10 THINGS TO KNOW ABOUT CLIMATE FINANCE IN 2016

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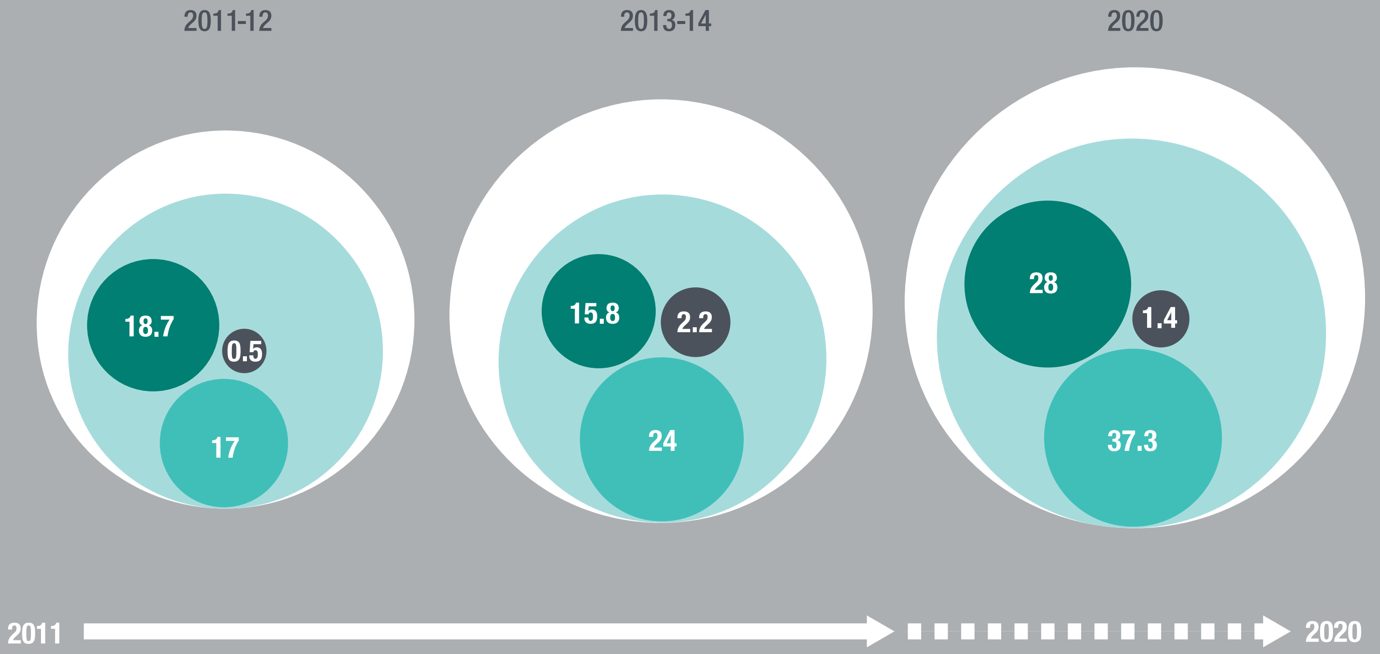
1 PUBLIC CLIMATE FINANCE IS PREDICTED TO GROW BY 60% IN 2020

The total public climate finance developed countries report providing to developing countries is increasing. The 2016 Biennial Assessment estimates that close to $42 billion a year was spent in developing countries.[1] The developed countries' road map towards making $100 billion available to developing countries each year projects the amount of public climate finance to increase to $67 billion in 2020.[2]

CLIMATE FINANCE FLOWING TO DEVELOPING COUNTRIES

$ BILLIONS

- Global total
- Public climate finance total
- Multilateral climate funds
- Bilateral finance reported to UNFCCC
- Multilateral Development Bank finance*



*MDB finance excludes funding to EU 13 countries and attributes 85% of resources to developing countries

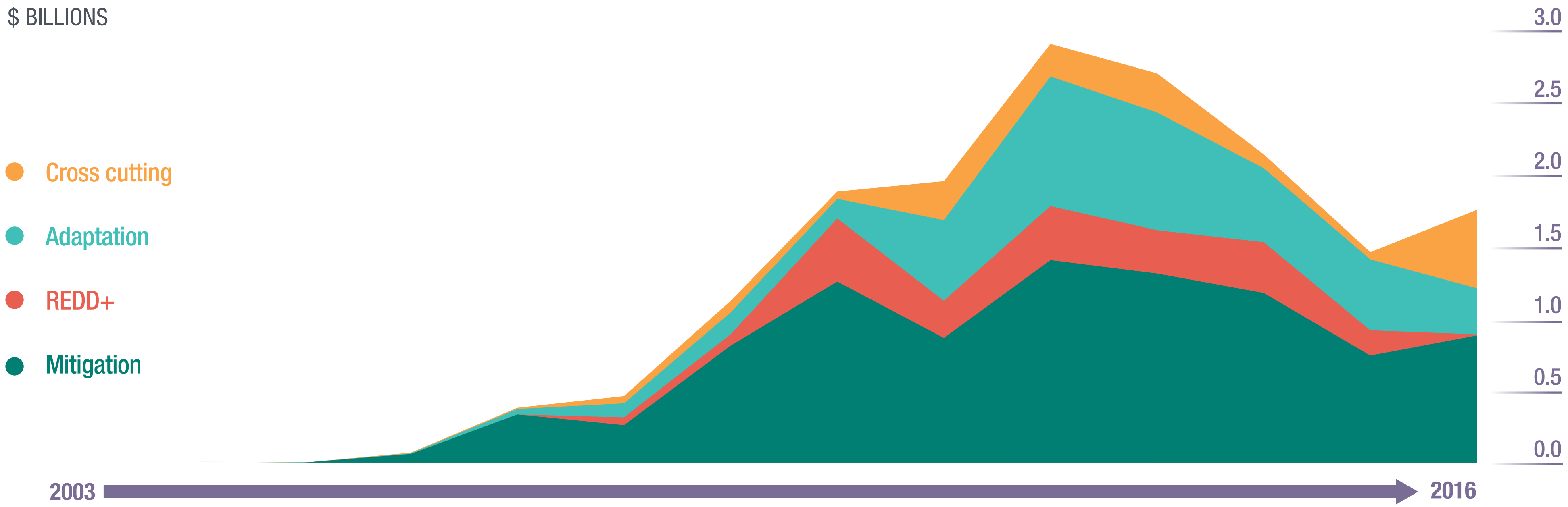
2 MULTILATERAL CLIMATE FUNDS APPROVED $1.7 BILLION IN 2016

The bulk of approvals went towards mitigation activities, with $0.3 billion programmed for adaptation. The largest share of new approvals in 2016 was from the Green Climate Fund (GCF). Both the GCF and the Global Environment Facility have increased their funding for integrated projects supporting both adaptation and mitigation.

The Climate Investment Funds (CIFs) have channelled the largest cumulative sum of funding for climate activities since 2008, though approvals decreased in 2016.

ANNUAL APPROVED FINANCE

$ BILLIONS

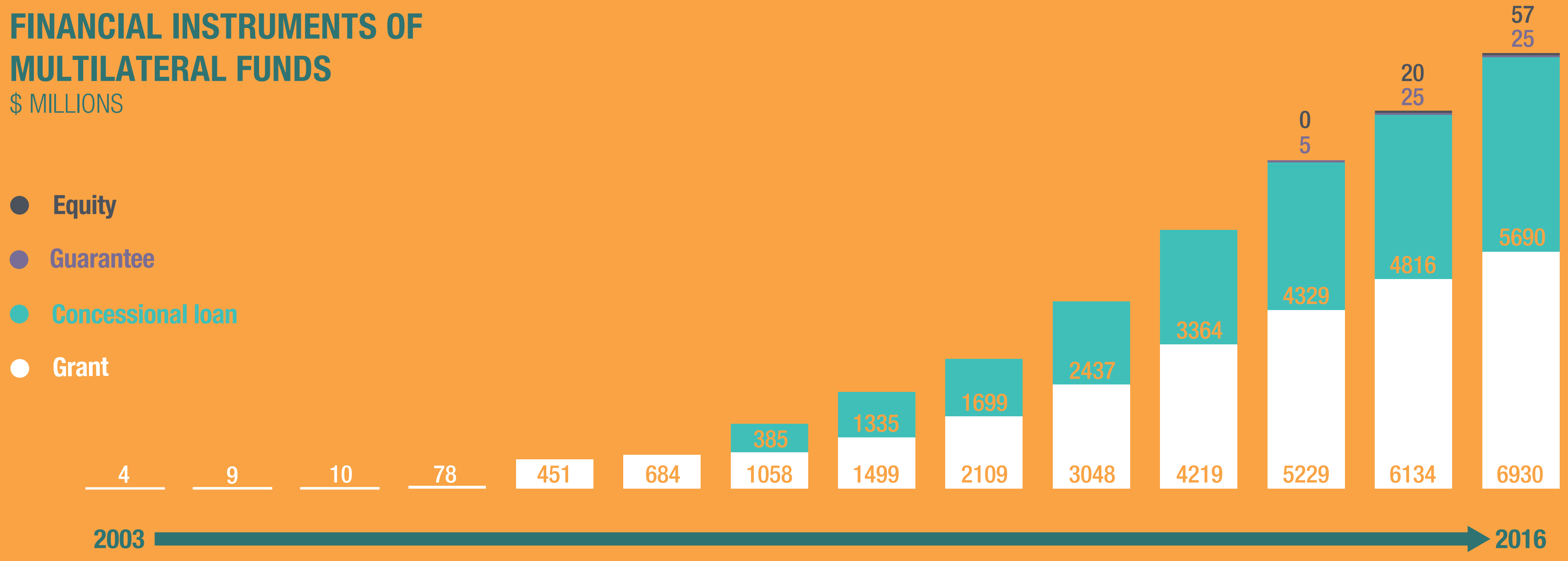


3 CLIMATE FUNDS ARE DIVERSIFYING THE FINANCIAL INSTRUMENTS THEY USE

Climate funds largely offer grants and concessional loans, but the use of guarantees and equity investment is increasing, particularly as funds seek to enable private investment. The Green Climate Fund portfolio is the first fund to include equity, with $56 million across three projects. The Clean Technology Fund will use loan reflows for new investments, and explore options to raise new capital from public and private sources, leveraging its current balance sheet. These trends reflect efforts to better target investment barriers, as well as the scarcity of contributor grant finance.

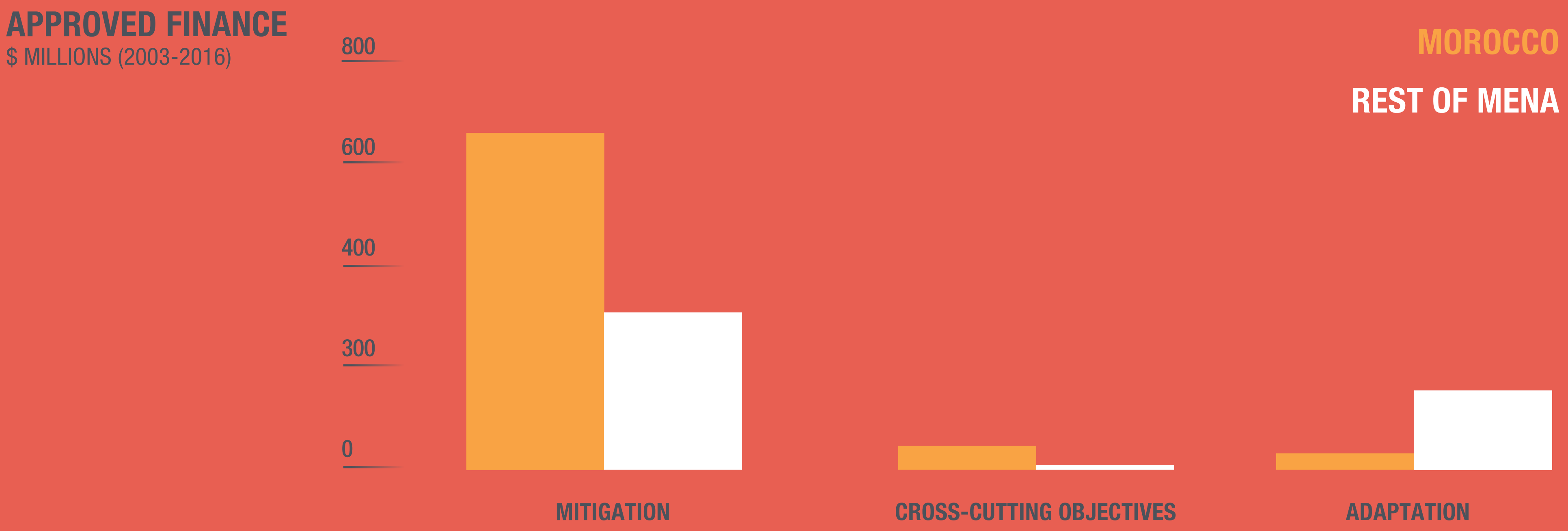
FINANCIAL INSTRUMENTS OF MULTILATERAL FUNDS

$ MILLIONS



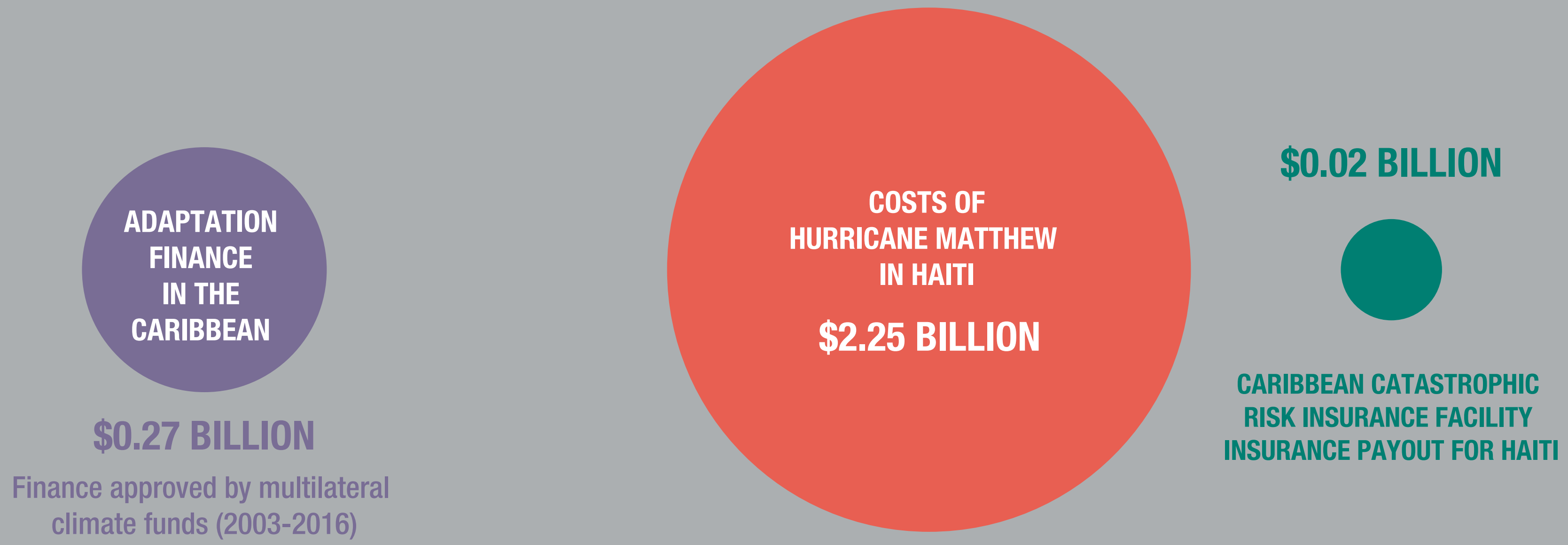
4 CLIMATE FUNDS HAVE SUPPORTED MOROCCO TO BECOME A RENEWABLE ENERGY LEADER

Morocco is a major recipient of public climate finance globally and the largest recipient in the Middle East and North Africa (MENA). It has accessed finance from the Clean Technology Fund to build what will be the world's largest CSP facility in Ouarzazate at lower costs than originally expected, and has been developing its wind power resources.



5 THE COSTS OF CLIMATE RELATED DISASTERS FAR EXCEED THE AVAILABLE ADAPTATION FINANCE

The Government of Haiti received a $20 million insurance payout from the innovative Caribbean Catastrophic Risk Insurance Facility in the wake of Hurricane Matthew,[3] providing vital funding for recovery. Despite this, the estimated cost of damage to infrastructure is $2.25 billion – more than eight times the amount of adaptation funding made available to the entire Caribbean region by climate funds.



6 REDD+ FINANCE HAS PLUMMETED

Less than 1% of approvals of climate finance in 2016 supported projects that reduce emissions from deforestation and degradation (REDD+), although there has been a role for forests conservation in new cross-cutting programs supported by the Green Climate Fund (GCF) and other funds.

New initiatives – such as the Indian government's program to incentivise states to keep forest cover intact, and the International Finance Cooperation's new bond for forest finance – suggest new approaches to financing REDD+.

APPROVED FINANCE

$ MILLIONS (2003-2016)

7 THE GREEN CLIMATE FUND APPROVES OVER $1 BILLION

The Green Climate Fund (GCF) has approved $1.2 billion for 19 projects, and provided 55% of adaptation finance in 2016. While it has not yet met its ambitious $2.5 billion target for approvals in 2016, it has made significant progress and has one further Board Meeting in 2016.

The emerging GCF portfolio includes innovative efforts to de-risk private investment. 10% of its finance is being spent to build capacity and readiness to develop and implement effective projects and programs. The Fund has now accredited 41 diverse partners including NGOs, national direct access entities and private financial institutions.

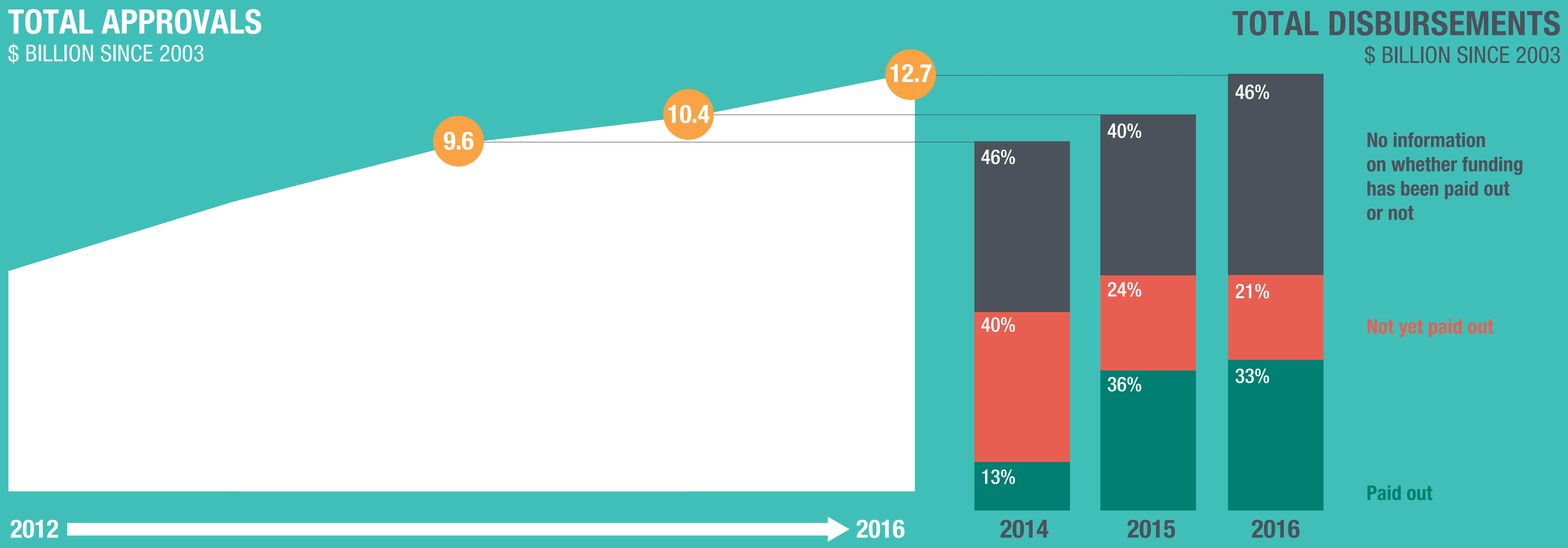
PROGRESS OVER THE FIRST TWO YEARS OF OPERATION

	GREEN CLIMATE FUND 2015-2016	ADAPTATION FUND 2010-2011	CLIMATE INVESTMENT FUNDS 2009-2010	GLOBAL ENVIRONMENT FACILITY* 1991-1994
Accredited entities	41	14	6	3
Projects approved	27	16	20	42
Approved funding	$1170m	$106m	$1358m	$281m

*Figures represent the first three years of the GEF pilot programme

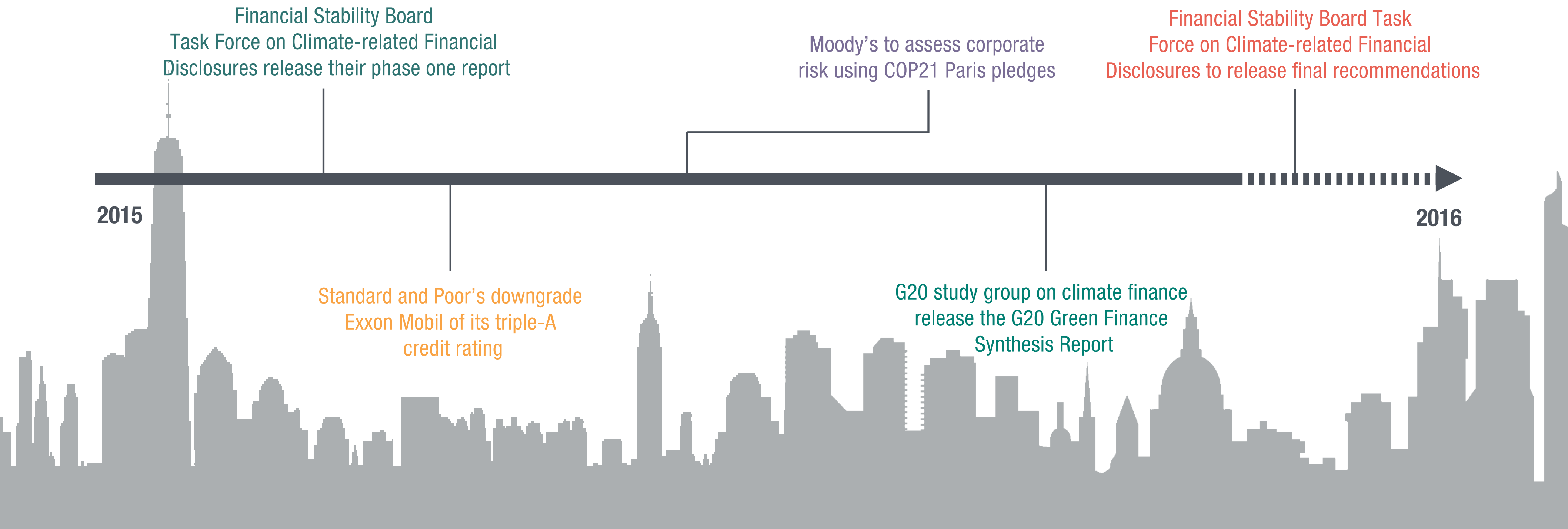
8 DISBURSEMENT OF CLIMATE FINANCE CONTINUED TO GROW IN 2016

Now that fund programming is starting to gain traction, disbursements are growing. A significant amount of the increase can be attributed to infrastructure projects that took several years to be operational, and are now meeting disbursement targets. Overall disbursement rates remain relatively low, however. Information on disbursement rates, particularly for private sector led programs, also remains incomplete.



9 MAINSTREAM FINANCIAL INSTITUTIONS ARE WAKING UP TO CLIMATE RISK

Key actors in global financial markets are paying more attention to climate change and its implications for mainstream finance and investment practices. Highlighting the systemic risks that climate change poses, the Financial Stability Board pushes forward with its enquiry into Climate Change disclosures. Moody's ratings agency has stressed that the Paris Agreement will accelerate adoption of climate policies and affect the creditworthiness of business-as-usual energy companies and utilities, while fossil fuel giant Exxon Mobil lost its Standard and Poors' AAA rating[5]. Nevertheless, more ambitious sustained efforts to shift finance to support climate action are essential.



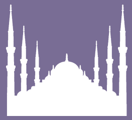
10 THE FUTURE WE WANT MUST MAXIMISE THE FINANCE WE HAVE

A finite pool of international concessional finance is supporting an increasingly ambitious global development agenda.

Delivering the Paris Agreement in the context of the Sustainable Development Goals and wider humanitarian needs will require more creative, equitable and efficient use of available international finance. Continued efforts to mobilise new sources of finance are needed. Simultaneously, strengthening domestic financial management and fiscal policy to encourage low-carbon and climate-resilient investment will be essential.

SUSTAINABLE DEVELOPMENT GOALS
NEW YORK 2015

CLIMATE CHANGE CONFERENCE
PARIS 2015



WORLD HUMANITARIAN SUMMIT
TURKEY 2016

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Where not referenced, climate fund data is sourced from the Climate Funds Update website. See the website for more information on the latest fund updates.

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Climate Funds Update

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ODI

CFU is a joint initiative of the Overseas Development Institute (ODI) and Heinrich Böll Stiftung (HBS). Since 2009, we have monitored dedicated public climate funds from the point when donors pledge support, through to the actual disbursement of finance for projects in developing countries.

climatefundsupdate.org

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