A MIXED PICTURE: The Landscape of Climate Finance

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Defining “climate finance” – what is it?

Terms you have been hearing: Climate impacts, Climate Action Plans to address impacts, mitigation (addressing causes of climate change), adaptation/resilience (adjusting to impacts that will happen), etc. Where these require ADDITIONAL costs compared to business-as-usual, such costs are broadly referred to as “Climate Finance”.

So this includes all financial flows for supporting...

... mitigation & adaptation...

... public, public-private or private flows...

... incremental cost & investment capital...

Definitions are a major challenge in understanding the scale of financial flows.

HOW YOU DEFINE THIS, INFLUENCES ESTIMATIONS OF WHAT ARE ACTUAL FLOWS
What is needed (Costs in Developing Countries)

Gross Investment in Developing Countries

Today¹
$ 6,000 billion p.a.

By 2020²
$ 10,000 billion p.a.

Climate finance to:
- cover additional costs
- shift to greener investment
- mobilize additional sources (mostly private) to fill the investment gap

Sources:
1: WB (2012), World Development Indicators
2: WB et al. (2012), Mobilizing Climate Finance
3: CPI (2012), The Landscape of Climate Finance 2012
4: $100 billion p.a. for adaptation and $200 billion p.a. for mitigation as per WB (2010), World Development Report: Development and Climate Change
What is available:
Multilateral Climate Finance falling off the Cliff?

Copenhagen Accord (2009) and Cancun Agreements (2010):
Developed countries agreed to provide

- **Fast Start Finance (public funding)**
  - $30 billion
  - Operational at scale

- **Green Climate Fund**
  - Operational at scale

- **$100 billion per year**
  - Public, private, bilateral & multilateral, alternative sources

Operationalization delayed

The resource and institutional gap

Sourcing unclear

Only $10 billion in public sources pledged from 2013 on

By 2020
But Global Climate-related Flows are significant (2011)

- $364 billion globally (inc. $171 billion in developing countries)
- $350 billion for mitigation, $14 billion for adaptation
- 75% of private origin; Public sector a catalyst for private finance
- $112 billion in north-south flows; public intermediaries are important multipliers and channels
The first generation carbon markets are in decline...

- Demand at a stand-still
- Prices have collapsed
...but emerging emission trading schemes are replacing the early carbon markets
There are other new approaches on the horizon. Some examples:

**Sustainable Cities**: Low Carbon City Development Programs that can attract financing, and address challenges for cities of the future – energy efficient, green and sustainable.

**Low Emissions Development strategies, Nationally Appropriate Mitigation Actions (NAMAs), etc.**: designing and implementing policy and sectoral interventions for low-emissions growth

**Climate-Smart Agriculture**: promoting agricultural practices that deliver the triple win of increased productivity, climate resilience and carbon sequestration
The World Bank group is supporting climate action...

Adaptation

FY11: $2.3 bln
FY12: $4.6 bln

Mitigation

FY11: $7.0 bln
FY12: $7.1 bln

IDA: ○ IBRD ●
...via a Growing Menu of Climate Finance Instruments to Catalyze and Leverage

**Adaptation**
- The Adaptation Fund: $305 mln
- Special Climate Change Fund: $228 mln
- Least Developed Country Fund: $421 mln
- Pilot Program for Climate Resilience: $1.2 bln
- Global Facility for Disaster Reduction & Recovery: $332 mln
- CAT Risk Financing: n.a.

**Mitigation**
- Global Environmental Facility (GEF): $1.35 bln
- Clean Technology Fund: $5 bln
- Scaling Up Renewable Energy for the Poor: $410 mln
- Forest Investment Program: $639 mln
- Carbon Funds and Facilities: > $2.5 bln
- Partnership for Market Readiness: $100 mln
- Forest Carbon Partnership Facility: $440 mln

*The Green Climate Fund: $0.8 mln (as of June 2012)*
The Climate Investment Funds are up and running in 49 countries

$7.6 billion in CIF leverage $42 billion investments
Mobilizing Finance via Capital Markets

**World Bank Green Bonds**

- $3.5 billion raised in WB Green Bonds since November 2008 benefitting about 30 climate projects

**Catastrophe Risk Financing**

- A range of products and advisory services for cat-risk financing:
  - CAT DDOs
  - Caribbean Catastrophe Reinsurance Facility
  - MultiCat Program
  - Weather hedges

- 24 governments covered through WBG operations since 2005
- 1 million farmers and herders worldwide benefit from schemes supported in some sort by the WBG
Stepping-up Policy Research, Knowledge and Tools

• Knowledge Products
  ✓ Mobilizing Climate Finance, for G-20
  ✓ SLCP work, for G-8

• Climate Metrics
  ✓ Climate finance tracking
  ✓ GHG analysis
  ✓ Rapid Assessment tools

• Web Platforms
  ✓ Knowledge Portals
  ✓ Open Platform for Climate-Smart Planning Instruments
  ✓ E-Learning
Conclusions – a mixed picture

• Significant gap between projected needs and available supply of climate finance
• Continued uncertainty on negotiation outcomes, but early design work on NAMAs under way.
• The world is not waiting. New financing and tools showing up.
• Increased investments are starting to happen.
• The World Bank is supporting these efforts.
Thank you!

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