



Landscapes of domestic climate finance in Europe

Supporting and improving climate and energy policies for a low-carbon, resilient economy

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Key messages from the expert meeting:

- Systematic tracking of domestic climate investment and related financing flows, also called climate finance “landscapes”, is a powerful process for supporting the development, enforcement and strengthening of national climate and energy policy, contributing to the transition towards to a low-carbon and climate-resilient economy.
- The transition to a low-carbon and climate-resilient economy requires an unprecedented redirection of social and economic activities, and thus also investment and related finance to address the challenges posed by climate change. To that end, the Paris Agreement sets the objective to “make all financial flows consistent with a pathway towards low-emissions, climate-resilient development”.
- Aligning financial flows with EU and national objectives - expressed in Nationally Determined Contributions, Low-Carbon Development Strategies, Integrated National Energy and Climate Plans and National Adaptation Plans - will be key for a smooth and cost-effective transition towards a low carbon, climate resilient and competitive economy.
- Shifting and scaling up financial flows to meet national climate and energy objectives require an improved knowledge base as well as policy and project assessment tools for shifting domestic investment patterns and to engage financial and economic actors.
- Climate finance landscapes can complement other policy assessment tools (macro-economic modelling of alternative investment scenarios, cost-benefit analysis, cost-effectiveness analysis, etc.) as well as project assessment tools (return on investment analysis, financial sustainability analysis, financial risks analysis, project performance indicators, environmental impact indicators, external costs of projects, cost-benefit analysis, etc.).

SUMMARY

On 25th October 2016, the European Environment Agency and I4CE – Institute for Climate Economics hosted an expert meeting convening experts on the tracking of domestic financial flows dedicated to climate action in Europe.

The expert meeting brought together government representatives, research centers and civil society actors, with the aim of establishing how an improved understanding of climate-related investment and financial flows can support the achievement of climate objectives at national, European and global levels.

Climate finance landscapes are useful for a variety of policy objectives

- Supporting a cost-effective design and smooth implementation of Nationally Determined Contributions, Low-Carbon Development Strategies, Integrated National Energy and Climate Plans, National Adaptation Plans and National Infrastructure Plans.
- Identifying and assessing the current state and magnitude of climate related investment and financial flows and its degree of alignment with climate policy objectives;
- Strengthening domestic climate change policy-making processes and ensuring effective management and coordination of public resources;

- Identifying opportunities and barriers for scaling-up and reallocating domestic climate finance, e.g. to close potential gaps in relation to identified investment needs;
- Monitoring the effects of low-carbon investments on job creation and economic growth and assessing the effectiveness and efficiency of domestic financial flows, e.g. GHG emission reduction associated with certain financial flows;
- Providing useful input to the development of coherent national strategies and supporting frameworks aimed at redirecting financial flows from carbon-intensive investments towards low-carbon and climate resilient projects.
- Supporting the broader international discussions on green finance, for example as a component of UNEP Inquiry's global performance framework.

Climate finance landscapes have been ground-tested on global level but also on national level in France, Belgium and Germany.

- The studies focused on aggregating numerous existing sources of data, providing a better understanding of fixed capital investments and related financial flows.
- The studies aggregated publicly available data on both public and private sources of climate finance, covering roughly 1 to 1.5% of the countries' GDP.
- Particularly in the Belgium and French case, climate finance landscapes have been integrated in the broader climate policy discussion including low-carbon development strategies.
- Before these national studies were conducted, there was no comprehensive tracking of fixed capital investments and related financial flows supporting climate action in these countries.
- Definition and scope of climate finance, in terms of sectors of investment, types of project and type of funds were approached differently in each exercise.
- Data availability was identified as a limit to the coverage of certain sectors (e.g. agriculture, transport) and types of project (e.g. adaptation).
- In many instances these exercises were produced by research center and think tanks without direct public support.

The methodology underpinning climate finance landscapes is flexible both quantitatively and qualitatively and can therefore be tailored in a step-wise fashion to national circumstances and availability of data.

- It is possible to initiate landscapes as a simple data-sharing and data-gathering process, involving national and sectoral stakeholders in a fruitful exchange of

views and information about the state of climate investment in a given country.

- Progressive layers of qualitative and quantitative developments allow for a better grasp of the orders of magnitude of financial flows involved.
- Repeating the exercise at regular intervals allows to progressively integrate components such as:
 - Currently less-documented areas of climate investment and spending, such as: climate services, investment in adaptation, and research & development;
 - When systematic tracking of domestic investment is extended to projects in non-climate specific sectors, the climate finance landscape approach can provide useful insights on how non climate-aligned investments are financed;
 - The articulation between financial instruments, leveraging, and the best ways to provide integrated and effective support to projects;
 - The point of view of project managers by stressing ambitions, obstacles and the economic viability of projects, for example through added case studies, interviews and workshops;
 - Appraising the effectiveness and efficiency of public policy tools by linking the landscape work with other methodologies, such as cost-benefit analysis, micro- or macroeconomic modelling;
 - Relating investment trends with objectives set up in existing national climate strategies, to identify the gaps and monitor progress;
 - Supporting micro- and macroeconomic studies and models in their ex-ante assessment of climate policies.

Challenges and areas for further development regarding systemic tracking of finance flows.

- Improving consistency in definition(s) across countries of what constitute climate finance under the international agreements while at the same time catering for flexibility prompted by national differences.
- Formalizing processes for tracking of readily available climate finance data.
- Linking with other forms of public finance data related to future financial commitments embodied in support mechanism, (e.g. feed in tariffs to be paid until 2030 for an investment financed by a bank in year 2010).
- Finance flows targeting climate adaptation are particularly challenging to address when it comes to definitions and data availability. All projects do not generate direct financial returns on investment for project developers, risks and uncertainties are higher than mitigation projects, and the implementation periods are typically much longer term which is difficult

to match with investor's horizon, affecting the bankability of projects.

- Accessibility and communication aspects of the climate finance landscapes needs careful consideration to ensure it is fit for purpose, in particular regarding findings and interpretations targeting the general public and non-expert audience;
- Increasing the usefulness for investors by expanding into on the project pipeline side and adding analysis on how different types of instruments can help leverage different kinds of finance sources;
- Expanding the scope to include the non-climate flows, i.e. financial flows supporting carbon-intensive infrastructure and projects. These flows include a potential for redirection at the country level.
- Capacity building, approached on country level, would be needed to ensure a more widespread uptake and use of the methodologies and tools underpinning climate finance landscapes across Europe;
- The expert meeting also identified a growing potential to include data disclosed by financial institutions and companies under requirements set up by the non-financial reporting directive, or other national legislation.

The expert meeting identified and highlighted some recent and upcoming developments of relevance for advancing discussions on climate finance landscapes including:

- The Climate Policy Initiative (CPI) has updated the global landscape of climate finance up to 2015, and is conducting studies to cover domestic and international climate finance in countries outside Europe, such as Indonesia (adaptation) and the Côte d'Ivoire (REDD+ flows).
- The Institute for Climate Economics (I4CE) will update the results of the current Landscape of climate finance in France by the end of the year 2016, and engages work to cover climate-adverse financial flows in the energy sector in early 2017.
- The European Commission (DG Energy) is conducting a study to review EU financial flows supporting energy efficiency in Member States.
- The European Commission (DG FISMA) informed participants about its plans to set up a high-level expert group on sustainable finance. The group's tasks shall be to help develop an overarching and comprehensive EU strategy on sustainable finance to integrate sustainability in EU financial policy.
- The European Commission (DG CLIMA) informed participants of the forthcoming evaluation of the EU Climate Adaptation Strategy. Participants of the expert group were encouraged to get involved.
- The World Wildlife Fund informed about the H2020 project MAXIMISER focusing on evaluating and developing guidance for low carbon development

strategies including an evaluation of the use of ETS revenue streams.

- E3G informed about their forthcoming report how the EU could move to sustainable finance
- CICERO highlighted two upcoming reports: 1) on financial tools for de-risking private engagement in climate investments internationally and 2) adaptation finance challenges and tools.

Next steps

- Participants in the expert meeting signaled interest in exploring the opportunities of taking part in a coordinated effort for more European countries to develop climate finance landscapes, for example with support from research and action programs such as H2020.
- The EEA is currently conducting a study with Trinomics aimed at clarifying the current state of play, the challenges and the gaps in the conduct of climate landscape exercises in Europe. The EEA invited comments on draft results and will communicate the final findings to expert meeting participants.

Find out more

- [Report on climate finance in Germany \(CPI, 2011\)](#)
- [Reports on climate finance in France \(I4CE, 2014, 2015 and 2016\)](#)
- [Report on climate finance in Belgium \(Federal Climate Change Service, Trinomics, EY, 2016\)](#)
- [Access the expert meeting agenda and presentations on I4CE's website](#)

List of participants at the expert meeting

Alexandra Bailo Modesti (Sustainable Development Foundation, Italy) Samuel Buys (Federal Public Service on Health, Food Chain Safety and the Environment, Belgium), Olivier De Guibert (Ministry of the Environment, France), Henry Derwent (Climate Strategies), Aida Diallo (General Directorate of Energy and Climate, Ministry of the Environment, France), Roman Doubrava (European Commission - DG CLIMA), Lisa Eichler (Trinomics), Ingrid Holmes (E3G), Magdalena Jozwicka (EEA), Martin Koch (European Commission - DG FISMA), Claus Kondrup (European Commission - DG CLIMA), Tibor Lindovsky (Ministry of the Environment, Slovakia) Nils May (DIW Germany), Jeremy McDaniels (UNEP Inquiry), Andrea Molocchi (Ministry of Environment, Land and Sea – Sogesid T.A., Directorate General for Sustainable Development, EU and International Relations, Italy), Koen Rademaekers (Trinomics), Riyong Bakkegaard (Climate-KIC), Asbjørn Torvanger (CICERO, Norway), Markus Trilling (CAN Europe), Jane Wallace Jones (WWF), Katherine White (Scottish Government), Jane Wilkinson (Climate Policy Initiative).

What are Landscapes of Climate Finance?

Landscapes of climate finance are comprehensive studies mapping financial flows dedicated to climate change action and the energy transition. Covering both end-investment and supporting financial flows from public and private stakeholders, Landscapes draw the picture of how the financial value chain links sources, intermediaries, project managers and the end investment.

Initially developed by Climate Policy Initiative (CPI), the Landscape methodology has been applied globally as well as domestically in European countries such as Germany, France and Belgium.

Illustration: the landscape of domestic climate finance in France (in billion current euros)

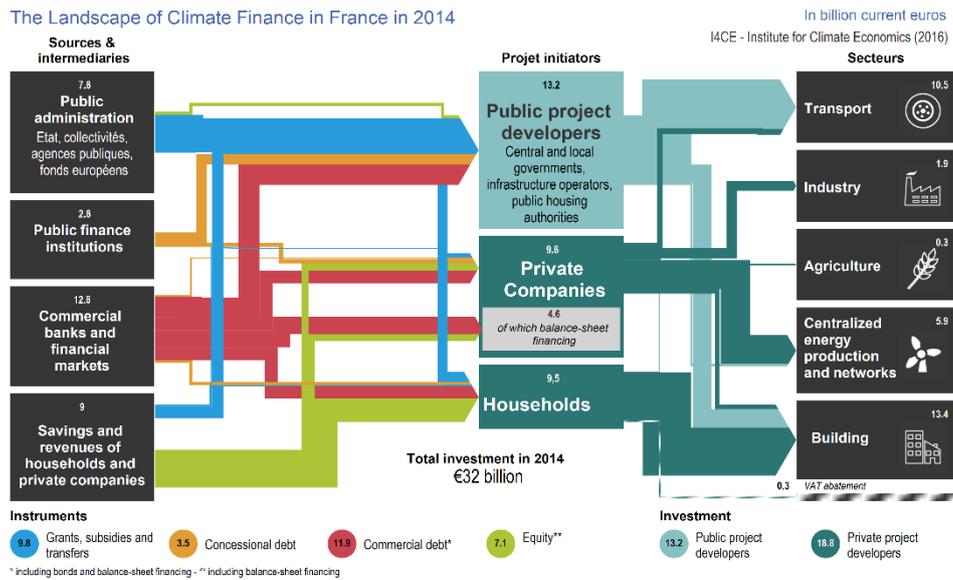


Illustration: the landscape of domestic climate finance in Belgium (in million current euros)

