The Landscape of Climate Finance

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Breakout Group: MRV of Finance
What is climate finance?

- **Preamble**
  - No internationally agreed definition of what constitutes ‘climate finance’

- **Climate finance is all financial flows ...**
  - ... from developed to developing countries ...(North-South)
  - ... from developing to developing countries ...(South-South)
  - ... including domestic climate finance flows in developed and developing countries...
  - ... covering climate-specific support for mitigation, adaptation, capacity building, technological R&D, and potentially furthering economic development...
  - ... including public and private flows...
  - ... including incremental cost and investment capital...
  - ...?

- **Broad definition which can be shaped based on the specific context**
- **But: many data difficulties**
The dimensions of climate finance

Sources – origin (country) -> Intermediary -> Instrument -> Recipient

Public finance
- North-South
- South-South
- Domestic

Public-private

Private finance

Instrument
- Climate + investment policies
- Offset finance
- Grants
- Concessional loans
- Capital
- ... (specific uses, e.g., sector endpoint, project type)

Recipient
- Adaptation/mitigation (or relevant sectors)

Buchner, Brown, Corfee-Morlot (2011), CCXG
What are current flows? (draft figures)

Notes: Figures are expressed in USD billion and on an annual basis. *Estimated carbon pricing revenues indicated are not necessarily wholly hypothecated for climate finance. International bunker taxes are a potential revenue source, not yet in existence.

Sources
- Carbon market revenues*
  - ETS auctions
  - AAU sales
- Carbon taxes*
- General tax revenues
- Offset markets (Gov. & private)
- Philanthropy
- Global capital markets

Intermediaries
- Domestic public budgets
- Bilateral agencies
- Bilateral banks
- Multilateral agencies
- Multilateral banks
- Offset brokers
- Carbon funds
- Private finance

Instruments
- Policy support
- Risk management
- Carbon offset finance
- Grants
- Concessional loans
- Market rate loans
- Equity

Channel
- Adapation
- Mitigation

Uses
- Different disbursement channels

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Key climate finance issues

- International climate finance is flowing
  - A wealth of knowledge within different organizations and institutions on the details of these flows, particularly on North-South flows
  - But: there is no integrated international system for storing and accessing financial data
  - Also, there are strong inconsistencies in labeling and definitions of what constitutes climate finance throughout the chain

- Climate finance flows in many directions
  - Domestic and “South-South” flows must be considered alongside the traditional “North-South” flows

- Climate finance from private sources is larger than from public ones
  - Yet, difficult to measure, track and allocate

- The biggest gap: on the recipient side
  - While there is good knowledge on the sources of climate finance, very limited understanding of the effectiveness of climate finance efforts

Today’s session will shed light on two key aspects of climate finance, helping to move towards a more comprehensive picture of climate finance