Background Note

# Accelerating Private Sector Investment in Climate Finance

**28th June, 2024 • 15:30–16:45 Hrs (IST)**

The pressing issue of climate change necessitates substantial financial investments to implement mitigation and adaptation projects on a global scale. While governments and international organisations are actively mobilising public funds, the role of the private sector in climate finance has become increasingly crucial. Recent years have witnessed a significant surge in private sector investments in climate-related projects, characterised by a notable increase in the volume and diversity of these investments.

From 2016 to 2021, developed countries successfully mobilised USD 81.2 billion in private climate finance for developing nations, with an annual average of USD 13.54 billion[1]. Notably, USD 69.5 billion (86%) of these funds were directed towards mitigation activities, while USD 7.1 billion (9%) supported adaptation efforts[2]. This trend underscores the growing commitment of the private sector to address climate change, particularly in energy-intensive sectors.

The energy sector emerged as the primary recipient of private climate finance, securing USD 7 billion (52%) of the total investments. This was followed by the banking and financial services sector with USD 1.5 billion (11%), the industry sector with USD 1 billion (7%), and the transport sector with USD 0.6 billion (5%)[3]. These investments were predominantly mobilised through direct investments, guarantees, and syndicated loans, collectively accounting for 77% of the total private climate finance[4].

The growth of private sustainable finance in emerging markets and developing economies reached a record USD 250 billion in 2022. However, this figure must at least double by 2030 to meet the escalating demands of climate action[5]. Despite the positive trends, several challenges persist, such as the high time and cost required for project proposal preparations, the complexity of climate

1 OECD (2022), Aggregate Trends of Climate Finance Provided and Mobilised by Developed Countries in 2013-2020, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, https://doi.org/10.1787/d28f963c-en. Available at: https://shorturl.at/HOHW7

2 Retrieved from: https://shorturl.at/iAMwz

3 OECD (2022), Climate Finance Provided and Mobilised by Developed Countries in 2016-2020: Insights from Disaggregated Analysis, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, https://doi.org/10.1787/286dae5d-en. Available at: https://shorturl.at/TEjNW

4 Retrieved from: https://shorturl.at/s8w5N

5 Retrieved from: https://www.imf.org/en/Blogs/Articles/2022/10/07/how-to-scale-up-private-climate-finance-in-emerging-economies

data collection, and regulatory hurdles. Additionally, ineffective carbon pricing and immature financial markets in specific regions pose significant barriers to the flow of private capital.

The private sector can significantly enhance its role in scaling climate finance investments by addressing these challenges and leveraging the identified opportunities. This collective effort is vital to mitigating the impacts of climate change and achieving sustainable development goals on a global scale.

CUTS International is engaged in promoting private sector investments to narrow the climate divide through its campaign on "Innovative Finance for Climate and the Planet". This campaign aims to build a compelling narrative that underscores the importance of private sector involvement in climate finance through innovative solutions. This approach seeks to bridge the financial gap by mobilising substantial investments from private entities, thereby enhancing the overall impact of climate finance efforts. Given this backdrop, the webinar aims to:

1. Highlight the critical role of the private sector in climate finance and the need for increased investments.
2. Address the barriers to private sector investment in climate finance, such as regulatory hurdles and inadequate pricing of climate risks.
3. Present innovative financing instruments and strategies to attract more private capital.
4. Foster collaboration among global banks, investment funds, institutional investors, and other stakeholders.
5. Emphasise the importance of robust climate data and disclosure standards to facilitate informed investment decisions.

## Way Forward: Webinar Outcomes

- A deeper understanding of the current landscape and private sector climate finance trends.
- Practical insights into private investors' challenges and the innovative solutions available to overcome these obstacles.
- Opportunities to connect with key stakeholders, including investors, policymakers, and climate finance experts.
- Clear strategies and recommendations for increasing private sector investments in climate finance.
- Opportunities to participate in collaborative initiatives and partnerships to scale up climate finance efforts.

## Agenda

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| 15:30 – 15:35 | Welcome Address and Opening Remarks |
| 15:35 – 15:40 | Moderator's Address and Introductory Remarks |
| 15:40 – 16:30 | Panel Discussion on<br>"**Accelerating Private Sector Investment in Climate Finance**" |
| 16:30 – 16:40 | Q & A Session |
| 16:40 – 16:45 | Closing Remarks and Vote of Thanks |