Briefing Note

GREEN CLIMATE FUND

Virtual

GCF PRIVATE INVESTMENT FOR CLIMATE CONFERENCE 2020

MAINTAINING CLIMATE AMBITION IN THE ERA OF COVID-19

Where: Virtual
When: 14 October 2020, 8:00 - 9:30 am EDT (TBD)

About GPIC 2020: background and objectives

In 2018 we launched the first GCF Private Investment for Climate Conference (GPIC) with the goal to bring together leading private and public sector actors, including financial institutions, governments, project developers, climate leaders and development banks, to help unlock private capital for climate action in developing countries. As GCF's annual flagship conference for the private sector, GPIC provides a unique platform for leaders to explore innovative ways to break through market barriers and forge new partnerships that push the frontiers of climate finance. In only two years, GPIC has grown into a global marketplace, attracting more than 500 participants from over 100 countries, including 50 of the world's leading investors.

In an effort to catalyse actions to help developing countries maintain climate ambition in the era of COVID-19, the 2020 GPIC has four specific objectives:

- Share experiences, innovations and best practices for scaling up public-private partnerships and unlocking investment in a green and resilient recovery;
- Enable voices from the private sector to feed into global policy dialogues, notably the work of the United Nations on Financing for Development in the Era of COVID-19 and Beyond, and the 2021 UN Climate Change Conference (COP 26);
- Connect private sector players with developing countries' Nationally Determined Contributions (NDCs) and climate strategies to help accelerate the origination of bankable climate projects;
- Drive financial deal flow to GCF Accredited Entities (AEs) in line with the Fund's strategic programming and principal of country ownership.

This year the GCF is bringing together global and national leaders as well as top level executives to debate and discuss these issues through a 3-day series of virtual panel discussions, scheduled from the 14th – 16th October 2020. The event will kick-off with a High-Level dialogue on Day 1 to frame the conditions for a green and resilient recovery (GRR) in developing countries, define the role and highlight the opportunities for the private sector in financing such efforts. This will be followed by four technical sessions on Day 2 and 3 to hear fresh market insights from investors keen to put their capital to work in developing countries, looking at both the challenges and opportunities in *Navigating the Energy Transition*, *Investing in Nature*, *Catalysing Market Mechanisms* as well as *Funding Breakthrough Climate Innovations.*

Catalyzing a green, resilient recovery: the context

There are two fundamental challenges to recovering better and more sustainably from COVID-19: greening economic stimulus measures and ensuring that developing countries can access adequate finance to develop and implement them.

The COVID-19 pandemic has not only led to untold human suffering but has also caused the loss of tens of millions of jobs, with tens of millions more at risk of being lost in the absence of public support. Developing countries, which are already the most vulnerable to climate change, are the hardest hit by this crisis. While OECD countries have been able to inject trillions of dollars of new money to finance their economic stimulus to respond to the crisis, the opposite has been true for developing countries. The massive outflow of capital from investors, a precipitous drop in remittances and foreign direct investment, and the existing debt burden have all added significant stress to government balance sheets in developing countries.

There is a paradox at the heart of climate finance. On the one hand, trillions of dollars are earning negative interest rates in many OECD countries.[1] On the other hand, there are an estimated $23 trillion in attractive opportunities for climate-smart investments in emerging markets alone between now and 2030.[2] Addressing this paradox would address the present climate financing gap[3] and enable developing countries to access finance at scale to implement their green and resilient recovery measures. This paradox is caused by barriers on both the supply and demand side of private finance, which in turn drive up the expected risk-adjusted return of potential investments.

The impacts of the economic crisis and financial instability caused by COVID-19 are likely to exacerbate the climate finance paradox as yields fall in OECD countries with expansionary monetary policies, and perceptions of investment risk rise in developing countries.

At the same time, the recovery from the COVID-19 economic crisis coincides with a pivotal time in the fight against climate change. 2020 is the year that countries are to submit their new or revised national climate action plans, a key step towards realizing the Paris Agreement. It also starts a decade in which the world must cut emissions by over 45% if global warming is to be limited to 1.5 degrees Celsius.

Faced with the biggest shock to the global economic system since the Great Depression, governments do not have to compromise economic recovery priorities with their Paris Agreement commitments. Low-emission, climate resilient stimulus measures can help policy makers fulfil both needs at once - but the clock is ticking. Given the limited fiscal and monetary capacity of developing countries in achieving this dual objective, leaders must draw on innovative financial structuring to ensure green stimulus measures do not compound existing debt burdens. The climate crisis is too big, too serious and too urgent to rely on the resources of public institutions alone. The private sector also has a key role to play by aligning its financial flows with low-emission, climate resilient pathways.

As the world's largest dedicated climate fund supporting developing countries respond to the challenges of climate change, the GCF is a vital player in the green, resilient recovery and partner of choice to propel private sector investors to support green stimulus measures in emerging, frontier and developing countries. Notably, the GCF supports developing countries by addressing supply and demand side financing barriers by providing a range of financing instruments to de-risk investments and crowd in public and private investment to achieve transformative results.

[1] By mid-2019, the pile of negative-yielding bonds topped $17 trillion, or a quarter of all investment-grade debt (https://www.bloomberg.com/quicktake/negative-interest-rates).
[2] https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate_Investment_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES&CVID=lBLd6Xq
[3] About $ 4 trillion on average each year is needed to advert catastrophic climate change and meet the 17 Sustainable Development Goals (SDGs) in developing countries (https://unctad.org/en/PublicationsLibrary/diaepcb2018d4_en.pdf). However, public and private climate investments are hovering around half a trillion a year. https://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2019/