© Climate Investment Funds

# Targeting finance

*With limited resources to fund the seismic changes needed to curb temperature rise, and time running out, focusing climate finance where it can have greatest impact is essential*

By **Mafalda Duarte**, CEO, Climate Investment Funds

There is no denying that we have made headway in beating the climate crisis. Recent polls show record levels of support for climate solutions. Climate movements are gaining ground and inspiring new generations of change-makers. Plus, renewable sources of energy like wind and solar are more affordable than ever before, expanding to ever-farther reaches of the world.

Progress is being made, but we are still a long way off from limiting global warming to the 1.5°C target enshrined in the Paris Agreement. Global greenhouse gas emissions are not waning but rising, reaching levels unseen in recorded history. Coal, oil, natural gas and other high-emitting fossil fuels still supply a staggering 81 per cent of the world's electricity, and additional coal, oil and gas plants are on the way. If these facilities come online as planned, forecasters say total carbon emissions will exceed Paris Agreement targets by 120 per cent. This is not acceptable. Straying from a 1.5°C pathway will yield significant environmental, economic and human impacts – many of which could be irreversible.

To right these trends, experts agree that we need to reduce emissions by 45 per cent by 2030 from 2010 levels, and also achieve carbon neutrality by 2050. This is an ambitious target that will require

**▲ Reforestation in Berekum, Ghana: a project that incorporates agroforestry with shade-grown cocoa to sustain the local economy**

more than lip service to make a reality. The path forward will be sweeping in scope and unprecedented in scale. The Intergovernmental Panel on Climate Change has urged nothing less than "rapid and far-reaching transitions in energy, land, urban and infrastructure, and industrial systems".

**Transition underway**

A low-carbon world therefore depends on our ability to enact bolder climate policies, reach new heights in technological innovation, and drive behaviour change across whole societies and economies. Needless to say, this is no small task. The good news is that we already have the tools to bring these changes to fruition. What's more, there are signals that these transitions are already underway.

At the Climate Investment Funds (CIF), one of the largest and most experienced multilateral climate financing bodies, we have seen first-hand the power of sound partnerships and concessional finance to accelerate green and climate-resilient growth, policy reform and behaviour change. For more than 10 years, developing countries have partnered with CIF to make urgently needed investments in clean energy, climate resilience and sustainable forestry.

In Zambia, for example, concessional investments paved the way for the first national climate change authority, helping put climate change at the heart of national development strategies. Today, provinces and districts across the nation are all required to plan for climate change impacts and work to reduce climate change risks. This is a remarkable step in a country on the frontline of the climate crisis.

India's clean energy pathway is also getting a boost from concessional finance. In only three years, a $625 million injection helped the country's burgeoning rooftop solar panel industry unlock over 430 megawatts of new capacity. This would later usher in an additional $4 billion in financing and 5,000 megawatts of added capacity, marking a potential tipping point in the rooftop solar market and accelerating progress towards India's target of 40 gigawatts of rooftop solar capacity by 2022.

Ghana, meanwhile, is deploying concessional resources to help reverse an alarming deforestation rate, going from a deforestation rate of 1.5 per cent to a reforestation rate of 1.2 per cent in target areas. This is being achieved in part by resolving longstanding tree tenure challenges and establishing 28,000 hectares of climate-resilient, shade-grown cocoa. In addition to helping reforest target areas, this effort will promote sustainable agriculture practices and bolster livelihoods.

Concessional finance can accelerate socio-economic development and drive innovation. Equipped with the right resources, government and business leaders can transcend new frontiers in low-carbon technology, such as concentrated solar power, or CSP. This uses sun-tracking mirrors to harness the sun's energy and then molten salts to store it. CSP is becoming more accessible globally amid growing confidence in the technology, falling costs, and an easing learning curve across the private and public sectors, thanks in large part to CIF investments. CIF is supporting around 15 per cent of total installed capacity worldwide, including the world's largest CSP facility in Ouarzazate, Morocco, which supplies energy to two million people.

**Essential ingredients**

These are significant changes, made possible with significant levels of concessional finance. But in the world of climate finance, more critical than the 'how much' is the 'how'. Public finance for climate action is not unlimited, so it must be used as wisely and strategically as possible. Success is not strictly funding a climate-resilient bridge here or a solar power plant there. One-off investments working in isolation will not ignite the changes we need to mount a serious defence against climate change. From our experience at CIF, we know there are essential ingredients to delivering finance that moves the needle on climate.

First, climate investments must be demand-driven and support broader development goals in developing countries. Second, multilateral development banks have deep-seated know-how and in-country expertise, and so must be involved as strategic implementing partners. Third, concessional finance programmes must have sufficient scale, allow for adequate risk-sharing, and be as flexible as possible, ensuring responsiveness in a dynamic operational environment. Fourth, and by no means least important, vulnerable populations such as women, indigenous groups and local communities can and must have a seat at the table throughout the lifecycle of an investment programme, including identification, development and implementation.

*A low-carbon world depends on our ability to enact bolder climate policies, reach new heights in technological innovation, and drive behaviour change across whole societies and economies*

We bring this ethos to everything we do. Looking ahead, we are planning to ramp up support for cutting-edge innovations and approaches that could be what gets fledgling low-carbon and climate-resilient sectors off the ground in developing countries. We are also exploring new mechanisms for mobilising private and institutional capital in support of large-scale climate action in developing countries.

I am not naïve about what lies ahead. A climate-smarter world will not be easily won, and there is no avoiding setbacks or false starts. But right here, right now, the signs of change are everywhere. We still have time to employ the tools we already have – with grit, clarity of purpose and courage – to empower nations and peoples with the resources they need to deliver the climate-smarter future we all deserve. ●