



Day 2 Session 1

Climate Finance and Market-based Financial Instruments

Suborna Barua, PhD

Professor of Finance, Department of International Business, University of Dhaka;
Member, Technical Evaluation Committee for International Climate Finance Proposals, ERD
+8801793111255, sbarua@du.ac.bd

Climate Risk Insurance Training

Dhaka University | 2024-25

Key Agenda



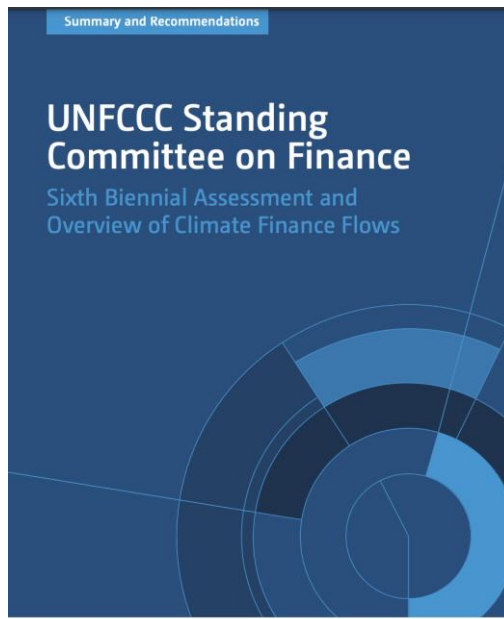
- What is climate finance
- Global state of climate finance
- The state of climate finance in Bangladesh
- The Global Shield
- Key issues forward

What is Climate Finance?

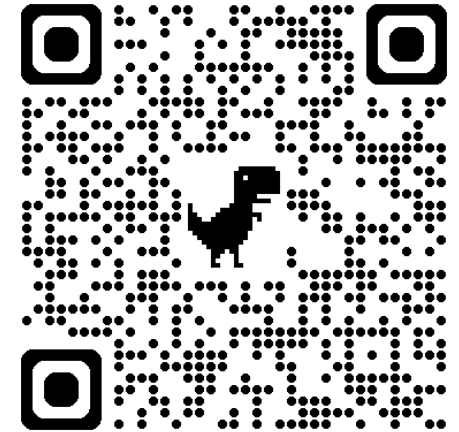


Climate finance is the use of financing instruments specifically aimed at supporting climate actions and reaching climate change mitigation and adaptation goals.

This concept has been around mostly since 1997 with the adoption of the Kyoto Protocol.

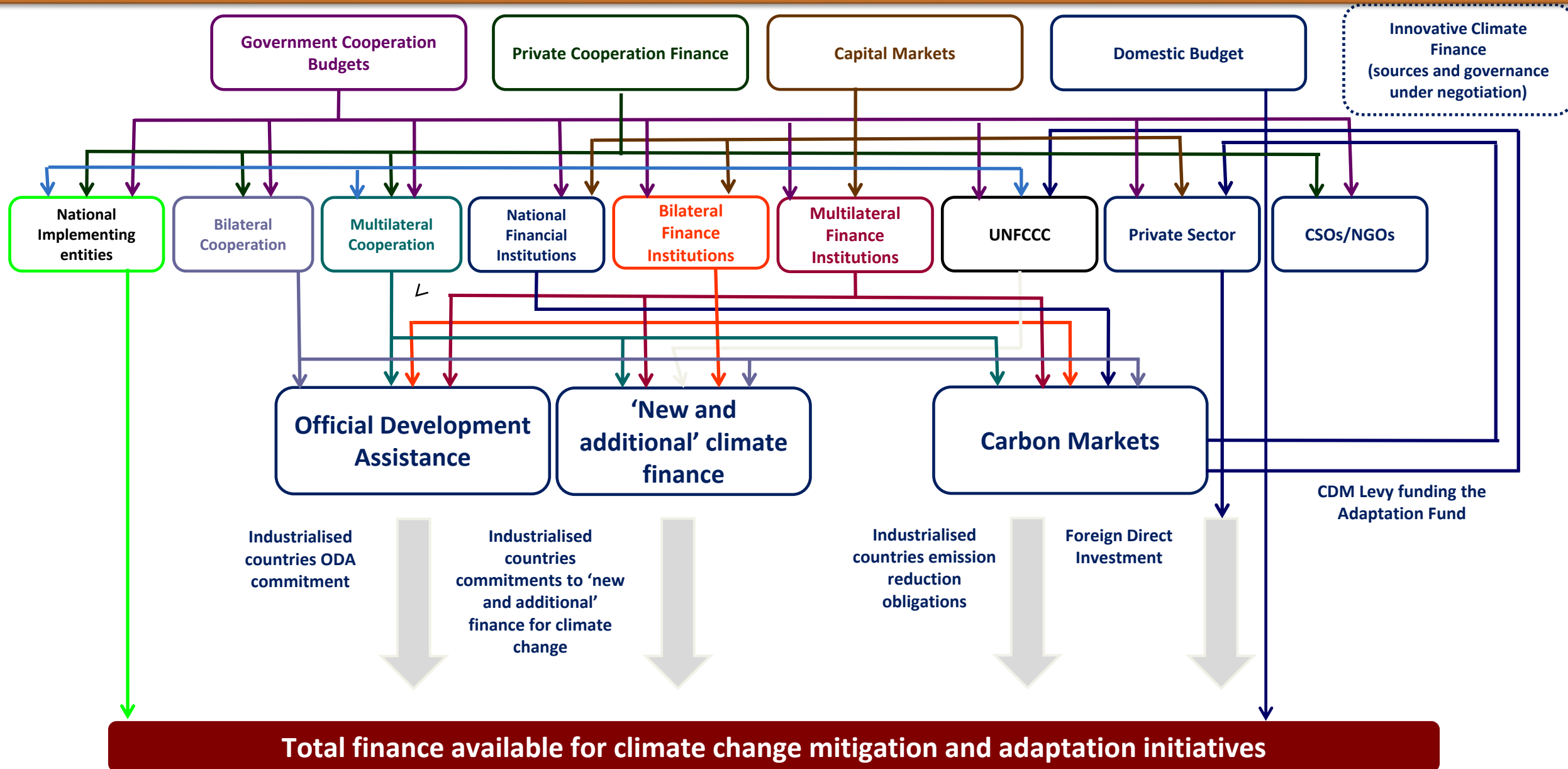


(c) Updating the definition as follows: Climate finance aims at reducing emissions and enhancing sinks of greenhouse gases, aims at reducing vulnerability, increasing adaptive capacity, and mainstreaming and increasing resilience of human and ecological systems to negative climate impacts, and includes financing for actions identified in a country's nationally determined contribution, adaptation communication, national adaptation plan, long-term low-emission development strategy or other national plan for implementing and achieving the goals of the Paris Agreement and the objective of the Convention;



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The Global Climate Change Financial Architecture



Global climate finance and needs

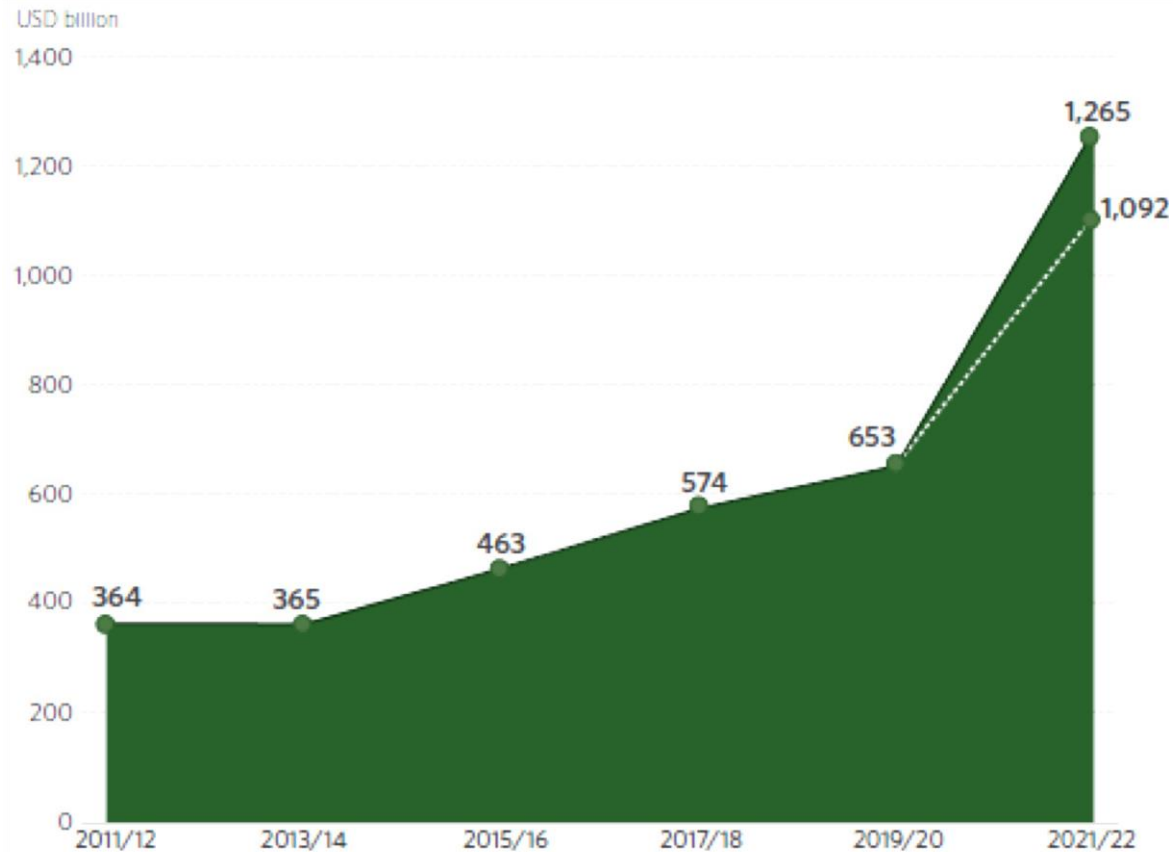
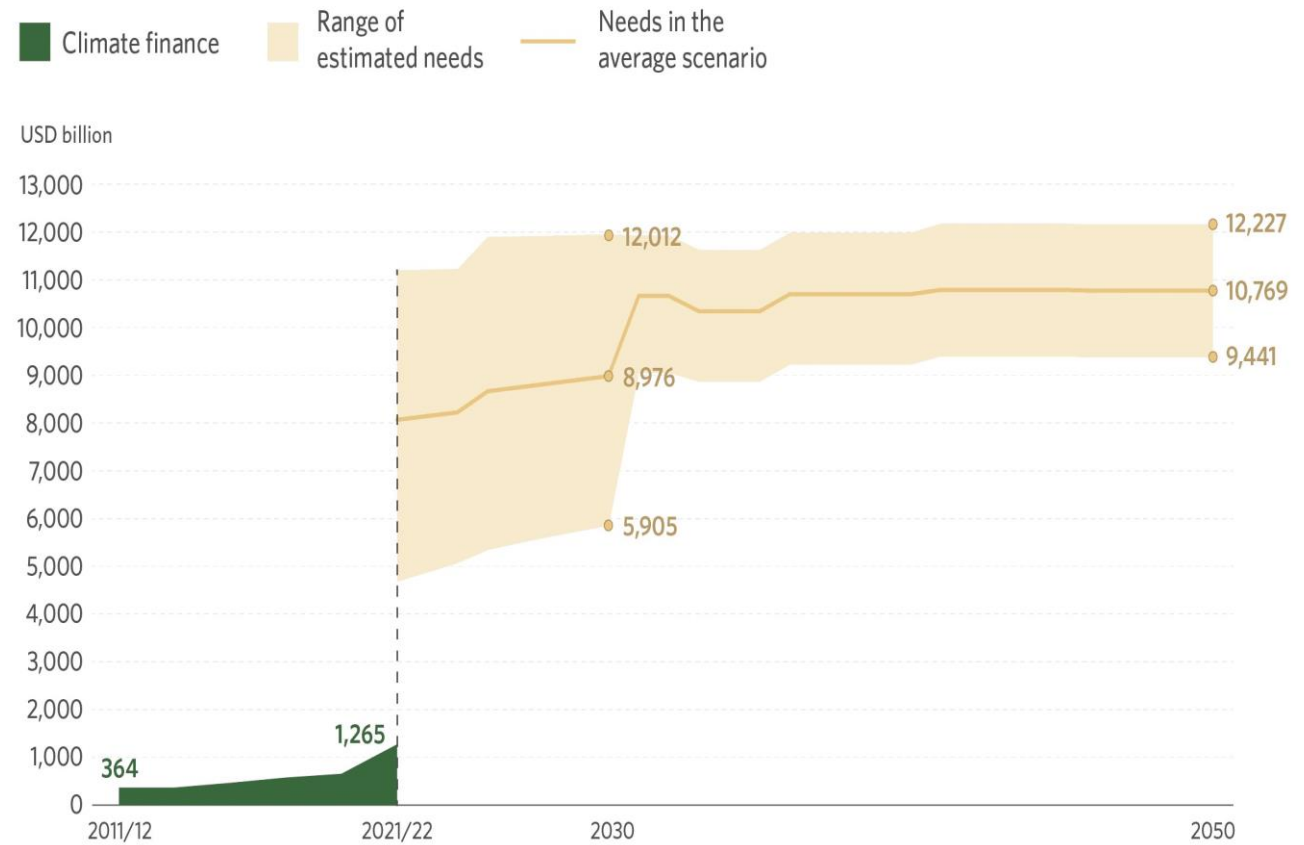


Figure ES3: Global tracked climate finance and average estimated annual needs through 2050



Source: Climate Policy Initiative



Global climate finance landscape 2021/22



LANDSCAPE OF CLIMATE FINANCE IN 2021/2022

Global climate finance flows along their life cycle in 2021 and 2022. Values are averages of two years' data to smooth out fluctuations, in USD billions

SOURCES AND INTERMEDIARIES

Which type of organizations are sources or intermediaries of capital for climate finance?

INSTRUMENTS

What mix of financial instruments is used?

1.27 TRILLION USD ANNUAL AVERAGE

USES

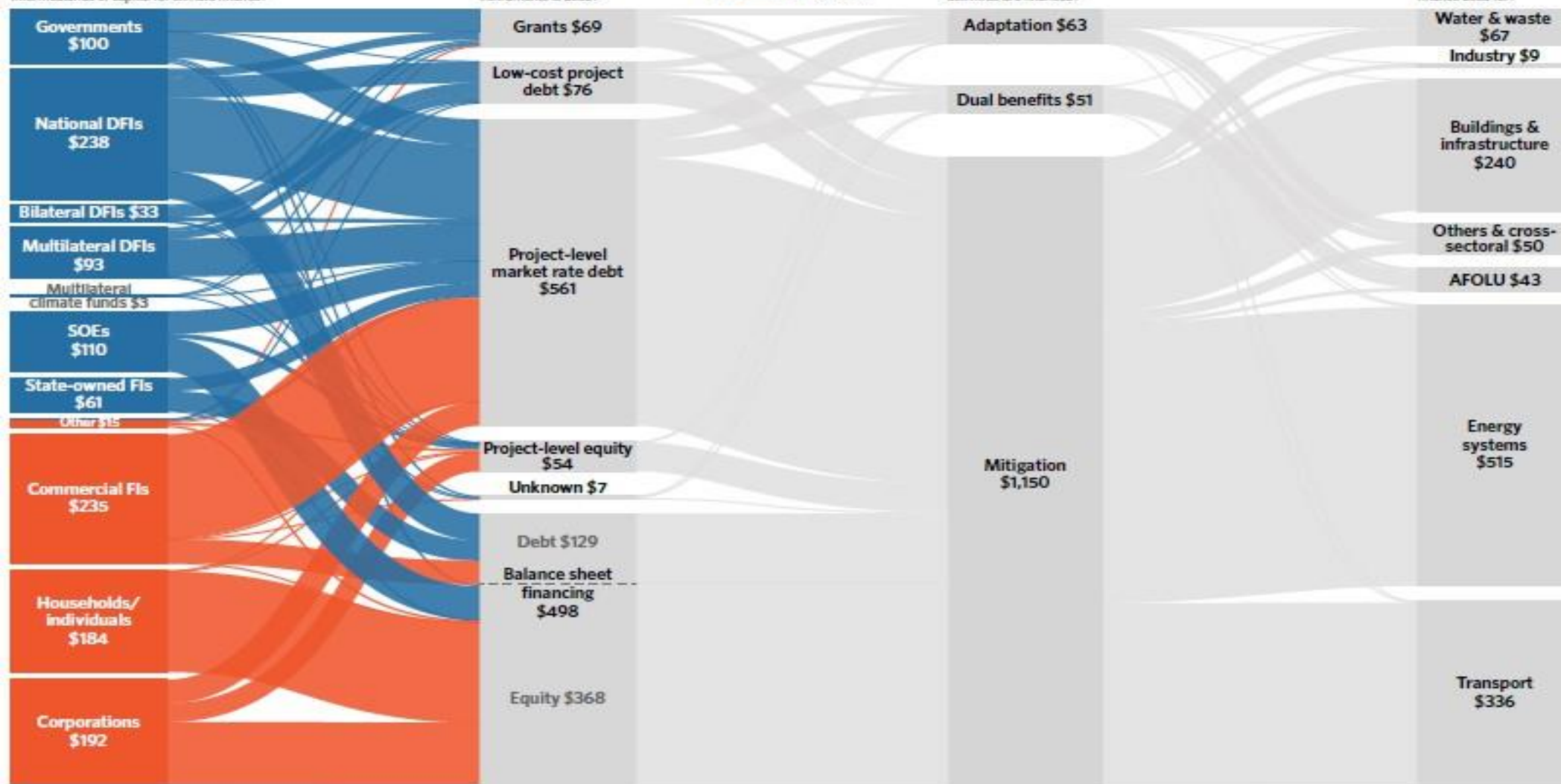
What types of activities are financed?



CLIMATE
POLICY
INITIATIVE

SECTORS

What is the finance used for?



Public Private

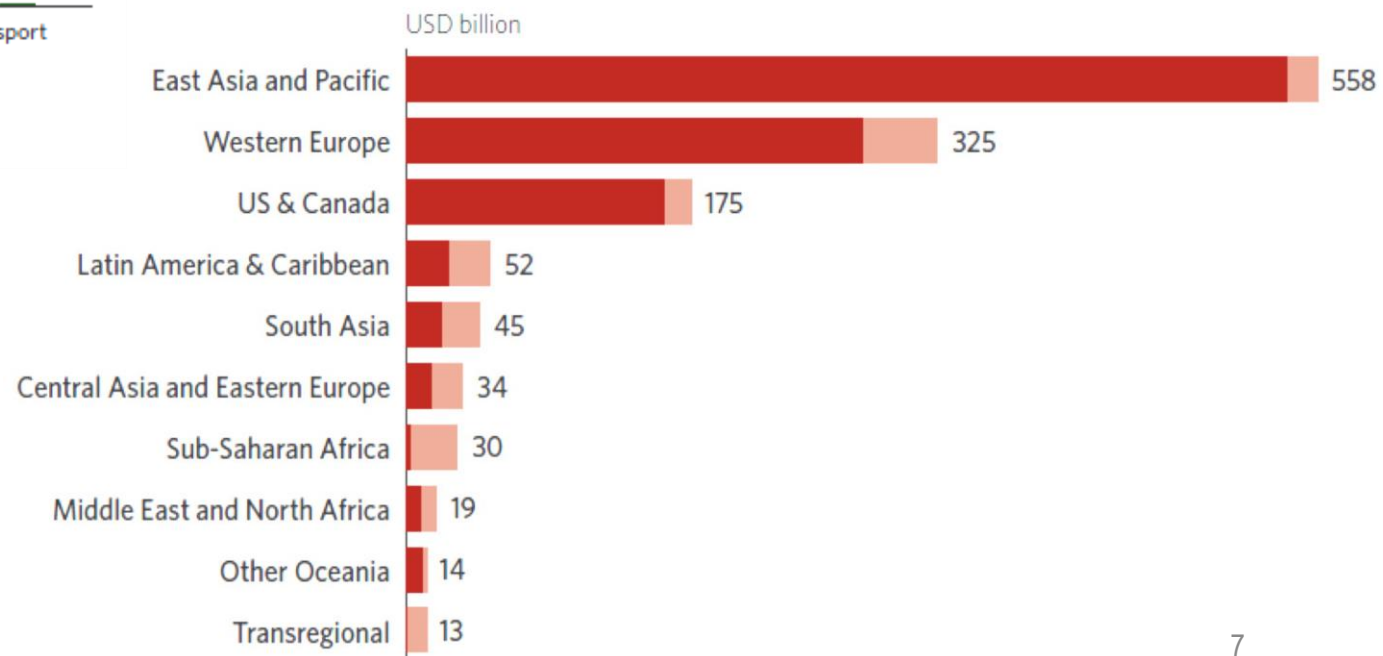
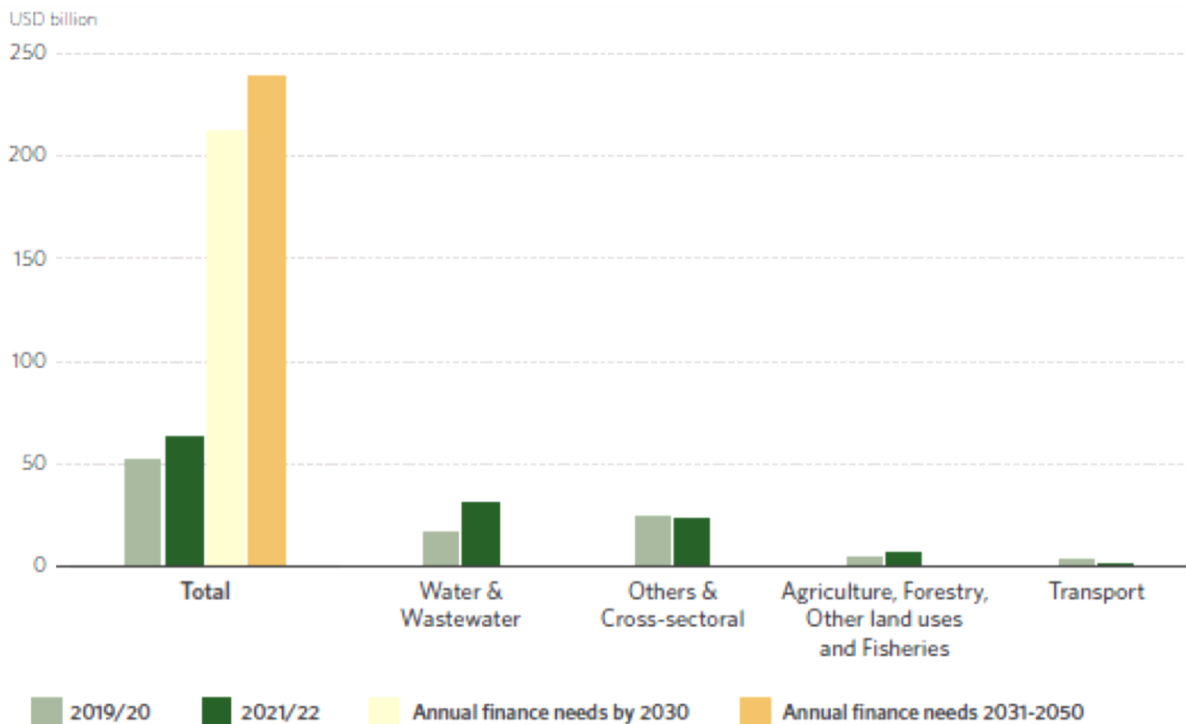
Introduction to climate finance by Prof. Suborna Banna, PhD

For the Global Climate Finance Report, Prof. Banna used the following definitions:
 "Other" private sources include institutional investors, funds, and unknown
 "AFOLU" stands for agriculture, forestry, other land use, and fisheries. "Others & cross-sectoral" includes \$66bn unknown

Source: Climate Policy Initiative



Adaptation less focused; Domestic sources dominate!



Global Market-based Climate Finance Instruments



Capital Market Instruments

Example

1. Green Bonds
2. Blue Bonds
3. Transition Bonds
4. Sustainability-linked Bonds
5. Catastrophe Bond
6. Resilience Bond
7. Nature Performance Bond
8. Hedge Funds/ETFs/Mutual Funds
9. Green Equity

Alternative Funds

1. Venture Capital
2. Private Equity
3. Crowdfunding
4. Carbon Market

How Can We
Leverage
Finance 2.0

Green Lending

Example

1. Concessional
2. Non-concessional

Climate Risk Insurance

Example

1. Crop Insurance
2. Disaster Insurance
3. Climate Indexed Insurance

Climate Derivatives

Example

1. Climate Swap
2. Climate Options
3. Climate futures
4. Climate forward

Climate Finance Needs and Gaps in Bangladesh



Estimation Year		Plan	Financing Need (billion USD)			
			Over the plan period	Annually	2023 - 2030	2023 - 2050
2018	A	BDP2100	38.00	0.39	3.12	10.92
2021	B	NDC Unconditional Mitigation (2021-30)	32.30	3.23	25.84	25.84
2021	C	NDC Conditional Mitigation (2021-30)	143.70	14.37	114.96	114.96
2022	D	National Adaptation Plan (2023-50)	230.00	8.21	65.68	230.00
Total Estimated range	F	Lower range: BPD2100+NDC Unconditional [A+B];	70.3	3.62	28.96	36.76
	G	Upper range: Combined investment across plans excluding MCCP ⁸ [A+B+C+D]	444	26.2	209.6	381.6
Total funds could be available at the current level of investment at USD 2.1 billion annually [H]				2.1	16.8	58.8
Total Financing Gap	I	Lower range [F – H]		1.52	12.16	-22.04*
	J	Upper range [G – H]		24.1	129.8	322.8

Need: 6.3%(USD 26.12b) of GDP yearly up to 2030 to pursue NDC and NAP

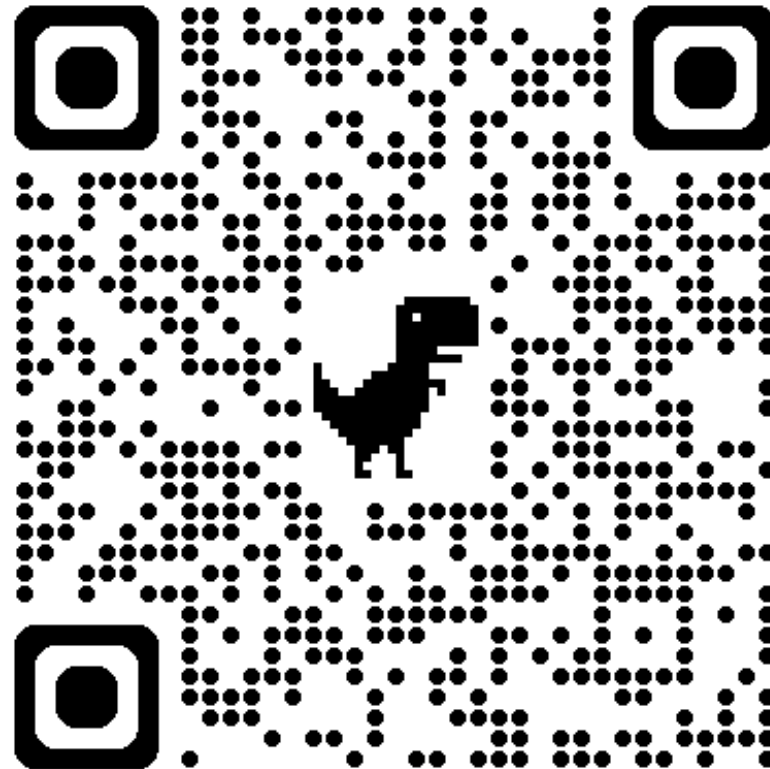
Available Supply: ~ 2% of GDP; Funding GAP: ~4% of GDP

GCF Bangladesh Country Programme, 2024-2027

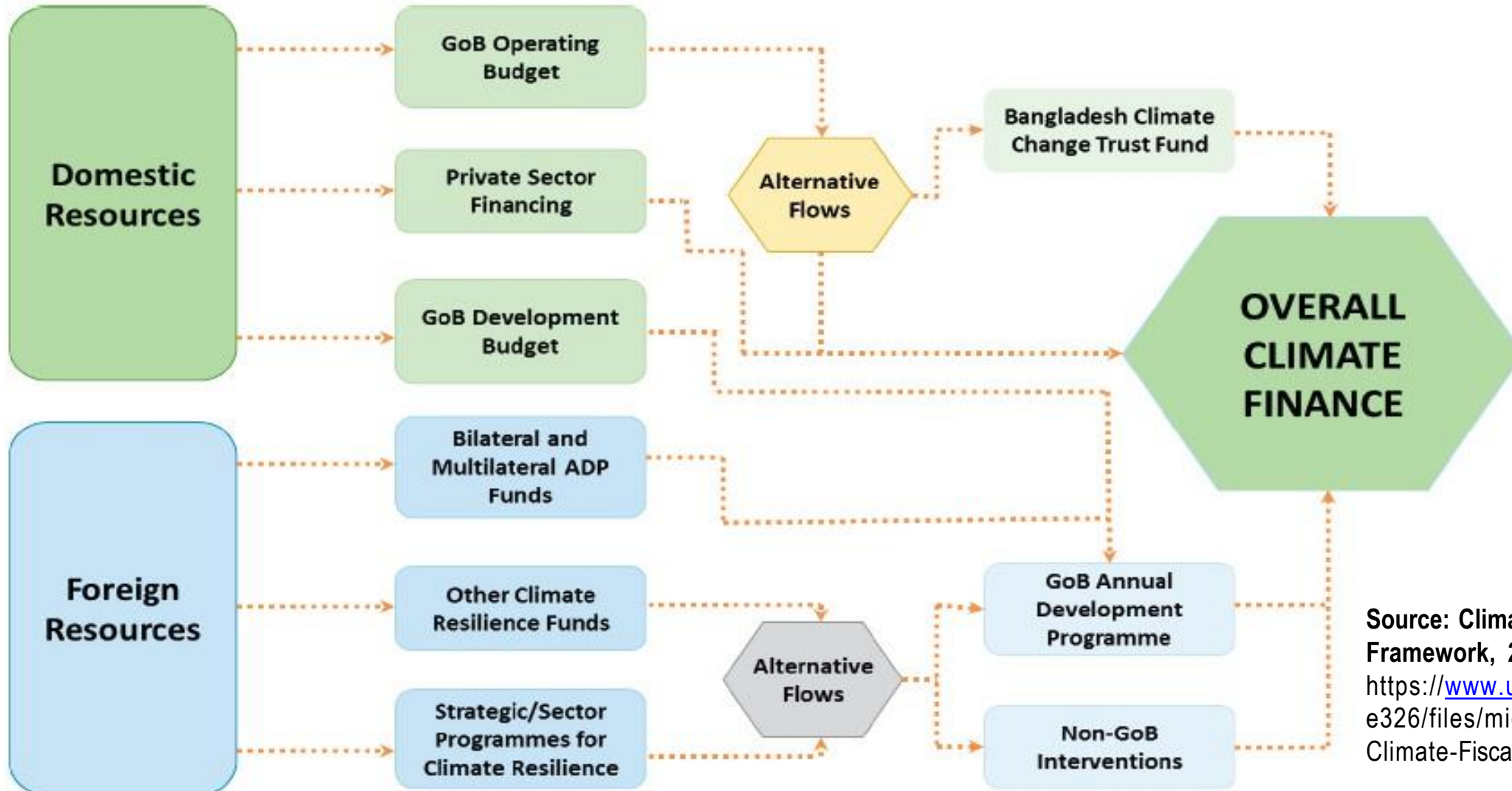
Bangladesh Climate Finance Landscape 2024



Scan to find the latest on Bangladesh's climate finance landscape!



Bangladesh Climate Finance Supply Flowchart

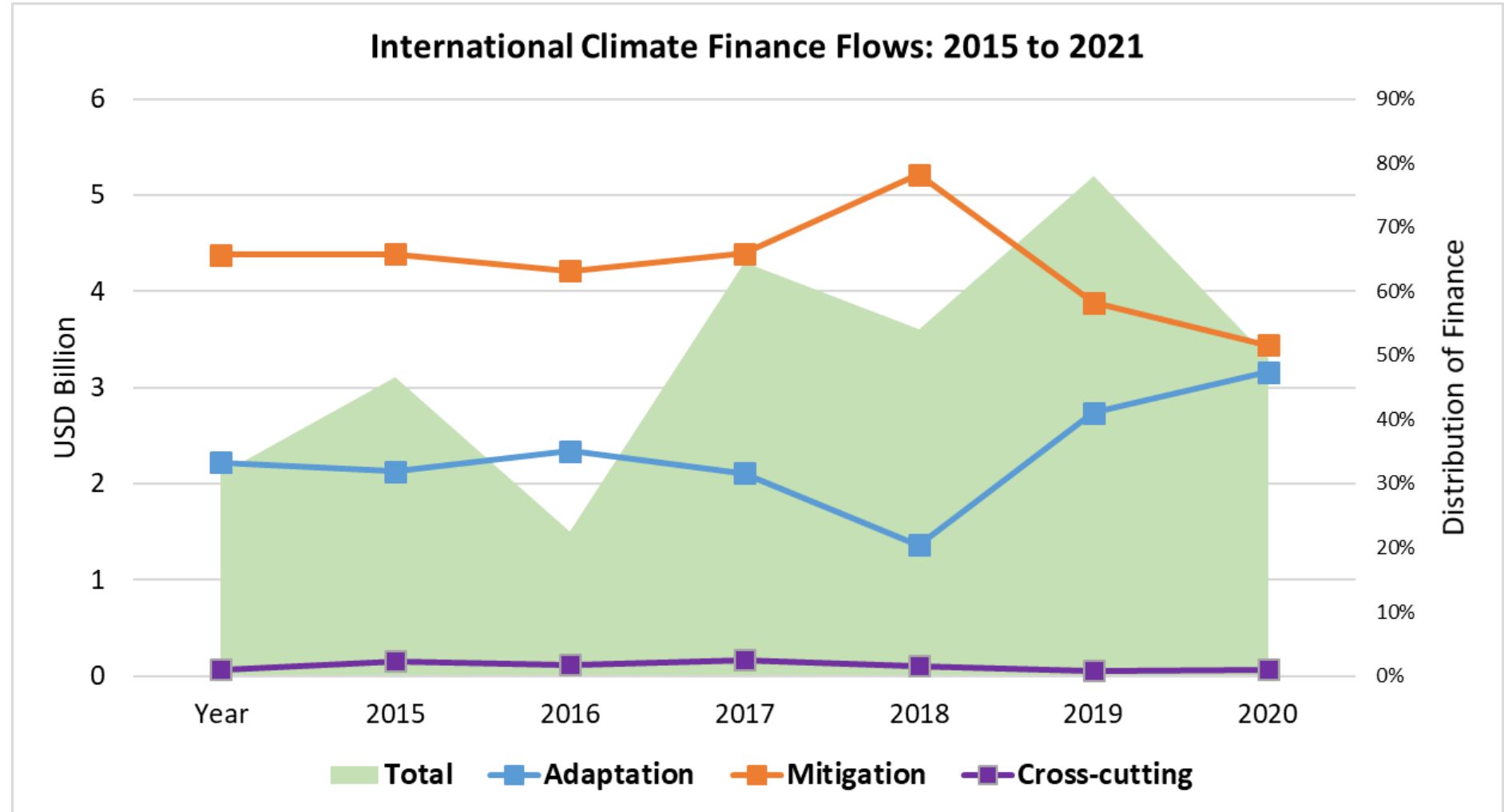


Source: Climate Finance Fiscal Framework, 2020;
<https://www.undp.org/sites/g/files/zskgk/e326/files/migration/bd/Updated-Climate-Fiscal-Framework-2020.pdf>

Climate Finance Flows from International Sources



**USD 23.1
Billion**
2015-2021

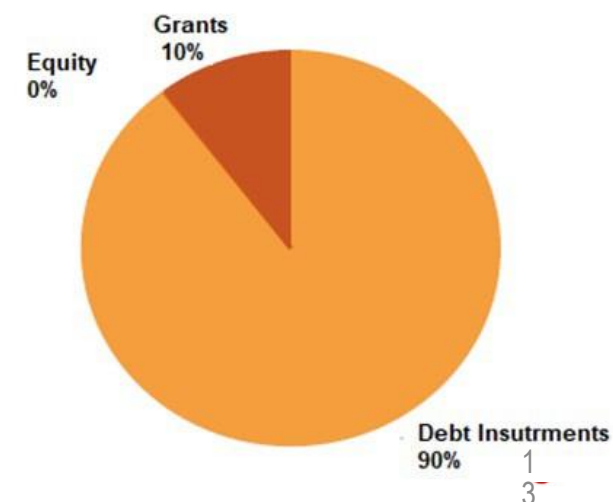
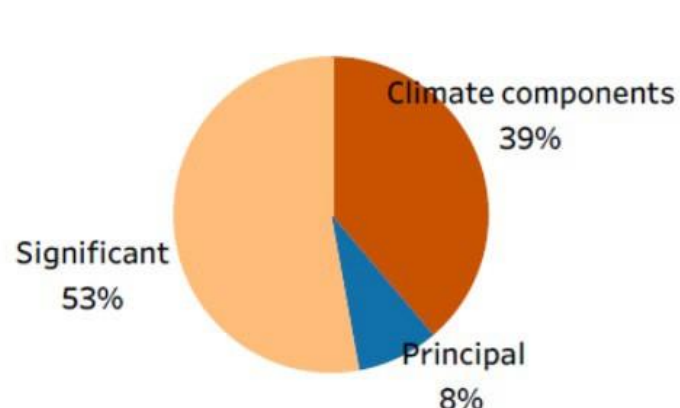
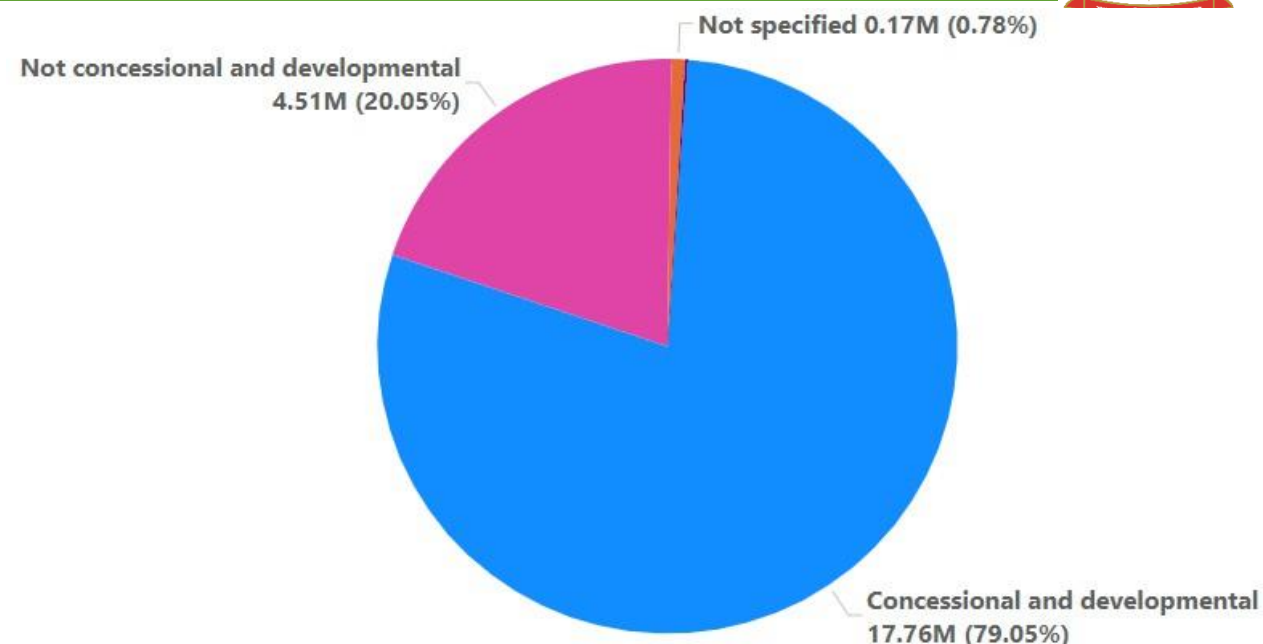


Climate Finance Flows from International Sources

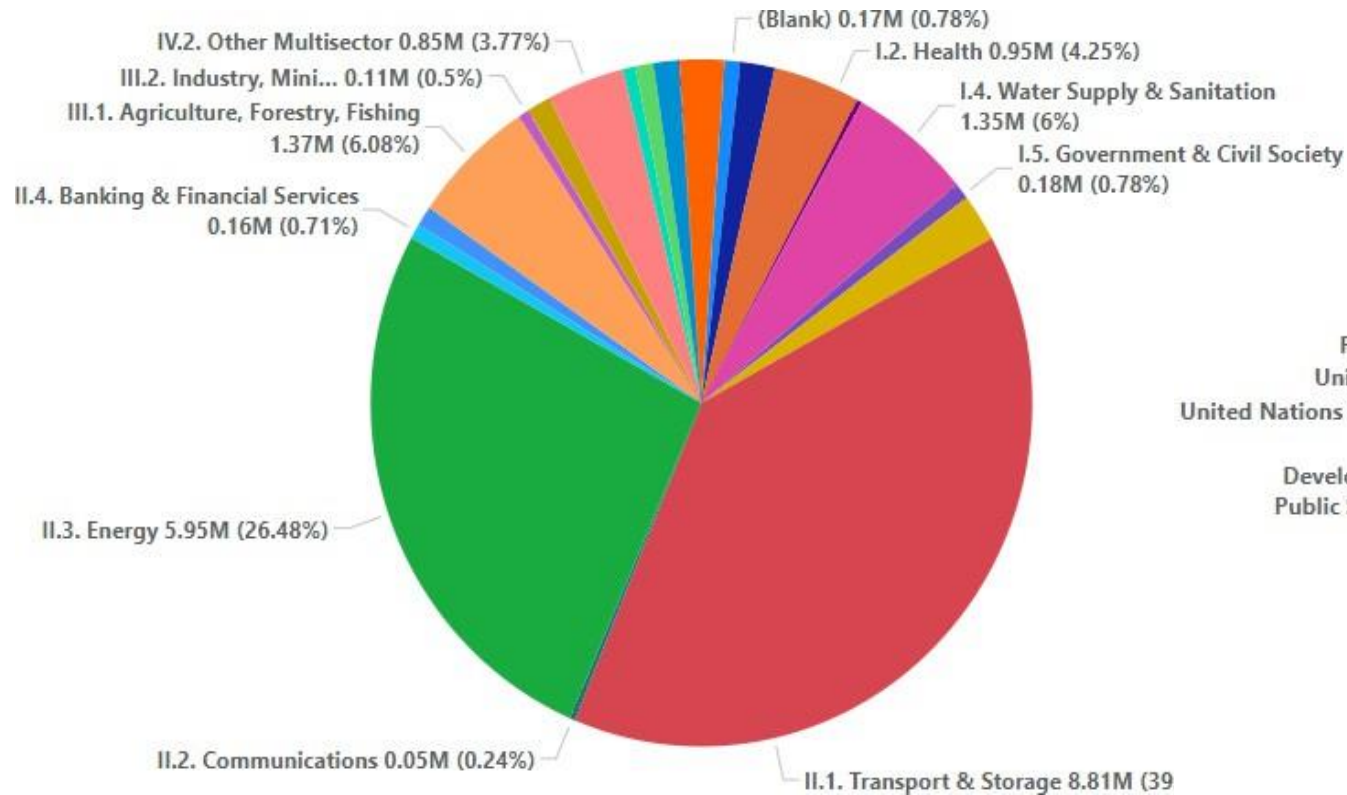


Sources vs Purpose (% distribution)	Adaptation	Mitigation	Cross-cutting	Overall
MDBs	42.5	33.5	0	36.1
DAC members	54	63.7	95.1	60.8
Other multilaterals	3.2	2.8	4.9	3
Private donor	0.3	0	0	0.1

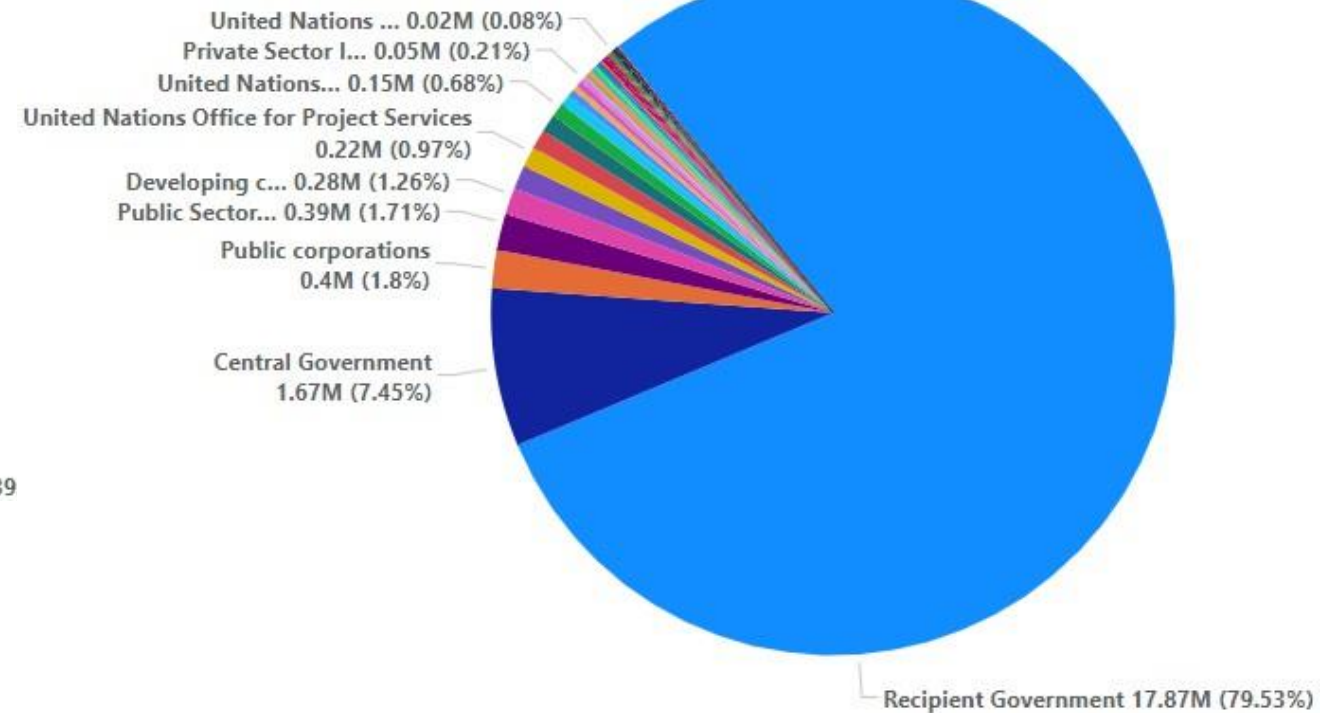
Fund	Total amount mobilized (US\$ million)
Green Climate Fund	441.2
Climate Investment Fund	2043.82
Global Environment Facility	427.28
Adaptation Fund	9.99
Least Developed Countries Fund	222.35
Climate Bridge Fund	30.00
Total	3174.64



Climate Finance Flows from International Sources



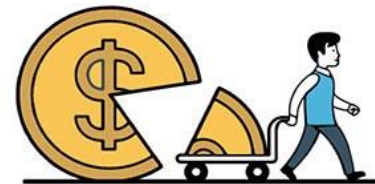
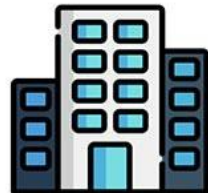
Delivery Channel



International Financing Instruments Bangladesh Commonly Faces



Equity Financing



The Global Shield



- The Vulnerable Twenty (V20) Group and the Group of Seven (G7) joined forces to address these risks and close the protection gap. They launched the Global Shield against Climate Risks initiative at COP27 in November 2022.
- Since its inception, the Global Shield has received pledges from several donors amounting to about 270 million euros.
- The Global Shield aims to substantially increase and enhance pre-arranged and trigger-based finance against climate and disaster risks while aiming to link with efforts on climate change adaptation (risk reduction measures such as early warning systems) and social protection systems.
- To achieve its objective, the Global Shield will provide grant-based technical and financial support for developing a variety of instruments for the household, community and national levels. Premium and Capital Support can also be provided for certain instruments (see Figure 1).

The Global Shield

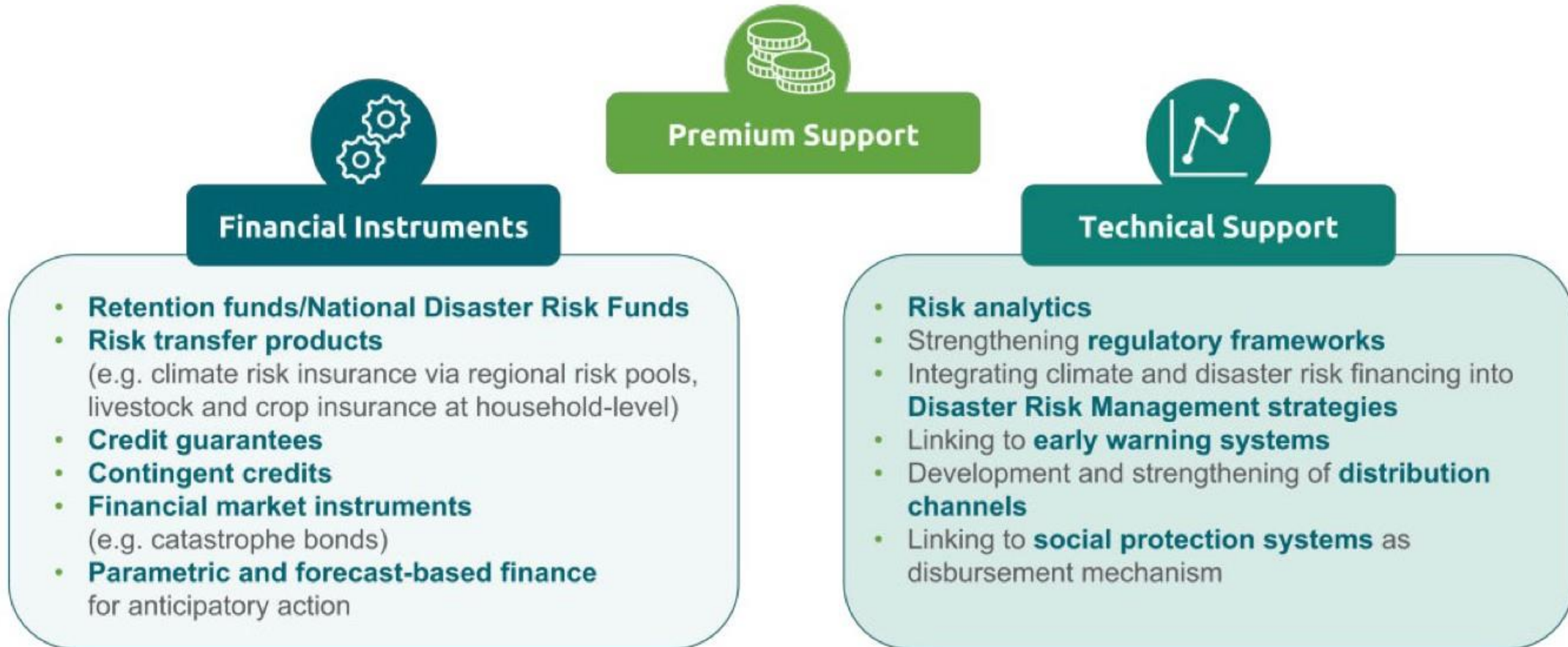


Figure 1: Financial instruments and technical support that can be provided by the Global Shield



The Global Shield

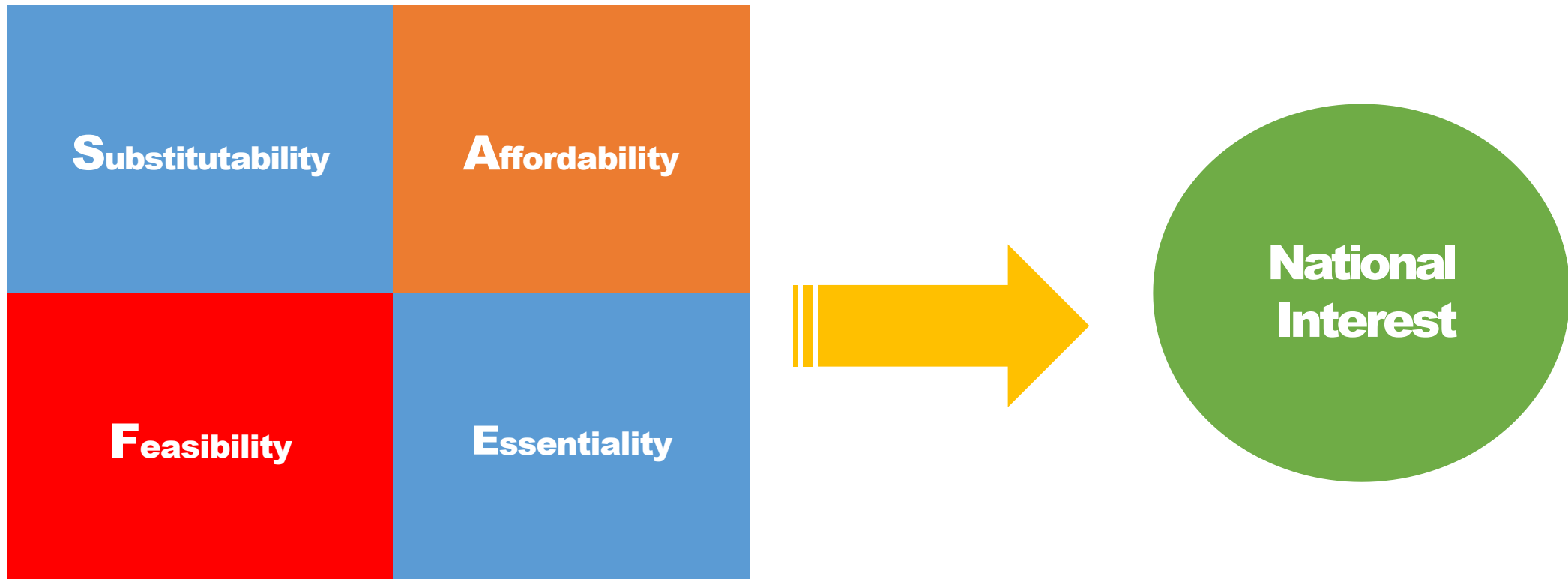


Figure 3: Global Shield In-Country Process

What to Accept: A Litmus Test?



A SAFE approach



Thank you

Open Discussion!