CLIMATE FINANCE
STATE OF PLAY

Tokyo Japan, 04 August 2016

ATHENA BALLESTEROS, GLOBAL DIRECTOR, SUSTAINABLE FINANCE CENTER, WORLD RESOURCES INSTITUTE
OUTLINE

• Introduction: what is climate finance
• Current climate finance flows (Japan’s role)
• Post Paris messages
• Transformational climate finance
• Role of the Green Climate Fund
• Japan and coal finance
• Conclusion
CLIMATE FINANCE FLOWS

UNFCCC Standing Committee on Finance (2014) Biennial Assessment and Overview of Climate Finance Flows
http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/8034.php
COMPARSED TO INVESTMENT NEEDS

Total investment requirements: $5.0 trillion/year

- Agriculture: $125 bn
- Telecommunications: $600 bn
- Transport infrastructure: $805 bn
- Water: $1,320 bn
- Buildings & industry: $613 bn
- Transport vehicles: $845 bn
- Energy: $619 bn
- Forestry: $64 bn

Additional investment requirements in a green growth scenario: $0.7 trillion/year

- Buildings & industry: $331 bn
- Energy: $139 bn
- Transport vehicles: $187 bn
- Forestry: $40 bn

Investment that needs to be ‘greened’
REPORTED CLIMATE FINANCE BY ANNEX II CONTRIBUTOR, 2011-2014

Contributor self-reported data from UNFCCC (2016) Submitted Biennial Reports
http://unfccc.int/national_reports/biennial_reports_and_iar/submitted_biennial_reports/items/7550.php
THEMATIC BREAKDOWN OF REPORTED CLIMATE FINANCE BY ANNEX II CONTRIBUTORS

Contributor self-reported data from UNFCCC (2016) Submitted Biennial Reports
http://unfccc.int/national_reports/biennial_reports_and_iar/submitted_biennial_reports/items/7550.php
## WHAT COUNTS?

### Additionality definitions

<table>
<thead>
<tr>
<th>Option 1</th>
<th>Funding above the 0.7 per cent ODA target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option 2</td>
<td>Increase in current levels of climate finance (reference year: 2009)</td>
</tr>
<tr>
<td>Option 3</td>
<td>Funding additional to the level of ODA spending in nominal terms</td>
</tr>
<tr>
<td>Option 4</td>
<td>Increase in climate finance from new sources</td>
</tr>
</tbody>
</table>

Adapted from Knoke and Duwe (2012)
REPORTED CLIMATE FINANCE BY ANNEX II CONTRIBUTOR AND THEME, 2014

ANNEX II CONTRIBUTORS 2020 ANNOUNCED

CLIMATE FINANCE


- **Australia**: No 2020 announcement yet
- **Austria**: No 2020 announcement yet
- **Belgium**: Announcement up to 2019, assume same level in 2020
- **Canada**: No 2020 announcement yet
- **Denmark**: No 2020 announcement yet
- **Finland**: Announcement up to 2019, assume same level in 2020
- **France**: Announcement up to 2019, assume same level in 2020
- **Germany**: Announcement up to 2019, assume same level in 2020
- **Greece**: No 2020 announcement yet
- **Iceland**: No 2020 announcement yet
- **Ireland**: Announcement up to 2019, assume same level in 2020
- **Italy**: Announcement up to 2019, assume same level in 2020
- **Japan**: Announcement of ¥1,300bn ($10.8bn) includes both public and private finance
- **Luxembourg**: No 2020 announcement yet
- **Netherlands**: No 2020 announcement yet
- **New Zealand**: Announcement up to 2019, assume same level in 2020
- **Norway**: No 2020 announcement yet
- **Portugal**: No 2020 announcement yet
- **Spain**: No 2020 announcement yet
- **Sweden**: No 2020 announcement yet
- **Switzerland**: No 2020 announcement yet
- **United Kingdom**: No 2020 announcement yet
- **United States**: 2020 announcement covered adaptation finance only
- **European Union**: Announcement of €10bn ($11.3bn) by 2020

Billion USD

<table>
<thead>
<tr>
<th>Bank</th>
<th>Adaptation</th>
<th>Mitigation</th>
<th>Climate finance as proportion of total MDB finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>$0.7</td>
<td>$2.1</td>
<td>15%</td>
</tr>
<tr>
<td>AfDB</td>
<td>$0.8</td>
<td>$1.2</td>
<td>25%</td>
</tr>
<tr>
<td>EBRD</td>
<td>$0.2</td>
<td>$3.9</td>
<td>25%</td>
</tr>
<tr>
<td>EIB</td>
<td>$0.1</td>
<td>$5.1</td>
<td>40%</td>
</tr>
<tr>
<td>IDB</td>
<td>$0.1</td>
<td>$2.4</td>
<td>20%</td>
</tr>
<tr>
<td>IFC</td>
<td>$0.0</td>
<td>$2.5</td>
<td>15%</td>
</tr>
<tr>
<td>WB</td>
<td>$3.1</td>
<td>$6.1</td>
<td>25%</td>
</tr>
</tbody>
</table>

NB: Not adjusted for developed country attributed share

MDB 2020 ANNOUNCED CLIMATE FINANCE

Pledged amount (dotted bars indicate estimated value based on percentage commitment)

Climate finance as a proportion of total MDB finance (if available)

NB: Not adjusted for developed country attributed share

Calculated based on UNFCCC (2015) List of Recent Climate Funding Announcements. 
http://newsroom.unfccc.int/financial-flows/list-of-recent-climate-funding-announcements/
FUTURE TRENDS

COP 21 decision 1/CP.21:
• Developed countries strongly urged to “scale up their level of financial support, with a concrete road map” to achieve $100bn goal;
• “Significantly increasing adaptation finance from current levels”;
• Developed countries “intend to continue their existing collective mobilization goal through 2025”;
• Prior to 2025, “the meeting of the Parties to the Paris Agreement shall set a new collective quantified goal from a floor of USD 100 billion”.

Paris Agreement, Article 9.4:
“The provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States, considering the need for public and grant-based resources for adaptation.”

(Emphases added)
The nations that contribute the least to climate change often stand to lose the most.

US President Barack Obama
September 23, 2014

It is completely unrealistic to expect developing countries to forgo the high carbon route to growth that so many Western countries enjoyed, unless we support them to achieve green growth.

UK Prime Minister David Cameron
September 23, 2014

That’s the idea behind the Green Climate Fund

GCF Readiness Programme
SIGNS OF A GLOBAL TRANSFORMATION?

20 LOW-CARBON ENERGY CASES REVIEWED

# Key Factors for Transformational Change in Low-Carbon Energy

<table>
<thead>
<tr>
<th>Transformative Category</th>
<th>Country</th>
<th>National Ownership</th>
<th>Stakeholder Engagement and Participation</th>
<th>A Stable Enabling Environment</th>
<th>Financial Incentives Aligned to Address Market Distortions</th>
<th>Strategic Use of Resources to Mobilize Private Investment</th>
<th>Technology and Innovation Investments</th>
<th>Innovative Financial Instruments and Arrangements</th>
<th>Continuous Learning and Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformational</td>
<td>Uruguay</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
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<tr>
<td></td>
<td>Denmark</td>
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<tr>
<td></td>
<td>Portugal</td>
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<td>▲</td>
<td>▲</td>
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<td>▲</td>
</tr>
<tr>
<td>Potentially Transformational</td>
<td>Bangladesh</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
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<td>▲</td>
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<tr>
<td></td>
<td>Thailand</td>
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<td></td>
<td>Tunisia</td>
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<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>Missed Opportunities or Early Stage Development</td>
<td>South Africa</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<tr>
<td></td>
<td>Spain</td>
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<tr>
<td></td>
<td>Indonesia</td>
<td>●</td>
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</tbody>
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THE RELATIONSHIP BETWEEN FOSSIL-FUEL SUBSIDIES AND EMISSIONS INTENSITY IN 178 COUNTRIES

China, Japan and Korea are top funding countries in Asia;
Most funders from these three countries are national development banks, export-import agencies, or state-owned commercial banks;
World Bank Group and Asian Development Bank are the two main multilateral funders for Asia coal financing.
JAPAN

Top Developers
Installed Capacity (MW)

Source: Coalswarm, Global Coal Plant Tracker, 2015

Coal Plants Status
Installed Capacity (MW)

Source: Coalswarm, Global Coal Plant Tracker, 2015
JAPAN – OVERSEAS COAL FINANCE

Top Destinations
2007 – 2014 (billion USD)

<table>
<thead>
<tr>
<th>Country</th>
<th>Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>$3</td>
</tr>
<tr>
<td>Vietnam</td>
<td>$2</td>
</tr>
<tr>
<td>Indonesia</td>
<td>$1</td>
</tr>
<tr>
<td>India</td>
<td>$0</td>
</tr>
</tbody>
</table>

Major Funders
2007 – 2014 (billion USD)

<table>
<thead>
<tr>
<th>Funders</th>
<th>Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>JBIC</td>
<td>$8</td>
</tr>
<tr>
<td>JICA</td>
<td>$4</td>
</tr>
<tr>
<td>NEXI</td>
<td>$0</td>
</tr>
</tbody>
</table>

HOW DO WE ENABLE THE SHIFT TO TRANSFORMATIONAL CLIMATE FINANCE?

PUBLIC TOOLS TO ATTRACT PRIVATE SECTOR INVESTMENT

<table>
<thead>
<tr>
<th>PUBLIC SUPPORT MECHANISMS</th>
<th>PUBLIC FINANCING INSTRUMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>POLICY AND OVERARCHING SUPPORT</strong></td>
<td><strong>LENDING (DEBT)</strong></td>
</tr>
<tr>
<td>Corrects systemic market failures to create a foundation for low-carbon investment</td>
<td>Most common source of finance for upfront and ongoing project costs</td>
</tr>
<tr>
<td><strong>PROJECT-LEVEL ASSISTANCE</strong></td>
<td><strong>EQUITY INVESTMENT</strong></td>
</tr>
<tr>
<td>Provides critical support to transition projects from concept to demonstration</td>
<td>Builds a project/company's capital base, allowing it to grow and access other finance</td>
</tr>
<tr>
<td><strong>DE-RISKING INSTRUMENTS</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Help projects/companies and their investors manage specific types of risk</td>
</tr>
</tbody>
</table>

MARKETS WITH ATTRACTIVE RISK-REWARD, LIQUIDITY, SCALE, AND TRANSPARENCY

PLANNING FRAMEWORK FOR TRANSFORMATIONAL CLIMATE FINANCE FOR RECIPIENT COUNTRIES

PROBLEM FORMULATION
■ Establish national ownership over the process
■ Define vision and long-term pathway
■ Determine metrics and set long-term and interim goals (backcasting and forecasting)
■ Identify barriers and drivers at various scales (niche, regime, landscape)

MONITORING, EVALUATION, AND LEARNING
■ Update and iterate policies, targets, and public financial support in line with evaluations of progress and lessons learned

PILOTS AND EXPERIMENTATION
■ Strategic use of public money, including domestic resources
■ Innovative financial instruments

ALIGN INCENTIVES
■ Adopt pro-renewable energy fiscal and regulatory incentives
■ Reduce or remove fossil-fuel subsidies
■ Invest in research and development

STAKEHOLDER ENGAGEMENT/DEFINE ROLES
■ Define roles—national government, Development Finance Institutions, communities, private sector
■ Perhaps designate one national authority to coordinate the process

ESTABLISH ENABLING ENVIRONMENT
■ Laws, policies, and regulations
■ Capable and effective institutions
■ Stable financial markets and actors
■ Private sector awareness and capacity

THANK YOU!

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