

Mobilising Finance for Climate Change Mitigation and Adaptation

There is broad consensus that the magnitude of investments needed to achieve the climate goals agreed upon in the Paris Agreement will not be financed by scarce public funds but that additional resources must be mobilised.

Developing countries in particular face enormous challenges in mobilising financial resources and using funding for the necessary climate change adaptation and mitigation measures. The mitigation of greenhouse gas (GHG) emissions, the preservation of natural carbon reservoirs and the adaptation to the impacts of climate change all require financial resources and investors – to build solar power systems and wind turbines, for energy-efficient building refurbishment, to expand public transport systems, for reforestation, to strengthen flood protection measures, to set up protected areas and much more.

At the UN Climate Change Conference in Paris, developed countries therefore reaffirmed their strong commitment to jointly mobilise US Dollar 100 billion yearly by 2020 in climate finance. Delivering the Paris Agreement also requires making financial flows consistent with a pathway towards low GHG emissions and climate-resilient development. Hence, long-term infrastructure investments need to be aligned with the Paris Agreement and a mainstreaming of climate considerations in all infrastructure sectors will be necessary.

Since 2008, the International Climate Initiative (IKI) of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) cooperates with partner countries in the practical implementation of climate change mitigation and biodiversity conservation

measures. Since its establishment, it has launched more than 730 climate and biodiversity projects. The total project volume since 2008 amounts to EUR 3.6 billion (October, 2019).

IKI projects and programmes are carried out by a broad range of implementing organisations. Within IKI a portfolio of 43 projects with a BMU funding volume of around EUR 395 million primarily focuses on the financial sector and the mobilisation of climate-friendly investments. These projects for instance pilot innovative financial instruments in the form of public-private partnerships and provide support to develop project pipelines as well as sustainable business models ready for finance.

IKI also supports countries to receive and administer climate finance in an effective and transparent manner, in order to successfully access funds of the Green Climate Fund through the GCF-Readiness Programme, for instance. Aside from IKI, BMU also funds the Global Energy Efficiency and Renewable Energy Fund (GEEREF), a fund to mobilize private investors especially for renewable energy projects.

IKI Supports Approaches on Shifting Financial Flows

In 2015, the Paris Agreement defined the global objective of making financial flows consistent with the commitment to limit global warming to well below 2°C. To this end, IKI supports an innovative approach implemented by the 2° Investing Initiative allowing policymakers to measure the 2°C alignment of their capital

markets and have access to a reporting framework for domestic market investors. In partnership with investment consultancy Mercer, the 2° Investing Initiative complements this 2°C assessment framework by further developing the Mercer climate risk assessment tool. The main objectives of the tool are:

- To allow investors to conduct climate scenario analysis of their portfolios;
- To measure the alignment of financial assets, portfolios, domestic financial institutions, and stock markets with the Paris Agreement goals, and to provide options to align financial flows;
- To indicate potential risks associated with the transition to a low-carbon economy.

City Climate Finance Gap Fund

Cities are responsible for about three-quarter of global GHG emissions and thus play an essential role for successful climate action. However, cities often need more resources and capacity to be able to translate available and often sophisticated project ideas into concrete implementation.

Against this background, Germany, together with the Global Covenant of Mayors for Climate and the Government of Luxembourg announced the launch of the City Climate Finance Gap Fund in 2019. The Fund will address the serious lack of grant funding necessary to develop pipelines of projects from concept to a level where they become tangible, realizable and thus attractive for investment. This will considerably increase the pipeline of high-quality, bankable eco-friendly urban infrastructure projects that are urgently needed to successfully combat climate change. The Gap Fund sets out to gather more than EUR 100 million in grants. The German Government, through the Ministry for Economic Cooperation and Development (BMZ) and

BMU's IKI, intends to support the Fund with up to EUR 40 million.

Mobilizing Investment - The Global Climate Partnership Fund (GCPF)

The Global Climate Partnership Fund (GCPF), facilitated by IKI, is an instrument for mobilizing public and private capital for investment in climate change mitigation in developing and emerging countries. The Fund primarily supports financial institutions in partner countries in their provision of funding for investment in small and medium sized enterprises and households in the fields of energy efficiency and renewable energies. Since the beginning in 2009, an amount of more than US Dollar 600 million has already been disbursed and the investment portfolio was diversified geographically across 25 countries over four continents. The total lifetime emission reductions for all projects financed by the Fund are expected to be 12.8 million tCO₂.

The GCPF has supported the implementation of small-sized hydro power-plants and solar electricity installations. In South Africa, the GCPF directly supports a mining company by financing the installation of a 1 MW photovoltaic off-grid power plant. Energy efficiency has been addressed in several ways: The replacement of inefficient household appliances and outdated machinery in industry or energy saving equipment in the textile and telecommunication sectors.

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