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Lessons learned from mobilization of climate finance: GLCF experience

First Technical Expert Dialogue under the Ad hoc Work Programme on the **New Collective Quantified Goal on Climate Finance** (24-25 March 2022)

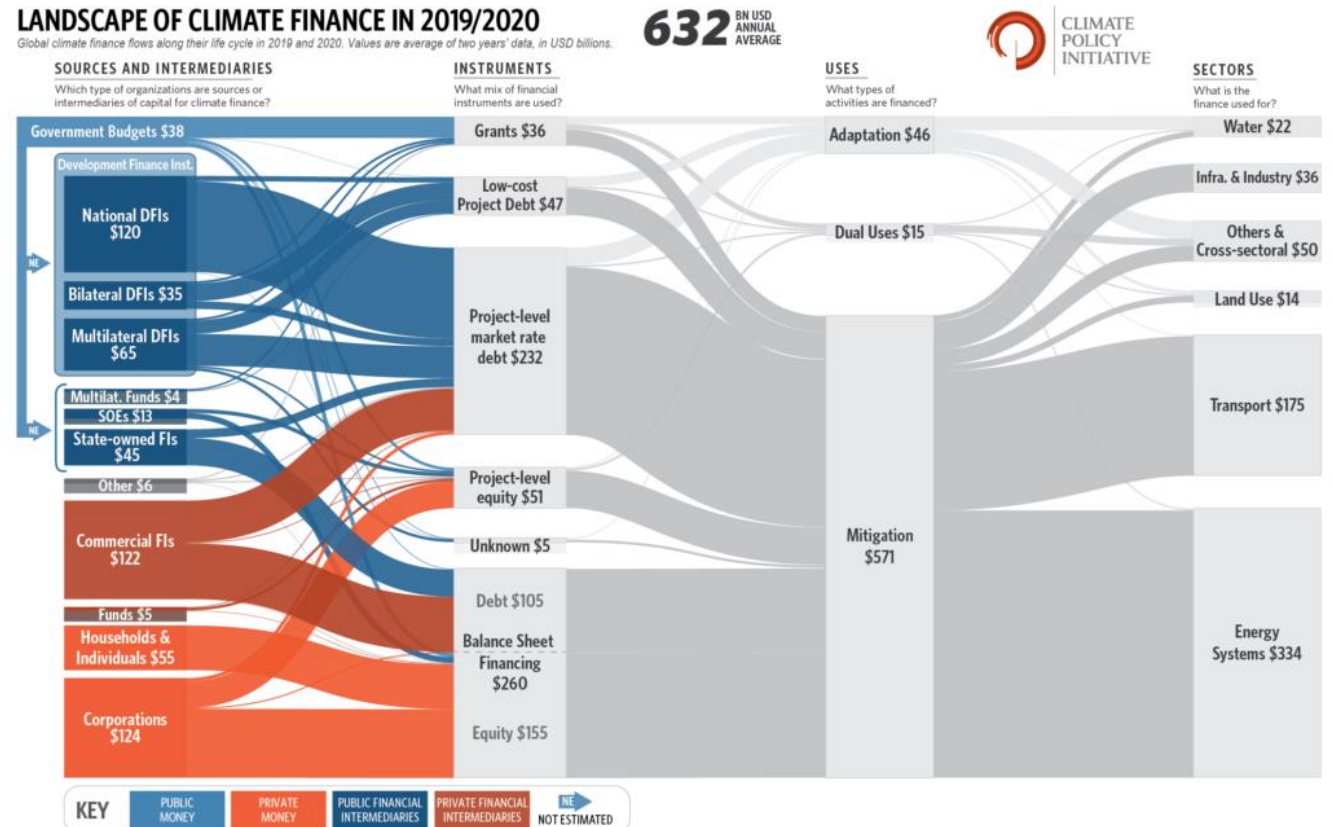
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CPI experience on climate finance tracking

- CPI has over **10 years of experience** tracking climate finance flows through the [Global Landscape of Climate Finance \(GLCF\)](#).

- The **GLCF** has created a **comprehensive view** of climate finance flows, building a robust methodology, data capture process, and tracking analysis.

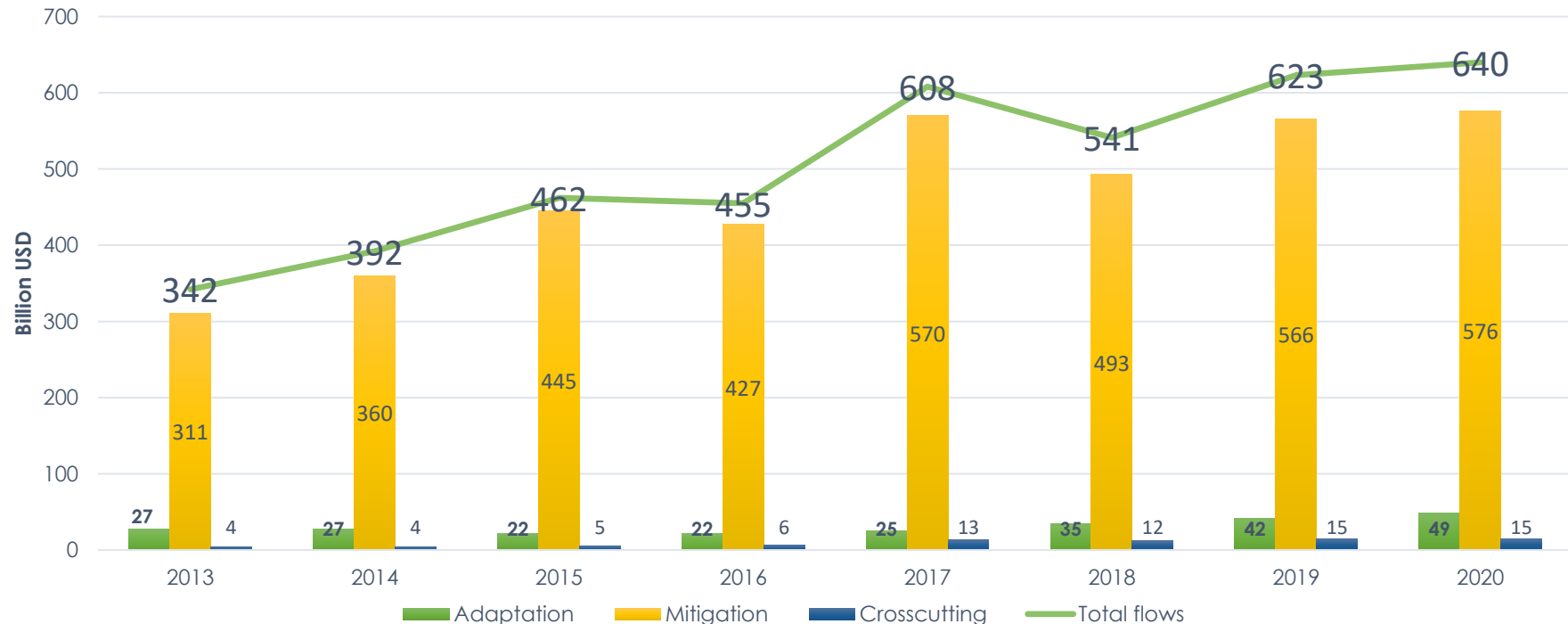
- The **GLCF definition**: “**primary capital flows** directed toward low-carbon and climate-resilient development interventions with direct or indirect greenhouse gas mitigation or adaptation benefits”.



Key findings from the last 10 years

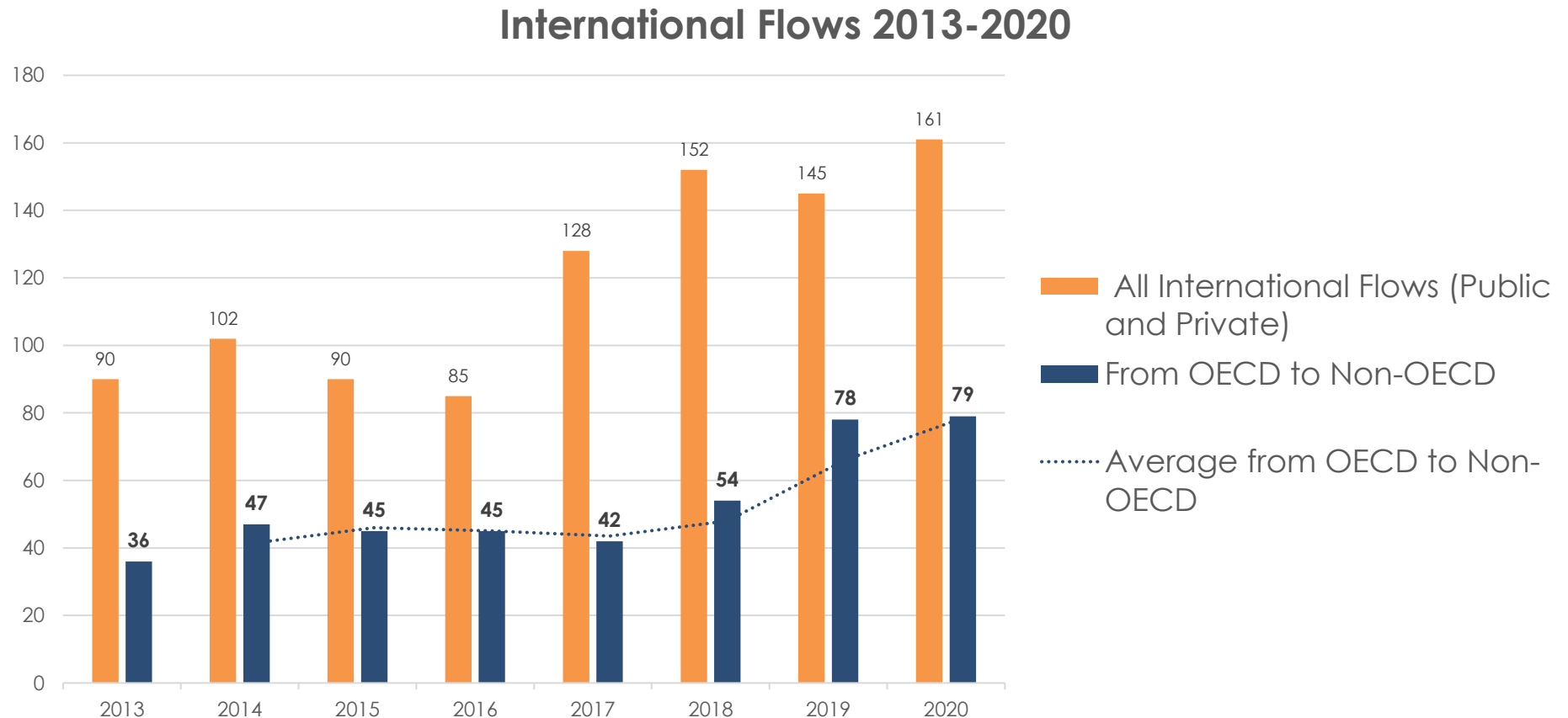
- Climate finance flows have been growing an average of **10%** yearly since 2013, including both public and private finance. Climate finance grew from **USD 342 billion** in 2013 to **USD 640 billion** in 2020.

Climate Finance Flows 2013- 2020



International climate finance flows (2013-2020)

2. From 2013-2020, all international flows (public and private) accounted for **USD 953 billion in total**. **45%** of these, **USD 426 billion**, were flows from OECD to Non-OECD countries. These represent, on average, **USD 53 billion per year** (average growth rate of **13%** per year).



Distribution of climate finance flows per thematic area (average growth rates from OECD to NON-OECD)

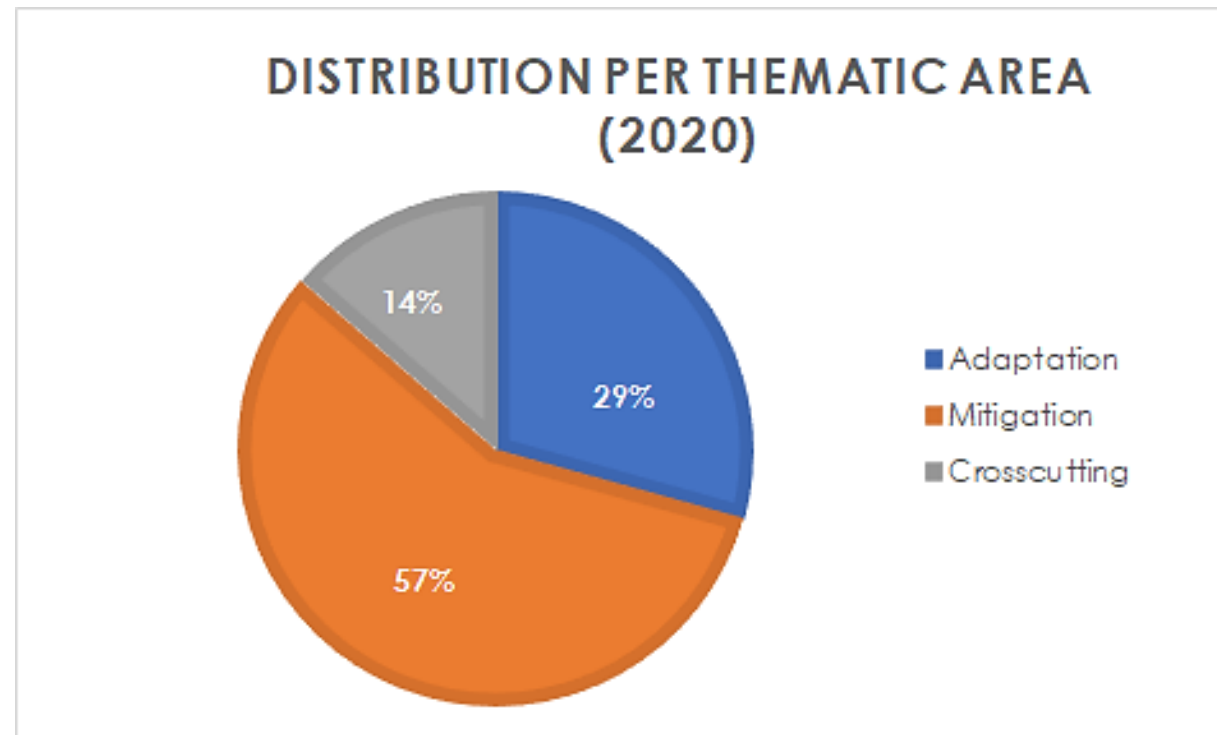
3. Climate finance flows increased unequally in the period 2014-2020:

- ✓ **Mitigation finance** increased on average **6% per year**
- ✓ **Adaptation finance** increased on average **21% per year**
- ✓ **Cross-cutting finance** (financing that addresses both mitigation and adaptation) grew on average **16% per year**

Adaptation versus mitigation flows (2020)

4. Adaptation finance growth rate has been increasing significantly, however, there is still an **imbalance** between adaptation and mitigation finance.

In 2020, **57%** of climate finance flows were allocated to mitigation and only **29%** to adaptation, representing **USD 21 billion**.

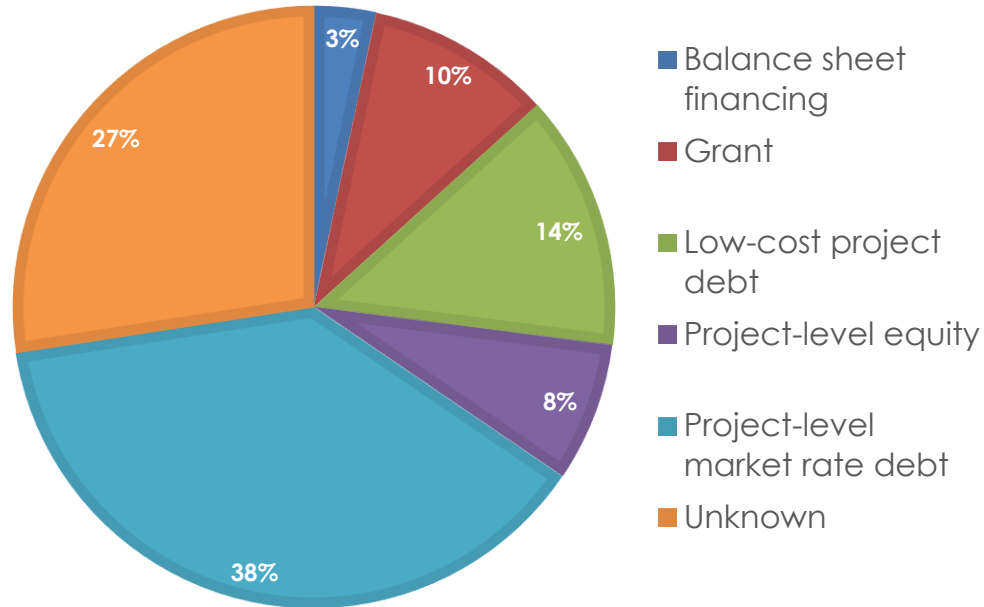


Distribution of climate finance per instrument in 2020 (OECD to NON-OECD)

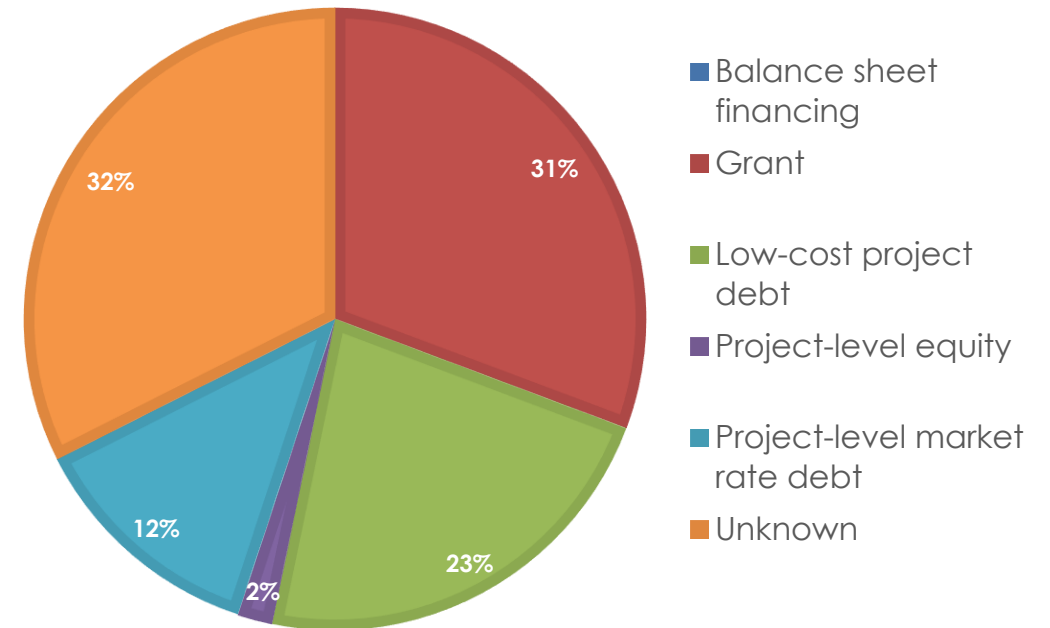
- The main instruments used for mitigation were project level market rate debt (**38%**) and low-cost project debt (**27%**).

- The main instruments used for adaptation were grants (**31%**) and low-cost debt (**23%**), while **32%** of the flows were transferred through unknown instruments.

INSTRUMENTS FOR MITIGATION (2020)

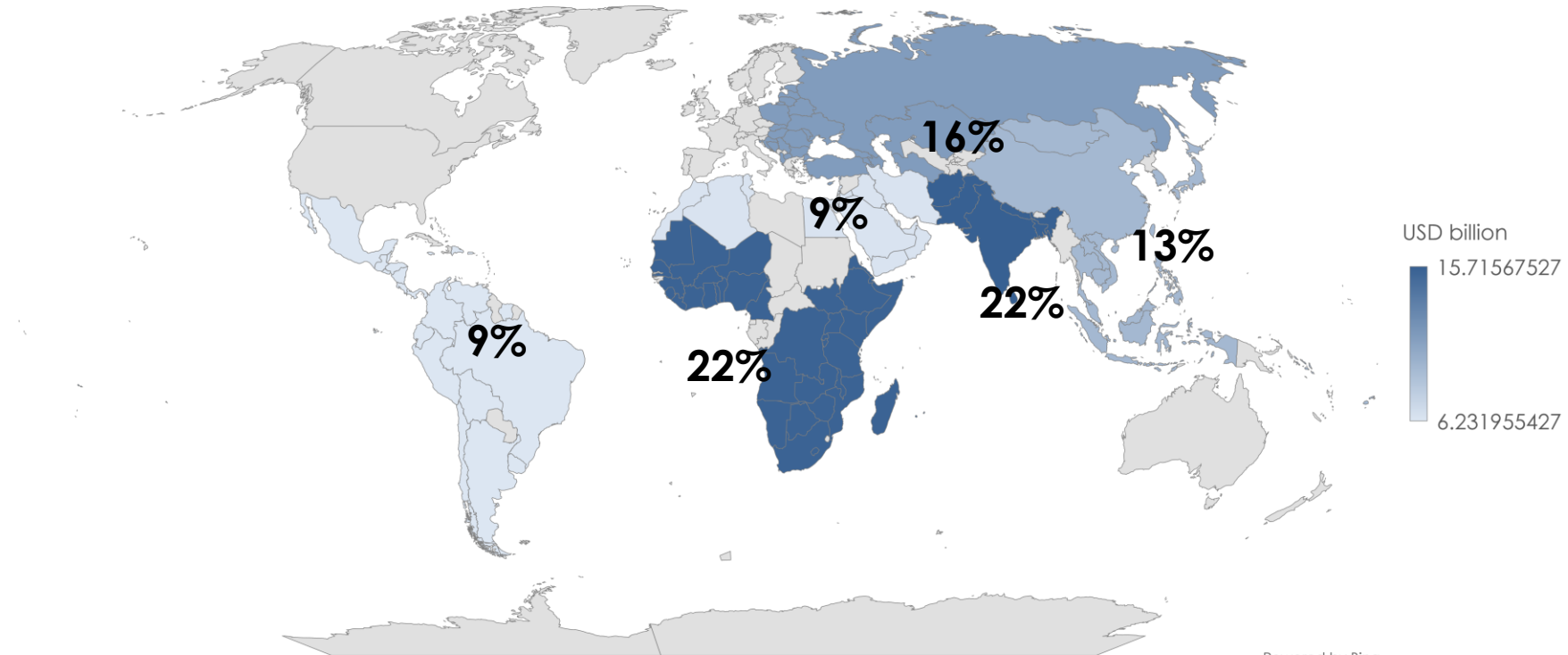


INSTRUMENTS FOR ADAPTATION (2020)



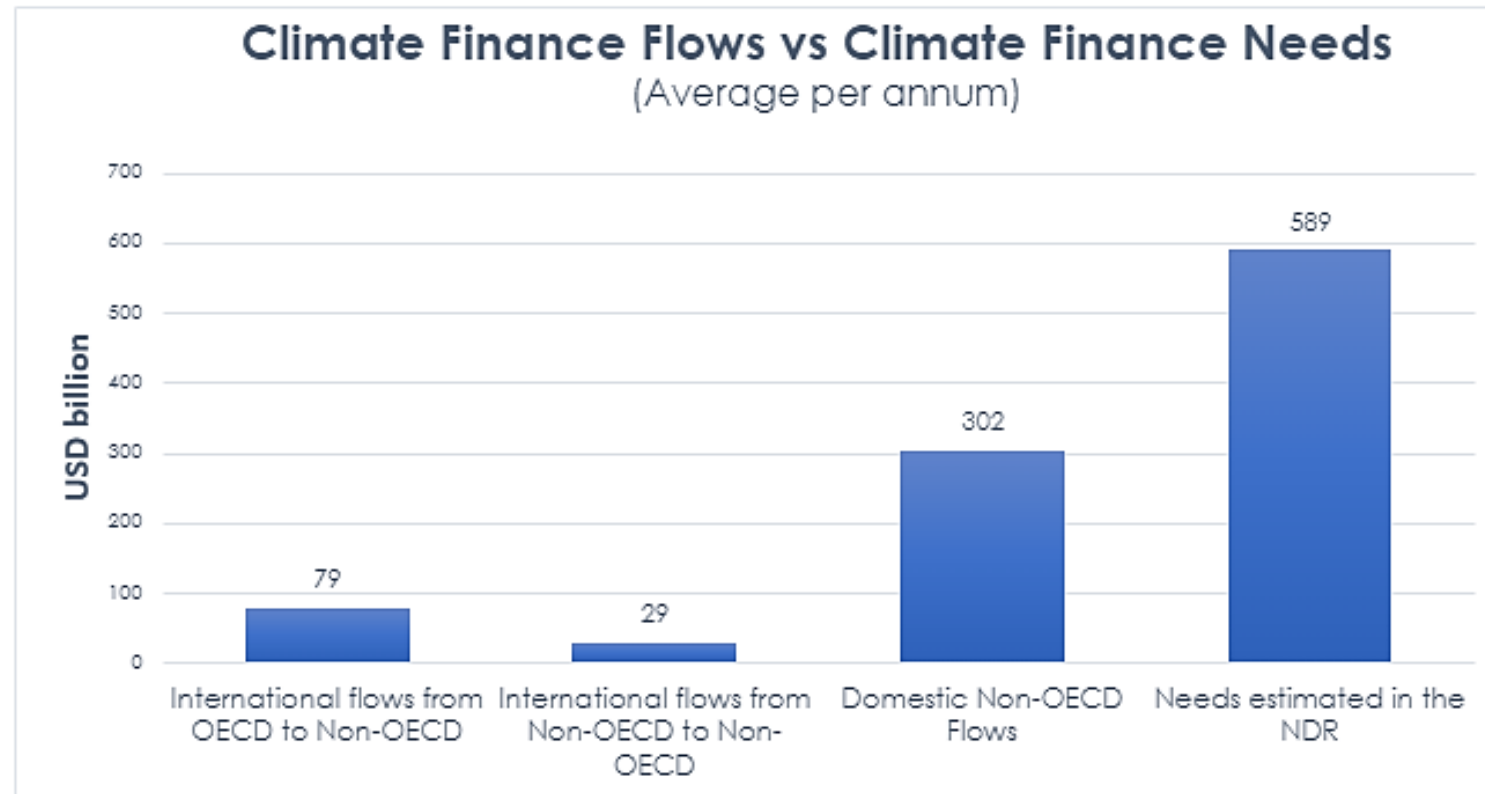
Distribution of climate finance flows per region in 2020 (OECD to non-OECD)

5. At the regional level, South Asia (**22%**) and Sub-Saharan Africa (**22%**) received the majority of international finance from OECD countries, followed by Central Asia and Eastern Europe (**16%**), East Asia and Pacific (**13%**), Transregional (**9%**), Middle East and North Africa (**9%**) and Latin America and the Caribbean (**9%**).



Climate finance flows versus needs

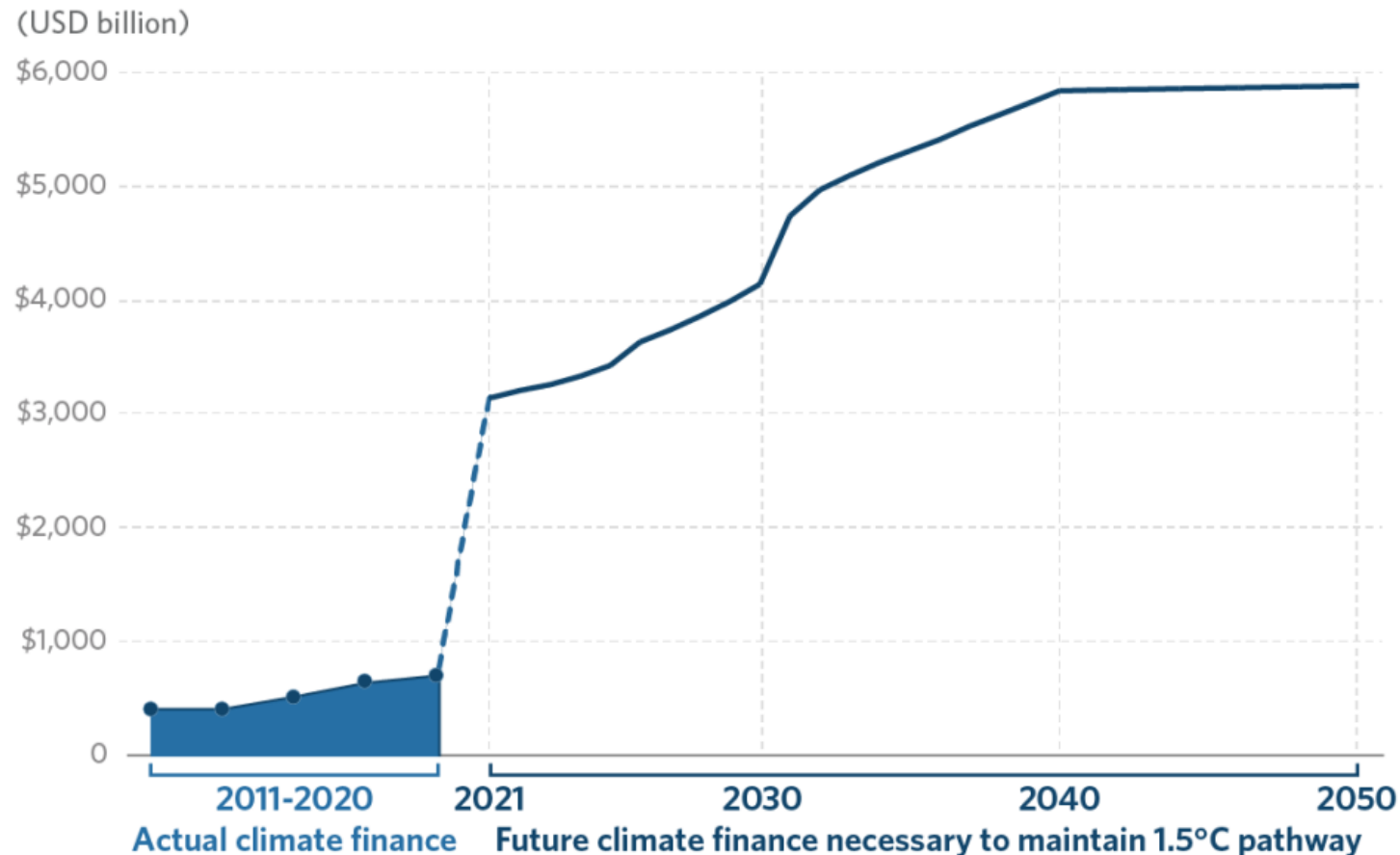
6. According to the 'First Report on the Determination of the Needs of Developing Country Parties' (NDR), to implement NDCs, non-Annex 1 countries will need around **USD 589 billion** average per year. However, in **2020**, climate finance flows from OECD to Non-OECD countries accounted for **USD 79 billion**; **climate finance flows** from Non-OECD to Non-OECD countries for **USD 29 billion**; and domestic flows in non-OECD countries accounted for **USD 302 billion** (CPI, 2021). These flows are behind the estimated needs.



Source: CPI elaboration based on GLCF 2019/2020 (CPI, 2021) and the NRD (UNFCCC, 2021).

Current investment levels are nowhere near enough to limit global warming to 1.5 °C

Figure 1.3: Global tracked climate finance flows and the average estimated annual climate investment need through 2050



We have analyzed and aggregated data sources and scenarios that explore climate finance needs for energy systems, buildings, industry, transport, and other mitigation and adaptation solutions.

And to meet our climate objectives, by 2030 annual climate finance must increase by at least 590% to USD 4.35 trillion.

Note: Further details on the investment need and the data sources used are available in Annex II.

Lessons learned from mobilization of climate finance (1/2)

- 1. Climate finance definition:** Climate finance flows are increasing, but there is a need to **define what counts** as climate finance to improve the tracking process.
- 2. Effectiveness:** The quantity of climate finance is growing, but there is a gap in understanding the **quality** and effectiveness of this climate finance flows.
- 3. Adaptation gap:** The climate finance for adaptation is increasing in recent years, however there is still a **gap** in comparison to the mitigation finance.
- 4. Transparency:** The climate finance information from public and private sources is improving, but there is still limited access to **robust and complete information**. More accurate information is needed, particularly from the private sector.

Lessons learned from mobilization of climate finance (2/2)

5. Finance needs: Finance flows are not near the estimated needs. However, further support to developing countries is needed to estimate financial needs better.

6. Interlinkages: More granular reporting across all actors is needed to assess the landscape of **climate and SDGs finance**, and progress towards a just and sustainable transition.

7. Alignment: While the climate finance flows are growing there still the need to accelerate the reduction of fossil fuel investments to ensure the **transition** towards a sustainable, net zero and resilient world, aligned with the Paris Agreement (Article 2.1.c).

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Thank You

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