



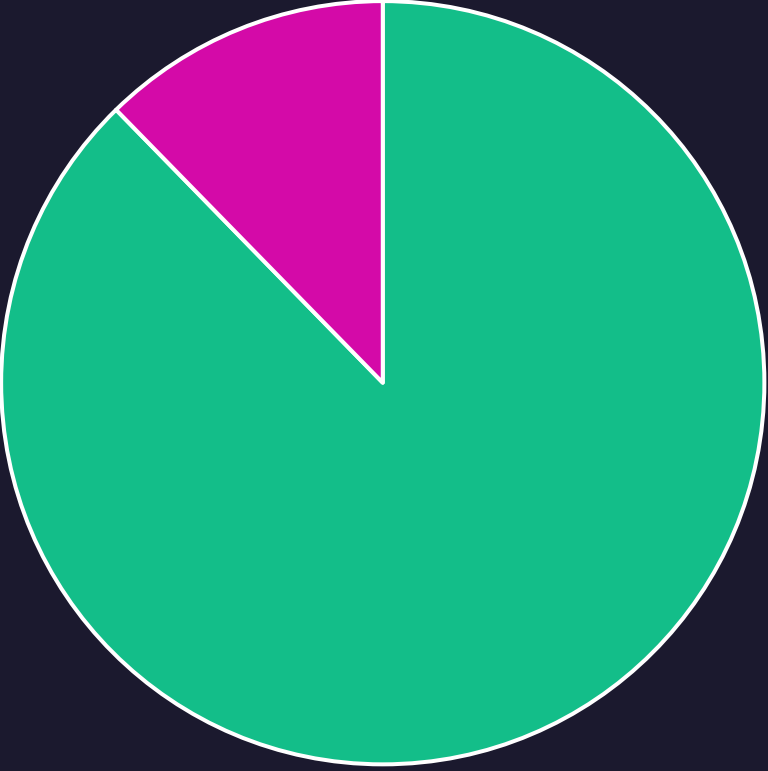
Climate Finance

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Climate finance gap

By 2050



■ Needed ■ Mobilised (2019/20)



Some global trends in climate finance

And what they could mean for the middle-income Europe and CIS region

1. Bridgetown Agenda

FEATURES

- Expanded mandate for development banks to provide finance for transition out of fossil fuels
- Significant increase in MDB lending capacity
- Lending on better terms
- Support subnational entities, green cities

2. Loss & damage finance

WHAT IS IT? CURRENT STATUS?

- Clear definition and scope of climate-induced L&D: impacts deemed 'beyond adaptation' that cannot be avoided
- Distinguish economic and non-economic losses (difficulty estimating)
- Without standardized framework, cannot estimate needs

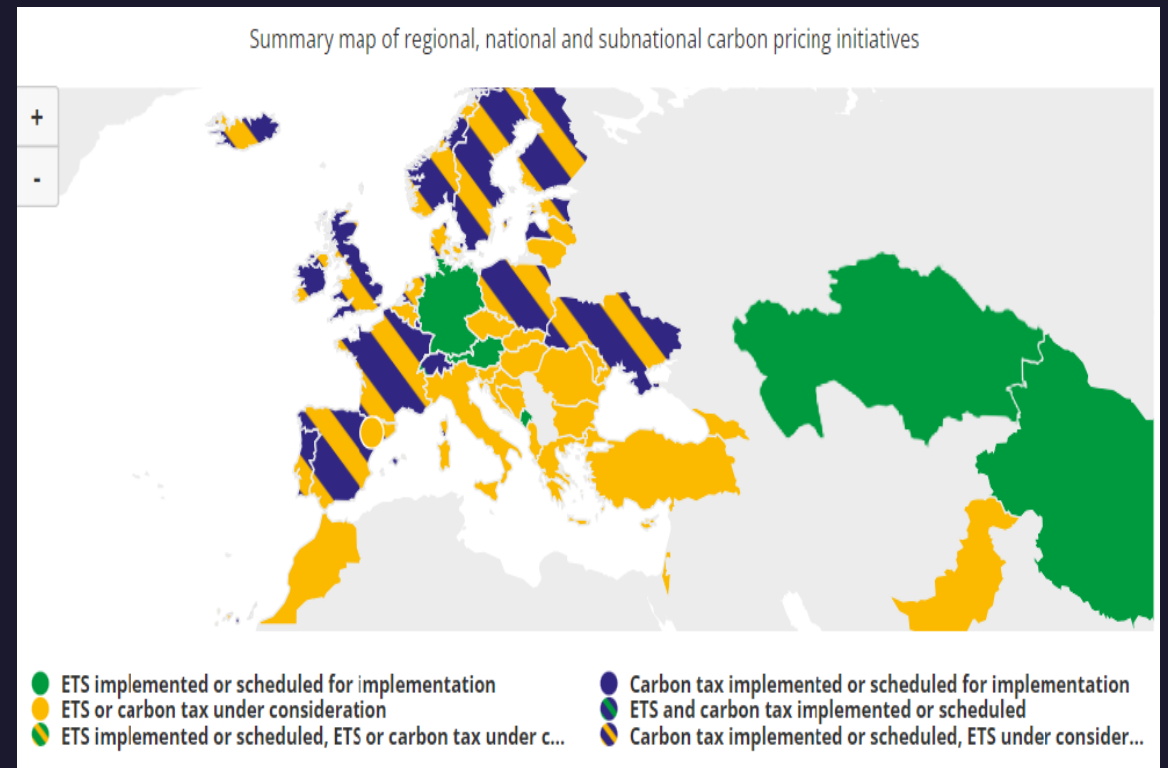
WHO WILL RECEIVE? WHO WILL PAY?

- Should it go to vulnerable countries? Or communities through NGOs/CSOs?
- Should vulnerable countries receive the funding? Or those with greatest income loss from extreme weather? Highly indebted?
- Who will pay? Only rich governments? Or fossil fuel industry (UN SG)?
- Allocation formulae

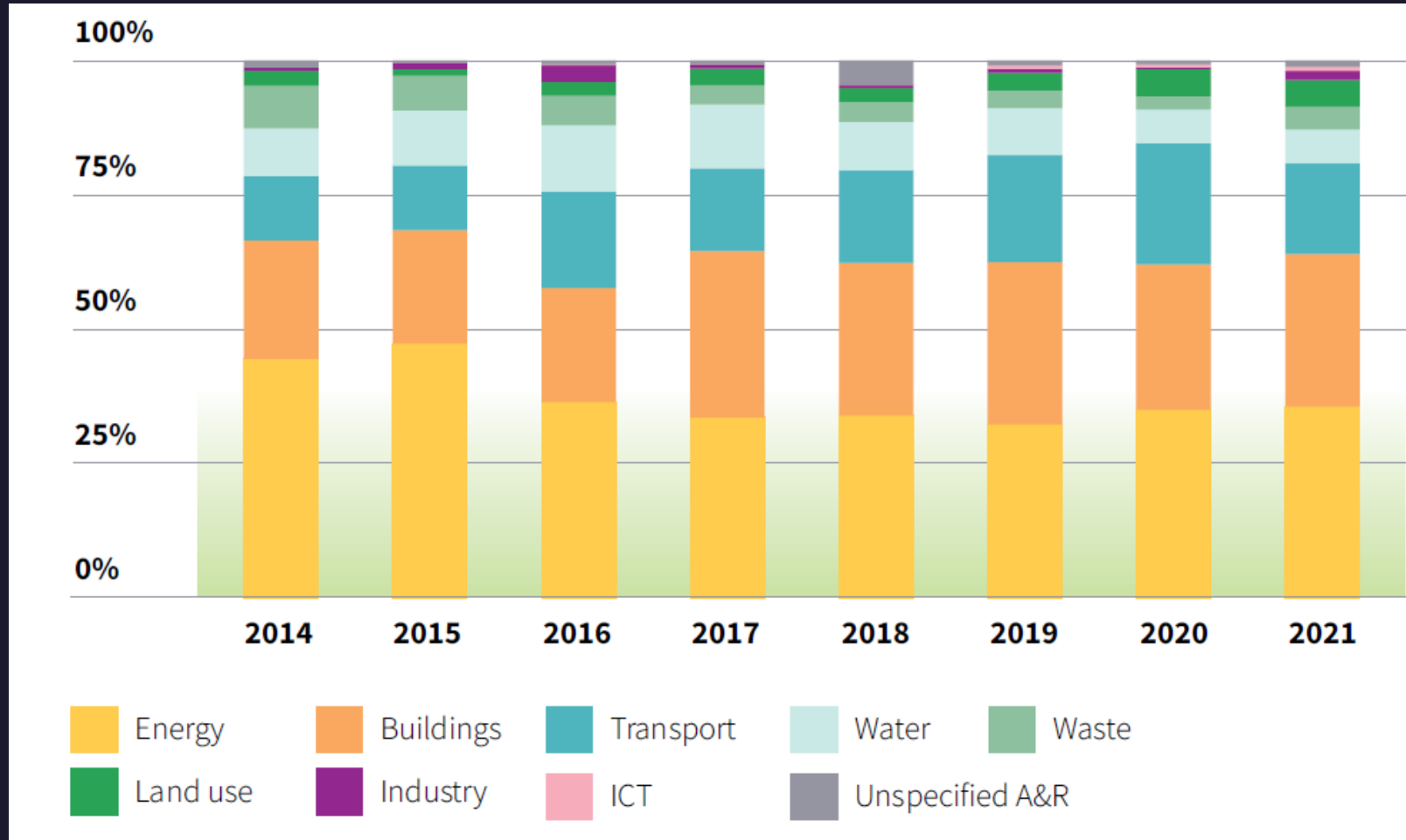
3. Carbon finance

LATEST TRENDS

- Record high revenues from global carbon pricing near US\$100bn
- Global coverage of carbon pricing has grown from 7 to 23 per cent of global emissions in one decade
- Uptake of carbon taxes/ETS in ECIS especially among candidate countries but also CBAM expected to be driving factor



4. Sustainable debt: green and themed bonds



5. Transition finance

SUSTAINABILITY-LINKED BONDS

- Transition finance raised by corporates to implement their net-zero transition
- Growing segment of the market: while SLBs and transition finance cumulatively added US\$ 885m
- SLBs tie interest rate to issuer's performance on ESG indicators
- Greenwashing concerns

5 PRINCIPLES TO GUARD AGAINST GREENWASHING

1. In line with 1.5 degree trajectory
All goals and pathways need to align with zero carbon by 2050 and nearly halving emissions by 2030.

2. Established by science
All goals and pathways must be led by scientific experts and be harmonised across countries.

3. Offsets don't count
Credible transition goals and pathways don't count offsets, but should count upstream scope 3 emissions.

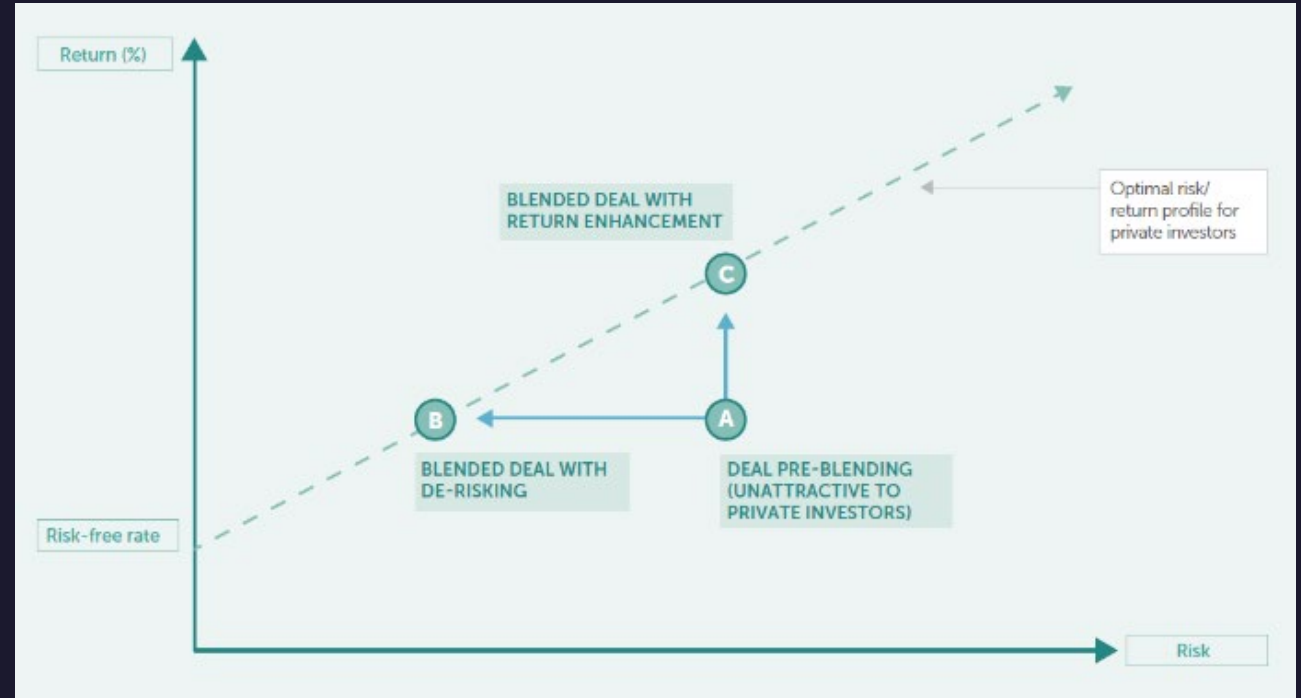
4. Technological viability trumps economic competitiveness
Pathways must include an assessment of current and expected technologies. Where a viable technology exists, even if relatively expensive, it should be used to determine the decarbonisation pathway for that economic activity.

5. Action not pledges
A credible transition is backed by operating metrics rather than a commitment/pledge to follow a transition pathway at some point in the future. In other words, this is NOT a transition to a transition.

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6. Blended finance

- Creates a risk-return proposition to make investments acceptable to private sector investors
- Most BF projects reduce risk rather than enhance returns. Also help to offer longer tenures
- BF has mobilized some US\$160bn to date (Convergence)



7. Philanthropic finance?

CURRENT TRENDS

- OECD estimate private philanthropic for sustainable development amounts to around US\$10.6bn annually (2016-19)
- ECIS is most underserved region: only US\$330m over same period



Policy

Its importance to create the enabling environment for climate, green and sustainable finance to grow

Enabling environment for climate, green and sustainable finance

REGULATIONS

- Financial sector regulation
- Examples of EU Directives: Energy Efficiency, Renewable Energy, etc.

STANDARDS

- Green taxonomies
- Bond standards, principles, ICMA guidance






POLICIES

- Climate policy
- Macroeconomic policy

Taxonomies: their importance to spur climate, green and sustainable finance

Example: European Green Taxonomy



-  Climate change mitigation
-  Climate change adaptation
-  sustainable and protection of water and marine resources;
-  transition to a circular economy
-  pollution prevention and control;
-  protection and restoration of biodiversity and ecosystems.

Global Green Taxonomy



‘I want you to
act as if the
house is on fire,
because it is.’

Greta Thunberg



Thank You

UNDP

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