Global climate finance flows reached USD 632 billion in 2019/2020, but with tepid growth rate.
Current investment levels are nowhere near enough to limit global warming to 1.5°C
Achieving net-zero will require all public and private actors to align finance with Paris goals.
Mitigation vs adaptation: Investment by type of objective

- **2017/2018**
  - Mitigation: $532 bn (92.7%)
  - Adaptation, 5.2%
  - Multiple objectives, 2.1%

- **2019/2020**
  - Mitigation: $571 bn (90.1%)
  - Adaptation: $46 bn (7.4%)
  - Multiple objectives: $46 bn (2.5%)
Growth in commitments by private financial actors

Source: Climate Policy Initiative
The Framework for Sustainable Finance Integrity

**Targets & Objectives**

1. **Set Paris-aligned, net zero targets**
   Consistent with the IPCC's no or limited 1.5°C overshoot pathways, and in addition to 2050 targets, set 2025 target to reduce portfolio scope 1, 2, and 3 emissions by 29% on absolute level against a 2019 base year, according to fair share of reductions.

2. **Set complementary SDG targets**
   Set context-specific complementary targets by 2025, encompassing: biodiversity; adaptation; climate equity; pollution; and direct contributions for climate investments in developing economies and hard-to-abate sectors.

3. **Use credible offsets**
   Only use offsets where no mitigation options exist, and ensure offset credits cause no harm, prioritizing positive co-benefits where possible.

**Implementation**

4. **Whole institution approach**
   Fully integrate targets and commitments into mandates, governance, executive compensation, risk management frameworks, and performance management.

5. **Proactive counterparty engagement**
   Lead engagements with counterparties to publicly commit to 1.5°C-aligned business strategies and publish a detailed policy for those that fail to adopt and implement credible transition plans.

6. **Develop and deploy substantially more sustainable finance**
   Drastically increase sustainable finance volumes through new instruments and business models, including supporting developing economies in their transition.

7. **Align and engage around climate policy**
   Proactively engage on and advocate for sustainable finance policy and regulatory measures to ensure Paris-aligned financial flows, including for mandatory global climate risk reporting for public and large private companies.

8. **End fossil fuel financing**
   Immediately end all finance for new thermal coal projects and phase out existing coal power finance by 2030 in OECD countries and 2040 in developing economies. Eliminate finance and subsidies for all new oil and gas projects, and phase out existing oil and gas financing and subsidies where a credible transition plan does not exist.

**Metrics & Transparency**

9. **Transparently disclose climate risks**
   Align with the TCFD and future TNFD disclosure frameworks, and any globally adopted disclosure regimes, ensuring disclosures, finance data, and impact are independently verified.

10. **Track emissions and sustainability investments**
    Promote standardized and comparable approaches to defining sustainable investments and tracking emissions.
So how do we close the gap?

- Policies lead the way
  - Effective carbon pricing
  - Eliminate fossil-fuel subsidies
  - Leverage government procurement
  - Strategically crowd-in private finance
“Modern supply-side economics prioritizes human capital, public infrastructure, R&D, and investments in a sustainable environment.”

— Janet Yellen, January 2022
So how do we close the gap?

• Policies lead the way

• Every institution builds its climate capacity
  • Mainstream climate across the institution
  • Modernize policies and frameworks
  • Improve risk models
So how do we close the gap?

- Policies lead the way
- Every institution builds its climate capacity
- Improve transparency: disclosure frameworks
So how do we close the gap?

• Policies lead the way
• Every institution builds its climate capacity
• Improve transparency: disclosure frameworks
• Embrace innovation and risk
“What we need is market shaping, not just market fixing. We need to see crowding in, not crowding out.”

— Mariana Mazzucato, February 2022
The Lab
Global Innovation Lab for Climate Finance
So how do we close the gap?

• Policies lead the way

• Every institution builds its climate capacity

• Improve transparency: disclosure frameworks

• Embrace innovation and risk
  • Design and incubate innovative ideas
  • Programmatic/portfolio approaches, returns on grants and loans, energy efficiency incentives...
So how do we close the gap?

• Policies lead the way
• Every institution builds its climate capacity
• Improve transparency: disclosure frameworks
• Embrace innovation and risk
Avoid over 700,000 premature deaths from air pollution

Raise US$2.8 trillion in carbon price revenues and fossil fuel subsidy savings to reinvest in public priorities

Increase female employment and labour participation

Generate over 65 million additional low-carbon jobs

Higher global GDP growth

US$26 TRILLION BENEFITS UP TO 2030

Thank You!