

**Marrakech
Partnership**



Marrakech Partnership for Global Climate Action

**Event Outcome
Action Event: Financing Resilience Implementation
Lab**

**UNFCCC COP 27
Sharm El Sheik**

**9th November 2022
14:30 – 16:00**

Organised by Mahesh Roy (IIGCC); Veronica Chau (BCG); Johannes Graef &
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GCA “Finance”: Financing Resilience Implementation Lab

SECTION 1 – IMPLEMENTATION LAB

Key Messages:

Adaptation and Resilience to physical climate risk is a material concern for financial actors and their stakeholders, with significant work being done throughout the financial value chain to integrate adaptation and resilience into risk/ return calculations.

Outcomes:

1- Demonstrate implementation and showcase concrete examples of action;

The lab showcased 6 examples of action from the ‘macro’ (IIGCC’s Climate Resilience Investment Framework/ CCRI’s Physical Climate Risk Assessment Methodology) to the ‘micro’ (YAPU’s physical climate risk data tool for micro finance, GAWA capital’s Kualu fund for A&R in Developing Countries) and intermediaries who seek to move capital in between (MUFG Bank’s Blended Finance Vehicles & CEPAL’s Caribbean Resilience Fund) This way the lab created an overview of specific barriers along the entire financial value chain from high level frameworks to financing adaptation for individuals. An overarching challenge on all levels remains the unification of metrics. While the broader approach of disclosing physical climate risks and the identification of investible adaptation solutions is the common denominator in financing resilience, more sector-specific discussions will be necessary in the future.

2- Contribute to the COP27 outcomes on progress in implementation of mitigation/resilience and finance goals;

The Lab highlighted the Climate Champions’ ‘Sharm El Sheik Adaptation Solutions’ and sought to tie them together via discussion, with the concrete examples of action showcased.

Target near-term implementation and action to accelerate progress;

The roundtable discussion focussed on 3 main questions

i) A program to design elements of a common taxonomy/ lexicon for A&R linking

local to global

- ii) Ways to measure progress towards the ‘Sharm El Sheik Implementation Solution’ for financial institutions and public finance, including the identification of financing that is already going towards adaptation but not identified and reported as such.
- iii) Means and ways of scaling of local solutions throughout the world

3- *Contribution towards achieving the goals/milestones set in the Climate Action Pathways, 2030 Breakthroughs and Adaptation and Resilience Outcome Targets;*

The lab was framed around these goals.

4- *Highlight the importance and elevate efforts of resilience and adaptation*

Main theme of the discussion

5- *Strengthen collaboration with all stakeholders, including the national governments and non-Party stakeholders;*

Participants included Investors, Banks (incl. MDBs), Insurers, Fintechs, NGOs, Parties, Sub National Governments, Youth Indigenous Peoples and Philanthropies.

6- *Showcase concrete examples of accountability and/or progress tracking (when applicable).*

Given the nascent nature of A&R financing and climate related physical risk concepts, there were few examples, outside of YAPU’s developments at the micro level, however, one of the key themes of the lab was to look at ways to embed progress tracking of progress and some measure of accountability (particularly at institutional level).

SECTION 2 – STOCKTAKE ON ACTION

Overview of progress and implementation in 2022

The marked increase of extreme weather events exacerbated by climate change, following on from the pandemic have brought adaptation and resilience into frame for financial institutions. The main difficulty in integrating physical climate risk into existing models is it’s breaking of traditional patterns of physical risk and related social consequences, which means models and assessment methodologies need to

be updated, meaning new data needs to be collected, leading to new analyses, which speaks to a different type of engagement between financiers, governments and the real economy.

Another challenge is the perception that adaptation and resilience is 'un-investible' or focused solely on infrastructure that brings a 'public good' and therefore not a 'bankable' consideration for private finance. A sector-specific, demand driven identification and analysis of investible solutions will be necessary to proof the economic viability of adaptation solutions. Showcasing these will create transparency and trust for financial actors along the financial value chain.

As is hypothesized and is being tested through CCRI's PCRAM tool, assessing and mitigating adaptation and resilience risks related to climate change properly in projects now, will lead to investment outperformance in the long run. This type of assessment, focused on infrastructure and then real estate, encapsulates buildings, energy and transport systems critical to economic development and livelihoods, all of which enable corporate and consumer activity.

The purpose of the lab was to bring together those acting across the value chain, along with key stakeholders and form a community of practice to help galvanize efforts against the current and future impacts of climate change and to breakthrough the myths that stunt progress.

All of the initiatives and endeavours outlined in section 1, 'Outcomes' 1. show significant progress in these areas.

Section 3 – Action during 2023-2025

Moving forward on the 3 main discussion points outlined in Section 1. 'Outcomes' 3. are clear objectives in moving forward in financing adaptation and resilience.

Following on from the event an email was sent to participants with survey and the intention of formation a 'community of practice' that could house a digital showcase of initiatives and progress as well organizing similar online and in person events on the sidelines of climate summits and conferences where the financing A&R community can come together to network, share best practice and learn about each other's work.

Practically, the lab has also led to a closer collaboration between CCRI, IIGCC & PRI in looking at infrastructure and real estate physical climate risk assessment. There are current workplans being drawn up on how this will proceed and be developed and rolled out to the financial community.

Using this and other networks, work needs to continue connecting the macro to the micro and scaling up local solutions, working with funds and blended finance vehicles to de-risk and leverage private capital with up to a factor of 10 as GAWA capital and others have been able to proof and ensure institutional capital is flowing to where it is most needed in responding to physical climate risk.

Further points that could be envisioned:

- setting quality standards for 'good adaptation practices' and avoiding maladaptation, e.g. in the context of portfolio certifications.
- developing a roadmap to track and develop the demand-side for adaptation finance for individuals and businesses.
- integrating demand-side and local voices in the process of identifying investible adaptation solutions.