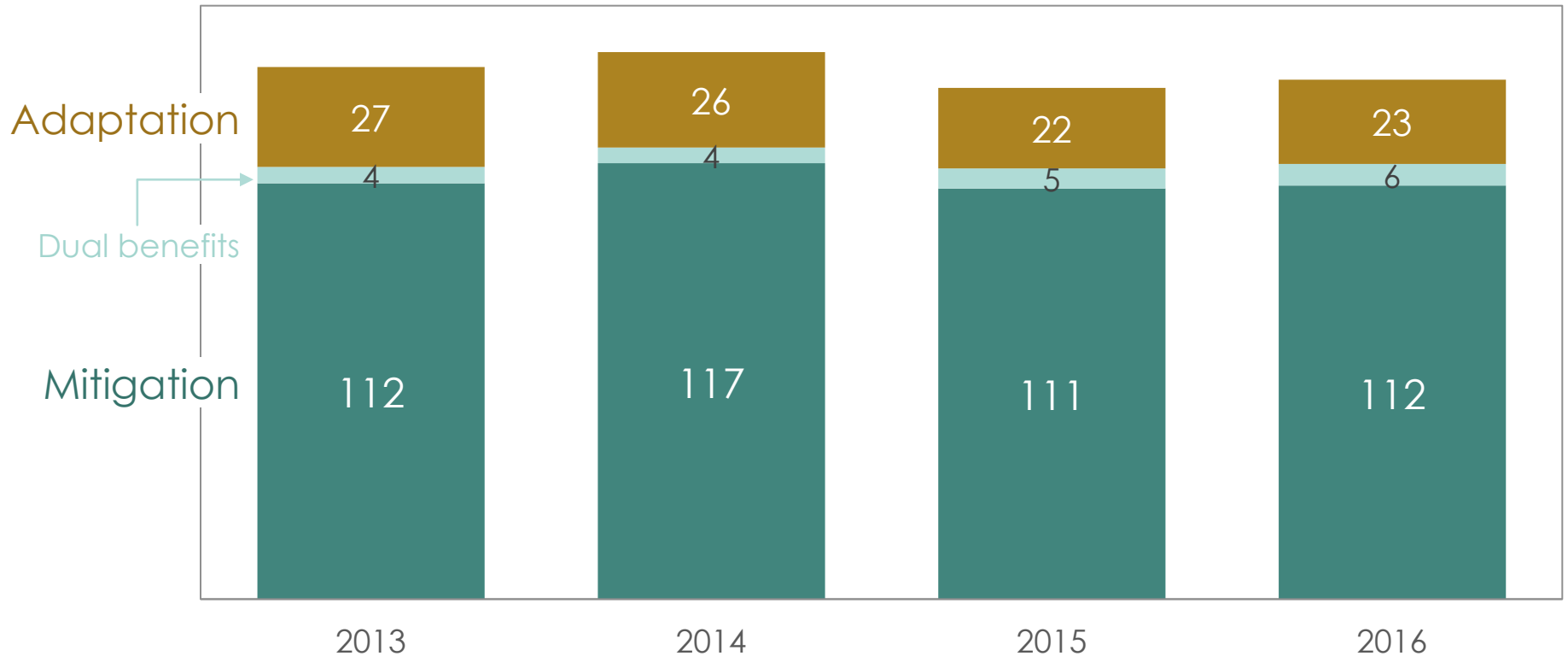
\$410 bn
(2015/16 average)

Underfunded sectors:

Industrial energy efficiency
Transport
Agriculture
Water
Buildings
Curbing deforestation
Adaptation

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

Public funding for adaptation projects remains a challenge.



Is this enough?

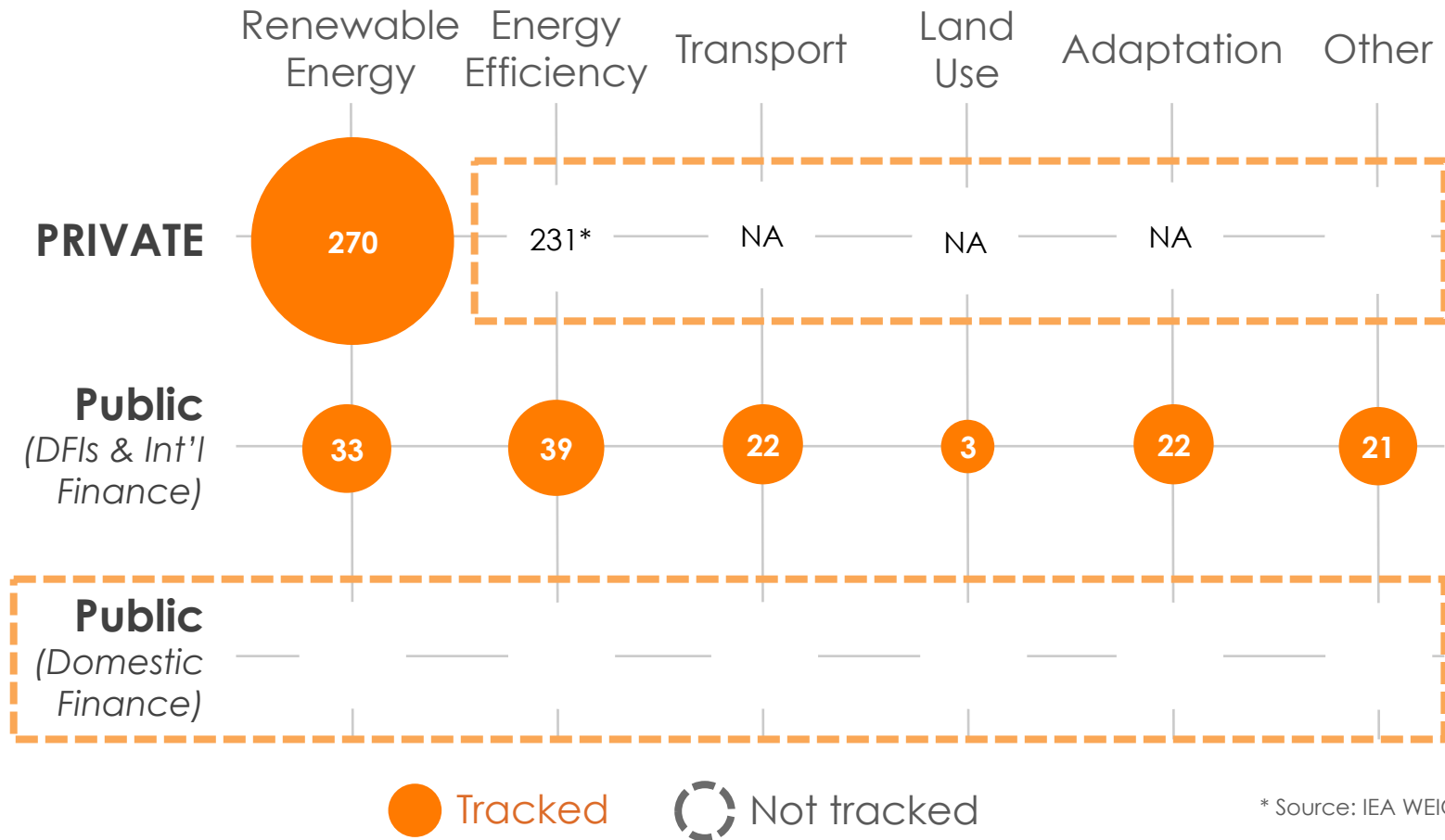
\$300bn

hurricane damage in the US in 2017 alone

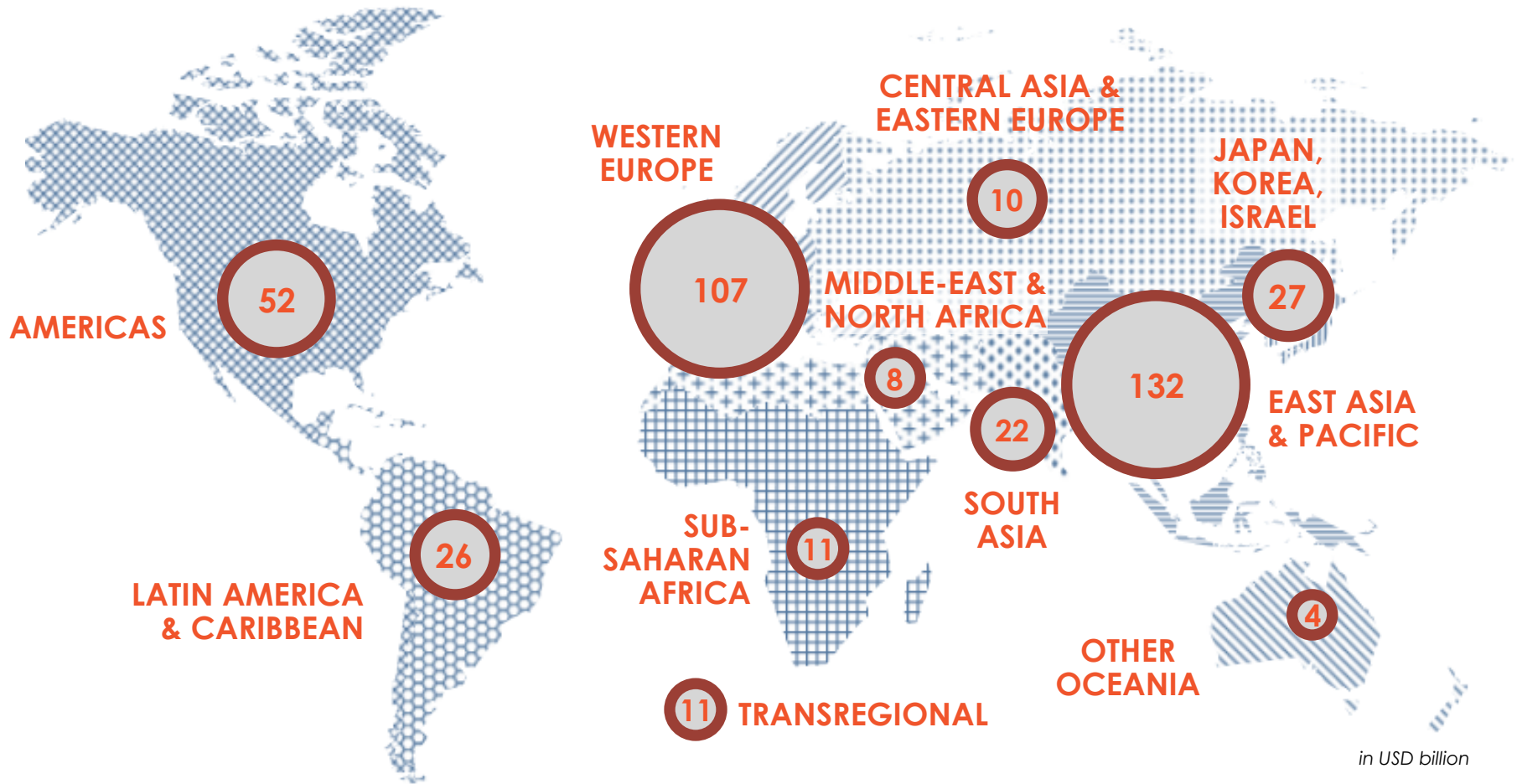


Image from Daily Express

Adaptation tracking is a piece of the challenge

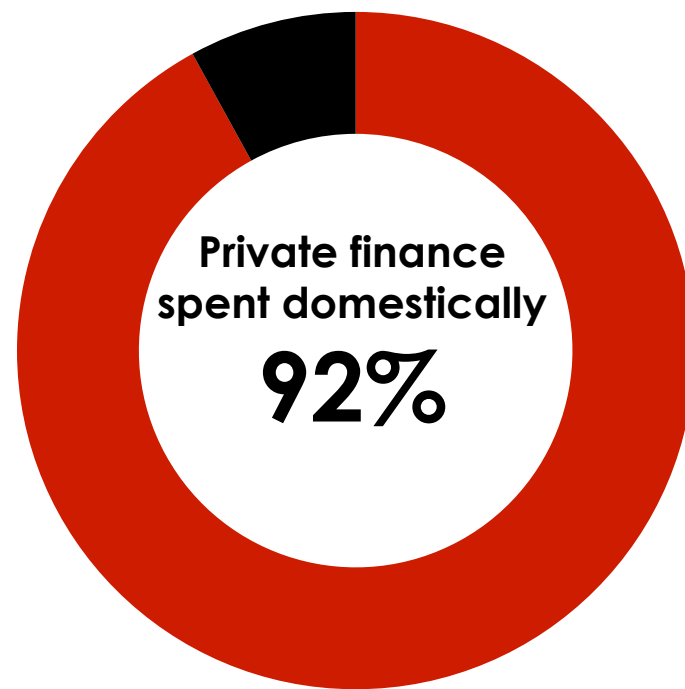
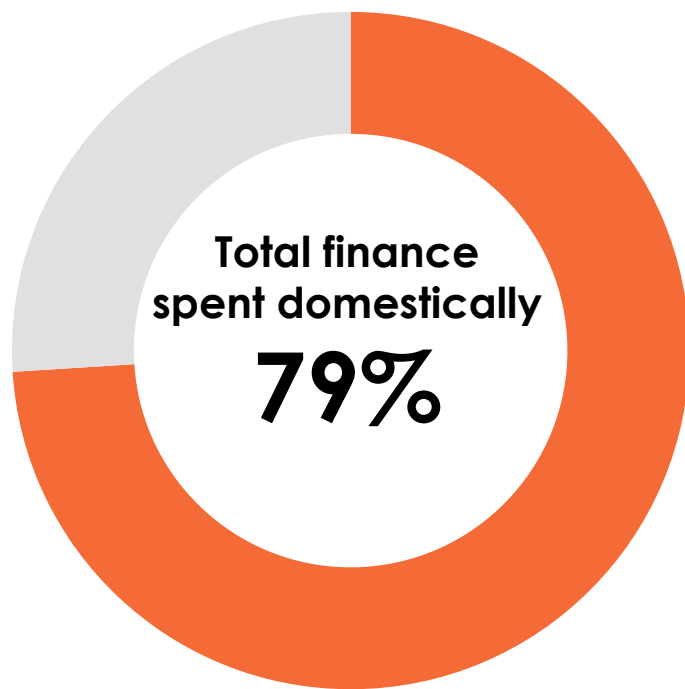


South Asia, and East Asia and Pacific see the largest increase in climate finance



The majority of finance was raised and spent in the same country

Because domestic investment dominates, it is vital to get national policies right



How to scale up?

The problem is not lack of capital

Around **US\$90 trillion** is likely to be invested in infrastructure in the world's urban, land use and energy systems in the next 15 years

Several barriers affect investors' incentives and ability to invest in climate action

Policy gaps

- Inadequate regulatory frameworks

Knowledge gaps

- Investment opportunities
- Pricing of climate risks

Risk, viability & funding gaps

- Inadequate access to finance
- Return uncertainty
- Perceived risks

Barriers vary by type of private actor, region, sector, technology & level of climate exposure

Unlocking innovation: The Lab



India Innovation Lab
for Green Finance

Brasil Innovation Lab
for Climate Finance

Global Innovation Lab
for Climate Finance

Fire Awards for
Sustainable Investment

Founded in 2014, the Lab identifies, develops, and launches sustainable finance instruments that can drive billions to a low-carbon economy.

A public-private partnership to promote innovation



Funders

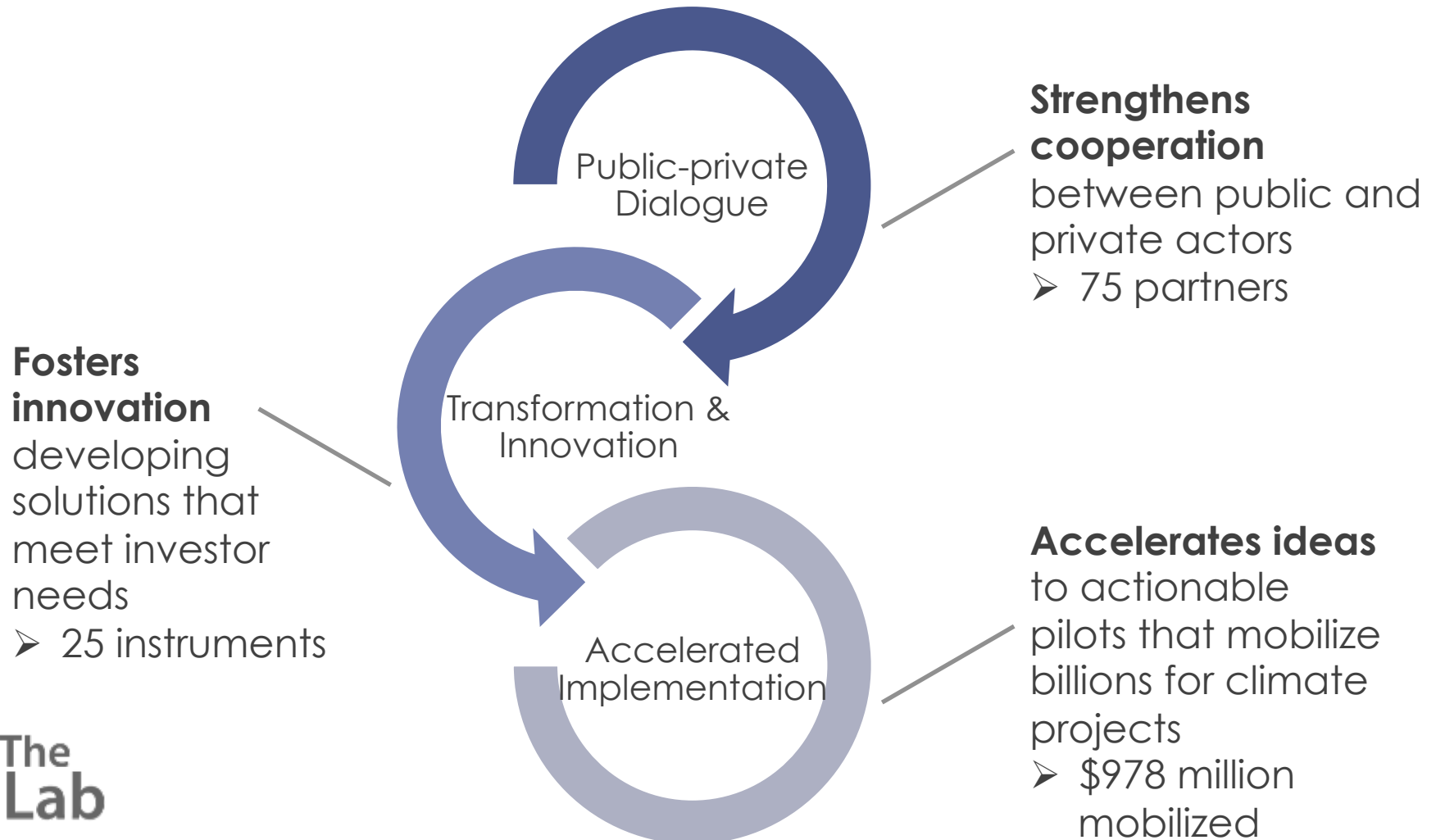


Members



Developing opportunities & delivering impact

Since its launch in 2014, **Lab instruments have mobilized \$978 million for adaptation and mitigation projects around the world**



What next?

Four promising investment and policy trends signal a better outlook in climate finance

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.

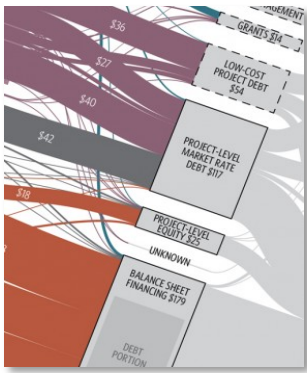
2

3

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

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.

4



EXPLORE OUR WORK:

climatepolicyinitiative.org/publications

EXPLORE THE INTERACTIVE:

climatefinancelandscape.org



Thank you



EXPLORE THE LAB:

climatefinancelab.org



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