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The Global State of Play

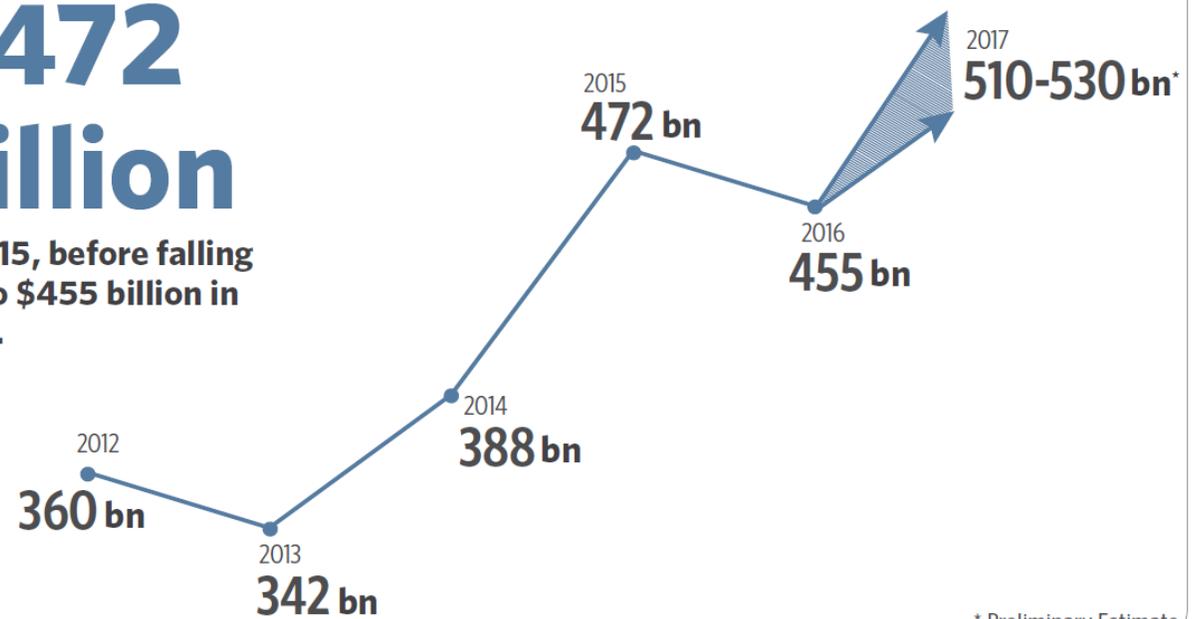
- Climate finance flows have increased steadily since they were first tracked in 2012.
- In 2015/16 private investment from private actors accounted for 54% of climate finance flows.
- Public finance plays a critical role addressing risks, cost and viability gaps faced by private actors including households.

Figure 1: Amount of global climate finance 2015-2017* (*estimate)

Global climate finance flows surged to

\$472 billion

in 2015, before falling 3% to \$455 billion in 2016.



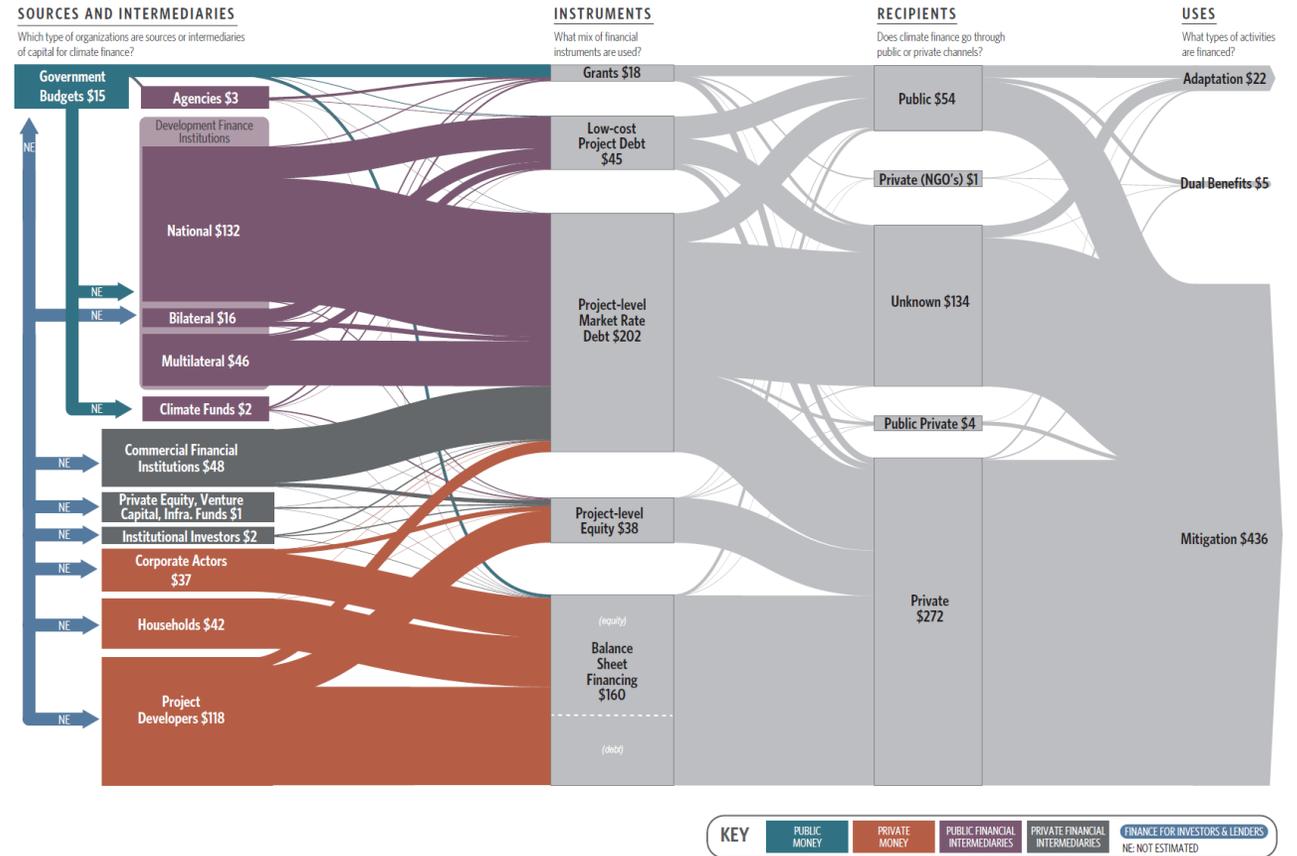
Major Streams of Climate Finance

- The landscape of climate finance includes multiple sources of finance, actors and intermediaries, recipients and uses.
- The two principle streams, public and private, have distinct roles and uses.
- Understanding the relationships between public and private finance is the key to achieving scale-up.

LANDSCAPE OF CLIMATE FINANCE IN 2015/2016

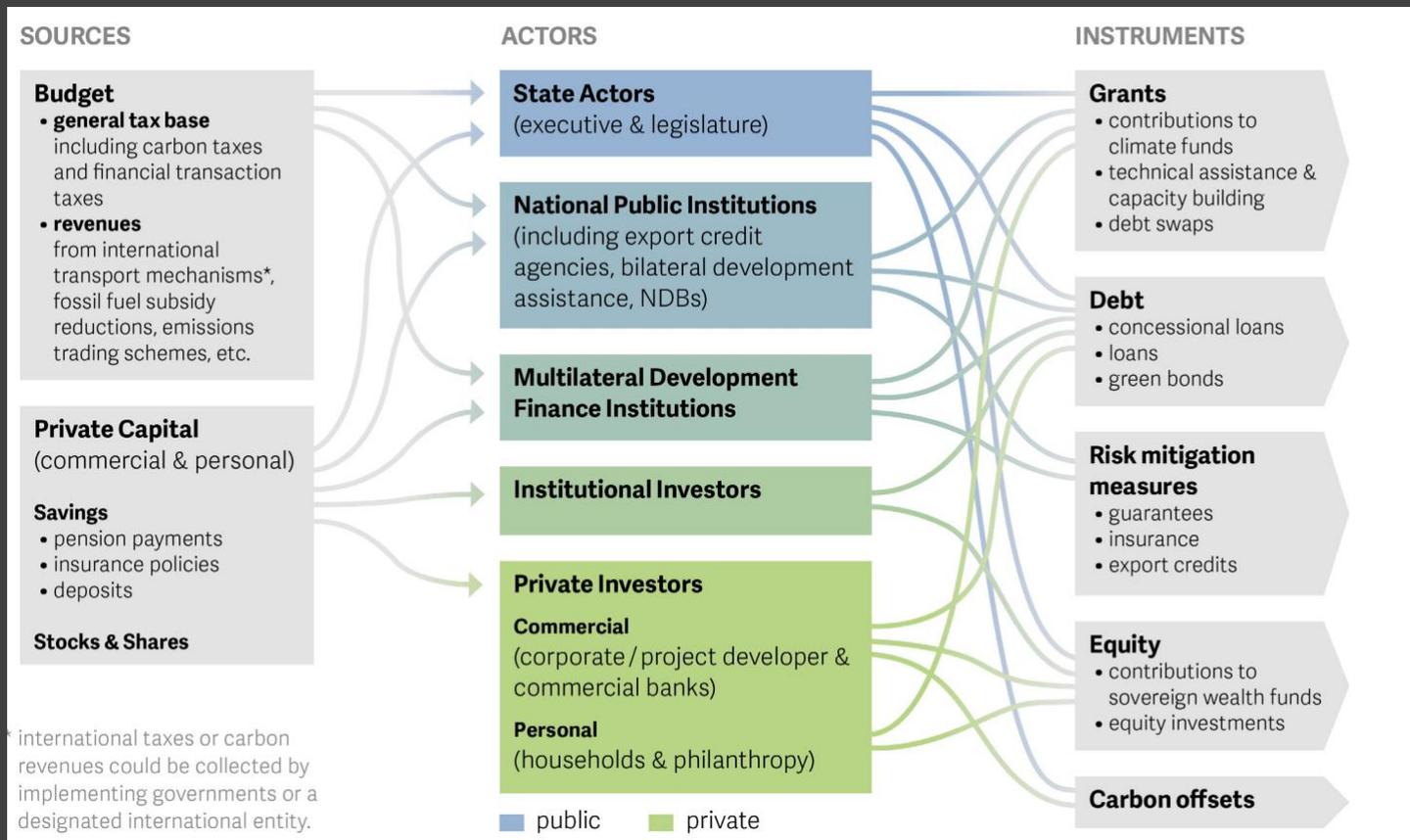
Global climate finance flows along their life cycle in 2015 and 2016. Values are average of two years' data, in USD billions.

463 BN USD ANNUAL AVERAGE



Source: CPI, 2018

Global climate finance sources, actors, instruments



Source: G7 Background Report on Long-term Climate Finance, 2015

- There are two principal sources of climate finance: public budgets and private capital.
- The centre column identifies the actors whose decisions determine how public finance is delivered and how private capital is invested.
- The right column shows key instruments through which public actors channel finance to pay for public goods and services, close viability gaps, reduce costs and risks for private actors or into which public and private actors may invest.

Public finance

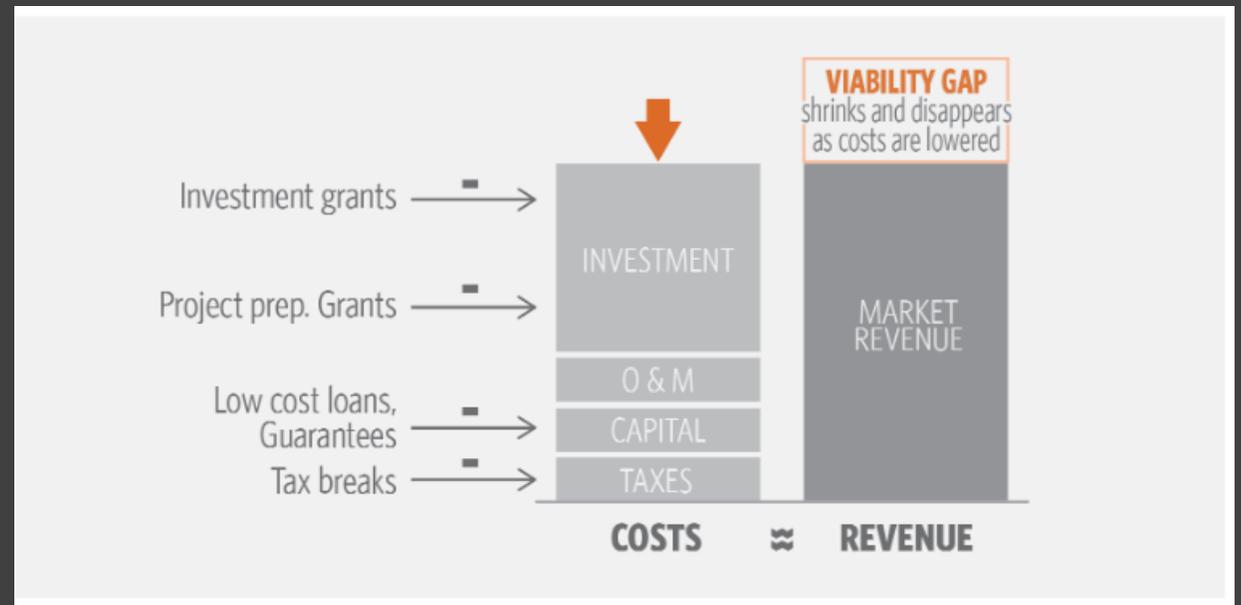
- Governments collect revenues via various means, including general tax policies, environmental taxes, financial transaction taxes, other levies and charges.
- Governments allocate revenues through public budget processes which inevitably involve trade-off between national priorities and include international commitments.
- Development Finance Institutions (DFIs) including multilateral development and national development banks, channelled 91% of global public climate finance flows in 2015/16 (CPI, 2018)



As implied by this figure, data about domestic public spending is limited and ad hoc. Work to improve understanding about domestic budgets is an entry point for GCCA+ support activities.

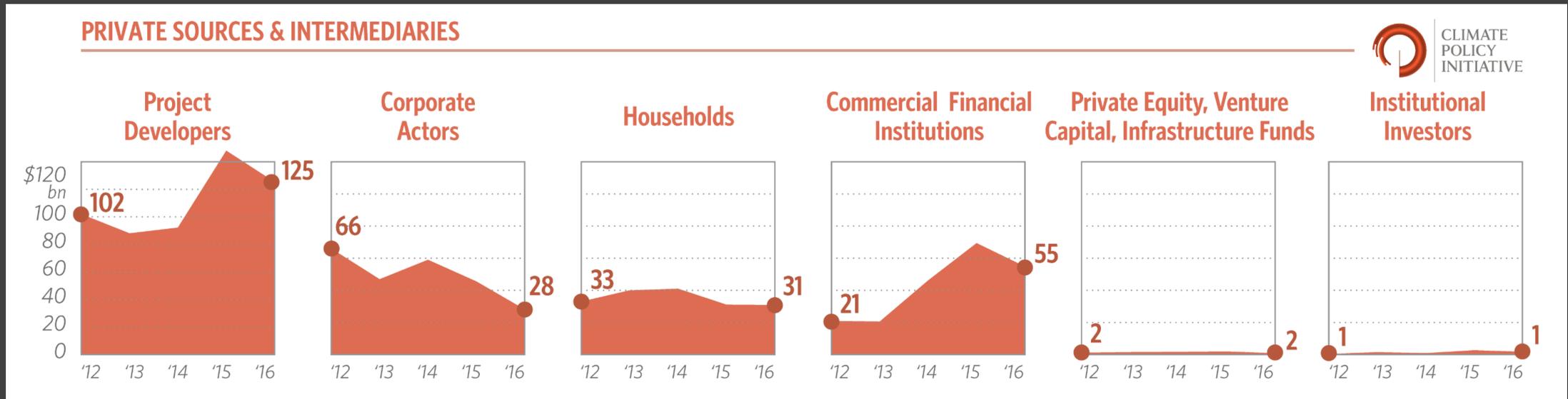
When is public finance necessary?

- The role of public money is to pay for public goods and services and to cover the increment that makes low-carbon investments unviable for private actors.
- Public finance is needed to help investors balance risks and costs – either by providing certainty around future revenue or by lowering costs.
- In addition to grants and loans (concessional and market), public actors can invest directly alongside private actors, decreasing perceived risks and increasing the prospects of financial closure.
- The GCCA+ can provide technical assistance designing targeted public instruments in partner countries.



Private finance

- Private finance primary investment accounts for 54% of global finance flows in 2015/16 (CPI, 2018).
- Project developers, corporations, and commercial banks account for the bulk of flows.
- Private households are important end users of energy and energy efficient appliances, and are growing in importance as purchasers of electric vehicles.
- Although not captured in the data, households include small-holder farmers.



Public action to mobilize private investment

- Governments have opportunities around the world to improve enabling environments, enhancing investment viability for private actors.
- Consistent policies that simultaneously incentivise shifts away from continuing brown or maladaptive investments could encourage systemic economic transformations.
- GCCA+ support can encourage the development of, *inter-alia*,
 - Capacity building
 - Technical assistance to design policies and national instruments
 - Legal reforms such as financial disclosure requirements
 - Research and Development
 - Law enforcement
 - Spatial planning
 - Demonstration projects