

10

THINGS TO KNOW ABOUT CLIMATE FINANCE IN 2015

Smita Nakhooda
Charlene Watson
Sam Barnard
Liane Schalatek

December 2015



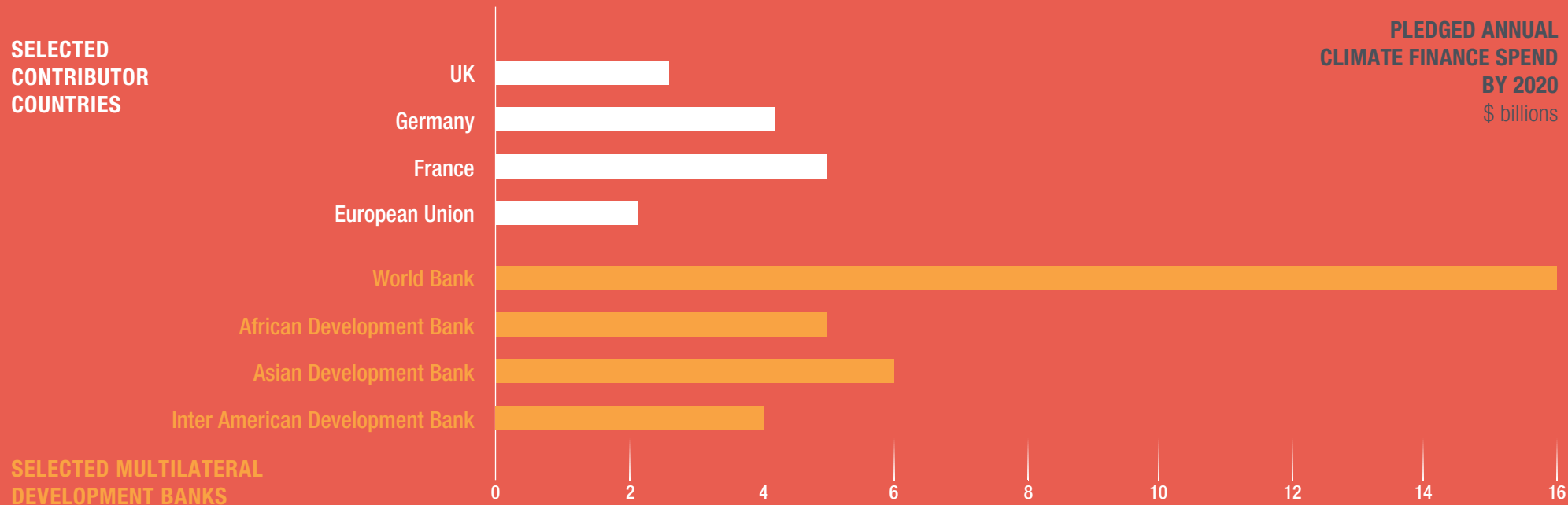
 HEINRICH BÖLL STIFTUNG
NORTH AMERICA

1

CLIMATE FINANCE COMMITMENTS ARE INCREASING

In 2015 many countries, particularly in Europe, pledged to increase climate finance.¹ Multilateral development banks have also committed to increase funding for adaptation and mitigation. In addition, private investors, including Bank of America and Goldman Sachs, have committed to greater climate investment² and the insurance industry has announced that it intends to double climate-smart investment this year.³

Despite these important steps, governments need to make more flexible, risk-tolerant finance available to speed up climate-compatible development.



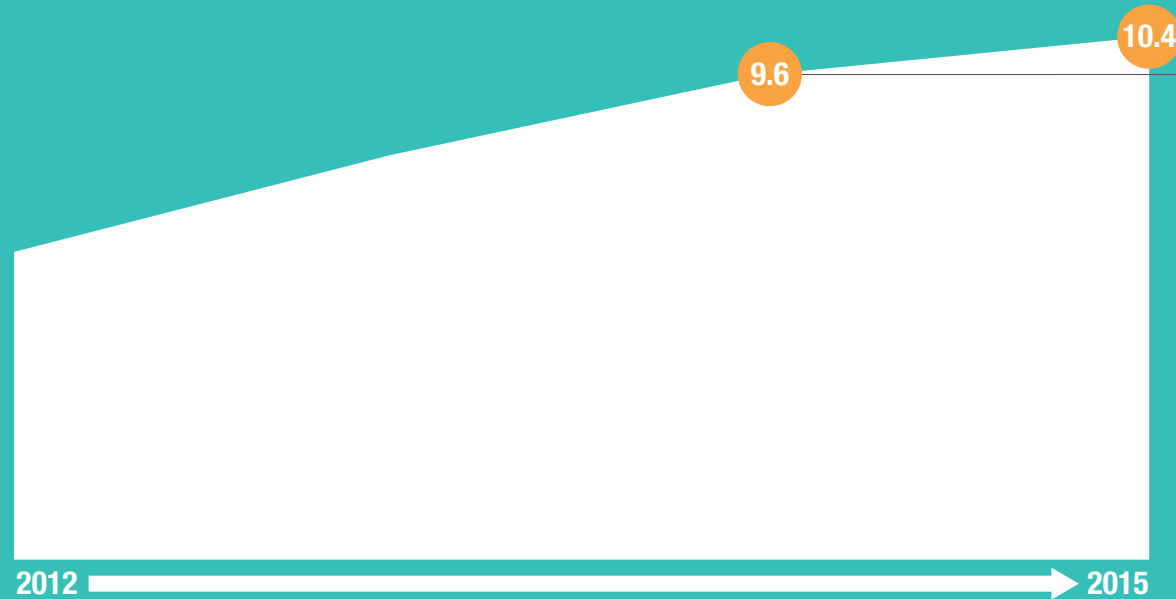
2

THE FUNDING FOR PROGRAMMES IMPLEMENTED IS ALSO INCREASING

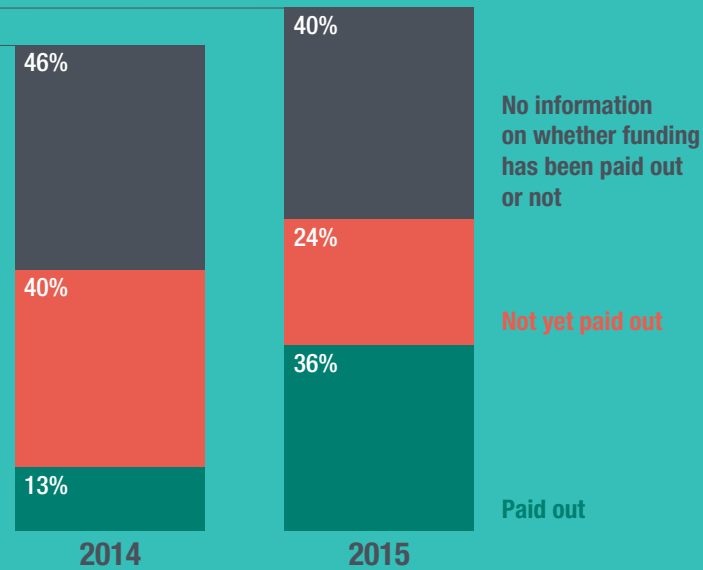
Approved funding continued to increase in 2015, with over \$700 million coming from multilateral climate funds for new projects.

But reporting on the disbursement of funds remains limited – 36% of approved finance has been disbursed for project activities this year, compared to just 13% in 2014.

TOTAL APPROVALS \$ BILLION SINCE 2003

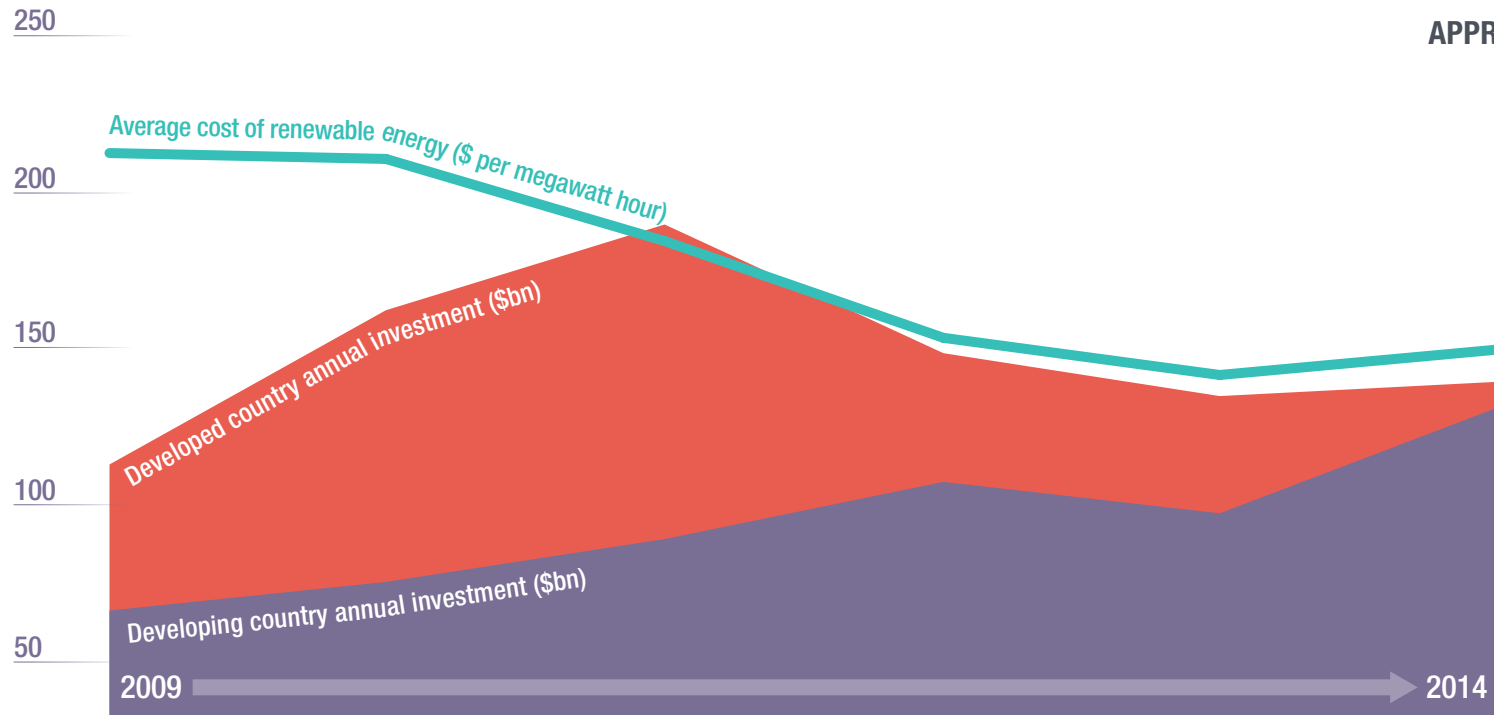


TOTAL DISBURSEMENTS \$ BILLION SINCE 2003



3

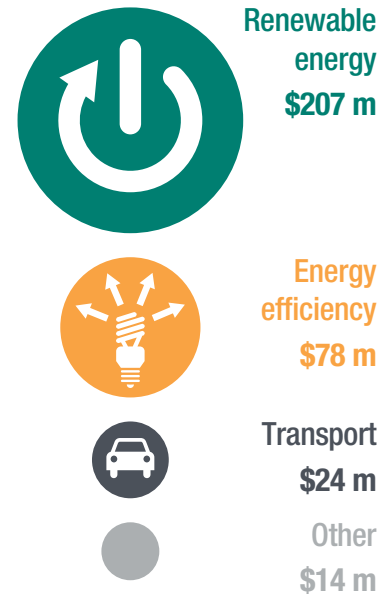
DEVELOPING COUNTRIES ARE EMERGING AS MARKET LEADERS IN RENEWABLE ENERGY



Global costs for renewable energy are declining: solar is down 60% and wind 15% since 2009. Developing countries committed \$131 billion to clean energy in 2014 and now outpace developed country investment.⁴

Developing countries are also driving costs down: Indian states have procured solar energy at less than half the average global cost. More than 60% of the \$324 million of climate finance approved in 2015 has supported renewable energy transitions in developing countries.

APPROVED FUNDING FROM MULTILATERAL CLIMATE FUNDS IN 2015



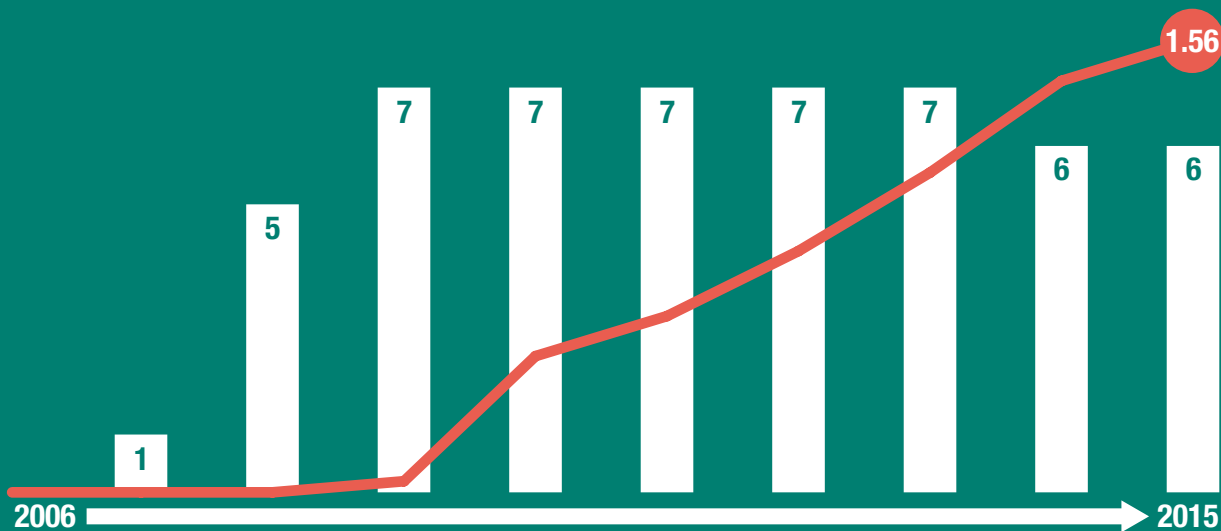
4

PROGRESS IN REDUCING DEFORESTATION HAS BEEN LIMITED

Protecting forests can yield social, economic and climate benefits. But after 8 years and approving more than \$1.5 billion many funds have little impact to show. The Congo Basin Forest Fund and the Australian International Forest Carbon Initiative have been shut down.

The international community continues to search for and pilot successful models to combat this complex problem. Brazil's Amazon Fund is a good example, rewarding national progress in reducing deforestation.

Number of funds reducing emissions from deforestation and forest degradation (REDD+)



FINANCE APPROVALS
\$ billions

SELECT REPORTED IMPACTS

UN REDD+ Programme

9 REDD+ strategies completed

Forest Investment Programme

115,000 benefitting from climate compatible agricultural practices

Forest Carbon Partnership Facility

Preparatory activities underway in **35** countries

Amazon Fund

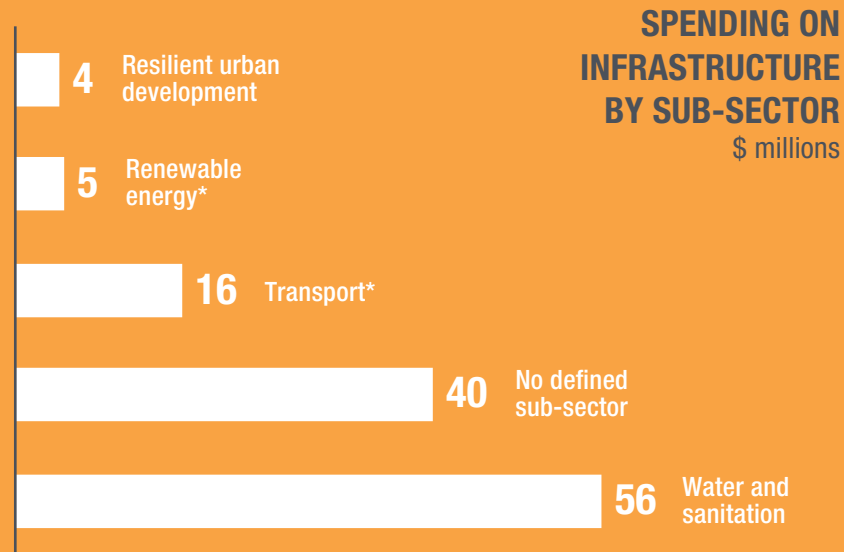
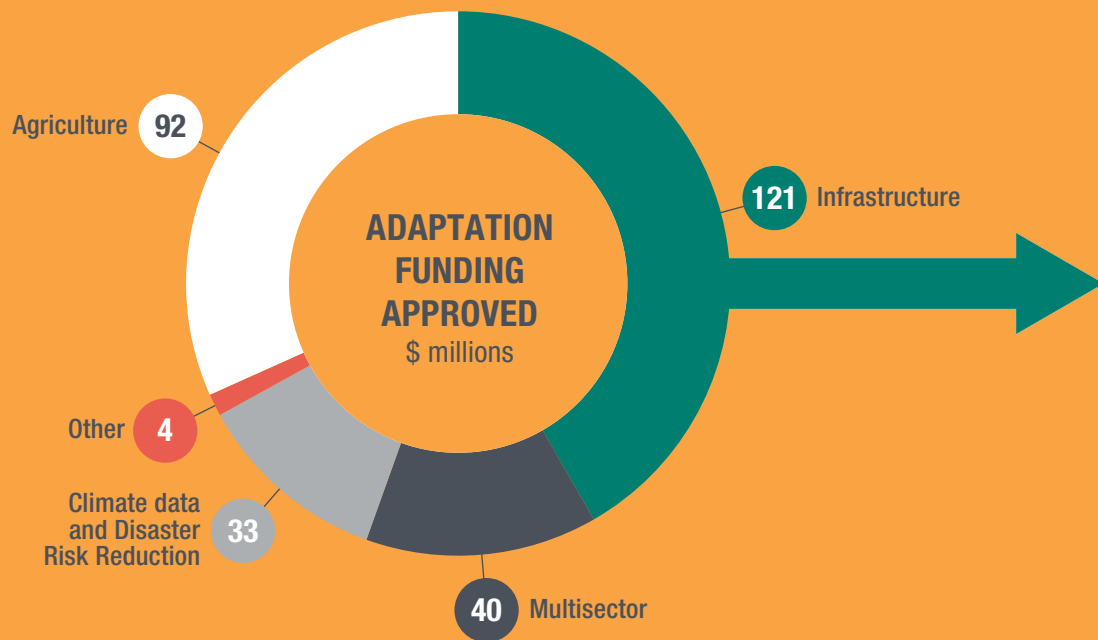
35%▼ in deforestation rates since fund establishment

5

40% OF ADAPTATION FINANCE IN 2015 SUPPORTED INFRASTRUCTURE RESILIENCE

Climate finance should ensure that climate risk is reduced, rather than locked in. In 2015 \$121 million of adaptation finance was approved for climate-resilient infrastructure projects.

To date climate funds have primarily supported existing infrastructure plans, meeting the up-front costs of upgrading or strengthening infrastructure. Adaptation finance can also make a difference in early-stage infrastructure planning and design, and to cover operational and maintenance costs associated with climate change impacts.



* Renewable energy and transport projects included in the adaptation portfolio

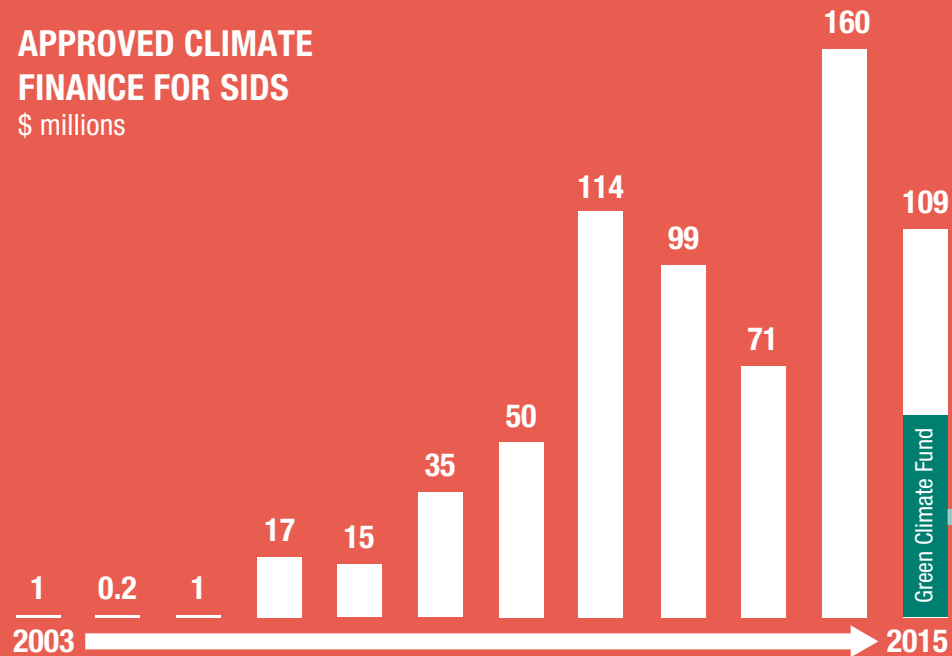
6

FINANCE FOR SMALL ISLAND DEVELOPING STATES HAS INCREASED

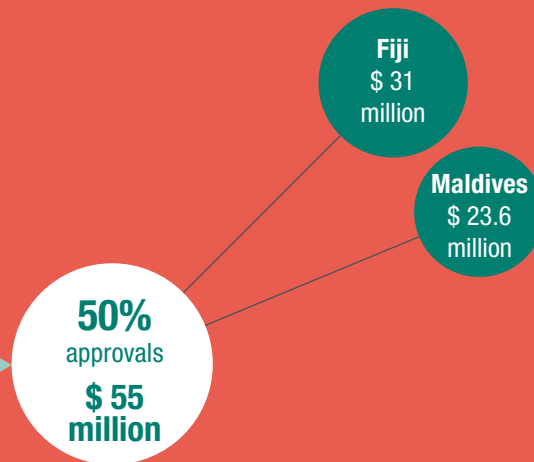
While Small Island Developing States (SIDS) have historically struggled to access climate finance, approved funding for SIDS projects has increased in recent years. This has supported adoption and implementation of national climate change strategies, disaster risk reduction and energy diversification.

The Green Climate Fund was a particularly significant actor in 2015, contributing 50% of approved finance.

APPROVED CLIMATE FINANCE FOR SIDS
\$ millions



GREEN CLIMATE FUND
2015 PROJECT APPROVALS

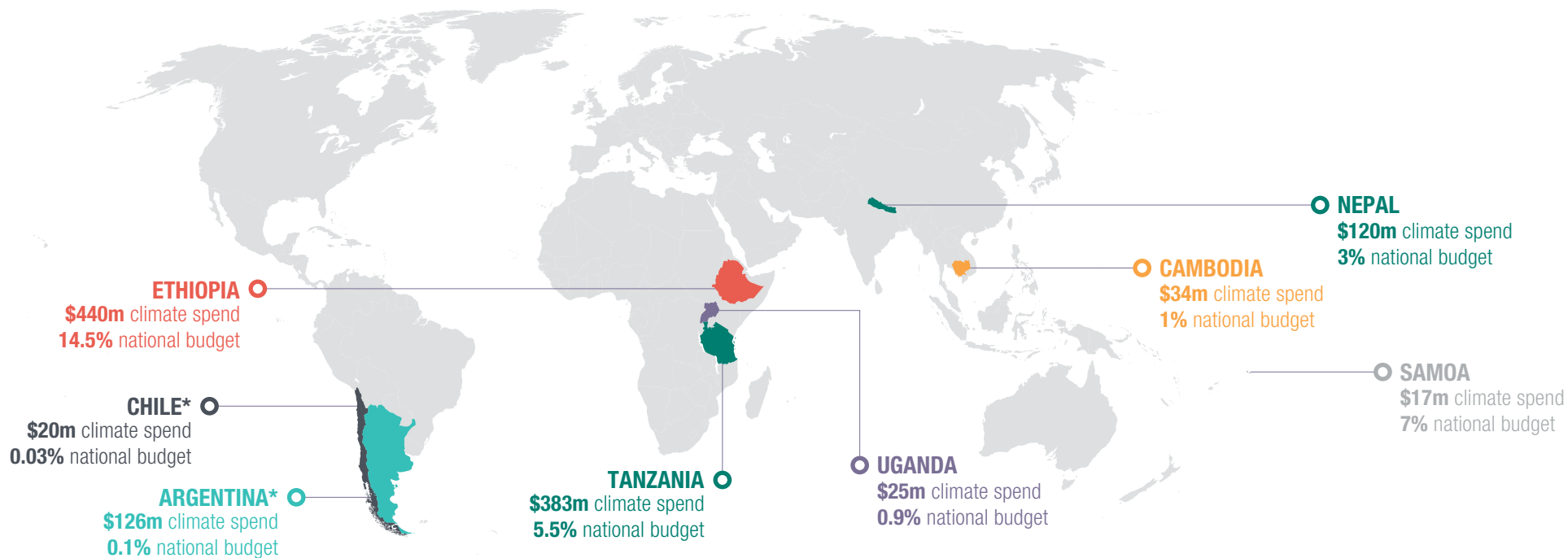


7

DEVELOPING COUNTRIES ARE INVESTING MORE IN CLIMATE ACTION

Developing countries are investing increasing amounts of domestic public budgets in responding to climate change: some countries such as Ethiopia spent more than 15% on climate related actions between 2008 and 2011.^{5,6,7}

Additional international support, alongside these national efforts and enhanced policy and regulation, can increase the scale and scope of such efforts, strengthen resilience, and ensure that investments are directed away from high-carbon technologies.



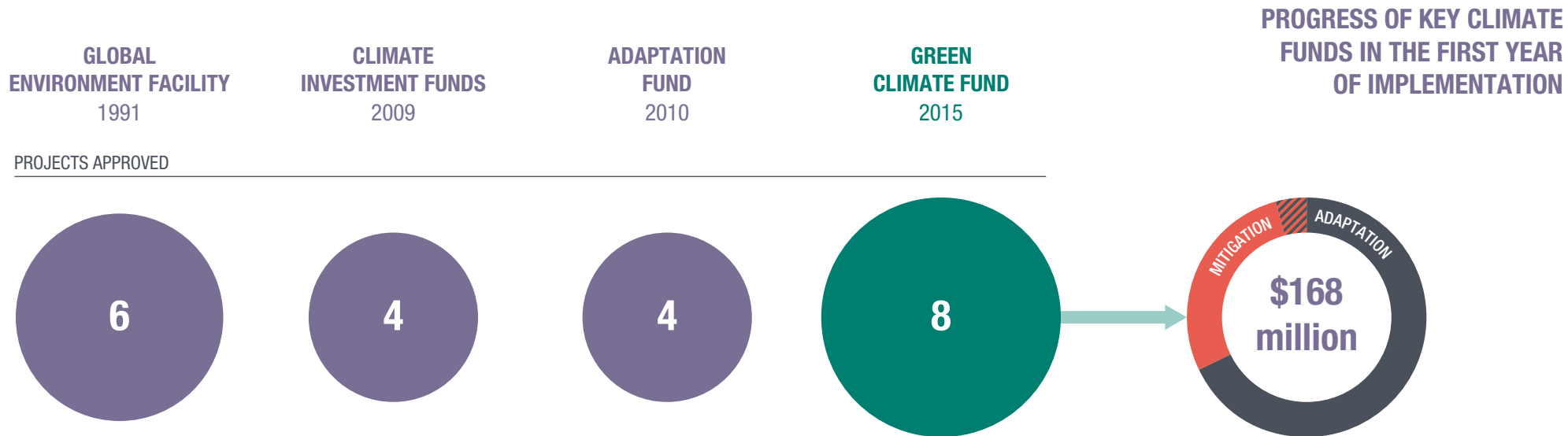
*not total climate spend, calculated for specific sectors only

8

THE GREEN CLIMATE FUND IS WORKING FASTER THAN OTHER FUNDS

The Green Climate Fund (GCF) has approved \$168 million for its first eight projects, with implementation supported by 20 national, regional and international organisations. The majority of projects support adaptation in the poorest countries and Small Island Developing States. The GCF must go on to demonstrate that the projects it finances are having a real impact in recipient countries.

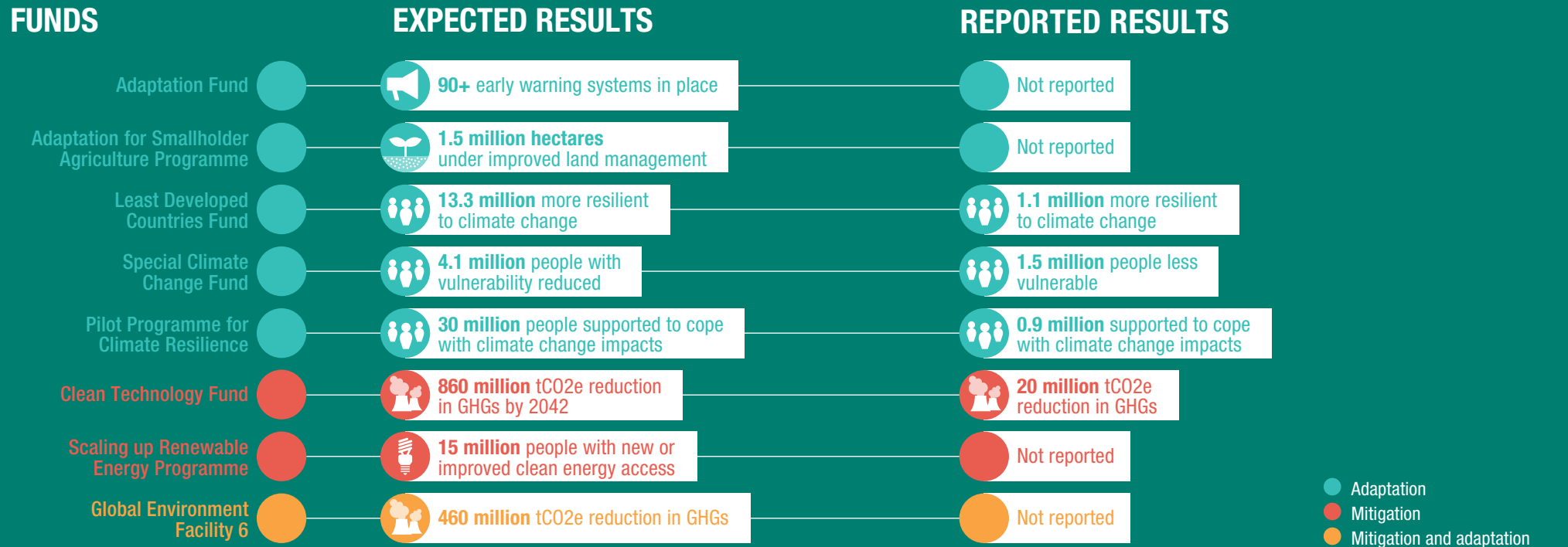
By contrast, the Clean Technology Fund and Adaptation Fund had both approved only four projects in their first year after capitalisation.



9

CLIMATE FUNDS NEED TO REPORT THEIR IMPACT MORE TRANSPARENTLY

Funds are still not using the same metrics or methods to assess their impact, which makes evaluating collective efforts difficult. Climate funds must improve the timeliness and completeness of progress reporting to strengthen their effectiveness.



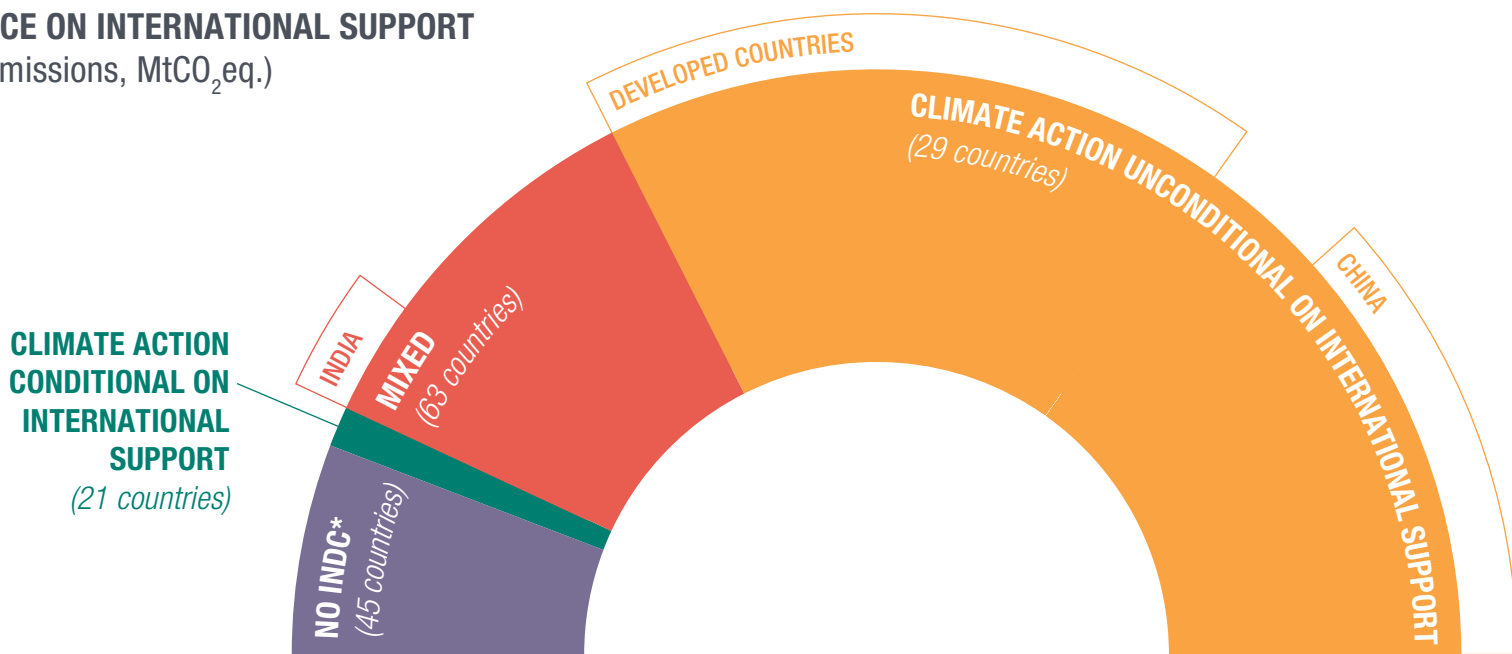
10

IMPLEMENTING CLIMATE ACTION REQUIRES RAPID MOBILISATION OF INVESTMENT

If all countries are to meet or exceed the targets set in the offers of climate action (Intended Nationally Determined Contributions- INDCs) that they have submitted to the United Nations Framework Convention on Climate Change (UNFCCC), governments must immediately mobilise finance from public and private sources.

Very few developing country offers of climate action are wholly contingent on international support, including those of the biggest emitters, such as India and China.⁸ Implementing these actions will require shifting trillions of dollars towards more viable low-emission and climate-resilient development projects.

EMISSIONS COVERED BY INDCS AND RELIANCE ON INTERNATIONAL SUPPORT
(2012 emissions, MtCO₂eq.)



*As of November 1st 2015

REFERENCES

1. UNFCCC (2015). Overview of announced climate finance pledges ahead of Paris. UNFCCC Newsroom. Online, available at: <http://newsroom.unfccc.int/financial-flows/climate-finance-building-ahead-of-paris-overview-of-recent-announcements/>
2. Climate Finance Advisors (2015). On the road to greening finance. Climate Finance Advisors. Online, available at: <http://climatefinanceadvisors.com/2015/11/on-the-road-to-greening-finance/>
3. G7 (2015). G7 Leaders Declaration. G7 Summit Germany, 7-8 June 2015. Online, available at: https://www.g7germany.de/Content/EN/_Anlagen/G7/2015-06-08-g7-abschluss-eng_en.pdf?__blob=publicationFile&v=3
4. UNEP and Bloomberg New Energy Finance (2015). Global Trends in Renewable Energy Investment 2015. Frankfurt School-UNEP Collaborating Centre for Climate and Sustainable Energy Finance and Bloomberg New Energy Finance. Frankfurt, Germany.
5. Bird, N. (2014). Fair share: climate finance to vulnerable countries. ODI, London, UK
6. UNDP (2015). Climate Public Expenditure and Institutional Review Database. Online, available at: <http://www.climatefinance-developmenteffectiveness.org/CPEIR-Database>
7. GFLAC (2014). Grupo de Financiamiento Climatico LAC. Online, available at: <http://gflac.org/informes/>
8. Open Climate Network (2015). CAIT Climate Data Explorer. Open Climate Network and the World Resources Institute. Online, available at: <http://cait.wri.org/indc/>

ACKNOWLEDGEMENTS

The authors would like to thank Marigold Norman, Graham Banton, Nella Canales-Trujillo (ODI) and Alexis Durand (HBS) for their inputs as well as Jessica Brown (CPI) for helpful review comments.

Climate Funds Update

 HEINRICH BÖLL STIFTUNG
NORTH AMERICA



CFU is a joint initiative of the Overseas Development Institute (ODI) and Heinrich Böll Stiftung (HBS). Since 2009, we have monitored dedicated public climate funds from the point when donors pledge support, through to the actual disbursement of finance for projects in developing countries.

climatefundsupdate.org

10 things to know about climate finance in 2015

Design: **Steven Dickie** - stevendickie.com/design

© Overseas Development Institute (ODI) and Heinrich Böll Stiftung (HBS), 2015.
This work is licensed under a Creative Commons Attribution-NonCommercial Licence (CC BY-NC 3.0).

Readers are encouraged to reproduce material from this booklet for their own publications, as long as they are not being sold commercially. As copyright holder ODI and HBS requests due acknowledgement. For online use we ask readers to link to the original resource on the ODI website. The views present in this booklet are those of the author(s) and do not necessarily represent the view of ODI or HBS.

ODI is the UK's leading independent think tank on international development and humanitarian issues.

Overseas Development Institute
203 Blackfriars road
London SE1 8NJ
Tel: +44 (0)20 7922 0300

Heinrich Böll Stiftung North America
1432 K Street, NW, Suite 500 Washington
DC 20005
USA Tel: +1 202 462 7512