



GREEN
CLIMATE
FUND

GLOBAL
PROGRAMMING
CONFERENCE

#InspireMoreClimateAction

10:30 – 11:30 KST

SESSION 1.2: PLENARY

The GCF journey in enabling climate ambition

This session will reflect upon the journey of GCF since its creation both from the Secretariat's and partners' perspectives, considering an overview of the evolving global context for climate action and ambition, collaboration with UNFCCC operating entities, the growth of the Fund and its portfolio, and expected results and lessons learned from implementation to date, including from recent IEU evaluations. The session will comprise a keynote address and a panel discussion with speakers representing partner organisations, the Secretariat, and IEU.

13 September 2022
Incheon, Republic of Korea

MODERATOR

MR. JUAN PABLO HOFFMAISTER

Multilateral Governance Manager, Green Climate Fund

H.E. KHADEEJA NASEEM

Minister of State for Environment, Climate Change and Technology, Maldives

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Lead Environmental Specialist,
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Evaluation Advisor a.i.,
Independent Evaluation Unit, Green Climate Fund



THE GLOBAL INVESTMENT LANDSCAPE HAS CHANGED SINCE GCF-1



Updated NDC ambition cycle & net zero targets: 194 countries submitted 151 new/updated NDCs; 24 developing countries have submitted LTS and 37 submitted NAPs

Latest science (IPCC AR6) emphasizes the narrowing window of opportunity for both mitigation and adaptation action, requiring a shift from incremental to systemic responses

Rapidly changing cost curves for new technologies, with renewable energy now cheaper than almost any other fossil fuel solution, but access to innovation & finance unevenly spread

Climate finance increasing, but at a slower pace, with the majority flowing to proven technologies, mature economies and through conventional instruments

Increasingly unstable macroeconomic conditions, fragile post-COVID recovery with energy crisis exacerbating inflationary pressures, tightening monetary policy and access to credit

Climate action is even more urgent and systemic responses are needed, but affordable finance is likely to become more scarce

UNDERSTANDING OF DEVELOPING COUNTRY NEEDS HAS EVOLVED



Total developing country climate investment needs remain in the trillions, capacity support is needed to translate ambitions into bankable investments

NDC needs analysis has quantified financial needs of 78 developing countries at USD 5.8-5.9 trillion (USD 700B annually) up to 2030, with 60% of needs still to be costed; **More adaptation needs have been identified**, but are far less quantified compared to mitigation

Qualitative needs analysis shows concentration of mitigation needs for RE, LULUCF and transport; and adaptation needs for agriculture, water, EWS, coastal zone management & health

Assessment of readiness demand shows ongoing capacity needs across all readiness objectives to support progress from planning to implementation, with **opportunities to better focus support**

Potential GCF-2 pipeline already stands at over USD 40 billion, including project ideas from country programmes, entity work programmes, concept notes and funding proposals

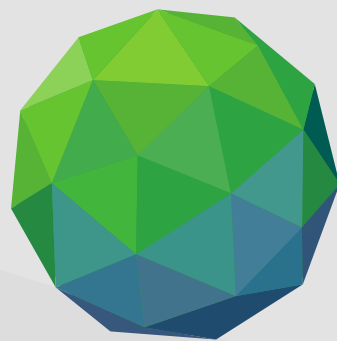
Developing countries need strengthened ability to attract diverse sources of finance to climate investments, in order to meet the scale of the need

THE GCF JOURNEY IN ENABLING CLIMATE AMBITION

As GCF prepares to enter GCF2 working to facilitate climate finance, what are priority gaps in reaching climate ambition?

Go to www.menti.com and use the code **9524 9419**





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ADDITIONAL GUIDANCE HAS BEEN GIVEN BY THE COP/CMA

Serve the UNFCCC and Paris Agreement

- Support formulation and implementation of NDCs and NAPs
- Mobilize resources and facilitate access to finance

On-going guidance for GCF operations

- Maintain balance in allocation of resources between adaptation and mitigation
- Continue to provide support for activities related to averting, minimizing, addressing loss & damage
- Enhance coherence and complementarity with other climate finance delivery channels
- Finalize work related financing for forests and alternative approaches
- Prioritize closure of policy gaps
- Advance collaboration with the UNFCCC Technology Mechanism
- Ensure the Fund enjoys privileges and immunities as necessary

Specific new guidance

- Explore diversification of financial instruments for addressing climate risk, including parametric insurance
- Improve access for local non-governmental and private sector organizations
- Clarify the role of data from IPCC and traditional, local and indigenous knowledge and practices



ANNEX: BACKGROUND ANALYSIS (Slides pre-circulated to the Board)

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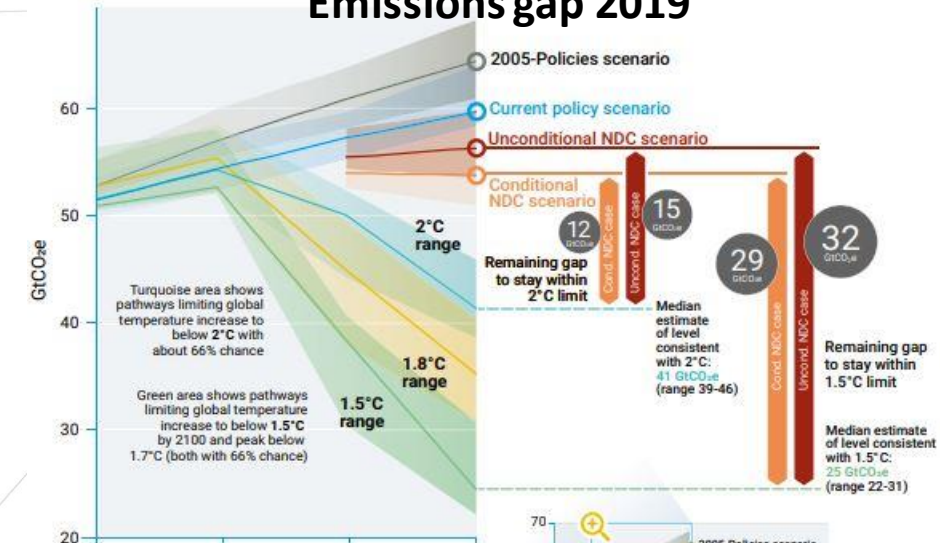
Climate action is even more urgent and systemic responses are needed, but affordable finance is becoming more scarce

Global Investment Context: Climate science

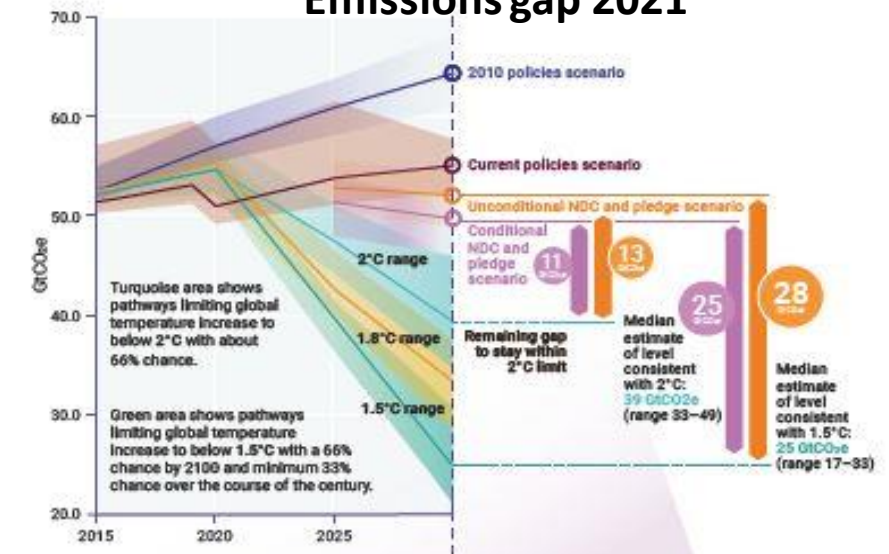


- Climate change is happening fast: the window of opportunity is shrinking, impacts are being felt now
 - All climate scenarios indicate a more than a 50% chance that the lower goal of the Paris agreement (1.5°C) will be exceeded by 2040
 - Evidence of extreme events has strengthened since previous IPCC reports and projections show all regions will experience multiple increases in climatic impact-drivers with future warming
- Modest but insufficient progress is being made toward closing the emissions gap, and this requires investment in the trillions
 - Gap 7.5% lower vs. previous NDCs, if fully implemented (30% needed for 2° and 50% for 1.5° by 2030)
 - Meeting PA goals estimated 1-1.5% global GDP; \$48 trillion over 20 year

Emissions gap 2019



Emissions gap 2021



Global Investment Context: Climate science

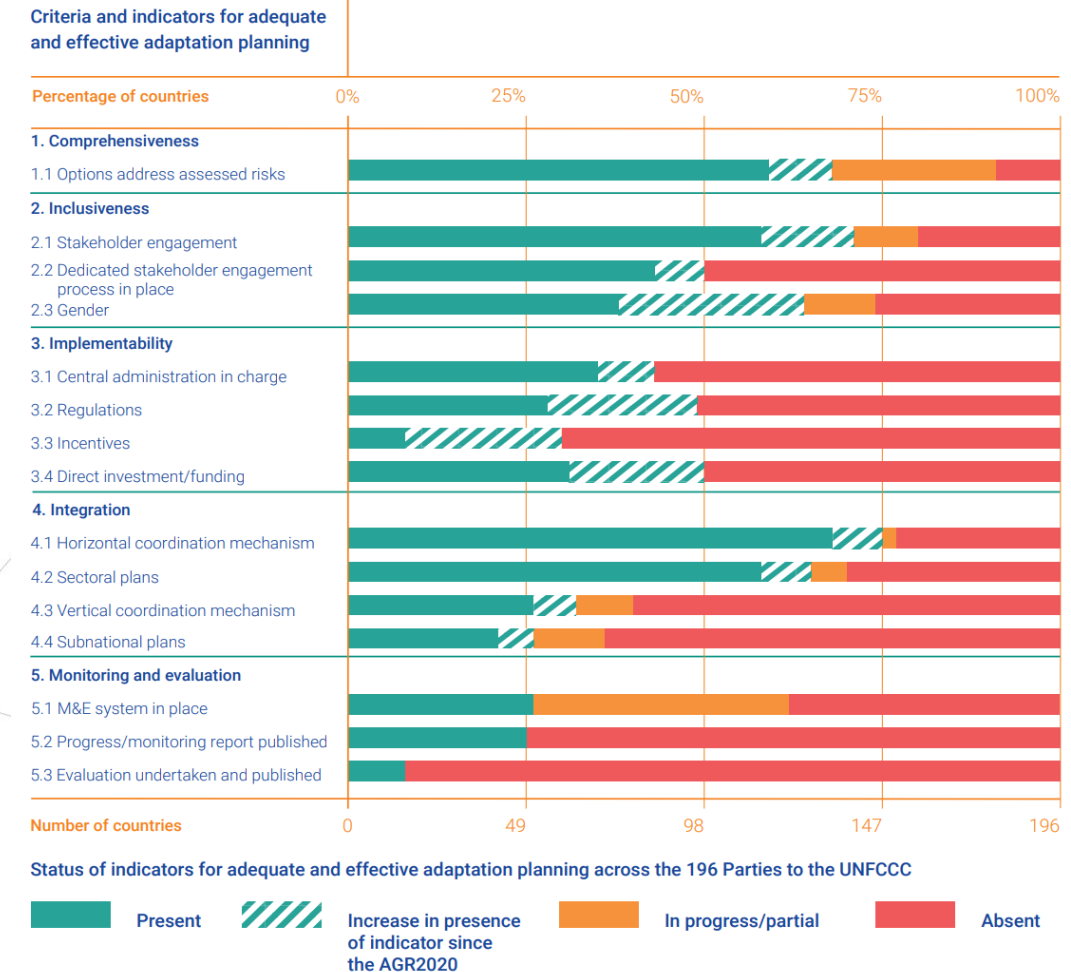
➤ Estimates of adaptation needs have increased; with a widening adaptation finance gap

- US\$ 140–300 billion by 2030 and US\$ 280–500 billion by 2050 and increasing as costing efforts are more comprehensive
- IPCC recognizes soft and hard limits to adaptation: soft limits can be overcome, but losses/damages will become increasingly hard to avoid with increasing global warming (AR6 SPM)

✓ **The window of opportunity is narrowing, and an effective response requires a shift from piecemeal interventions and an acceleration of five systems transitions** (energy; ecosystems; infrastructure; industry; society) which would allow adaptation for high levels of human wellbeing

- Long-term integrated approaches that consider trade-offs and co-benefits across sectors

Figure ES.2 Assessing the adequacy and effectiveness of adaptation planning worldwide



Global Investment Context: Climate innovation trends



Noticeable expansion of policies, technologies, business models, market trajectories and innovations supporting climate action

Technology

- Renewable energy sources are today cheaper than almost any other fossil fuel solution;
- Global utility-scale solar PV for newly commissioned projects fell by 85 per cent between 2010 and 2020
- Onshore wind global costs dropped 56 per cent
- The global electric car stock hit the 10 million mark in 2020, a 43% increase over 2019

Financial

- A record USD 481 billion in green bonds was issued in 2021 on track to surpass the milestone of USD 1 trillion in cumulative issuance since the first green bond in 2007

Policies & regulations

- A doubling of number of green finance policy and regulatory measures;
- Membership of the Network of Central Banks and Supervisors for Greening the Financial System quadrupled
- The value of assets under management of corporates with climate targets doubled to reach 52 trillion.
- Adoption of net zero emission targets a major policy innovation. More than 140 countries (~90 % of global emissions) have put forward net zero targets by 2050 => if implemented fully, could result in global warming by 2100 as low as 1.8 °C.

But real-economy impacts remain to be observed and impacts are even less visible in the developing world

Global Investment Context: Climate finance landscape



➤ Global climate finance is trending upward, but at a slowing pace over recent years

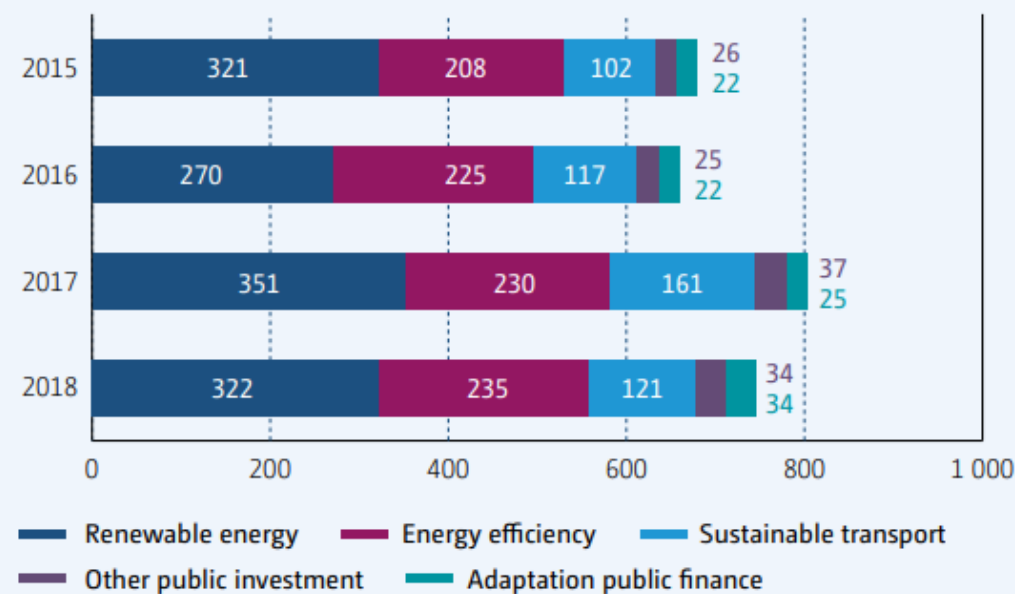
- Decline due in part to decreasing renewables costs
- Vast majority of climate finance still flowing to mitigation, and to advanced economies
- Falls far short of investment needs, and a fraction of overall global finance flows
- Adaptation continues to be financed mostly by public funds

➤ GCF drove a significant increase in financing from multilateral climate funds, providing over half such finance in 2019/20

- But remains a sliver of financing overall

Figure 1

Global climate finance flows in 2015–2018 (Billions of United States dollars)



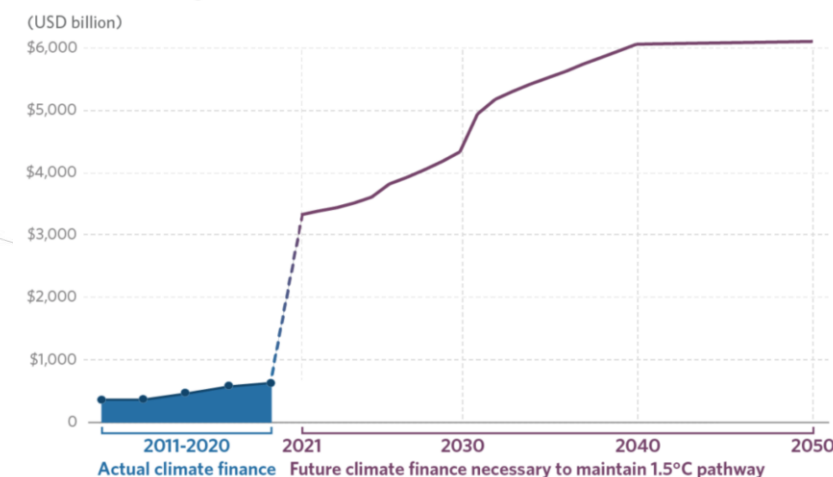
Global Investment Context: Climate finance landscape



- **Developed countries mobilized 79.6B for developing countries in 2019 , falling short of the 100B annual goal (OECD)**
 - COP26 committed to double adaptation finance
 - UNFCCC working to define a new climate finance goal
- **The greatest potential for increasing climate finance flows lies with the private sector, but this is difficult to tap for many developing countries**
 - Domestic capital is a critical source of climate finance where there are mature capital markets
 - Most concessional climate finance is directed to lower- and lower-middle income countries
 - Investment in LDCs and fragile/conflicts countries is very limited

- ✓ **Making the transition requires large scale shifts in financial flows, and the catalytic and inclusive use of public finance to unlock these**
- ✓ **Scarce public concessional funding should be used to strengthen access to capital markets, deploying blended finance to de-risk and create investment grade projects**

Figure 3: Global tracked climate finance flows and the average estimated annual climate investment need through 2050



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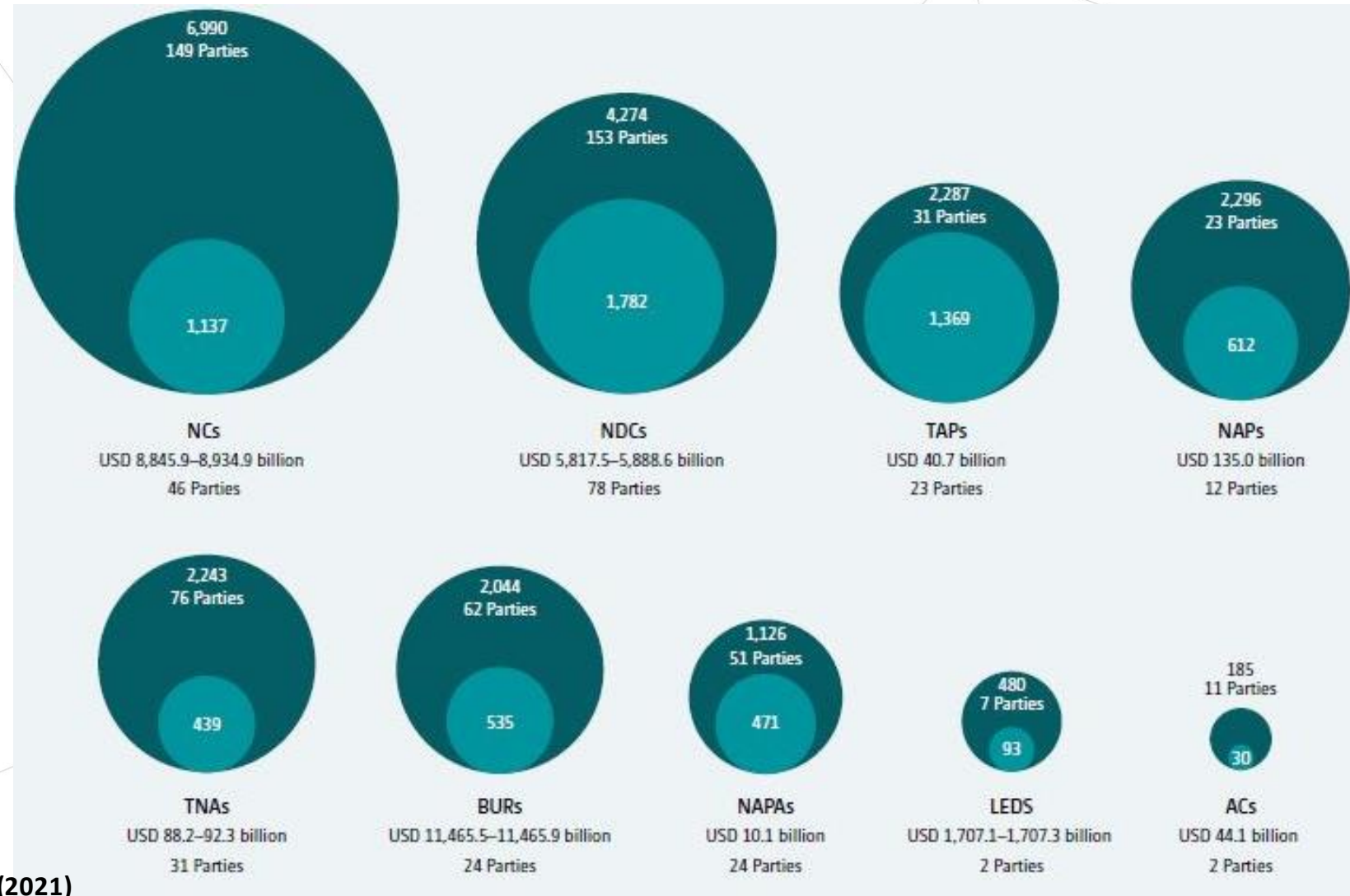
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Developing country needs: Total demand

➤ Trillions in investment are needed to support developing countries' current climate ambitions and needs

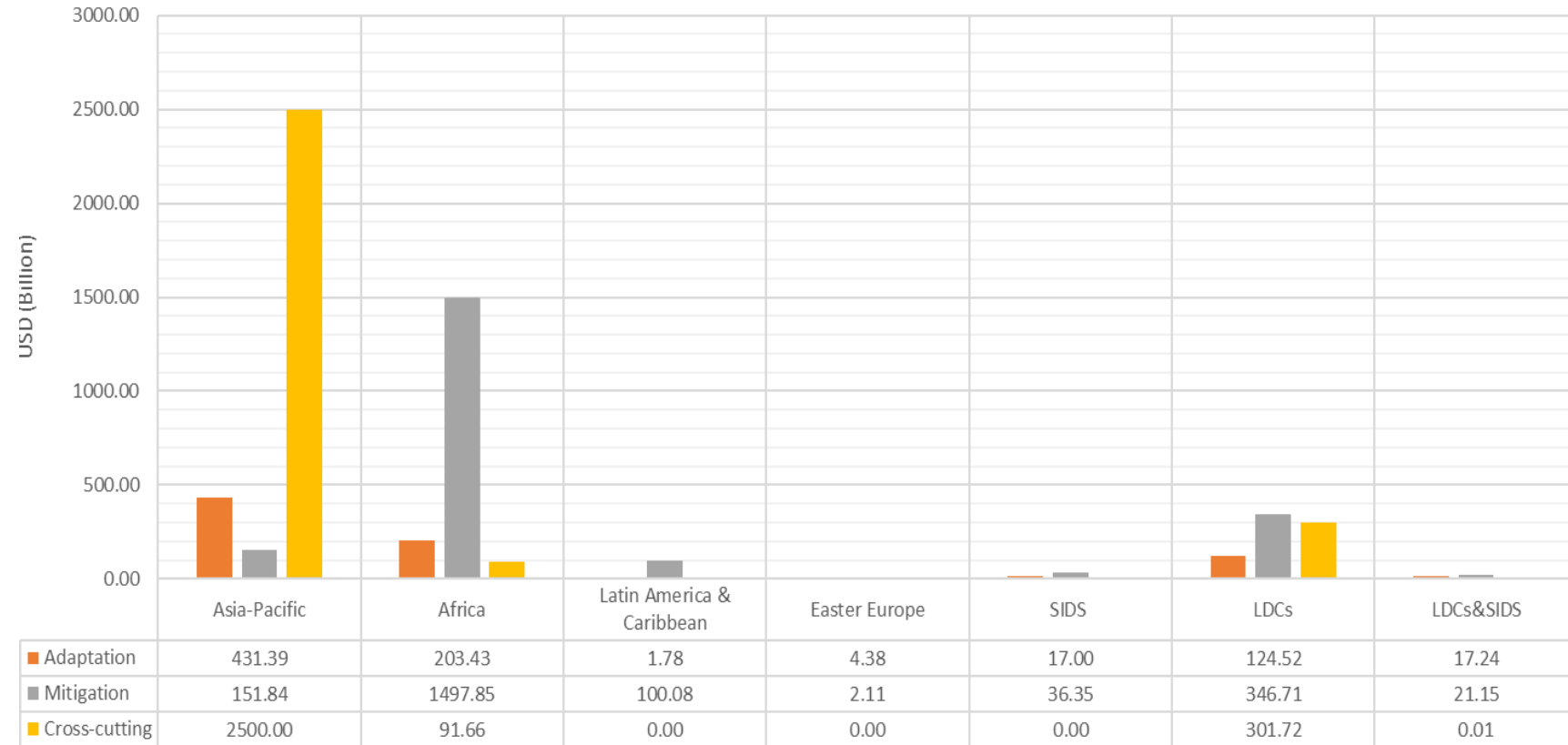
- Highest needs value of **USD 8.8 – 8.9 trillion** for just **46 parties** (NCs)
- National and regional reports estimate **USD 23.8–29.4 trillion** (2016-2030)
- **USD 5.8-5.9 trillion** for **40% of articulated needs** in 78 countries (NDCs)



Developing country needs: NDCs

Source: Data from UNFCCC Needs Determination Report (2021)

Costed NDC needs by region



➤ 78 developing countries have specified financing needs of **USD 5.8-5.9 trillion** (USD 700 billion annually) up to 2030 for implementation of 40% of their identified NDC needs

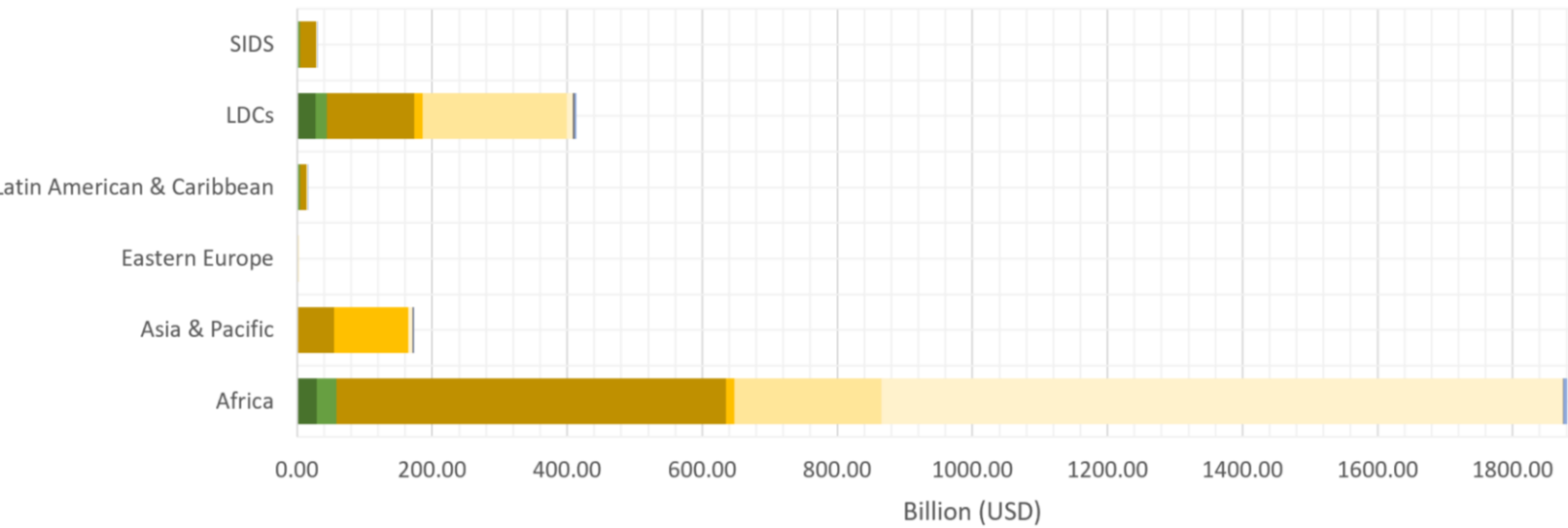
➤ 60% of needs remain to be costed

- LAC and EE have least costed needs
- There is great distribution across countries and regions on # costed needs per sector
- countries identified more adaptation than mitigation needs, but the former are least quantified.

➤ International and domestic sources of finance were attached to needs amounting to USD 502 billion and USD 112 billion respectively, but 89 per cent of costed needs did not identify potential sources of finance

All regions identified a large number of cross-cutting needs, but majority remain to be costed

Cost of mitigation needs by region

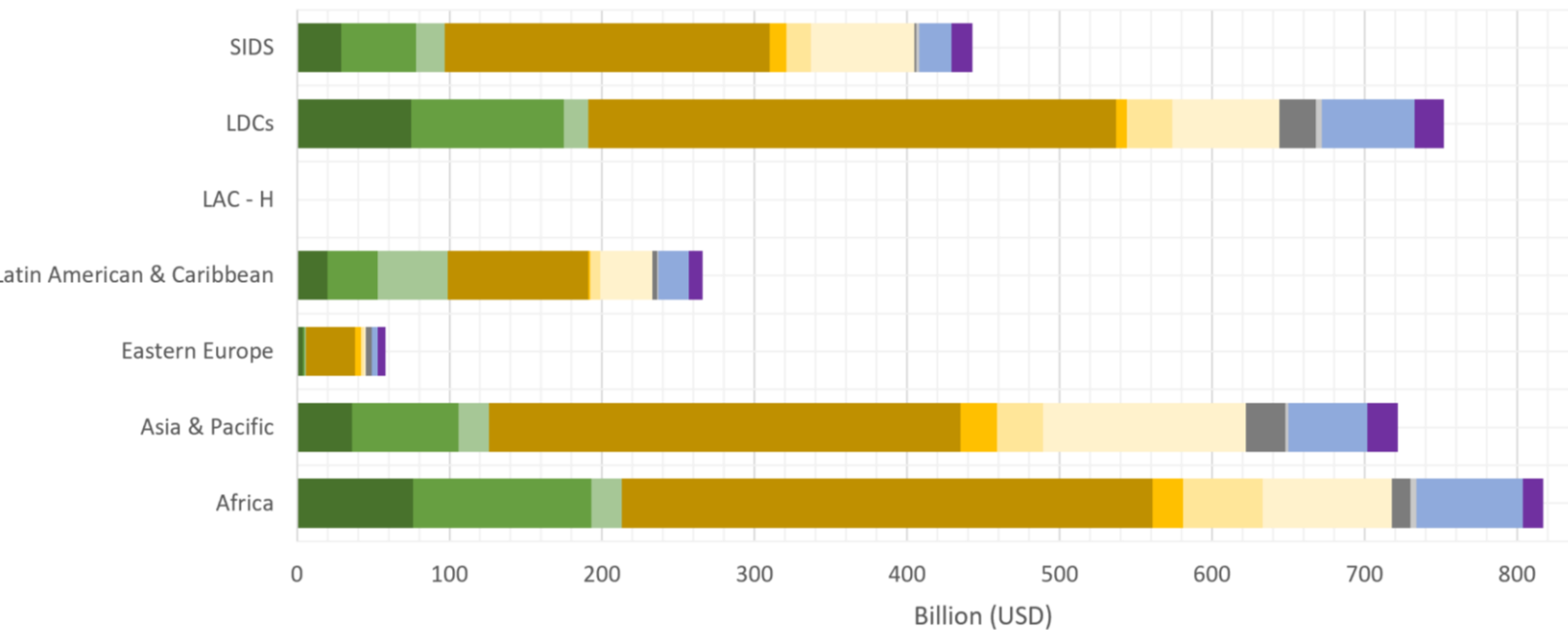


NDC mitigation needs



- Minor sectoral shifts since IRM: RE power generation continues to dominate mitigation; water/sanitation targeted more
- LULUCF = 2nd, features heavily in densely forested countries in Africa and LDCs (reforestation needs most costed)
- Transport = 3rd most targeted mitigation action (requires further cost analysis)
- Agriculture predominant in Africa/LDCs (require costing)

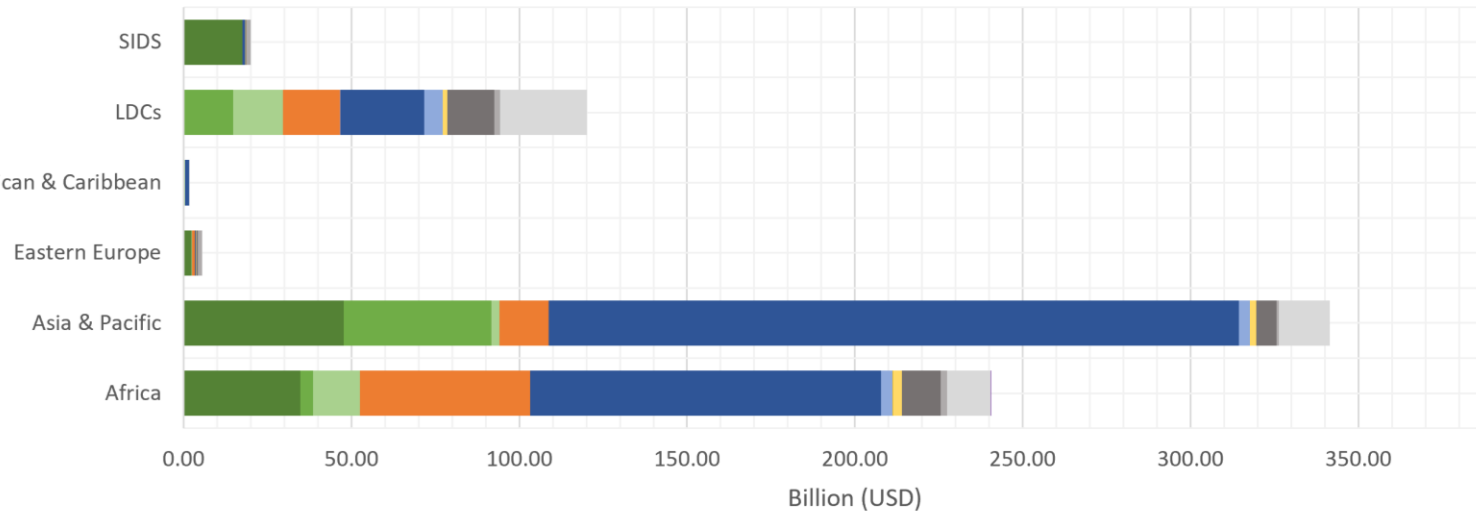
Number of mitigation needs by region



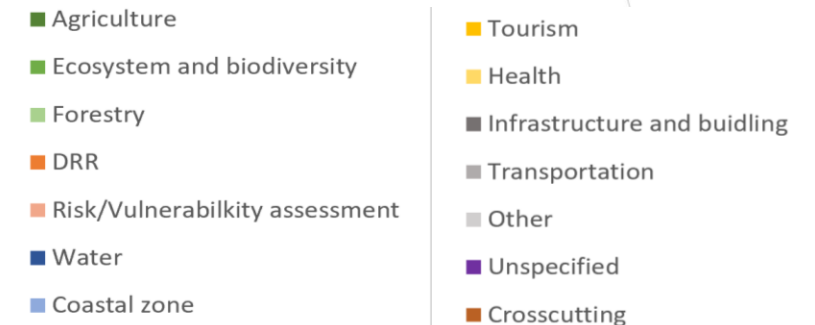
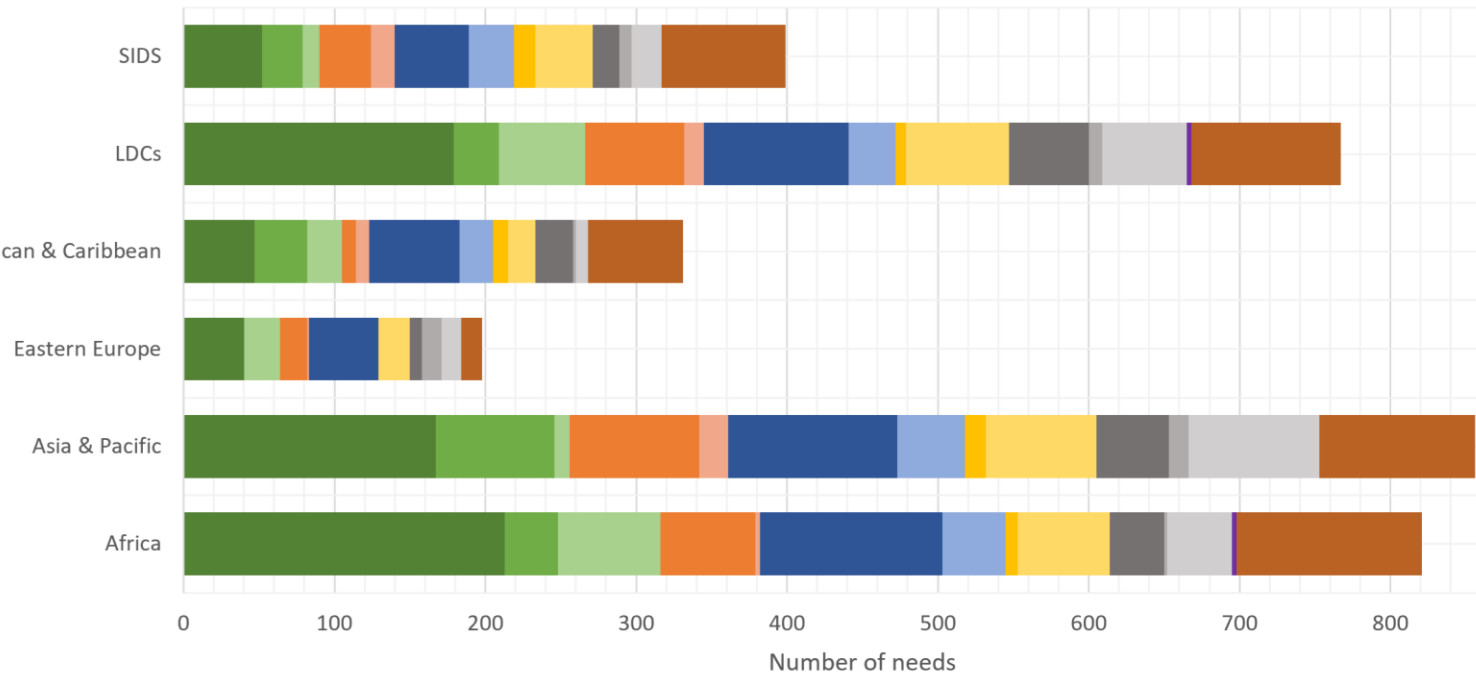
NDC adaptation needs

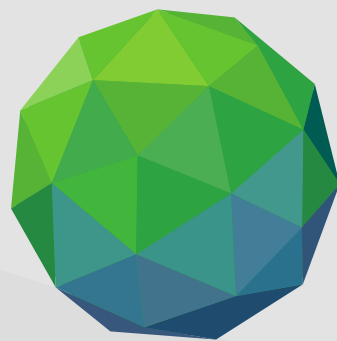
- Agriculture: land uses that overlap with other key sectors (forestry, water and relate to diversification, development of resistant crops, soil management, livestock, fisheries and aquaculture)
- Water: need for distribution, harvesting and irrigation infrastructure
- Followed by disaster prevention and preparedness, coastal zone management and health.

Cost of adaptation needs by region



Number of adaptation needs by region





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