

Mobilizing Climate Finance Flows – Solutions and instruments enabling investments compatible with 1.5/2°C pathways

Workshop – Landscape of Climate Finance

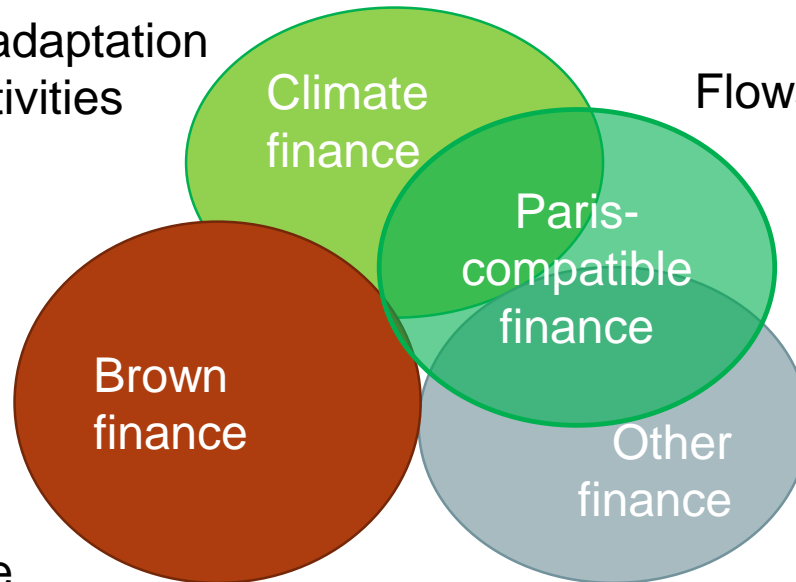
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Climate finance, Paris-compatible finance, avoiding brown finance

Climate finance:

Flows towards adaptation or mitigation activities



Paris-compatible finance

Flows actively supporting or not contradicting the Paris Agreement targets

Brown finance:

Flows supporting emission-intensive activities

Other finance:

Flows towards other activities, e.g. education

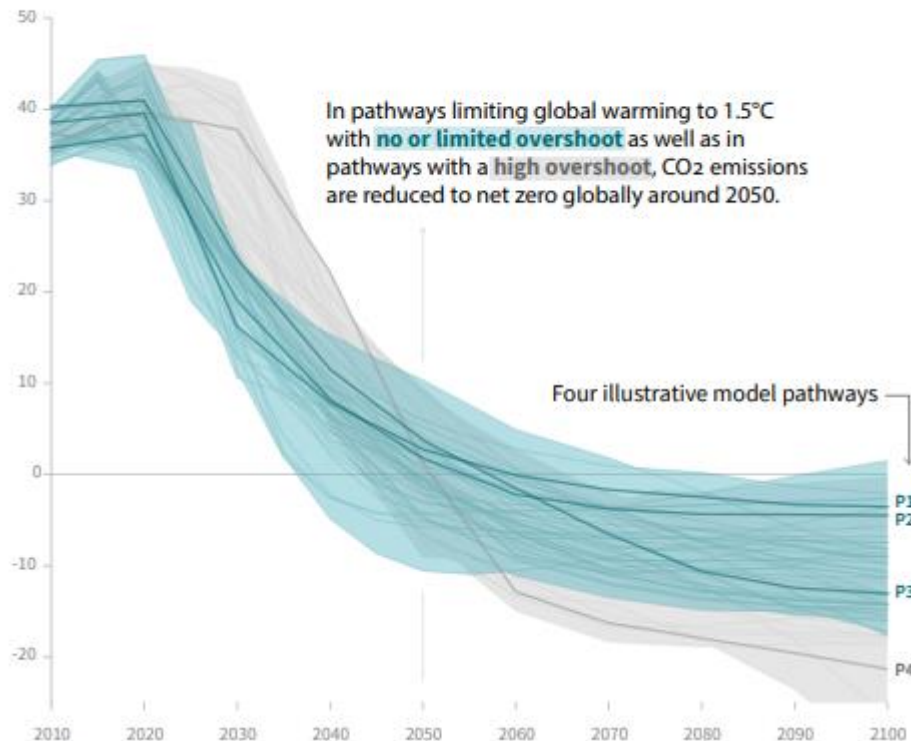
Two main questions:

1. **What does Paris-compatibility mean?**
2. How do total volumes develop (flows actively supporting PA increase, brown finance decreases)

Breaking down the Paris Agreement mitigation goal

Global total net CO₂ emissions













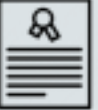









Billion tonnes of CO₂/yr



Source: IPCC 2018, Global Warming of 1.5 °C

- Global GHG emissions need to peak quickly, and become net-zero in the second half of the century. CO₂ emissions need to be at net-zero around 2050.
- There are differences in how quick and how deep decarbonization can be by sector and country.
- Mitigation has to happen quicker in energy, specifically in the electricity sector.

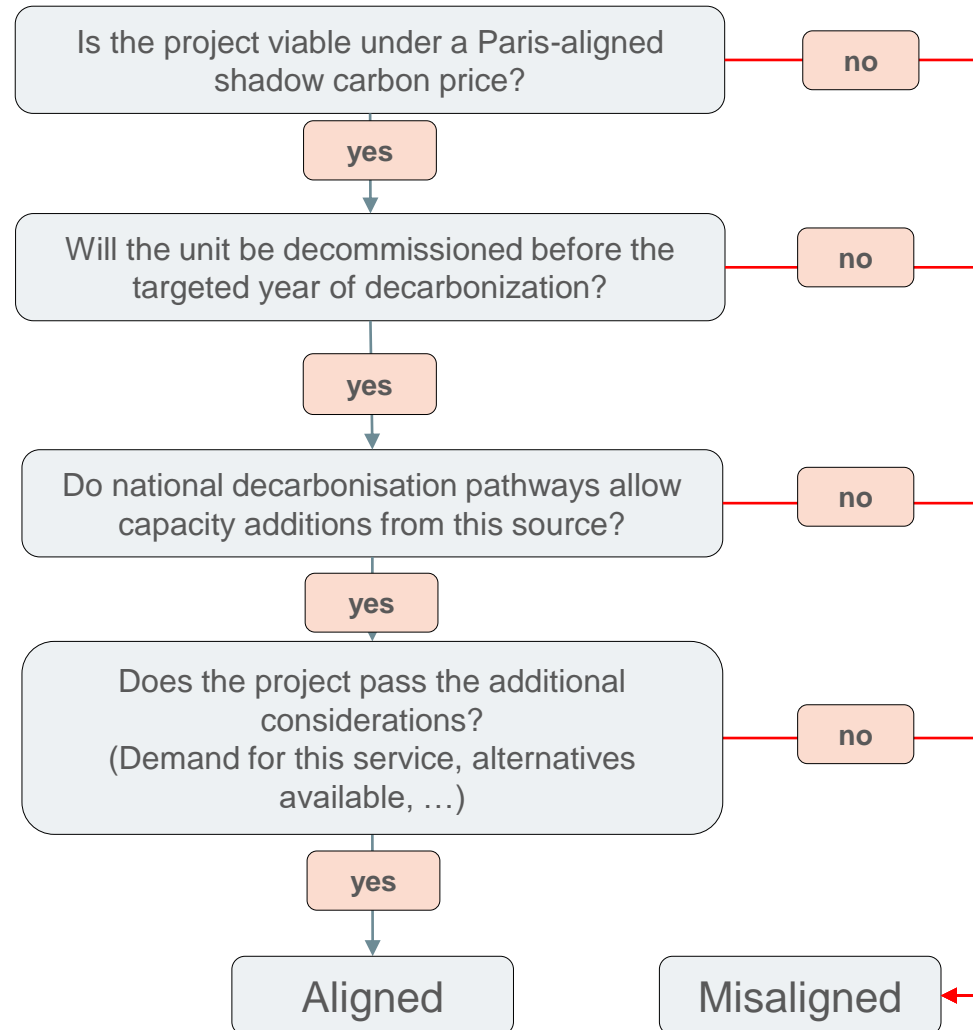
Including considerations on PA-compatibility in investing decisions

BANK STRATEGY LEVEL	COUNTRY STRATEGY LEVEL SECTOR STRATEGY LEVEL	PROJECT LEVEL
  <p>GHG accounting + Portfolio emission target</p>	  <p>Supporting and enhancing NDCs and LTS</p>	  <p>Negative list Positive list</p>
  <p>Climate finance target</p>	  <p>Country emission pathways</p>	  <p>GHG accounting + Emission Benchmarks</p>
  <p>Setting standards for finan- cial institutions world wide through financial interme- diary lending</p>	  <p>GHG accounting + Sector emission targets</p>	  <p>GHG accounting + Shadow carbon pricing</p>
  <p>Supporting the enabling environment through policy based lending</p>		  <p>Decision trees combining several tools (including country & sector decarbo- nization pathways)</p>

Source: Germanwatch and NewClimate 2018, Aligning Investments with the Temperature Goal of the Paris Agreement - Challenges and Opportunities for Multilateral Development Banks

„Conditional“ investment areas

Example electricity generation



Source: Adapted from Germanwatch and NewClimate 2018, Aligning Investments with the Temperature Goal of the Paris Agreement - Challenges and Opportunities for Multilateral Development Banks

» Integrating Paris-compatibility in investing decisions

- ... is starting to emerge:

Various banks discuss approaches, with steps towards implementation, however not a comprehensive exercise across the finance sector.

- ...has multiple technical solutions:

The exact approach needs to be tailored to the finance institution and the political context.

- ...needs to consider the national context of investments:

Assessment of Paris-compatibility must consider and be integrated in long-term development planning.



Thank you for your attention!

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- » **IPCC, 2018.** IPCC special report on the impacts of global warming of 1.5 °C - Summary for policy makers. http://report.ipcc.ch/sr15/pdf/sr15_spm_final.pdf
- » **Germanwatch and NewClimate, 2018.** Aligning investments with the Paris Agreement temperature goal - Challenges and opportunities for Multilateral Development Banks. https://newclimate.org/wp-content/uploads/2018/09/MDB_WorkingPaper_2018-09.pdf