

Setting the scene – enhancing the understanding of adaptation finance

In-session workshop on long-term climate finance in
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CLIMATE
POLICY
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BRAZIL
CHINA
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INDIA
INDONESIA
UNITED STATES

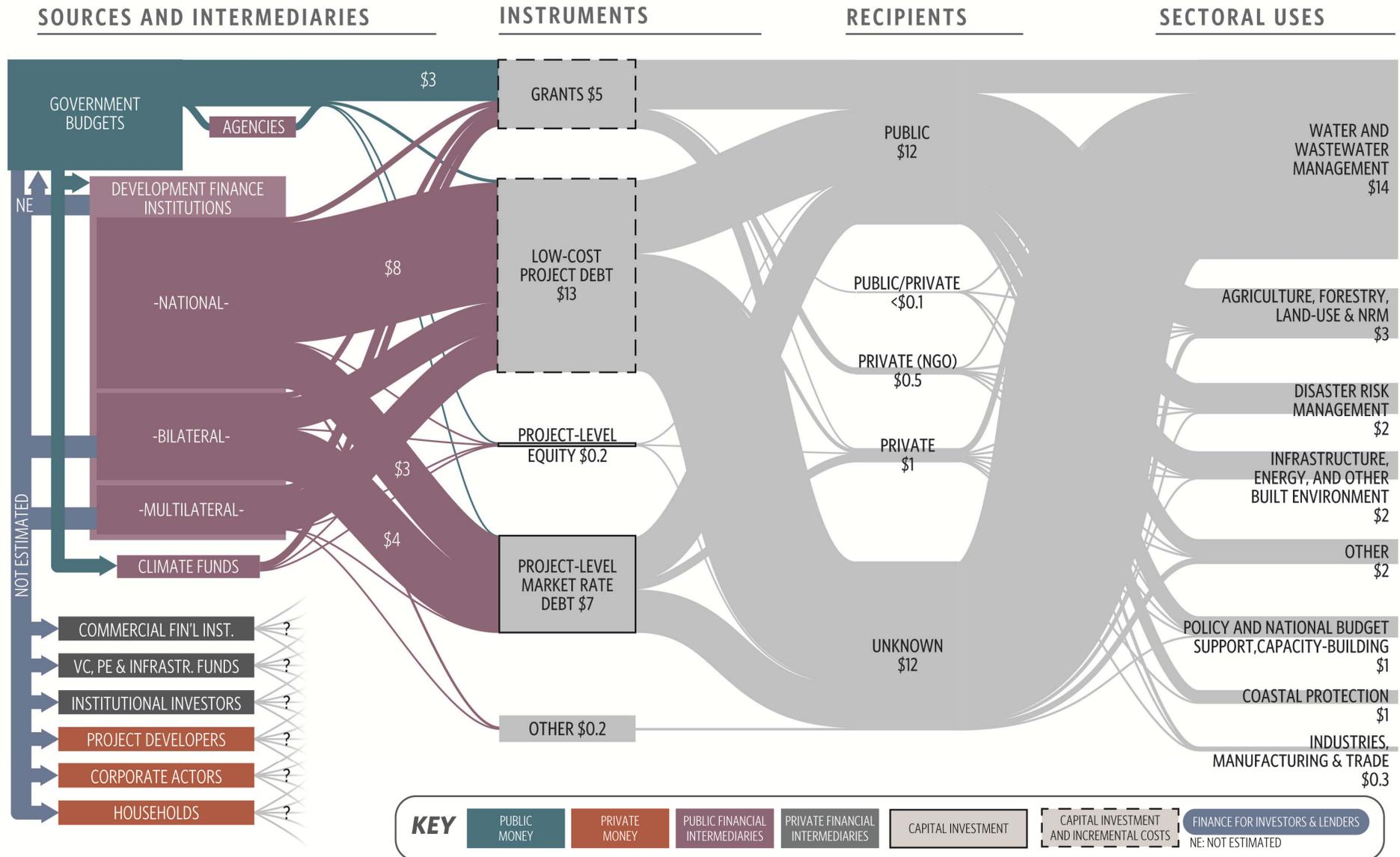
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THE LANDSCAPE OF ADAPTATION FINANCE 2015

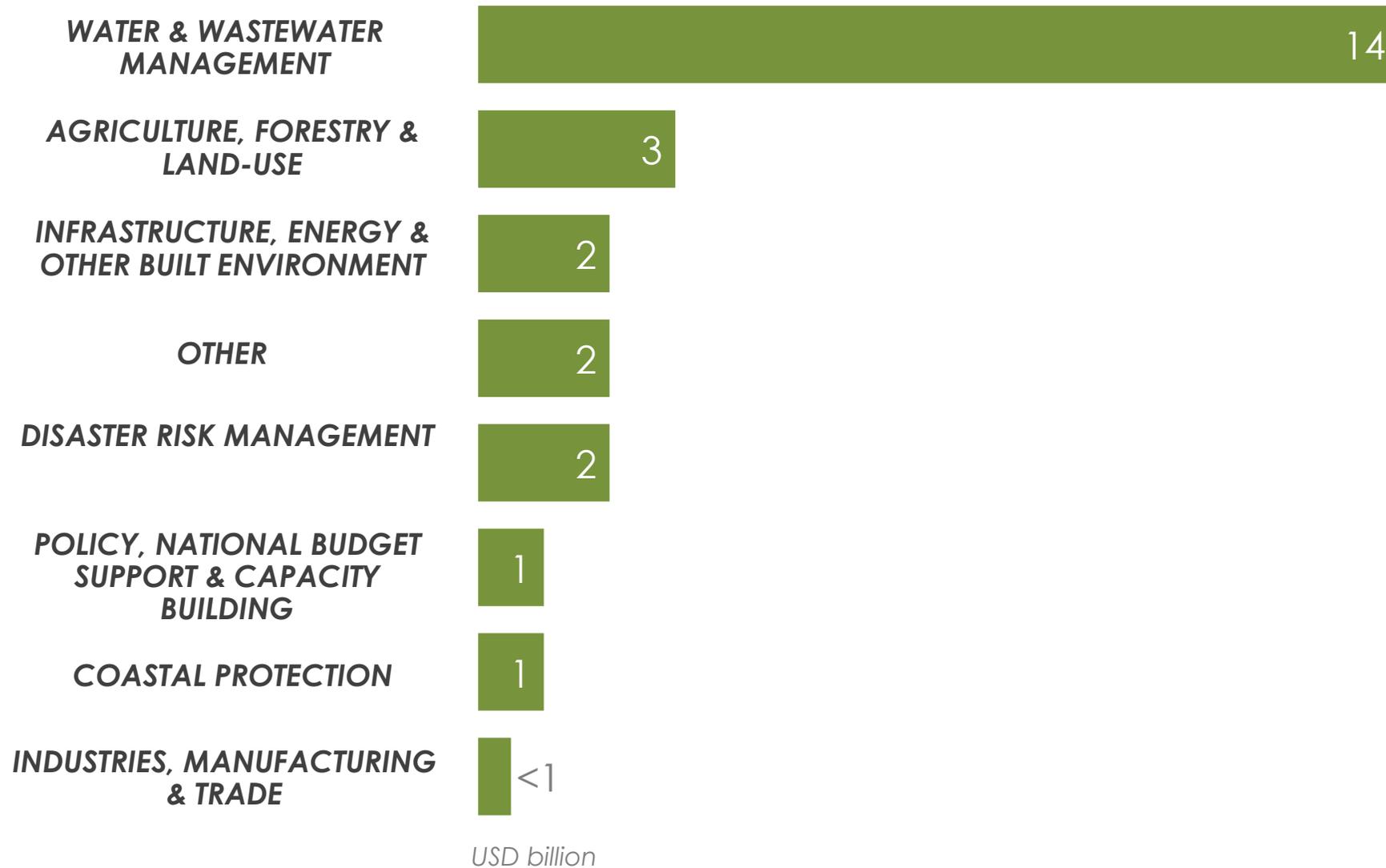
USD 25 BN TOTAL



The Landscape of Adaptation Finance 2015 illustrates adaptation finance flows along their life-cycle for the latest year available, mostly 2014, in USD billion.



Water and wastewater management attracted half of adaptation finance flows



Several barriers can affect investors' incentive and ability to invest in climate resilience

Policy Gaps

- Non-existent or deficient regulatory frameworks can inhibit the incentives for investment

Knowledge gaps

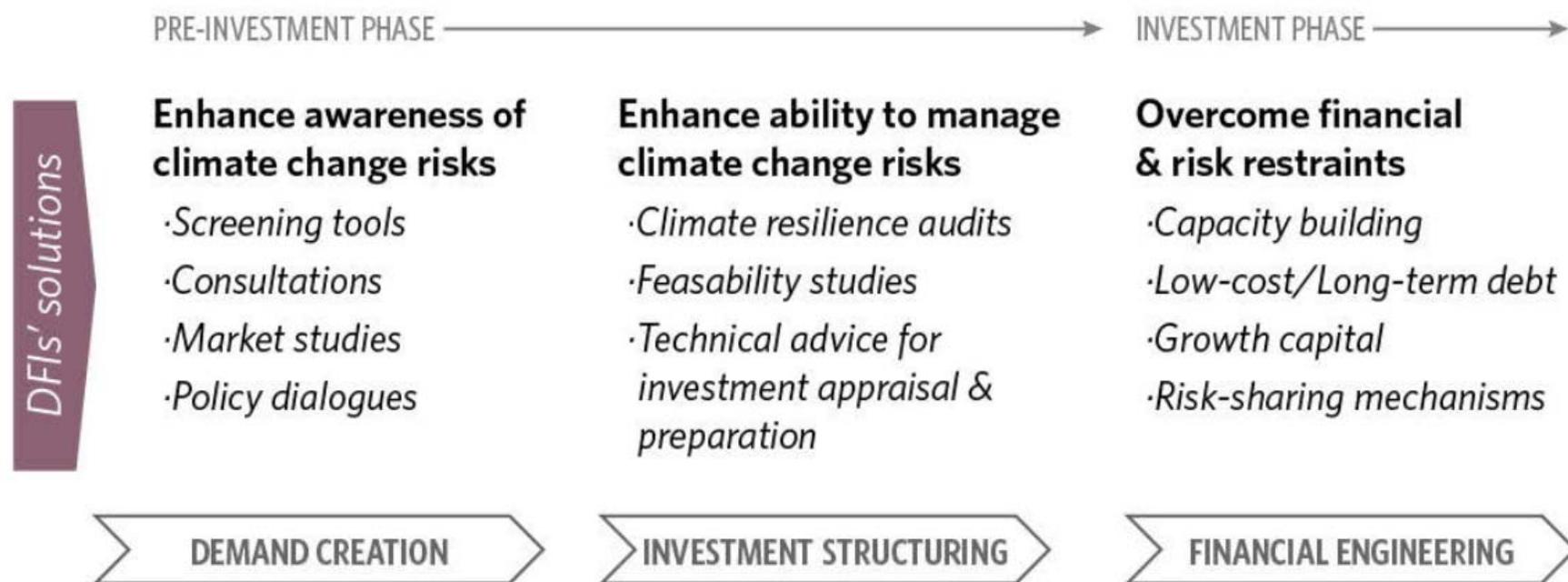
- Inability to evaluate and incorporate climate change risks into investment or financing decision making

Funding, viability & risk coverage gaps

- Inadequate access to finance or uncertainties about the returns of investments and risk aversion

➤ **Barriers vary by type of private actor & level of climate exposure**

DFIs developed a variety of approaches to bridge the gaps associated with both the pre-investment and investment phases



Range of adaptation interventions exists; details depend on country, sector, national circumstances

The Lab is at the forefront in developing new initiatives to unlock private resilience investment



- ***ASCAF – Agricultural Supply Chain Facility***
- ***OASIS - Platform for Catastrophe and Climate Change Risk Assessment and Adaptation***
- ***Climate-Smart Finance for Smallholder Farmers***
- ***WFF - Water Financing Facility***

Agricultural Supply Chain Adaptation Facility



Overview

Aims to provide farmers with know-how and finance for climate-resilient investments. The Facility does this by enabling development banks to partner with agribusiness corporations who empower farmers within their supply chains.

Key features

- The Inter-American Development Bank, in partnership with Calvert Investments, is piloting the facility in Latin America and the Caribbean.
- Strong interest from potential corporate partners as a first step to a pilot
- Proof-of-concept transaction with ECOM coffee plantations closed

Details

Cycle: 2014 - 2015

Type: *Adaptation*

Sector: *Land Use*

Stage: *Pilot Ready*

Status: *Endorsed*

Goal: *Catalyze private investments to improve the climate resilience of agricultural value chains*

Geography: *In pilot phase: One or two Latin American and Caribbean countries – In the future: The objective is to expand to African countries*

Implementing Entities: *Inter-American Development Bank (IDB) in partnership with Calvert Investments*

Private Finance Target: *Intermediate: Agribusiness corporations — Ultimate: Small-to medium-sized producers and/or processors in agribusiness corporations' value chains*



Oasis Platform for Catastrophe and Climate Change Risk Assessment and Adaptation



Overview

Open access platform that aims to increase data and analytics to enable risk assessment for investments in insurance and resilience products, and climate adaptation.

Key features

As currently proposed by idea proponents Oasis LMF and Imperial College, the platform would include:

- Open access software for loss assessment and underwriting risk
- An open access platform that would act as an 'Amazon' for hazard and vulnerability data
- Standardized collection methodology for exposure and damage data
- Supporting underwriting of catastrophe risk in Asia

Details

Cycle: 2015 - 2016

Type: Adaptation

Sector: Other

Stage: Concept

Status: In Development

Goal: Provide an open access platform with plug and play risk and loss data to improve climate risk assessments, bolster the viability of insurance markets, and build adaptation capacity.

Geography: Asia, Global

Implementing Entities: Global and regional insurance providers

Private Finance Target: Insurance and Reinsurance Companies, Banks, Institutional Investors

Climate Smart Finance for Smallholder Farmers



Overview

Provides credit providers with an “out-of-the-box” set of tools for managing the issuance of loans to smallholders and incentivizing climate smart agricultural practices.

Key features

- If farmers adhere to the climate-smart loan terms of their loan agreements, they could access progressively higher levels of credit at progressively lower rates of interest.
- Proposed by F3 Life, the tool is currently being piloted as a demonstration project

Details

Cycle: 2015 - 2016

Type: *Adaptation, Mitigation*

Sector: *Land Use*

Stage: *Concept*

Status: *In Development*

Goal: *Help smallholder farmers to access credit and adopt climate-smart agricultural practices and technologies.*

Geography: *Global*

Implementing Entities:
Traditional and non-traditional credit & loan providers

Private Finance Target:
Crowdfunding, NGOs, Retail Investors

Water Financing Facility

Overview

The Facility would help create bankable projects to attract domestic private investors and build climate-resilient water infrastructure in at-risk regions.

Key features

- The Water Financing Facility aims to mobilize large-scale domestic private finance resources for the water sector in countries with climate-related water stress, blending this finance with public funding.
- Proposed by the Dutch Ministry of Foreign Affairs

Details

Cycle: 2015 - 2016

Type: Adaptation

Sector: Water

Stage: Concept

Status: In Development

Goal: Mobilizing large-scale domestic private finance resources for the water sector in countries with climate-related water stress, blending this finance with public funding.

Geography: Africa & Asia

Implementing Entities: Utilities

Private Finance Target: Venture Capital, Private Equity, Banks, Institutional Investors



Four opportunities to scale up investment in climate resilience

1

Adjust regulatory frameworks to create stronger incentives for investment

Equip actors with the information and tools they need to integrate climate change considerations into investment decisions

2

3

Further **integrate climate change and SDGs** considerations **into the general planning processes & financial system**

Support piloting to demonstrate, to create the track record needed to encourage investment

4

