Landscapes of Domestic Climate Investment & Finance

Experience from five years of tracking in France

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I4CE – Institute for Climate Economics

A think tank
providing public and private decision-makers with expertise on economic and financial issues related to the energy and ecological transition

Agriculture, Forest and Climate

Industry, Energy and Climate

Cities, Infrastructure and Climate

Finance, Investment and Climate

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What is a landscape of domestic climate investment and finance?

What is a landscape?

Tracking investment and financial flows in domestic low-emission tangible assets

4-step methodology

1. Measure CAPEX in low-emission projects
2. Identify the project managers involved
3. Understand which financial tools they used
4. Map public and private channels supporting these tools from capital source

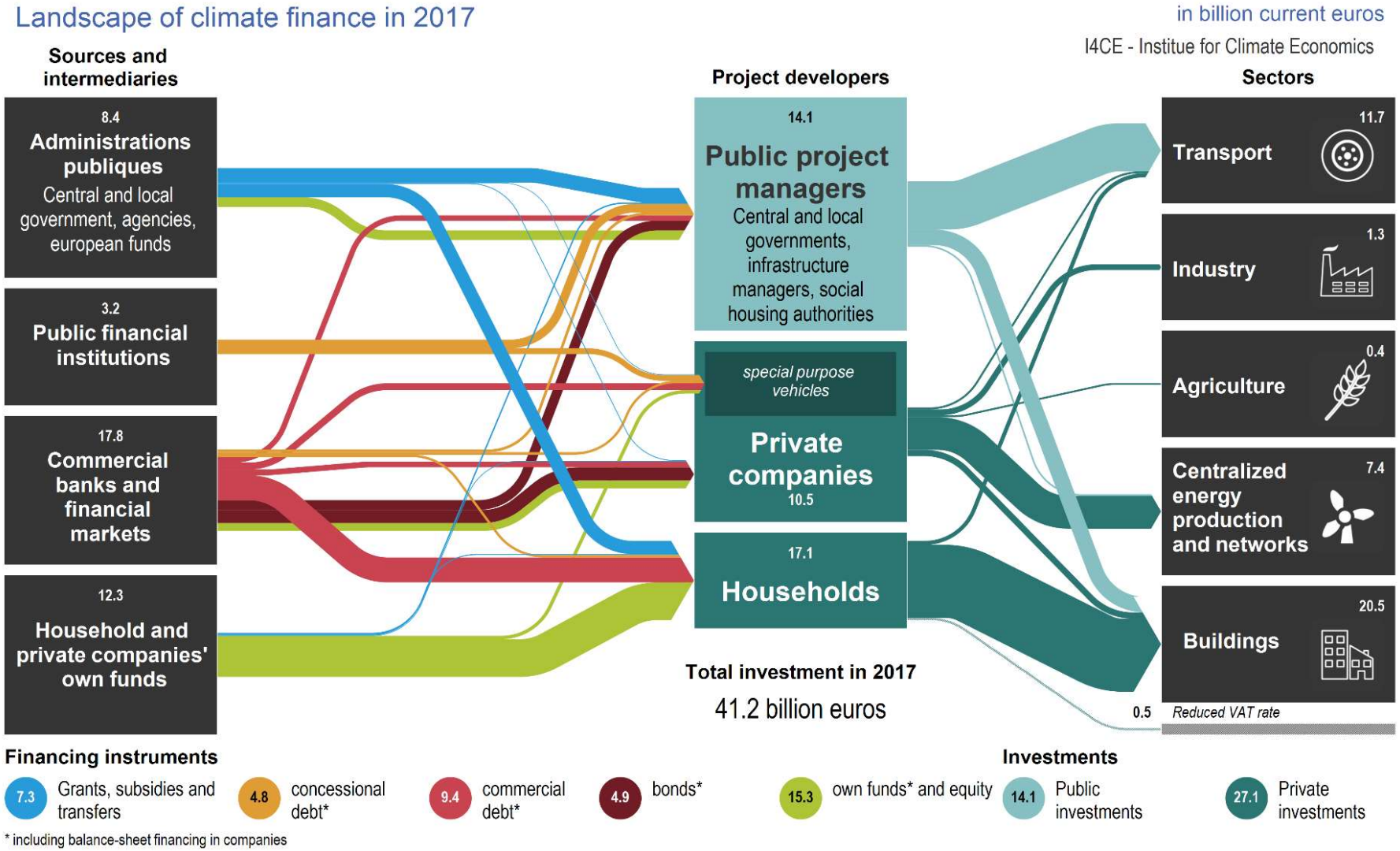
5 key low-carbon domains

Results

Digging Deeper than Totals

Climate investment in 2017	Gap with investment needs	Fossil-fuel climate-adverse investments
41.2	+10 - 30	73
billion euros	Billion euros/year	billion euros in 2017

Households and private companies are the principal project developers, followed by public entities



Example of France

From reporting to decision-making why keep track of domestic climate finance?

- Reporting to decision-makers on the status of climate-related investment and financial flows in a coherent manner;
- Measure the gap between current financial flows and investment needs to achieve climate objectives
- Identify policy factors behind investment successes and setbacks, recommend solutions to reduce the investment gap
- Provide national strategies with a tool to plan how to raise and reorient public and private flows towards climate investment

From I4CE and EEA policy brief *Landscapes of domestic climate finance in Europe : supporting and improving climate and energy policies for a low-carbon, resilient economy* (2016)

The results of the Landscape correspond to the “new needs” of French decision makers

France’s energy transition act mandates tracking and mapping climate finance flows

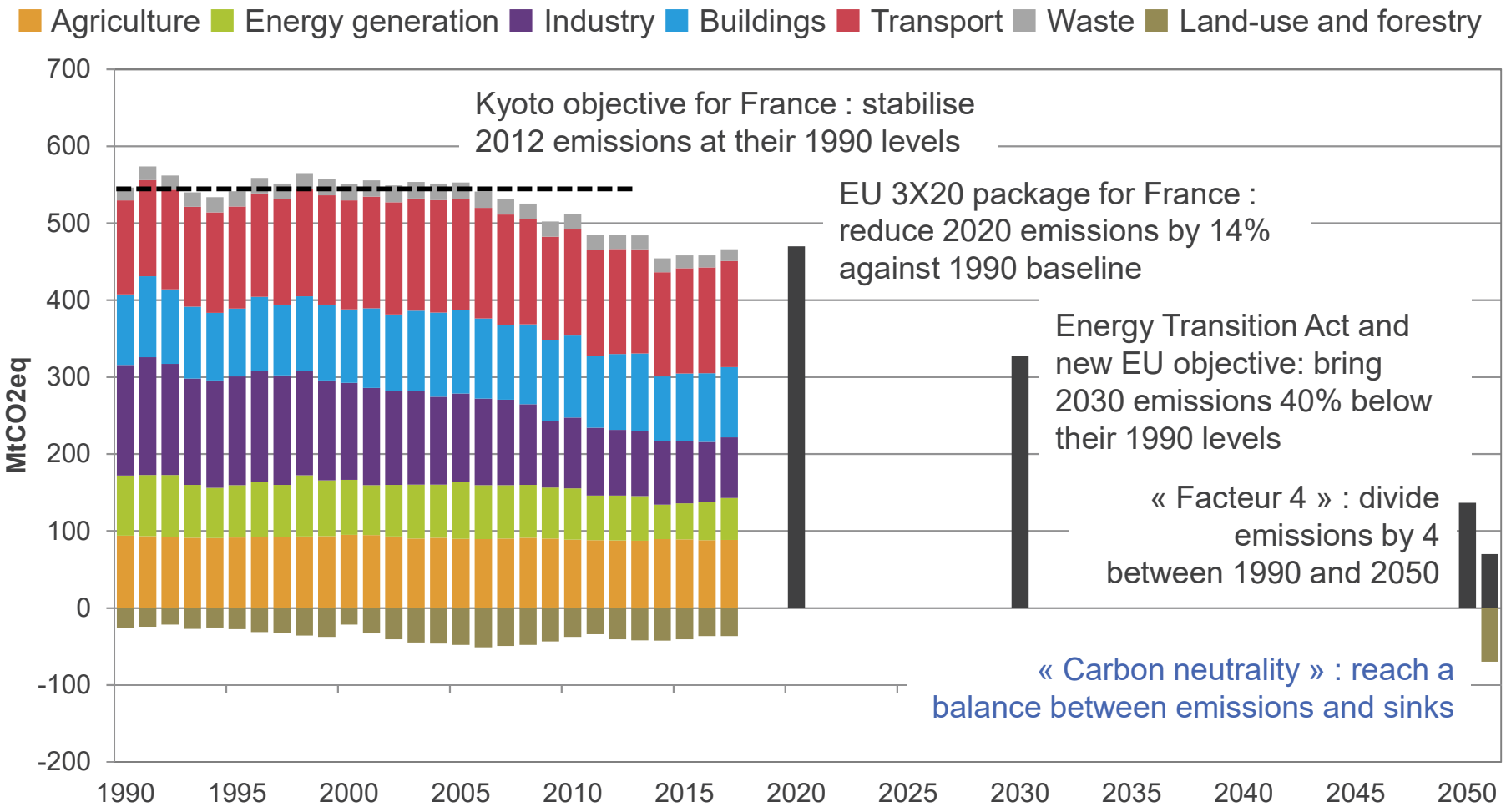
The government is to present an annual report to the Parliament which “**quantifies and analyses public finance**, **assesses private finance**, and **measures their adequacy with the financial requirements** to achieve the objective and transition pace of the law”.

Art. 174 of the Energy transition for green growth act (LTECV, 2015)

- Energy Transition Act: Article 174
- Contributions to Finance Bills (PLF): DPT Climate and Energy transition draft budget
- Reports for French Strategy on green finance: defining the "business plan" for the energy transition
- Economic, Social and Environmental Council: opinion on the energy transition of February 2018
- CGDD and Eurostat: national climate change mitigation expenditure account
- French National Energy and Climate Plan (SNBC)

France climate neutrality by 2050 goal means zero emissions from fossil fuel

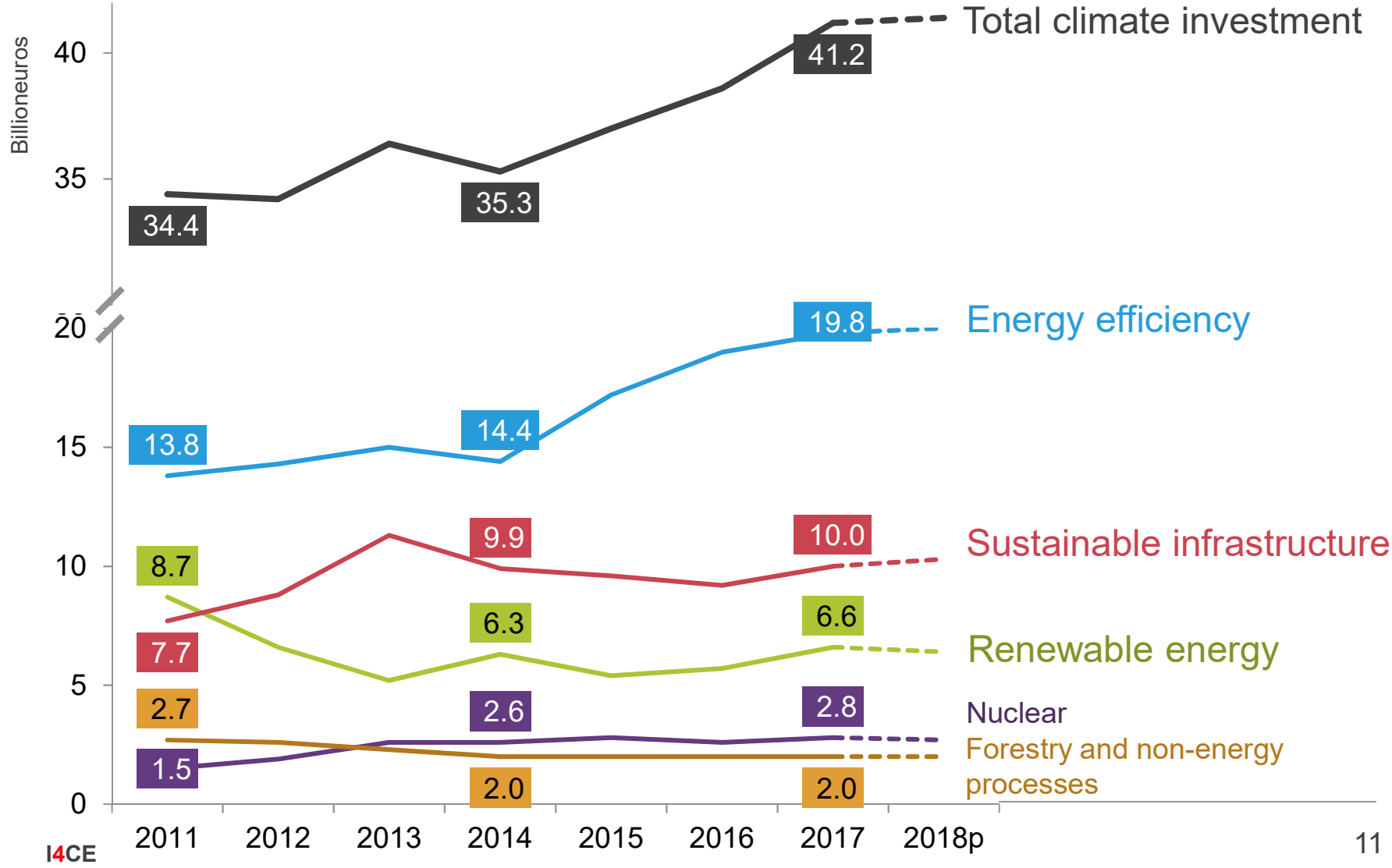
Evolution of GHG emissions in France from 1990 to 2017 and national climate objectives (based on CITEPA inventory)



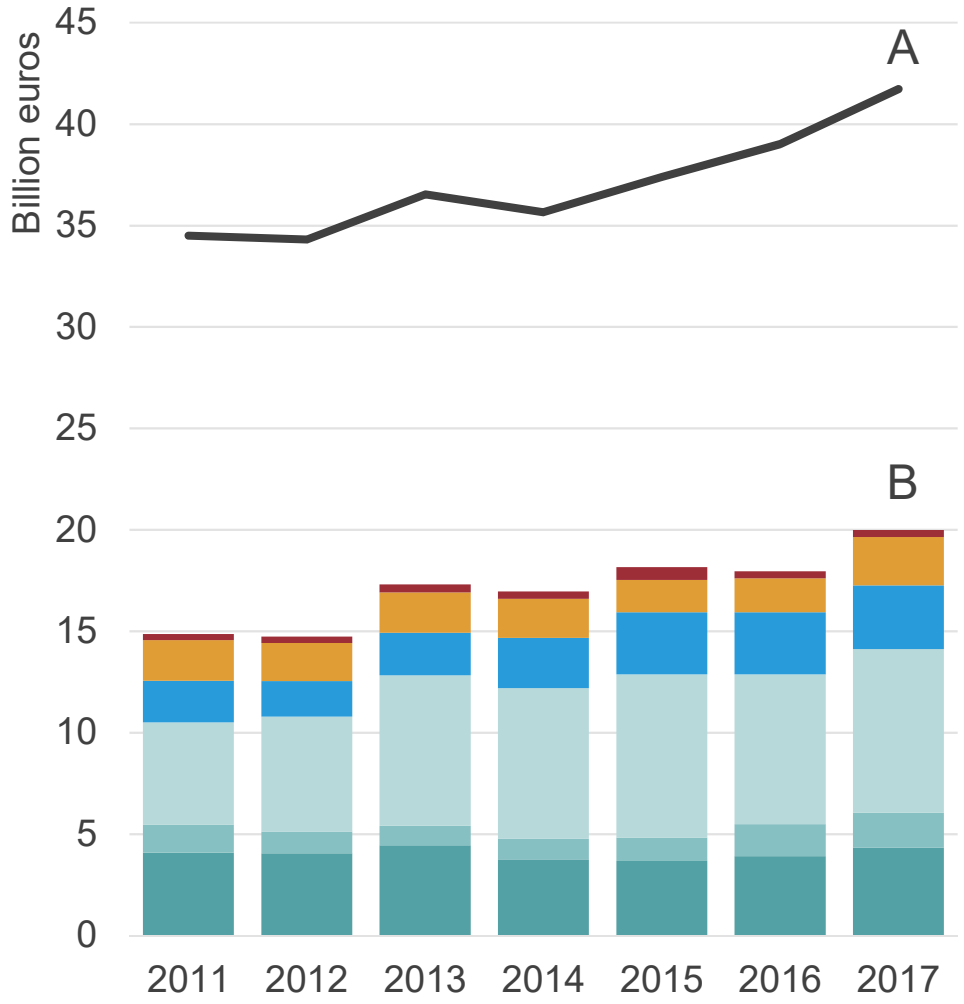
What data and insights can it provide for sectoral policy making and planning?

Landscape of climate finance

41 billion euros invested in 2017, increasing by 17% since 2014



Public authorities are increasingly intervening to fund low-carbon investments



A. Total climate investments

B. Public authorities' intervention

1. Investment of public project developers

- Infrastructure management co.
- Social housing companies
- Central and local government

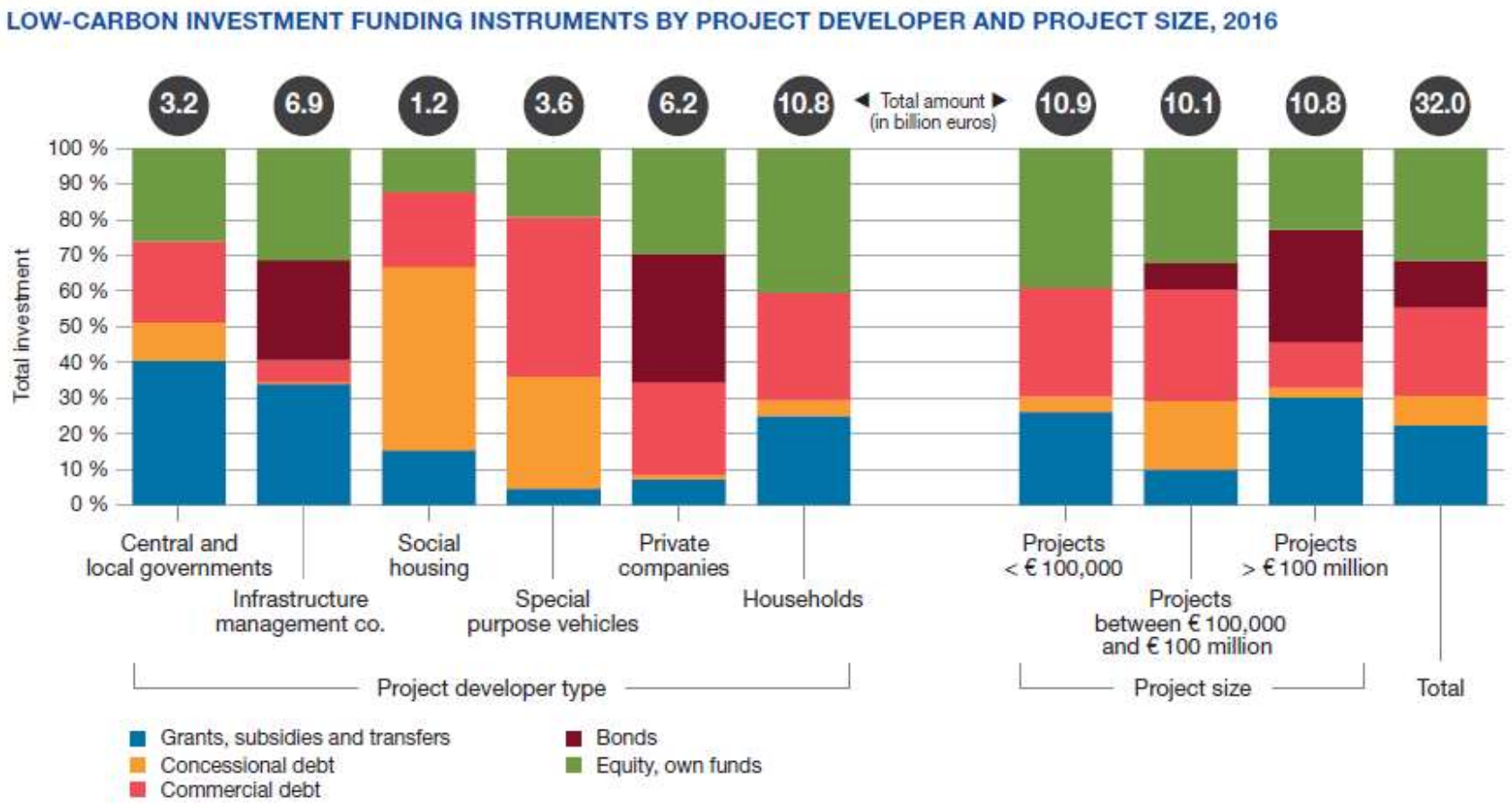
2. Public cofinance for households and private companies

- Subsidies and grants
- Concessional debt

3. Redirection of private resources

- Other instruments, such as white certificates

Funding instruments vary depending on project developer and project size (2016 data)



Assessing investment levels across different types of renovation

Climate investments in 2017

14,3 ↗

Billion euros

Gap compared to 2016-2020 investment needs

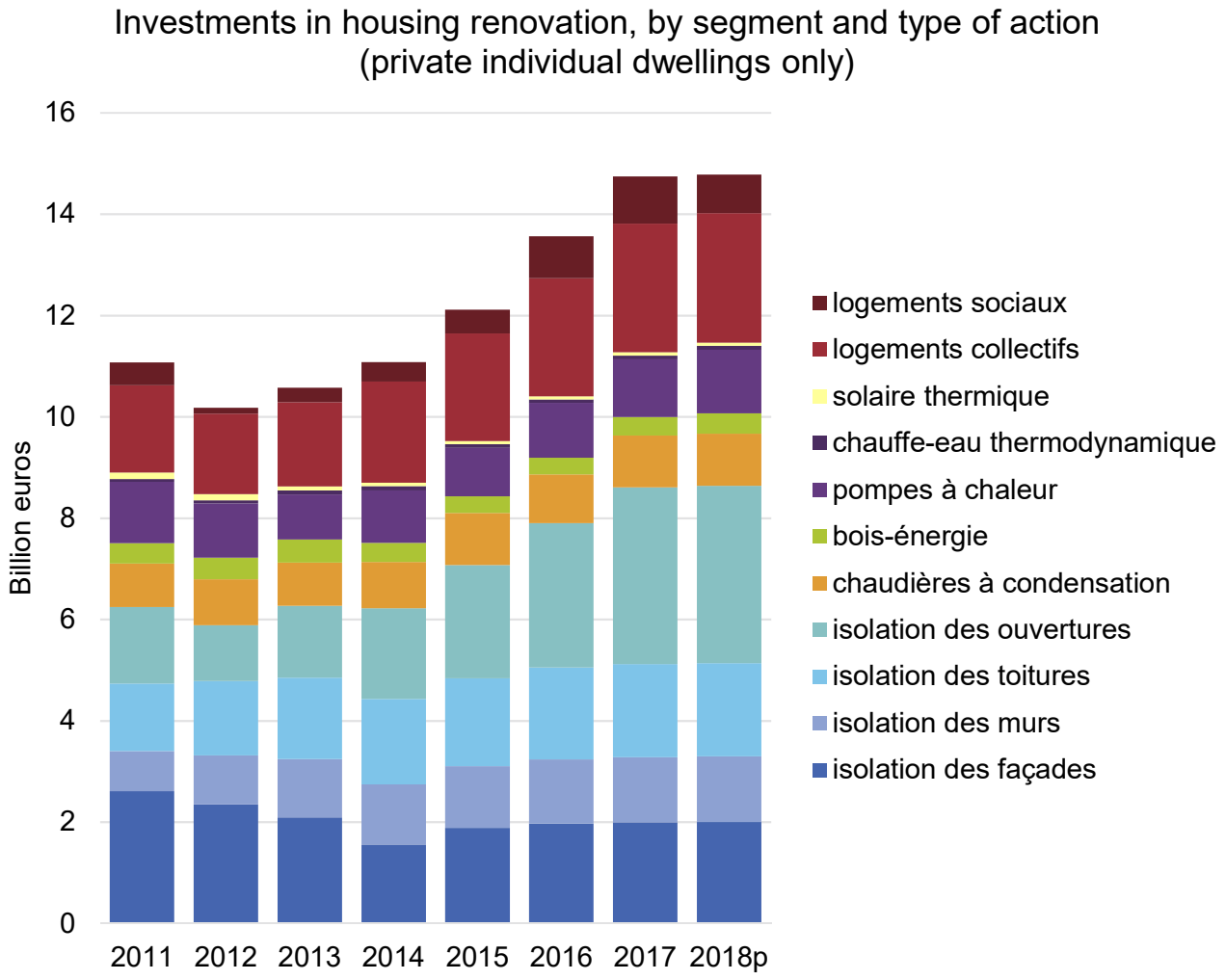
+ 5 to 8

Billion euros

Publically driven finance

4,2 ➔

Billion euros



The amounts contributed by the main public instruments have been stable since 2015

Climate investments in 2017

14,3 ↗

Billion euros

Gap compared to 2016-2020 investment needs

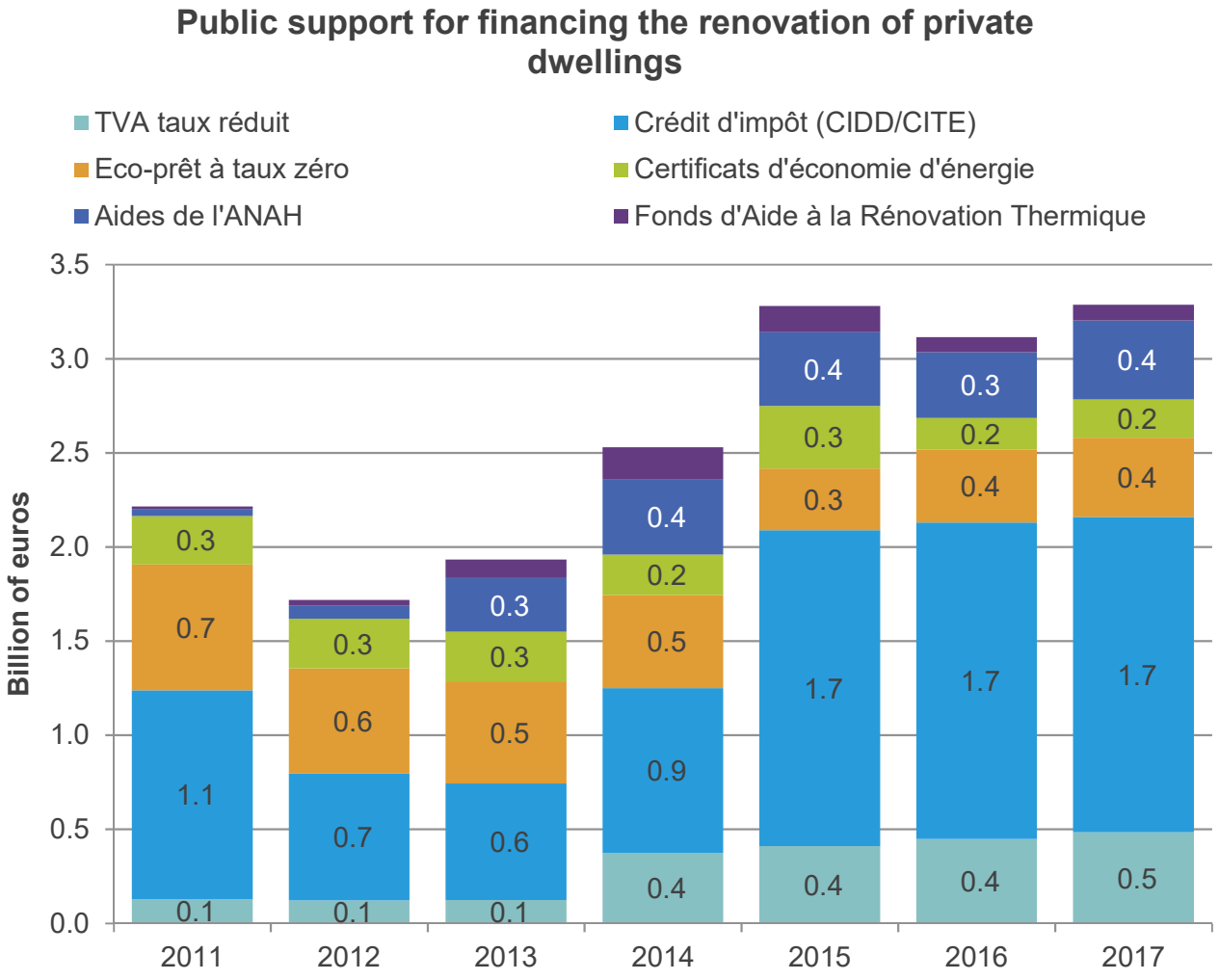
+ 5 to 8

Billion euros

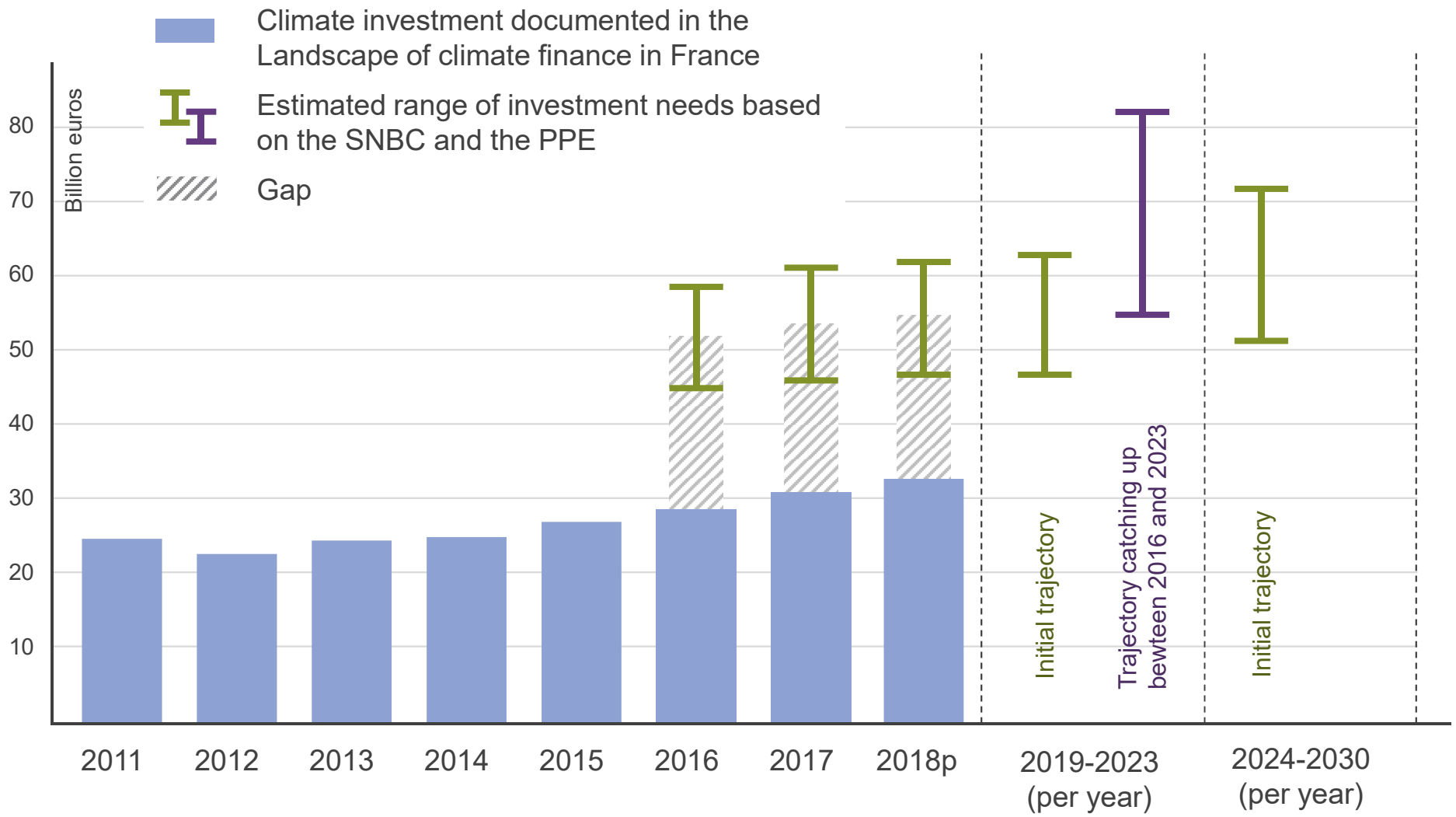
Publically driven finance

4,2 →

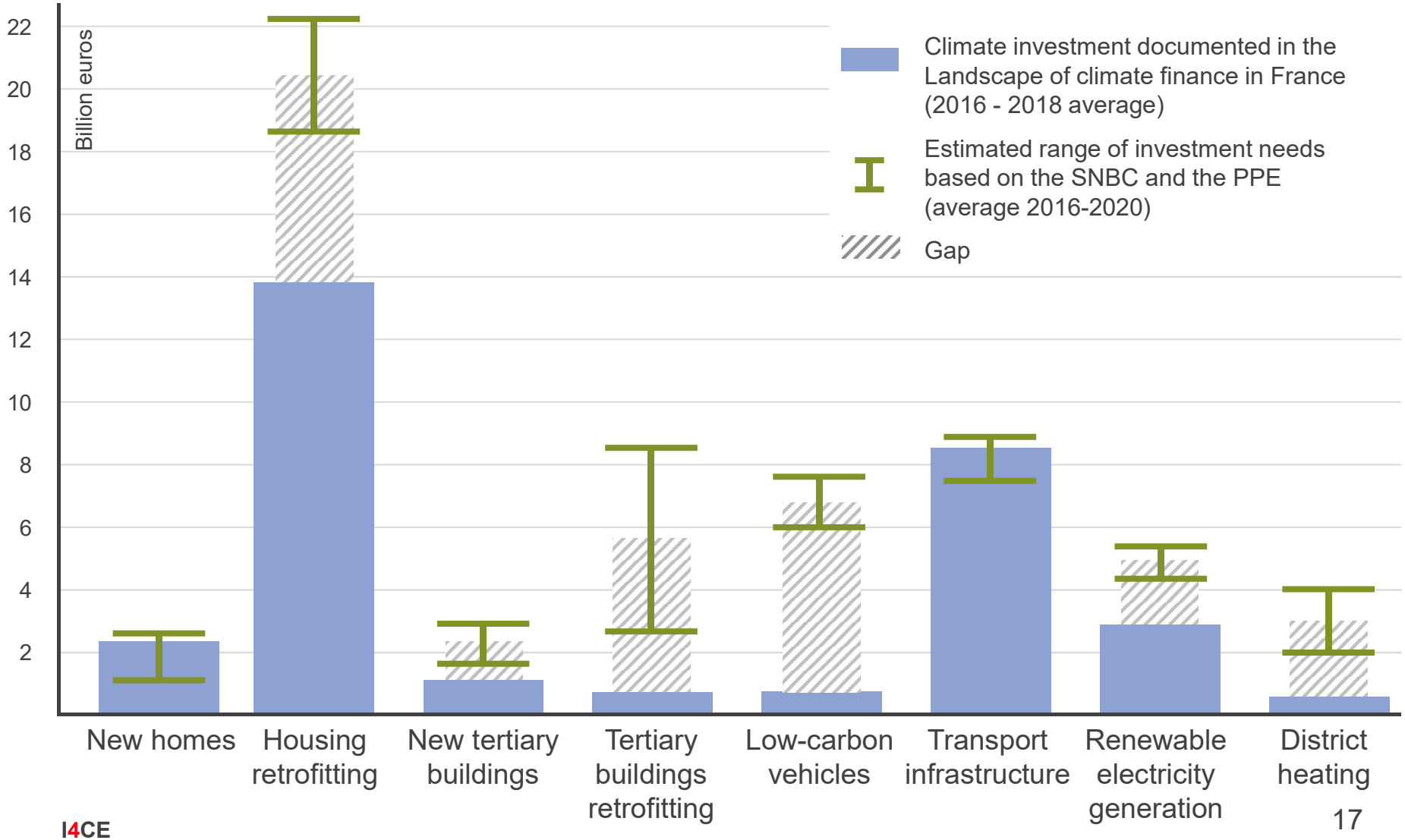
Billion euros



A gap of 10 to 30 billion euros per year compared to estimated needs to achieve national climate goals



Investment gaps vary across sectors

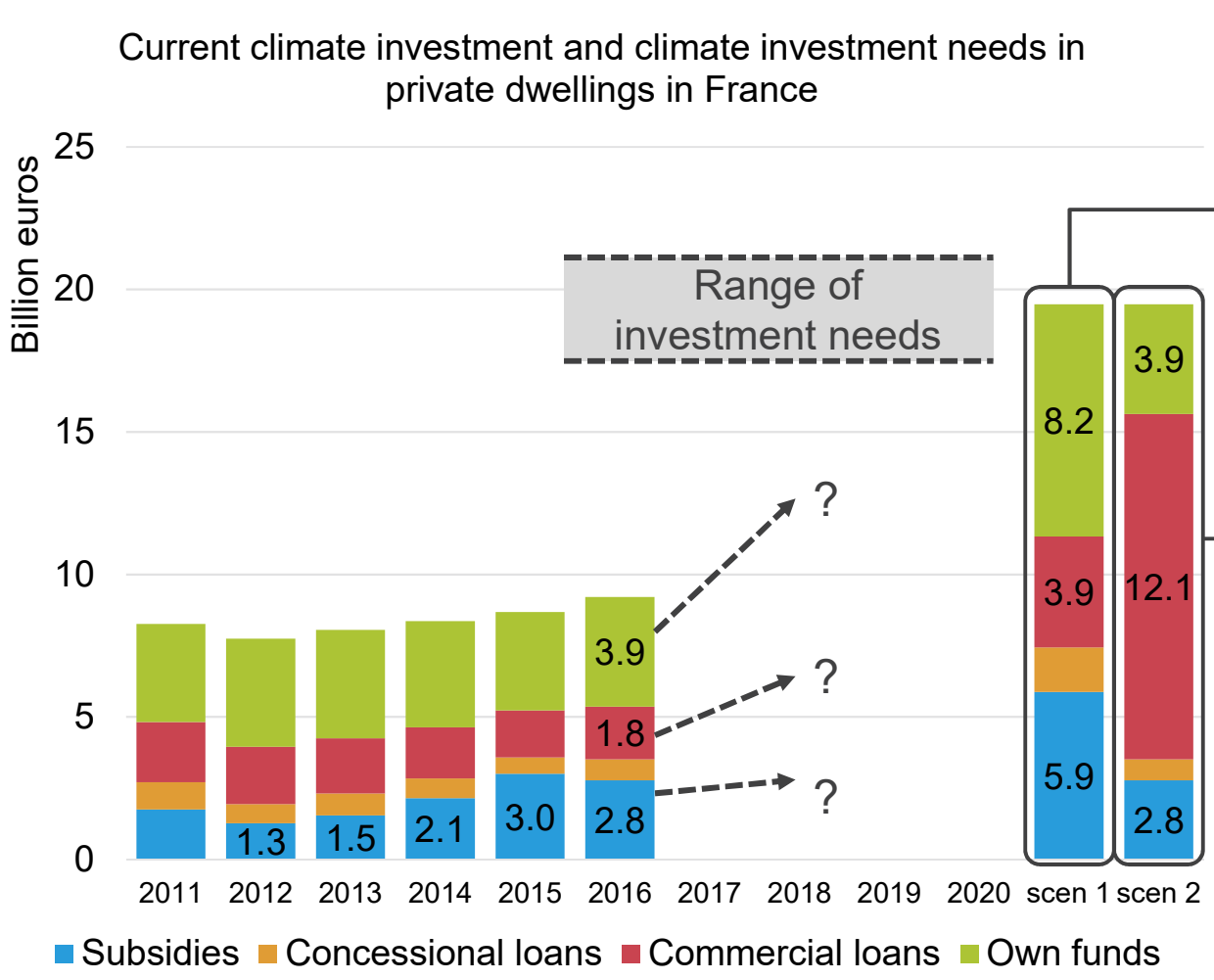


Investment gaps vary across sectors

	Renewable electricity	Low carbon vehicles	Transport infrastructure	Housing retrofitting	District heating
Climate investment in 2017	4 billion €	1.4 billion €	9.6 billion €	14.3 billion €	0.3 billion €
Gap with 2016-2020 investment needs	+1 - 2 billion €	+5 - 6 billion €	+0.3 billion €	+5 - 8 billion €	+2 - 4 billion €
Publicly-driven finance in 2017	1.8 billion €	0.4 billion €	9.5 billion €	4.2 billion €	0.3 billion €

Future development in France

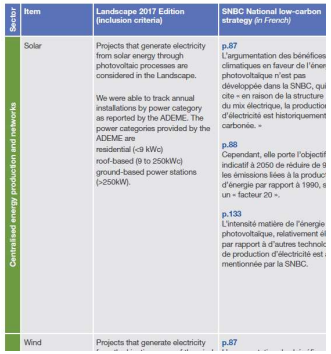
An illustrative funding plan for the private residential sector



Scenario 1
- Constant leverage
- No significant change in project profitability or cost
- Investment objectives achieved through increase public funding with matching private cofunding

Scenario 2
- Increased leverage
- Constant public funds
- Increase in project profitability and reduced costs and risks
- Involvement of third party private finance (e.g. loans)

Further documents and readings

France 2018 Results Executive Summary	Full report Five years of application in France	Article on Methodology in International Economics	Annex comparing low-carbon asset taxonomies
			
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Thank you for your attention!

Questions and comments welcome!

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