

Landscape of climate finance: From supporting recovery globally to recent advances in the CEE region

Webinar on 27th of October 2020

Agenda

1. *Current trends in green recovery measures*, **Aki Kachi**, NewClimate Institute
2. *From Landscape studies to Recovery Plans – examples from France*, **Hadrien Hainaut**, I4CE
3. *Polish Landscape of Climate Finance: Energy & Building Sectors*, **Zofia Wetmańska**, WiseEuropa
4. *Czech Landscape of Climate Finance*, **Michaela Valentová**, Czech Technical University in Prague
5. *Lessons from Latvian Landscape*, **Agris Kamenders**, Riga Technical University

Background

As part of the EUKI-supported project “Landscape of climate finance: Mainstreaming climate finance in the CEE region”, this workshop aimed to connect the global discussion on tracking climate-related investment and finance flows with recent work in the central and eastern European (CEE) Region.

The workshop aimed to:

- Provide an update and an overview of the state of knowledge on tracking climate-related investment at the global and national levels
- Explore the usefulness of this form of data collection and analysis for policymaking, particularly as countries move forward with COVID recovery plans
- Present the recent work of experts from the CEE region regarding landscapes of climate finance for specific sectors

Key remarks

Aki Kachi (NewClimate Institute): *Current trends in green recovery measures*

- The current discussion is being focused on the impact of COVID-19 on emissions. It is noticeable that in the short-term it played a considerable role, but in the long-term no major structural change in economies is expected from the crisis itself.
- It is expected that emissions will rebound in the next year, moving back to the normal pathway for 2030.

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- There are many ambitious policies enacted on the national and sub-national level:
 - So far, 823 cities and 101 regions representing 11% of the global population have pledged net-zero targets, for example China has announced its carbon neutrality goal before 2060, whereas South Africa, South Korea and Japan will undertake efforts to build net zero carbon economies by 2050.
 - Over 1,500 companies accounting for over USD 11.4 trillion revenue had pledged net-zero targets by 2018.
- A green design of recovery measures can make a difference in the current shape of climate policy as COVID-19 economic stimulus measures represent an important opportunity to accelerate decarbonization.
- Only South Korea and the EU have communicated an explicit focus on green recovery.
- Positive examples of undertaken activities in terms of economic recovery:
 - investments in solar and wind energy (China),
 - retrofitting old public facilities (South Korea),
 - proposal for setting up designated manufacturing hubs for renewable energy (India),
 - building renovation programme (Germany).
- It is not expected that Covid-19 itself will make much impact on the shift towards a green economy, but the fact that climate neutrality targets have been announced by major economic blocks and sub-national actors may still change that picture.

Hadrien Hainaut (I4CE): *From Landscape studies to Recovery Plans – examples from France*

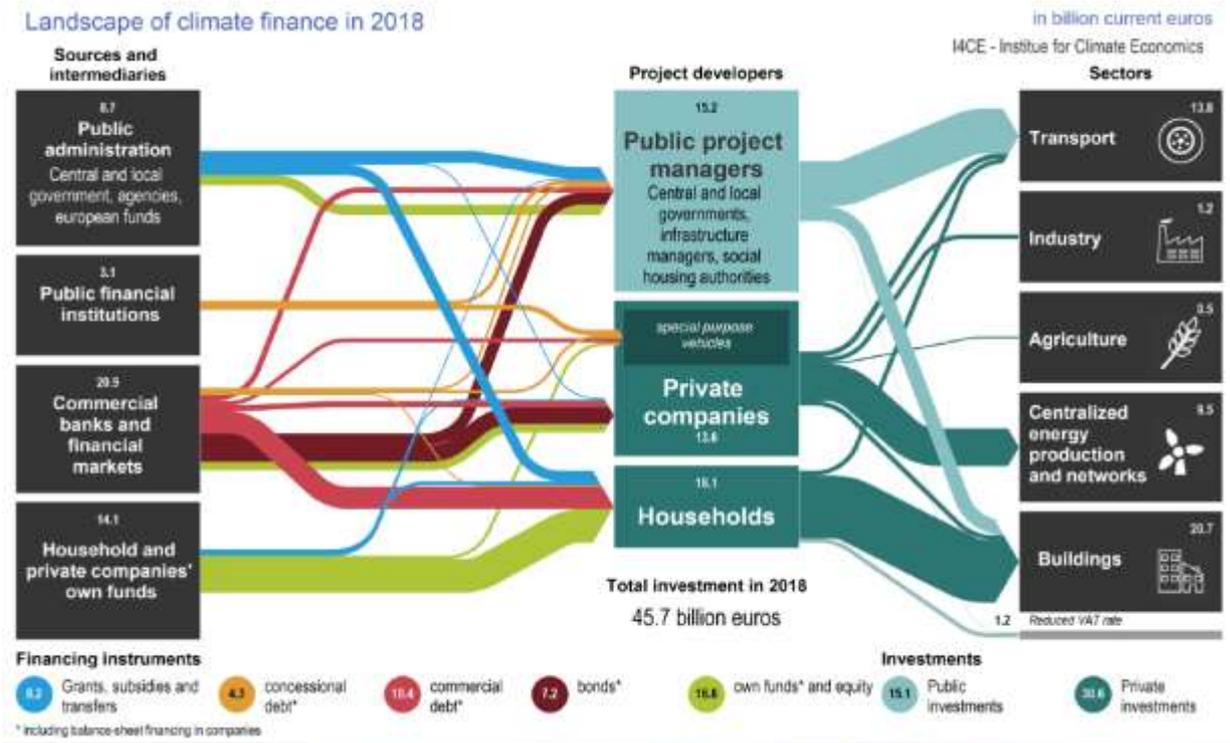
- A longstanding shortfall of investment, made worse by acute economic crisis in 2020, threatens France's climate pledge, but the recovery plans are bringing potential to mitigate negative effects.
- Knowing the financing mix, it was possible to make projections on which type of investments and funding would require investments.
- According to the I4CE estimation, a €+9bn/year public stimulus would drive €23bn/year additional climate investment (from the private sector), allowing to close the gap.
- This option can bring co-benefits through GDP growth, employment and air pollution reduction.
- If France wants to achieve medium-term targets, the public stimulus would need to be even bigger, about €22bn of public spending per year.
- There is some caution required on the amounts and time frame:
 - possible underestimation due to the fact that high emission sectors such as industry or agriculture were not covered,

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- current French targets for 2030 probably are not in line with upcoming European climate law,
- the ongoing economic crisis could undermine public-private leverage,
- if a recovery plan is aimed at bringing a quick economic recovery in the next three or six months, there is a risk that climate component will not bring enough stimulus on time.



Source: Materials provided by I4CE

Zofia Wetmańska (WiseEuropa): Polish Landscape of Climate Finance: Energy & Building Sectors

- The approach of the study was focused on how climate finance can be tracked in different sectors.
- Key conclusions from the analysis of the energy sector:
 - Approximately €10bn for the low-carbon investments in the energy sector allowed for building installations with a capacity of around 9 GW. Mostly it was financed by commercial companies and households. They accounted for roughly 80% of investment funds with private energy companies and prosumers being the major investors in renewable capacities.
 - From 2016, the involvement of a public sector at the local level was steadily decreasing, while households and business prosumers began to play an increasingly important role.

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- Commercial banks can very quickly stop financing low-carbon investments and as quickly become more engaged once the conditions are right.
- Analysis of public sector flows shows that most of these investments were supported by the EU funds.
- Achieving a net-zero or substantial reduction in emissions in the energy sector will not be a problem of amount of available finance – it will be the problem of how we structure finance.
- Key conclusions from the analysis of the buildings sector:
 - Only investments supported by public funds were analysed, due to limited data availability.
 - Most of the investment was focused on improving energy efficiency (78%), while 22% was dedicated to low-emission energy sources.
 - Most investments were done in public buildings and multi-owner residential buildings. Only last year, the new support system was introduced for single-family houses, which resulted in a significant rise of investments in 2019.
 - Regarding investments in the energy sources, PV and solar thermal collectors were the main deployed technologies, corresponding respectively to 32% and 24% of total investment in the energy sources in buildings.
- The recovery plan for Poland is still being developed. It is expected that low-emissions investments will be mostly focused on renewables with special attention paid to offshore wind and buildings sectors.
- Landscape study can be beneficial for both – the short term anti-crisis measures and long-term recovery strategies.

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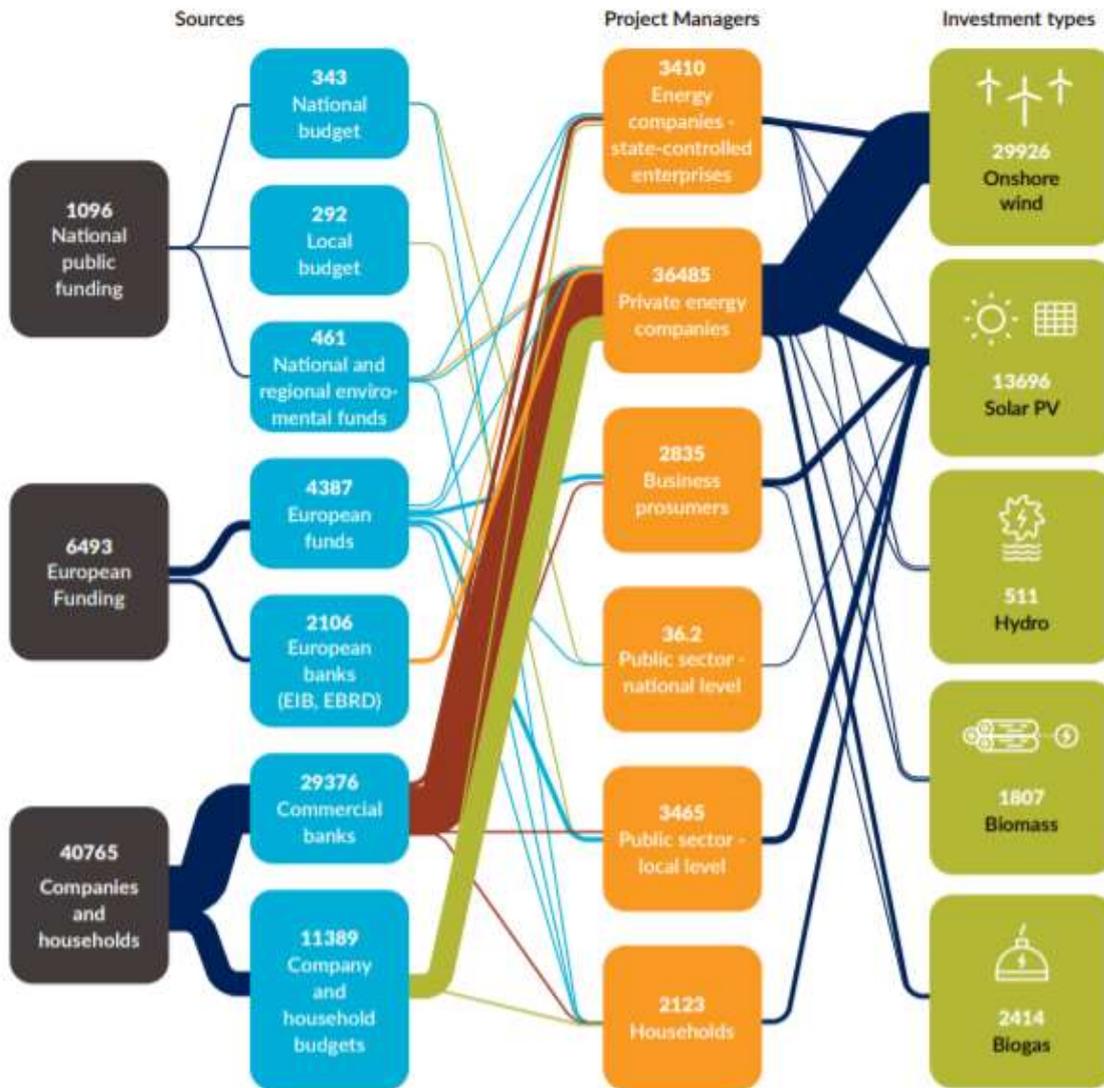


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Landscape of climate finance in Poland, renewable energy sector
(amounts in million PLN, total flow in the 2013-2019 period)



Financial instruments:

- Grants and investment subsidies
- Concessional loans
- Commercial loans
- Equity

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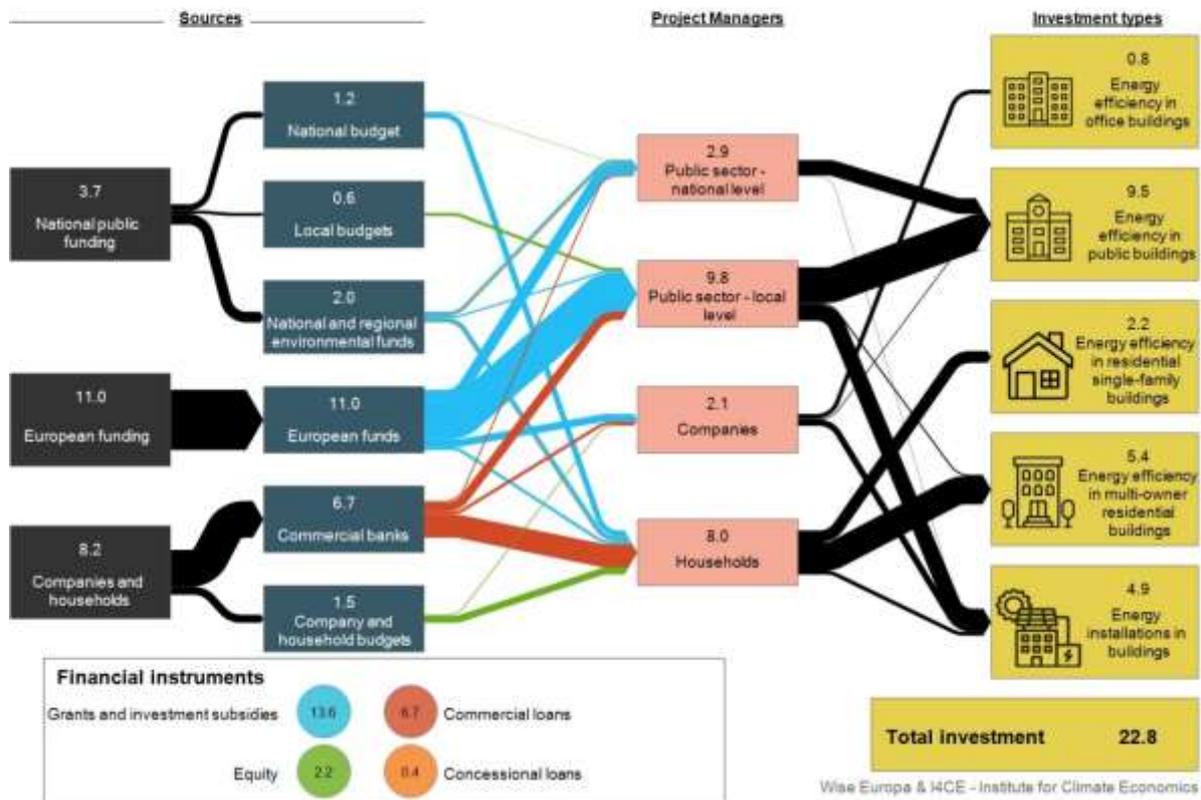


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Landscape of climate finance in Poland, buildings sector

(amounts in billion PLN, total flow on the 2014-2019 period)



Source: Materials provided by WiseEuropa

Michaela Valentová (Czech Technical University in Prague): Czech Landscape of Climate Finance

- Czech Landscape tracked in total €700 mln of investments in renewable energy and building sectors.
- Roughly 80% of all investments went into buildings including renewables and energy efficiency measures.
- The role of public programmes is still important in triggering investments.
- In the residential sector around 90% of all the investments go outside any sort of public programme. However, due to the lack of data it was not possible to track this flow.
- In regard to the effectiveness, it is known very little about the quality of the measures which go outside the public programmes.
- In order to reach the 2030 target in the Czech Republic, real investments need to be six times higher.
- The Czech Landscape study has been incorporated into Czech NECP.
- The recovery plan in Czechia is being developed.
- A preliminary review of the Landscape of District heating in Czechia:

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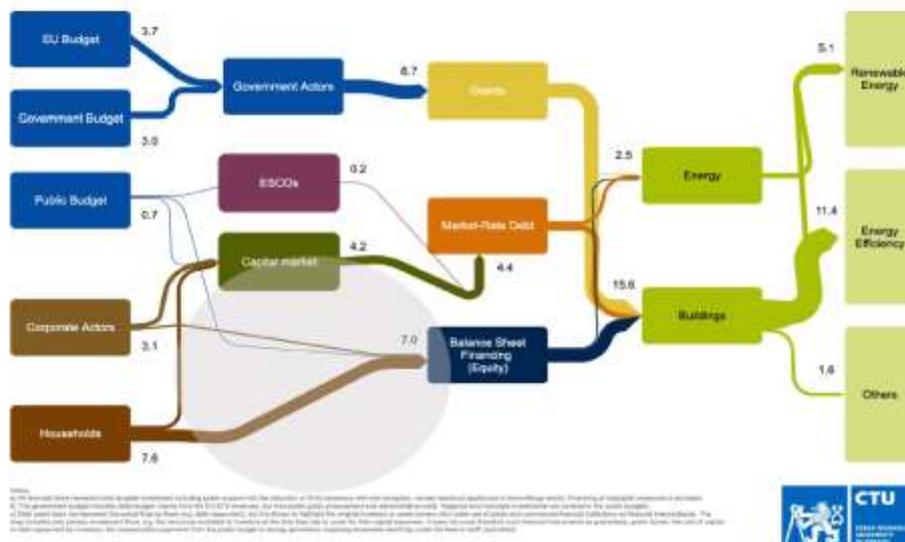
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- The investment flows mainly in the fuel switch, increasing efficiency of the source, and pipelines (lowering the heat),
- All of the investments going in the district heating sector are based on public programmes – the importance of stable regulatory environment,
- Most of the flows go into the fuel switch to a combination of natural gas, biomass, and waste.
- Lessons learnt :
 - Importance of following the policy cycle,
 - Good overview of public finances, but much less available for the private sector,
 - Introduce regularity, comparability and systematic assessment in combination with the investment needs.



Climate and Energy Investment Map for Czechia (bln CZK)

The 2017 Climate and Energy Investment Map for Czechia (CZK billion)



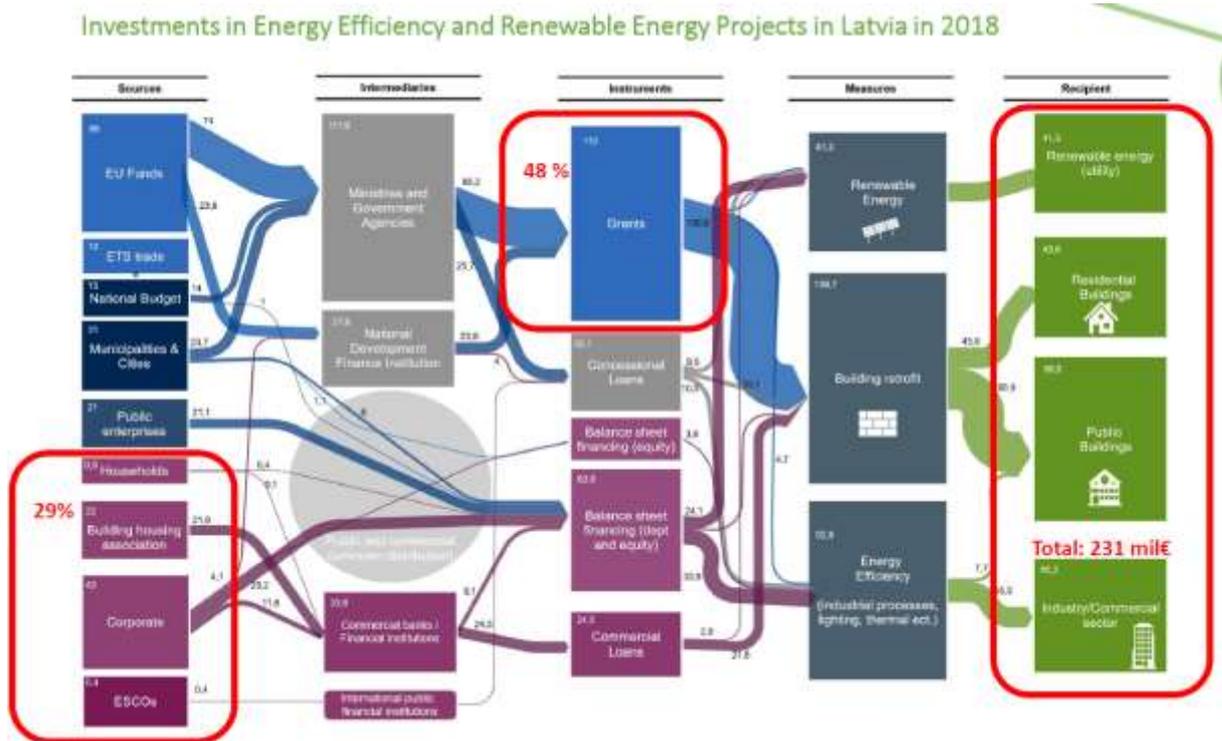
Source: Materials provided by Michaela Valentová (Czech Technical University in Prague)

Agris Kamenders (Riga Technical University): Lessons from Latvian Landscape

- Most investments have been financed by the EU funds, whereas 29% came from private sources and households.
- Achieving climate and energy targets will require mobilisation of private investments.
- Approximately twice as many investments or €445.3 mln/year is needed in energy efficiency and renewable sectors:
 - Currently there is a big investment gap in renewable energy,

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- Majority of investments in the building went to the public buildings thanks to EU funds and loans from the Treasury.
- EU grants could be used for public and residential building sectors to attract other investors and create more stable investment flow;
- New support framework for renewable energy needed. Energy efficiency measures, wind power, biomass, heat pumps, and solar power and heating are estimated to require the most investments



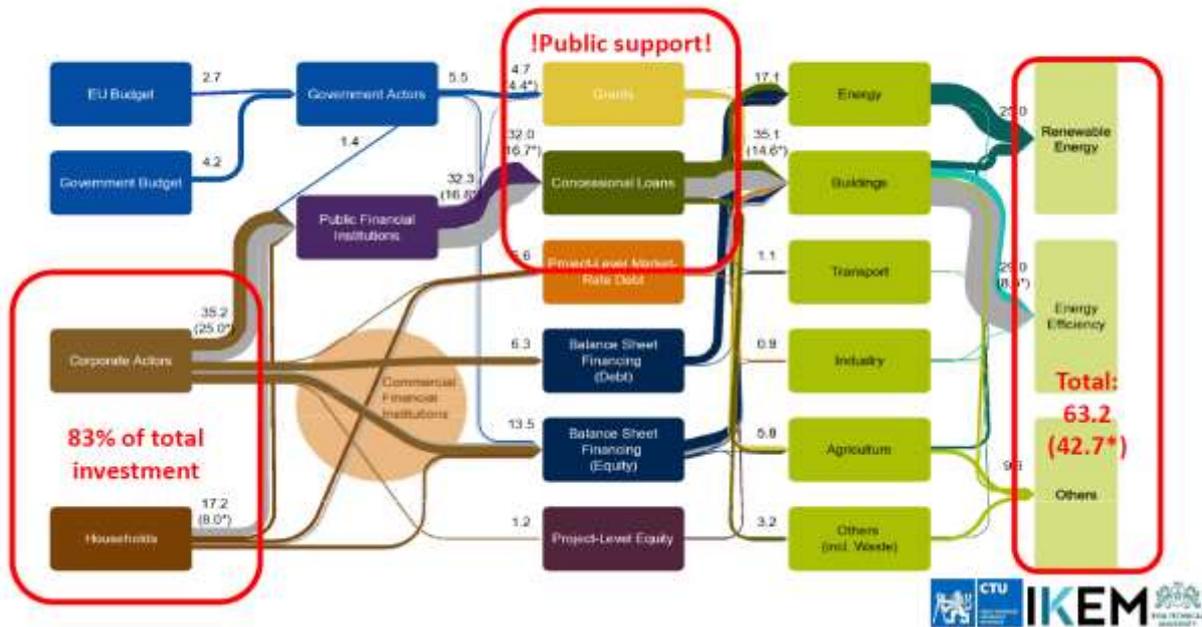
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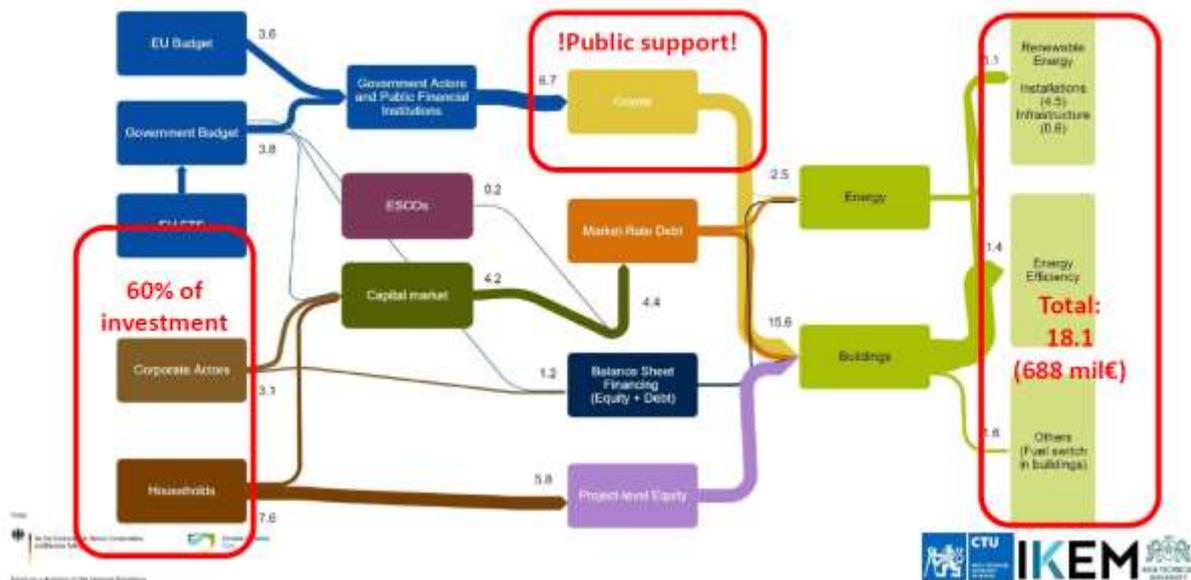
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Climate & energy investment map of Germany, billion EUR. Status 2016.



Climate and energy investment map of Czechia, billion CZK. Status 2017.
Focus on buildings and renewable energy supply & infrastructure



Source: Materials provided by Agris Kamenders (Riga Technical University)

Key highlights from discussions :

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- There is a need to discuss how to track the progress of climate targets and to differentiate between quantity and quality of financial flows in order to monitor how these commitments come to action.
- Evaluating the effectiveness of investments is difficult as most of the impact is forward-looking and when we talk about long-term infrastructure such as railway, etc. it is quite hard to point exactly what impact these investments will have and which scenarios they refer to.
- There is a need to cover all sectors in the Landscape study, as well as to track better private investments flows and include the financial structure of sub-national levels in order to have a more complete view and deeper understanding of investment needs that can be useful for national governments in determining recovery plans and future financial schemes.
- During the last years, there was an increase in the understanding of where climate-energy transition investments go to, however, in many countries there is no legislation that requires tracking climate finance on a regular basis. Nevertheless, based on the French, German, Czechia's examples, it is possible to influence public stakeholders and use the Landscape results in the preparation of sector strategies.

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