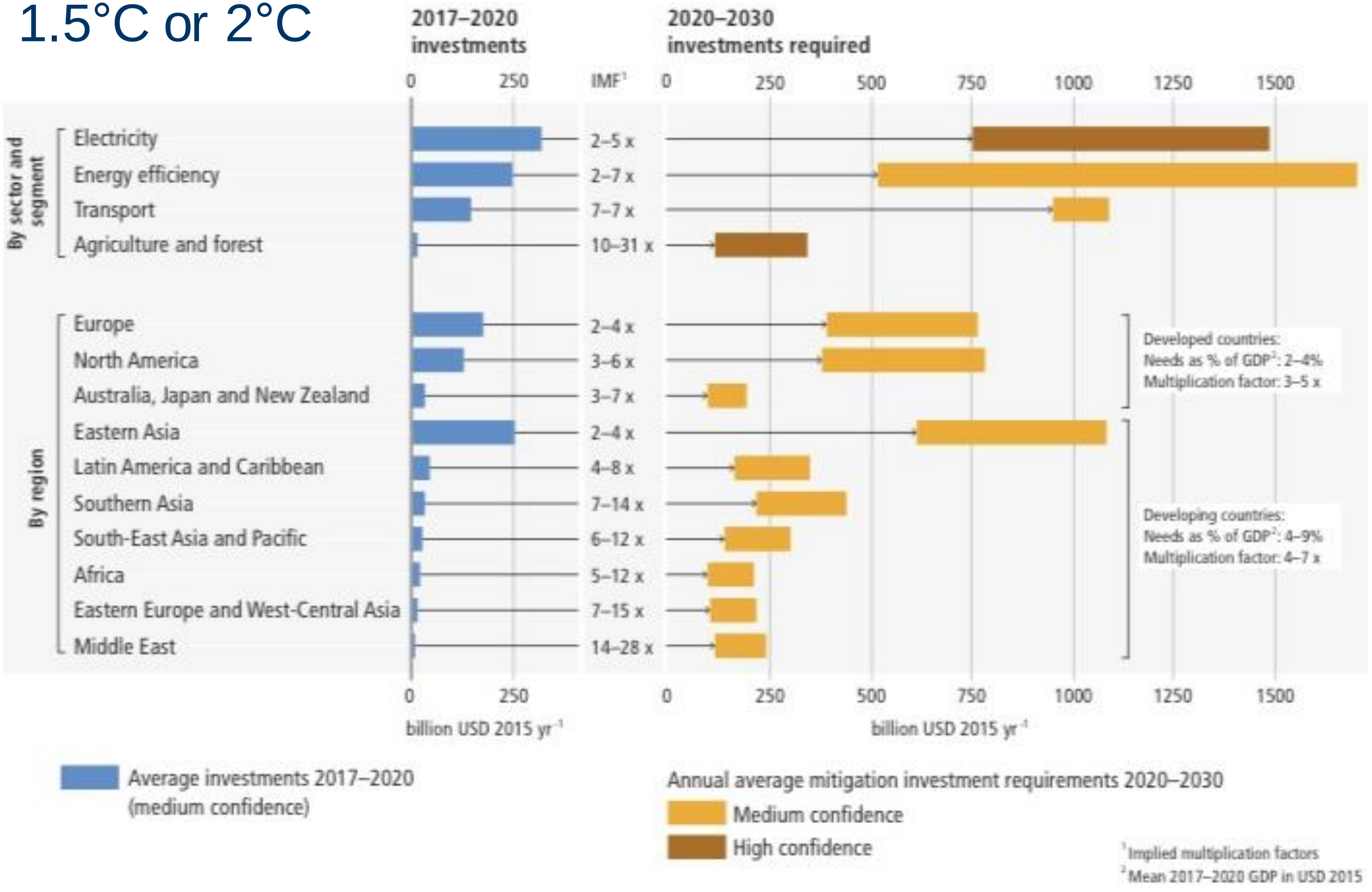
Progress on the alignment of financial flows towards the goals of the Paris Agreement remains slow

- Access to finance at adequate terms represents a critical enabling factor for the low carbon transition
- Tracked climate finance flows increased by approx. 60% between 2013/14 and 2019/2020 remaining heavily focused on mitigation
- Fundamental inequities in access to finance as well as its terms and conditions, and countries exposure to physical impacts of climate change overall result in a worsening outlook for a global just transition
- The relatively slow implementation of commitments by countries and stakeholders in the financial system to scale up climate finance reflects neither the urgent need for ambitious climate action, nor the economic rationale for ambitious climate action

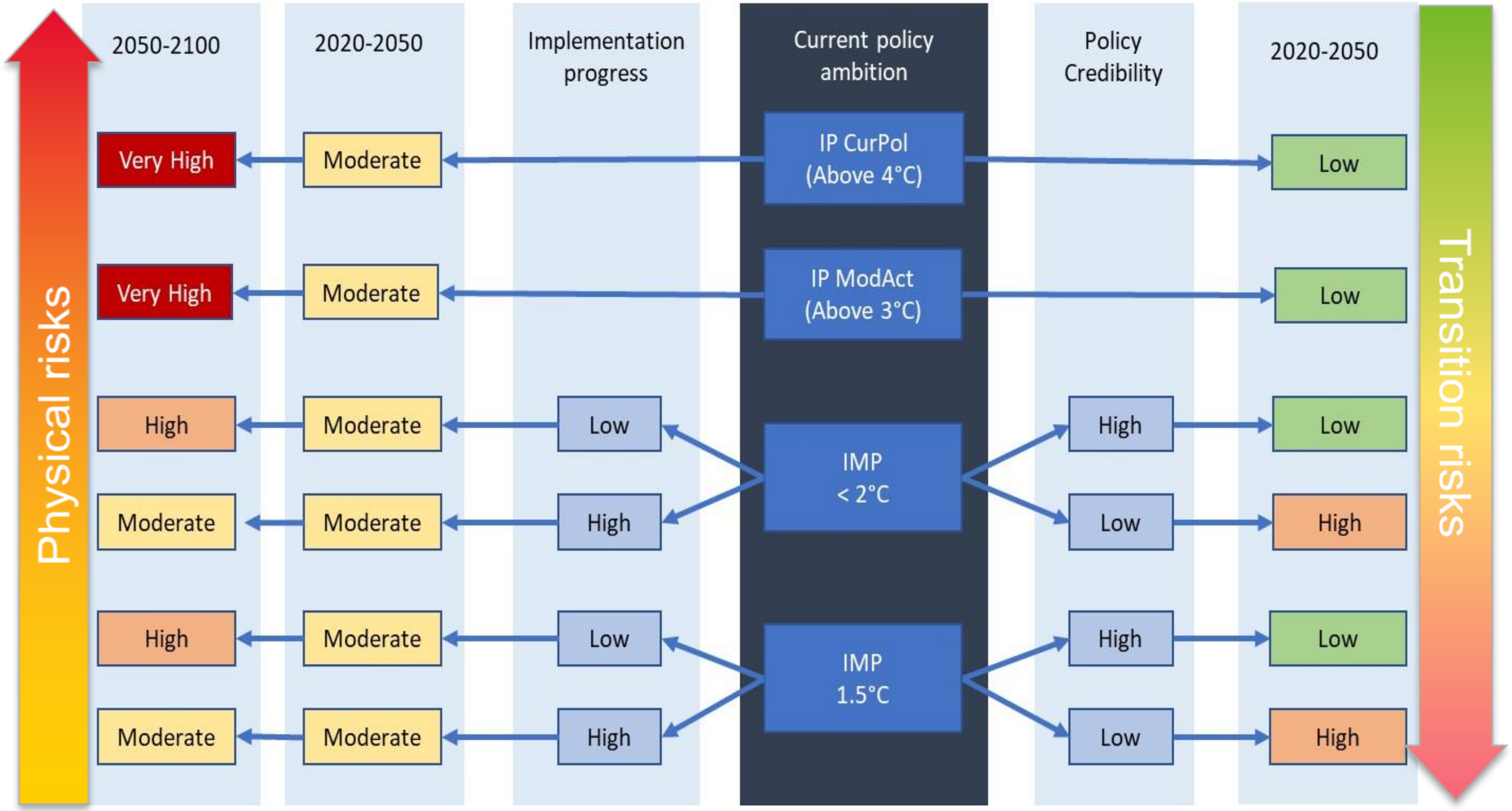
Financial flows are a factor of three to six below the average levels needed between 2020-2030 to limit warming to below 1.5°C or 2°C



Based on chapter 15/ figure 15.4

- Mitigation gaps are wide for all sectors, and widest for the AFOLU sector
- The challenge of closing gaps is largest in developing countries as a whole
- There is sufficient global capital and liquidity to close global investment gaps

Inappropriate risk assessment as key barrier



- There are significant barriers to redirect capital to climate action both within and outside the global financial sector
- Clear policy choices and signals from governments and the international community can support an appropriate risk assessment and scaling up mitigation finance flows

Based on chapter 15/ figure 15.6

Turning gaps into investment opportunities

- Investors, central banks, and financial regulators are driving increased awareness of climate risk. This increased awareness can support climate policy development and implementation
- Ambitious global climate policy coordination and stepped-up (public) climate financing over the next decade (2021–2030) can help address macroeconomic uncertainty and alleviate developing countries' debt burden post-COVID-19
- Innovative financing approaches could help reduce the systemic underpricing of climate risk in markets and foster demand for Paris-aligned investment opportunities. Approaches include de-risking investments, robust 'green' labelling and disclosure schemes, in addition to a regulatory focus on transparency and reforming international monetary system financial sector regulations