Resilience as a Business: How the private sector can turn climate risk into business & investment

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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.

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?

410 BN USD ANNUAL AVERAGE

Government Budgets $111

- Agencies $3
  - Development Finance Institutions
- National $58
- Bilateral $19
- Multilateral $46
- Climate Funds $2

Commercial Financial Institutions $62

- Institutional Investors $2
- Private Equity, Venture Capital, Infra. Funds $1
- Corporate Actors $37

Households $31

Project Developers $137

Grants $14

Unknown $5

Low-cost Project Debt $42

Project-level Market Rate Debt $142

Project-level Equity $38

Balance Sheet Financing $167 (debt)

PUBLIC PRIVATE PUBLIC FINANCIAL PRIVATE FINANCIAL INVESTORS & LENDERS INTERMEDIARIES INTERMEDIARIES

Public $52

Private NGOs and Foundations $2

Unknown $63

Public/Private $4

Private $288

Adaptation $22

Dual benefits $5

Mitigation $382

REDD $5

NE: NOT ESTIMATED
Funding for adaptation projects remains a challenge

<table>
<thead>
<tr>
<th>Year</th>
<th>Adaptation</th>
<th>Mitigation</th>
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<tbody>
<tr>
<td>2013</td>
<td>27</td>
<td>112</td>
</tr>
<tr>
<td>2014</td>
<td>26</td>
<td>117</td>
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<tr>
<td>2015</td>
<td>22</td>
<td>111</td>
</tr>
<tr>
<td>2016</td>
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</tr>
</tbody>
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Dual benefits
Is this enough?

$300bn

hurricane damage in the US in 2017 alone

Image from Daily Express
Adaptation tracking is a piece of the challenge

PRIVATE

Renewable Energy: 270
Energy Efficiency: 231*
Transport: NA
Land Use: NA
Adaptation: NA
Other: NA

Public (DFIs & Int’l Finance)

33
39
22
3
22
21

Public (Domestic Finance)

Tracked
Not tracked

* Source: IEA WEIO 2017
Key barriers can hold back private adaptation investment

**Policy, regulatory and institutional gaps**
- Non-existent or deficient regulatory frameworks

**Knowledge gaps**
- Inability to evaluate and incorporate climate change risks into investment or financing decision making

**Funding, viability & risk coverage gaps**
- Inadequate access to finance, or uncertainties about investment returns, additional / higher up-front costs, risk aversion

*Barriers vary by type of private actor & level of climate exposure*
Governments, their agencies, and DFIs, can equip businesses with the information and tools they need to integrate climate information into investment decisions.

Efforts to green existing public financial flows are beginning to take root, though more work remains, particularly for adaptation.

New and innovative financing instruments can strategically use concessional capital to de-risk adaptation projects and drive private-sector investment in developing countries.
Unlocking innovation: The Lab

Since its launch in 2014, Lab instruments have mobilized $977 million for adaptation and mitigation projects around the world.

The Lab identifies, develops, and launches sustainable finance instruments that can drive billions of dollars to a low-carbon, climate resilient economy.
Adaptation Lab Instruments

Climate-Smart Lending Platform (CSLP)

The Water Financing Facility (WFF)

Oasis Platform for Catastrophe & Climate Change Risk Assessment

Cloud Forest Blue Energy Mechanism
Thank you