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# From climate finance to climate action

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## Looking for a definition (I) : international/public dimension

*Climate finance refers to the financial resources mobilised to fund actions that mitigate and adapt to the impacts of climate change, including public climate finance commitments by developed countries **under the UNFCCC**, although a definition of the term “climate finance” is yet to be agreed internationally*

*A target: the the \$100 billion commitment in the Paris Agreement*

*As of today: \$12 billion*

# Climate Finance as a pillar of the Paris Agreement

- Green Climate Fund (GCF) the world's largest dedicated multilateral climate fund

## GCF PORTFOLIO TO DATE (USD)

**121**   
Developing countries with approved projects

**177**  
Approved projects

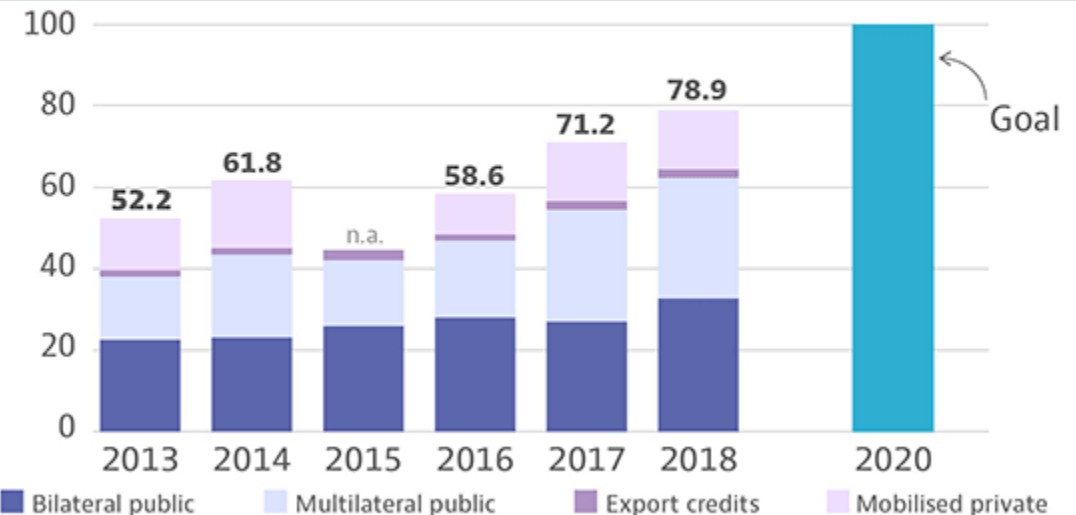
**8.8b**  
GCF funding approved

24.4b  
Co-Financing

33.2b  
Total value of approved projects

## Climate finance for developing countries is rising

Climate finance provided and mobilised by developed countries, in USD billions



The gap in the private finance time series in 2015 is due to the implementation of enhanced measurement methodologies. As a result, private flows for 2016-18 cannot be directly compared with private flows for 2013-14.

## Climate Finance during the pandemic

- GCF moved rapidly during 2020 with a three-pronged approach to maintain climate ambition during the pandemic:
  1. Adaptive portfolio management
  2. Support for developing country recovery planning
  3. Accelerated pipeline of climate projects with strong co-benefits
  
- ...still there is a substantial gap in reaching the Paris Agreement goals

## Looking for a definition (II): national/private dimension

UN (2021)

*...meeting the commitments in the Paris Agreement will require a vast and fundamental shift in **private finance** and in the financial system as a whole; without this, the goals of net zero carbon by 2050 and those of the Paris Agreement cannot be met*

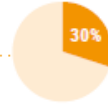
*Private finance: from international and regional banks to financial actors*

# A few relevant Figures

Multilateral Development Banks: alignment in progress

**62**  
BILLION DOLLARS  
IN 2019

**+70 %**  
ADDITIONAL CLIMATE  
FUNDING BETWEEN  
2015 AND 2019



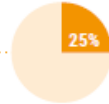
IN 2019: CLIMATE FUNDING REPRESENT OVER 30% OF THEIR ACTIVITY.

Source: Joint report on MDBs climate finance 2019

Regional and national development banks: a high potential

**190**  
BILLION DOLLARS  
CLIMATE FINANCE  
COMMITMENTS  
IN 2019

**87%**  
OF CLIMATE  
FINANCE IS  
DOMESTIC



IN 2019: CLIMATE FUNDING REPRESENT OVER 25% OF THEIR ACTIVITY

Source: IDFC Green Finance Mapping Report 2019

## Green and sustainable financial products: small markets but high growth

Sustainability linked loans:

**122**  
BILLION DOLLARS  
ISSUED



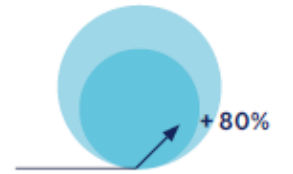
Green bonds

**260**  
BILLION DOLLARS  
ISSUED



Green and sustainable debt

**465**  
BILLION DOLLARS  
ISSUED



● 2018 ● 2019

Source: Climate Bond Initiative, Bloomberg

Source: Climate Chance, Global Synthesis Report (2020)

## Looking for a definition (III): decentralized/firms' dimension

**NET ZERO  
CARBON  
BY 2040**



201 businesses  
have accepted  
the challenge



**The Climate Pledge Announces 86 New Signatories, Including Procter & Gamble, HP, and Salesforce, Signaling Their Commitment to Achieving Net-Zero Carbon by 2040 or Sooner**

*More than 200 global organizations have now joined The Climate Pledge and are pursuing ambitious carbon-reduction activities, including operational changes in the race to fight climate change*

*Together, Pledge signatories generate over \$1.8 trillion in global annual revenues and are expected to collectively mitigate 1.98 billion metric tons of carbon emissions annually by 2040 from a 2020 baseline*

September 20, 2021 06:00 AM Eastern Daylight Time

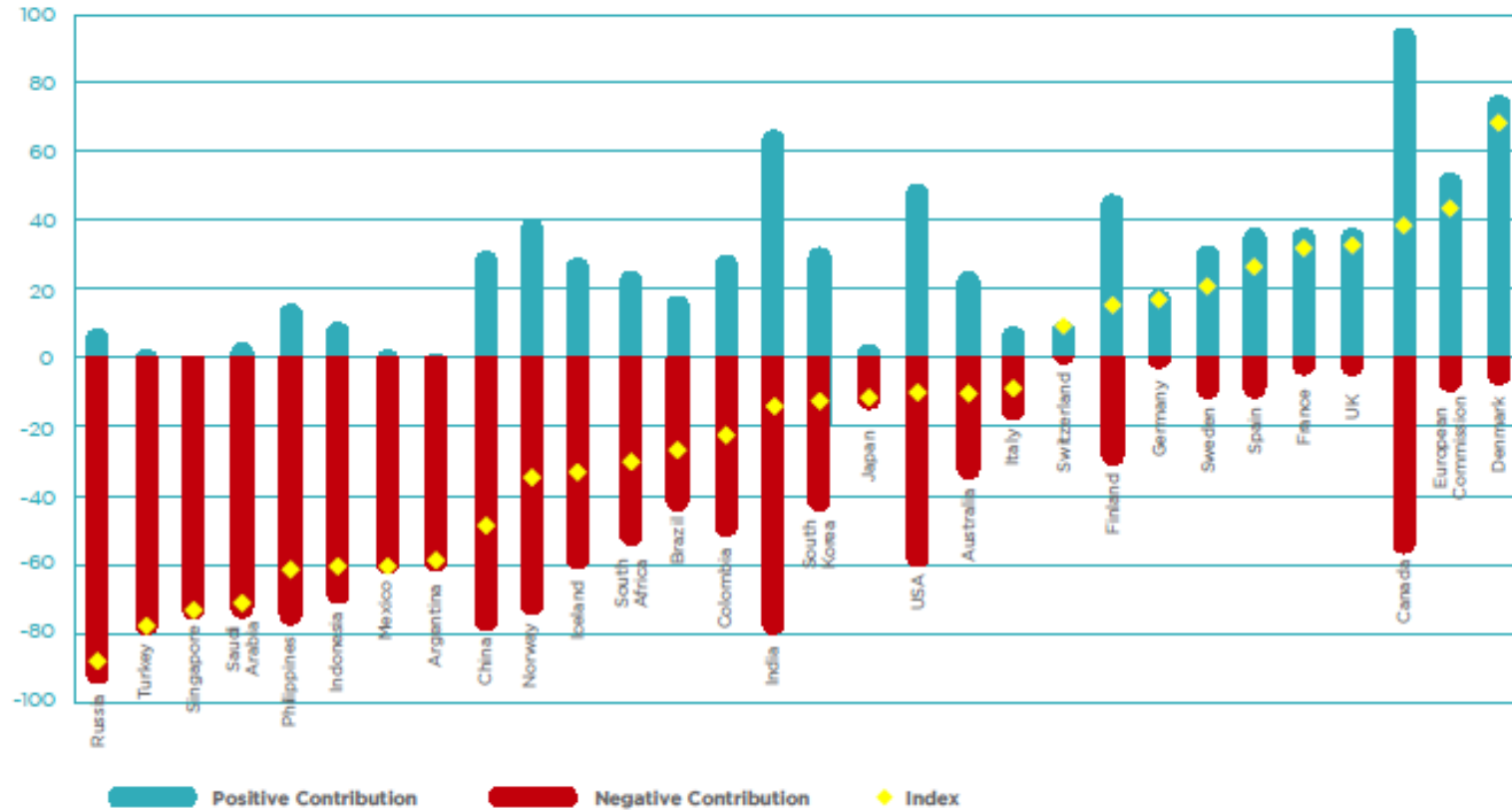
## Carbon neutrality and net-zero: a caveat

- **Carbon neutral:** balancing greenhouse gas (GHG) emissions by ‘offsetting’ – or removing from the atmosphere – an equivalent amount of carbon for the amount produced (‘carbon credits’ and/or by support to GHG-reduction initiatives such as renewable-energy projects)
- However, a commitment to carbon neutrality does not require (or even necessarily imply) a commitment to *reduce* overall GHG emissions
- **Net-zero carbon:** *reducing* greenhouse gas emissions with the goal of balancing the emissions produced and emissions removed from the earth’s atmosphere.



# Overlapping the three dimensions: Are recovery plans « Green »?

**Figure 1** | Greenness of Stimulus Index



Source: Vivid Economics using a variety of sources, consult Annex II for the entire list of sources  
 Note: Updated on 30 June 2021

# Key regulatory issues

- Role of regulators
  - Financial regulation (Principles of Responsible Investments: disclosure on climate risks, portfolio alignment)
  - Taxonomy (in EU...not operational yet; in the US...not existing)
  - Labels and Standards (very heterogeneous)

*But also « real economy » incentives*

- Subsidies to green investments and R&D (toward not only green energy but also key « negative emission » technologies)
- Targets: Fit for 55, waste and recycling, biodiversity...

## Key recommendation

- *Just Transition: an additional still strategic constraint*
  - The concept of Just Transition, born several years ago, is finding its first operational response in impact debt tools such as sustainable bonds and loans along with their various permutations. The European taxonomy attempts to take this into account as well, with the introduction of minimum social criteria for an activity to be considered sustainable.
  - The challenge today is to generalize this notion and to ensure that there is coherence in the commitments in a bottom up perspective and distribution of efforts