Financing Climate Action

Changing the direction of investment
Paris Agreement – global commitment to low-carbon climate resilient economies

(a) 2°C / 1.5°C (Art 1, Para 1.a.) target

(b) Improving adaptation capacity, climate resilience and development (Art 2, Para 1.b.)

(c) Making finance flows consistent with these goals (Art 2, Para 1.c.)

16/11/2022
Response: Central Banks Network

Influential: 116 members and 19 observers (June 2022)

Source: Climate Action in Financial Institutions Initiative
The carbon market growing

FIGURE 1
Map of carbon taxes and ETSs

Carbon pricing initiatives are considered "scheduled for implementation" once they have been formally adopted through legislation and have an official, planned start date. Carbon pricing initiatives are considered "under consideration" if the government has announced its intention to work towards the implementation of a carbon pricing initiative and this has been formally confirmed by official government sources. VC refers to Transportation and Climate Initiative. RGGI refers to the Regional Greenhouse Gas Initiative.
2022 Q1 down 27% but Q2 up 25%
Response: climate finance
Climate Finance Still Growing

Figure 1: Global climate finance in 2011-2021 (USD bn, nominal)
…but far below what is needed

Figure 3: Global tracked climate finance flows and the average estimated annual climate investment need through 2050

(USD billion)

Source: CPI 2021
Summary and recommendations by the Standing Committee on Finance

Fifth Biennial Assessment and Overview of Climate Finance Flows - SCF

16/11/2022
Response: Green Climate Fund, a catalyst for paradigm shift

For developing countries, particularly the most vulnerable

Balancing mitigation and adaptation

Supporting readiness and direct access
Indonesia: Stimulating Blended Finance

A system-approach to drive transformative solutions for climate action and the SDGs
Response: Imperatives for developing countries

Aligning development pathways to climate objectives

➢ Mitigating risk, addressing market failures, correcting policies, providing incentives, opportunities to leap-frog

➢ **Scaling up adaptation efforts**, addressing diverse and context specific needs
Adaptation Finance Lagging

- 5-10 times current finance required
- Adaptation increasingly embedded in national policy and planning (c80% countries)
- UNFCCC note new commitments at CoP26:
  - $350 m to Adaptation Fund
  - $600m to LDC Fund
Public and Private Must Work Together

• Public funds insufficient for effective response
  • But private funds cautious and conservative
    – Perceive risk when no track record

• A key role for public funds is leveraging private

• Key task is reducing perceived risk
  • Choice of instrument crucial
    – Loans, subsidies and grants can sometimes produce perverse outcomes
    – More financial innovation essential
Thank you