Exploring Different Funding Models for the Energy Transition: Insights from a comparative analysis of the Landscape of Climate Finance in France and Germany

Webinar Invitation: EU Climate Investment and Finance Tracking Contact Group

This webinar is financed by the European Climate Initiative (EUKI) of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). It is the overarching goal of the EUKI to foster climate cooperation within the European Union (EU) in order to mitigate greenhouse gas emissions. The opinions put forward in this workshop are the sole responsibility of the organizers and do not necessarily reflect the views of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

Supported by:

European Climate Initiative (EUKI)

based on a decision of the German Bundestag
Agenda

Moderation: Ian Cochran, I4CE – Institute for Climate Economics
Speakers: Hadrien Hainaut, I4CE – Institute for Climate Economics
           Aleksandra Novikova, IKEM –

• Introduction: New work on climate finance and investment tracking

• Presentation of Insights:
  – I4CE - Landscape of Climate Finance in France, 2019 Edition: key highlights
  – IKEM: Climate finance landscape of the German building sector: key highlights
  – IKEM-I4CE Joint Publication: Tracking investment into energy transition in Germany and France: a comparison of methodologies and selected results

• Discussion:
  – What are we seeing in terms of key difference between the investment and financing models between countries? What lessons could countries take away?
  – What methodological improvements in recent studies can help improve policymaking and the assessment of the climate finance and investment ‘gap’?

• Conclusions:
  – Current and future developments - where are we at?
  – Current and planned activities focused on the topic of climate finance of the members of the Contact Group
EU Climate Investment and Finance Tracking Group

- Launched at EUKI-Supported Workshop in Berlin in March 2019
- Part of the EUKI-sponsored “Landscape of Climate Finance: Promoting debate on climate finance flows in Central Europe”

The objective of this group:
- Connect and foster the exchange of knowledge and expertise between different types of actors (research, think-tanks, government, among others) on the finance and investment topics related to the low-carbon resilient transformation of European countries.
- Contact group has a specific objective of increasing the participation of representatives from Central and Eastern European countries in these discussions.
The Landscape of climate finance in France: key highlights

EU Climate Investment and Finance Tracking Contact Group

Hadrien Hainaut, I4CE

Study carried out by
Hadrien Hainaut, Maxime Ledez, Ian Cochran
The growth of climate investment is accelerating

**Landscape of climate finance**

**EVOLUTION SINCE 2011 (BILLION EUROS)**

**INVESTMENTS BY DOMAIN OF CONTRIBUTION, IN 2018 (BILLION EUROS)**

- **Energy efficiency**: 19.5
- **Renewable energies**: 45.7
- **Nuclear**: 11.4
- **Forestry, non-energy processes**: 7.5
- **Sustainable infrastructure**: 7.5

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- **Sustainable infrastructure**: 7.5

I4CE – Institute for Climate Economics
Variable levels of knowledge depending on the sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Housing</th>
<th>Transport</th>
<th>Energy production</th>
<th>Tertiary Buildings</th>
<th>Agriculture</th>
<th>Industry</th>
<th>R&amp;D</th>
<th>Adaptation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate Investments 2011-2018</td>
<td>Covered</td>
<td>Covered</td>
<td>Partial coverage</td>
<td>Non covered</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment needs 2016-2028</td>
<td>Covered</td>
<td>Covered</td>
<td>Partial coverage</td>
<td>Non covered</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance estimates 2016-2028</td>
<td>Covered</td>
<td>Covered</td>
<td>Partial coverage</td>
<td>Non covered</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fossil fuel investments 2011-2018</td>
<td>Covered</td>
<td>Covered</td>
<td>Partial coverage</td>
<td>Non covered</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Public authorities' contributions account for half in the financing of climate investments.
Investment of a further 15-18 billion euros is needed each year by 2023 to be on track for carbon neutrality.

### CLIMATE INVESTMENTS: HISTORIC LEVELS AND ESTIMATED AVERAGE ANNUAL NEEDS

<table>
<thead>
<tr>
<th>Period</th>
<th>Historic levels</th>
<th>2nd carbon budget</th>
<th>3rd carbon budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-2018</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019-2023</td>
<td>48 to 51</td>
<td>+ 32 to 41</td>
<td>+ 15 to 18</td>
</tr>
<tr>
<td>2024-2028</td>
<td>65 to 74</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### SECTORIAL COVERAGE OF INVESTMENT NEEDS

<table>
<thead>
<tr>
<th>Sector</th>
<th>2016-18</th>
<th>2019-23</th>
<th>2024-28</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renewable energies</td>
<td>48</td>
<td>51</td>
<td>74</td>
</tr>
<tr>
<td>Transport</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td></td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>Nuclear</td>
<td></td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>?</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>Adaptation</td>
<td>?</td>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>
The annual government contribution must increase from 7 billion to 9 billion euros by 2023.

Financial flows projection principle: each sector achieved the investment objectives set in the SNBC by maintaining the proportion between public and private financing sources and instruments observed in 2016-2018.
Fossil investments are concentrated in the passenger car market
Climate investments in 2018

45.7 billion euros

Additional investments needed by 2019-2023

+15 to 18 billion euros per year

Fossil and climate-adverse investments in 2018

67 billion euros

For more information:

www.i4ce.org

Results summary of the 2019 edition

Complete report and sectorial analysis of results in the 2017 edition
### Constraining sectorial situations

<table>
<thead>
<tr>
<th>(per year, billion euros)</th>
<th>Historic levels 2015-2018</th>
<th>Public authorities’ contributions</th>
<th>Carbon budget 2019-2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>3.5</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Dwelling retrofitting</td>
<td>14.1</td>
<td>4.9</td>
<td>+0.3</td>
</tr>
<tr>
<td>Tertiary retrofitting</td>
<td>0.8</td>
<td>0.5</td>
<td>+2 to 4</td>
</tr>
<tr>
<td>Vehicles</td>
<td>1.6</td>
<td>0.3</td>
<td>+6</td>
</tr>
<tr>
<td>Infrastructures</td>
<td>9.9</td>
<td>9.9</td>
<td>+3</td>
</tr>
<tr>
<td>Electricity</td>
<td>3.6</td>
<td>1.6</td>
<td>+3 to 4</td>
</tr>
<tr>
<td>Gas and heat</td>
<td>0.2</td>
<td>0.1</td>
<td>+1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>33</strong></td>
<td><strong>18</strong></td>
<td><strong>+15 to 18</strong></td>
</tr>
<tr>
<td>Other sectors*</td>
<td>13</td>
<td>4</td>
<td>+?</td>
</tr>
</tbody>
</table>

*Not covered in the comparison, including agriculture, industry, nuclear
Overall investments variation between the 2018 and 2019 Landscape editions

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**Edition 2018**

- **Year 2017**: 41.2 billion euros
  - Source data updates: -0.5
  - Methodological differences: +1
    - Between the edition 2018 and the edition 2019, for the same year

**Edition 2019**

- **Year 2018**: 45.7 billion euros
  - Energy efficiency: +0.6
  - Sustainable infrastructure and others: +1
  - Renewable energies: +0.3
  - Additions to the study perimeter: +1.8

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**Real variations**

- Between the years 2017 and 2018, for the same edition

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**Overall change**

43.7 billion euros

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I4CE – Institute for Climate Economics
### Investments by sector and domain of contribution in 2018

<table>
<thead>
<tr>
<th>in 2018, billion euros</th>
<th>Energy efficiency</th>
<th>Renewable energies</th>
<th>Sustainable infrastructure</th>
<th>Nuclear</th>
<th>Other GHG</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>16.9</td>
<td>3.3</td>
<td>1.7</td>
<td></td>
<td></td>
<td>21.9</td>
</tr>
<tr>
<td>Of which reduced-rate VAT</td>
<td>1.0</td>
<td>0.2</td>
<td>1.2</td>
<td></td>
<td></td>
<td>1.2</td>
</tr>
<tr>
<td>Transport</td>
<td>2.6</td>
<td>0.0</td>
<td>11.2</td>
<td></td>
<td></td>
<td>13.8</td>
</tr>
<tr>
<td>Industry</td>
<td>0.8</td>
<td>0.1</td>
<td>0.3</td>
<td></td>
<td></td>
<td>1.2</td>
</tr>
<tr>
<td>Agriculture</td>
<td></td>
<td>0.1</td>
<td>0.3</td>
<td></td>
<td></td>
<td>0.5</td>
</tr>
<tr>
<td>Centralized energy production and networks</td>
<td>0.2</td>
<td>4.2</td>
<td>0.2</td>
<td>4.9</td>
<td>2.3</td>
<td>9.5</td>
</tr>
<tr>
<td>Total (excluded reduced-rate VAT)</td>
<td>19.5</td>
<td>7.5</td>
<td>11.4</td>
<td>4.9</td>
<td>2.3</td>
<td>45.7</td>
</tr>
</tbody>
</table>
Aleksandra Novikova, **IKEM – Institute for Climate Protection, Energy and Mobility**

**Climate finance landscape of the German building sector: key highlights**
Discussion
Questions for Discussion

Moderation: Ian Cochran, I4CE – Institute for Climate Economics

• Discussion:
  – What are we seeing in terms of key difference between the investment and financing models between countries? What lessons could countries take away?
  – What methodological improvements in recent studies can help improve policymaking and the assessment of the climate finance and investment ‘gap’?

• Conclusions: Current and future developments - where are we at?
Next Steps

• Please contact us if you would like to present any work or have ideas for future webinars

Webinar 2:
• **Title**: Climate Investment & Sustainable Finance: What progress and insights for the CEE region?
• **Date**: Wednesday 18 December
• **Provisional Agenda**:
  – Moderation: Zofia Wetmanska – WiseEuropa
    • Introduction: Where are we today on the European Sustainable Finance Agenda – Tom Jess E3G (TBC)
    • New Insights:
      – Czech Landscape of Climate Finance - Michaela Valentová
      – Lessons from I4CE’s work in France
      – The connection between the real economy tracking and the sustainable finance agenda and taxonomy in the EU – WiseEuropa
      – Insights from NewClimate Institute’s work (Subject TBC)
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Zofia Wetmańska - zofia.wetmanska@wise-europa.eu