

Climate finance needs and gaps

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Available information on financing needs

- Top-down model-based assessments provide robust data primarily for investment needs relating to mitigation technology deployment
 - Often standardized assumptions for financing costs
 - Often focus on the energy sector only
 - Financing needs for upstream investments and preparatory action, in R&D and venture capital and compensation for incremental costs ignored
- Focus mostly on required total green investments
 - rarely on incremental investments
 - Link to overall investment needs for sustainable development pathways missing
- Aggregation of bottom-up assessments hardly possible

What can the available assessments tell us despite their weaknesses

Results

- are relatively robust in terms of trends
- indicate the massive investment gaps that exist across regions and sectors and consequently illustrate the magnitude of change required in the financial system
- Indicate the urgency of reallocation of funds
- also indicate significant differences between sectors and regions
- underline the much higher investment needs across developing countries, even w/o considering the investment needs for adaptation, general infrastructure, SDG related investments and other financing needs

Actual quantitative gaps only one aspect when discussing the magnitude of the challenge to close financing gaps

- Understanding of misaligned flows crucial to identify best ways to facilitate an efficient reallocation of funds
- Fundamental inequities in access to and costs and terms & conditions of financing
- Positive correlation between institutional capacity and climate finance inflows
- Barriers within and outside the financial sector. Within the financial sector: regional mismatch between capital and needs, home bias and risk perception, inappropriate climate risk assessments
- Macro environment and indebtedness considerations to be considered with a double materiality given economic vulnerability to physical impacts of climate change