

Global Perspectives on Climate Finance

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- “... meeting the 1.5 degrees Celsius temperature target will require bringing carbon dioxide emissions to net zero by mid-century and dramatically reducing emissions of other heat-trapping gases.
- This calls for transforming our energy economy and transitioning away from fossil fuels by greatly ramping up energy efficiency and embracing renewables and other low-carbon energy sources.
- “While nations offered plans in Paris to reduce their emissions, **current pledges are nowhere near enough to meet the Paris Agreement’s principal goal. Even if nations live up to their commitments, the planet will still be on a path to warm about 3 degrees Celsius. This is unacceptable.**

~ *Peter Frumhoff, Director of Science and Policy, Union of Concerned Scientists*

How much investment is needed?

- \$2.4 trillion USD/year through 2035

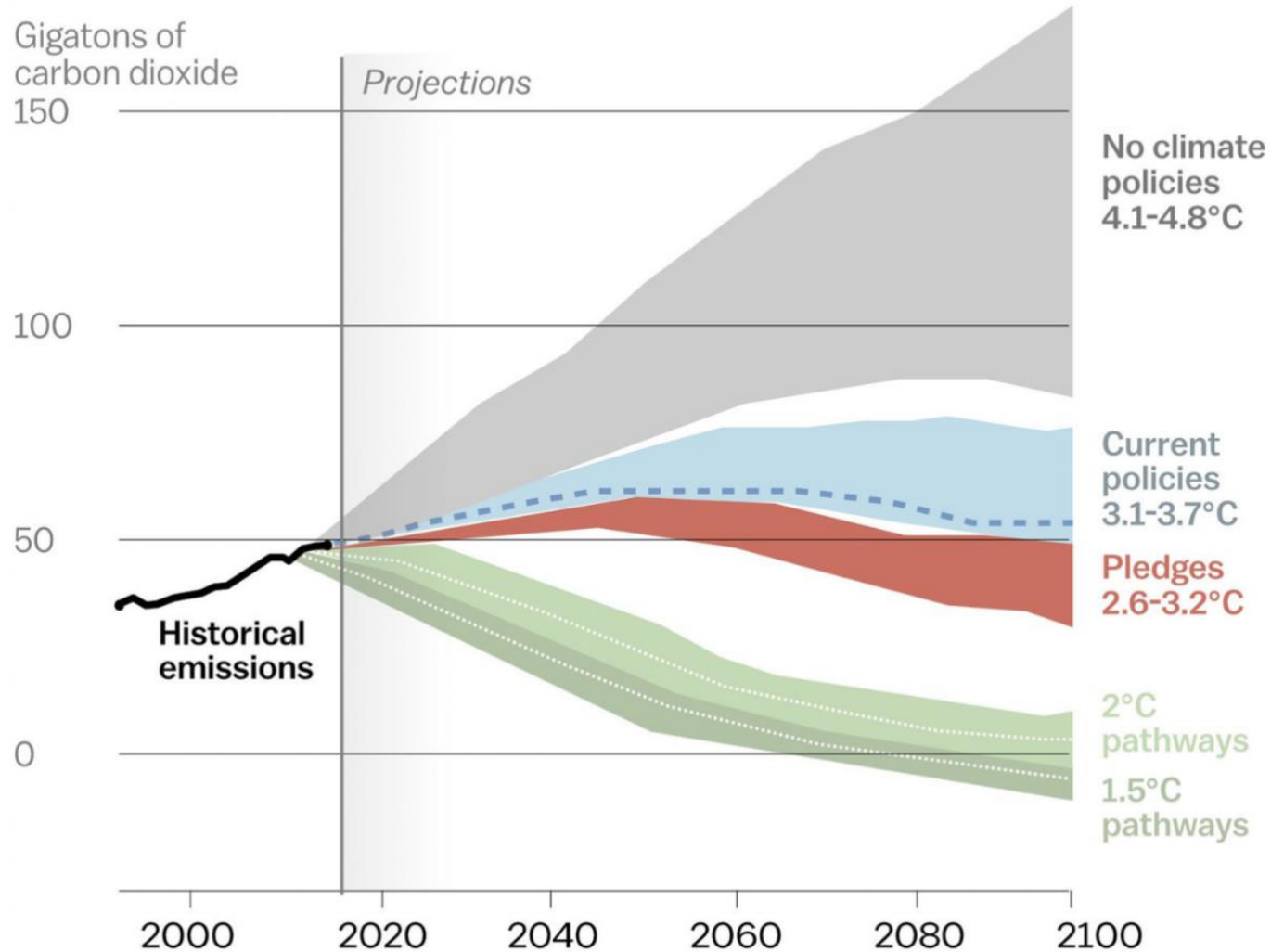
How are we doing?

- The current rate of investment in combating climate change is half that ¹
- There is an additional annual gap of \$2.5 trillion in financing the SDGs in developing countries ¹
- In 2017, approximately \$300BN was spent on renewable energy ²

*Source: 1 World Economic Forum
2) Bloomberg NEF*

Effect of current pledges and policies

Global greenhouse gas emissions



Source: Climate Action Tracker

“ ... the world is currently **not** on an emissions trajectory aligned with the long-term goals of the Paris Agreement, and so countries must do more to ratchet up the ambition of policies to drive down heat-trapping emissions.”

~ Rachel Cleetus, Policy Director and Lead Economist, Union of Concerned Scientists

How much more will it take?

- According to Future Earth, the global energy system can be transformed via a reallocation of the investment portfolio, not a major increase in investments
- In order for this to work, "new investments in clean energy must significantly surpass fossil-fuel investments between 2020 and 2025"

Who is funding sustainable solutions?

- Private Sector: corporations, banks, private investments
 - Investments into clean energy and sustainable development projects
 - Green bonds (private and public)
- Governments
 - Contributions to international programs
 - Direct domestic investment and subsidies
 - All nations and states involved in carbon pricing and markets
- Development Banks and Aid Organizations

Who is funding unsustainable solutions?

- Corporations
 - Ordinary Business
 - 90% of worlds 200 largest companies maintain ties with industry associations that actively oppose leadership on climate change¹
- Governments
 - Government subsidies of 0.5 trillion USD/year to oil, gas, and coal, estimated impact of 5.3TN annually ²
- Banks
- Development Banks and Aid Organizations

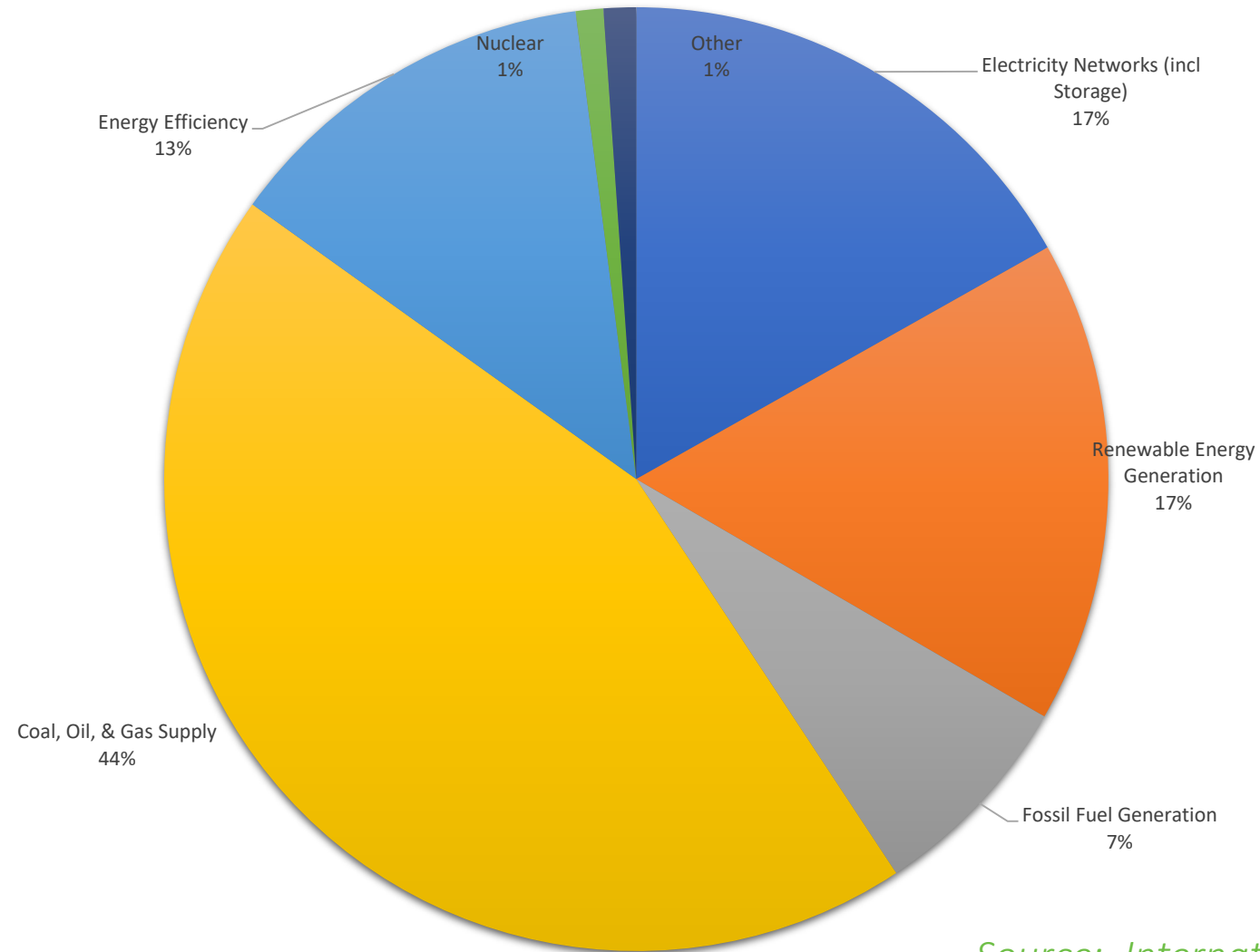
Source: 1. Greenbiz 2) Future Earth

Investment break-down:

- “Multilateral development banks and the public finance institutions of G20 countries provide **almost four times as much finance to fossil fuels than to clean energy in an average year.**
- This translates to an average of \$71.8 billion per year between 2013-15 in public finance for fossil fuels, compared to just \$18.7 billion for renewable energy (that doesn’t have negative environmental and social impacts), **from the same institutions and world leaders that have committed to achieving the aims of the Paris Agreement.**

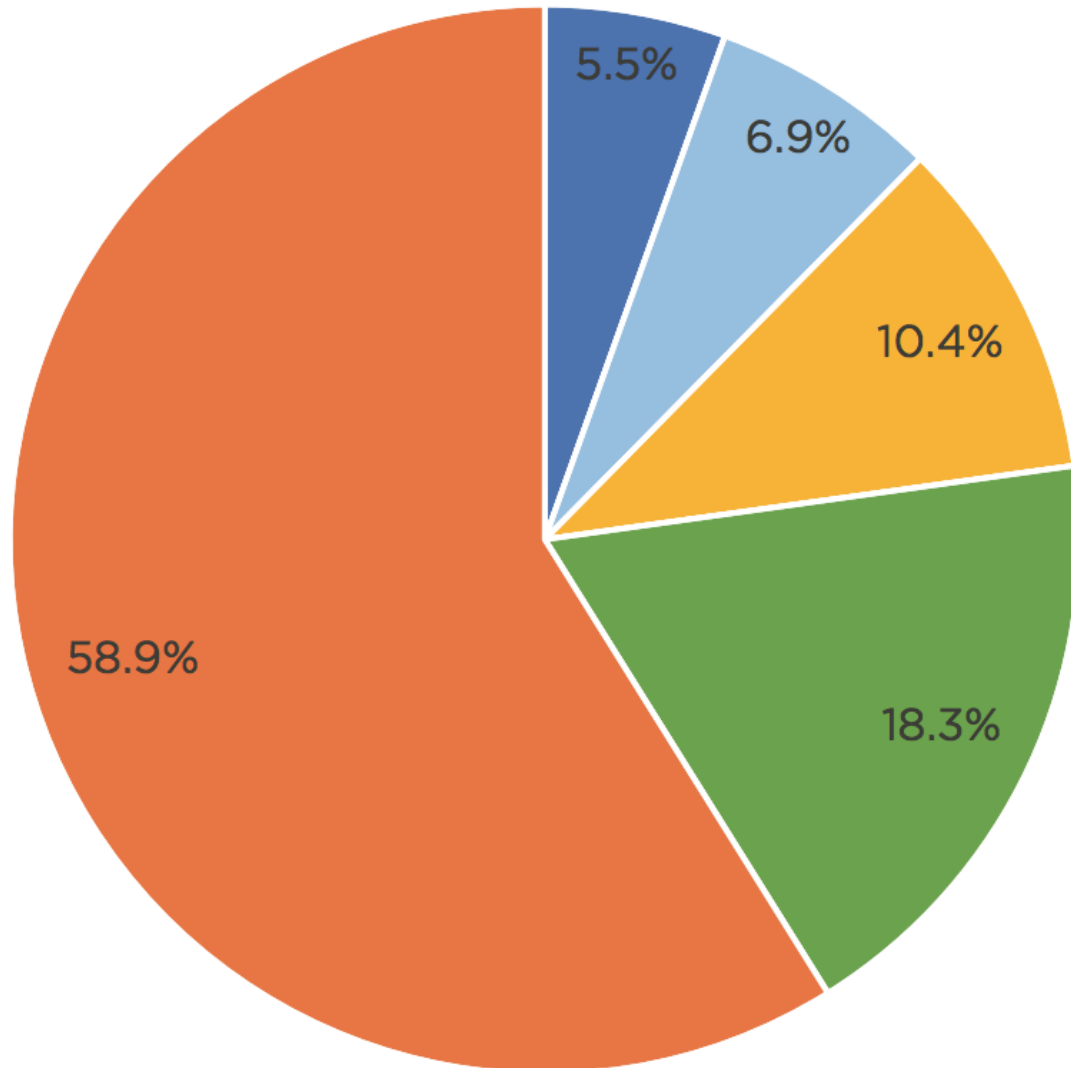
Source: Oilchange International, Friends of the Earth, Sierra Club

Global Energy Investments 2017, \$1.8 trillion



Source: International Energy Agency

Public Energy Finance in Africa 2014-2016



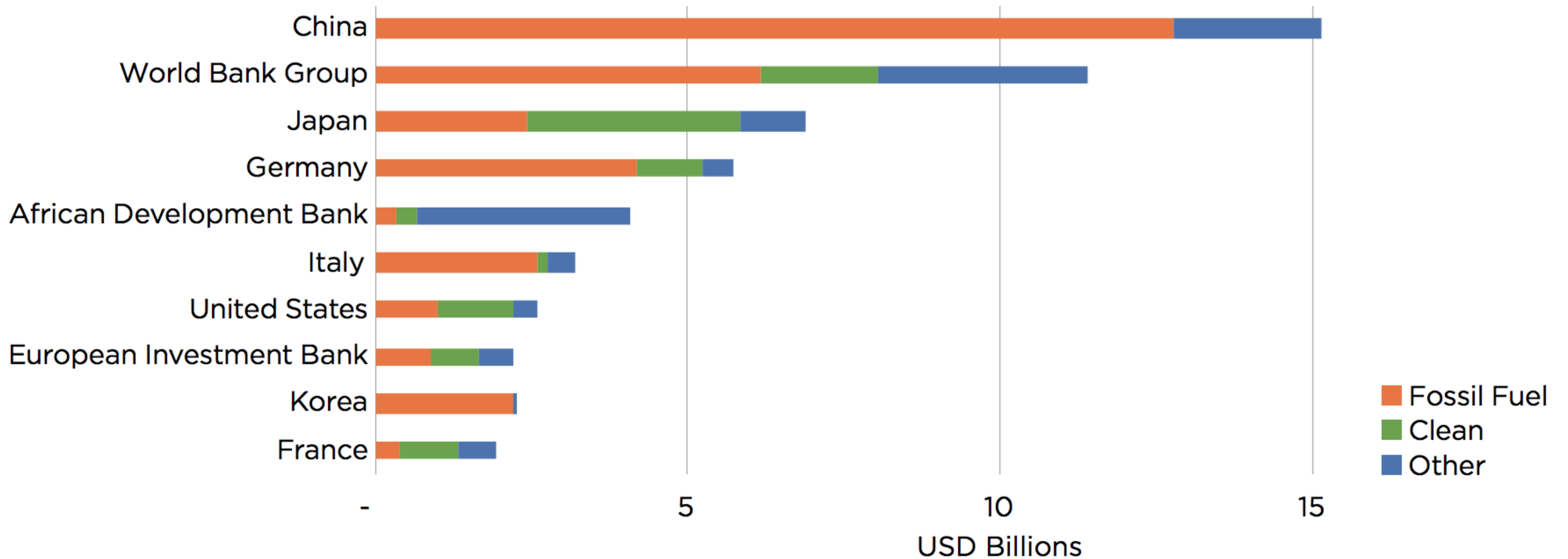
■ Large hydropower
■ Other or Unclear
■ Electricity Transmission and Distribution
■ Clean
■ Fossil Fuel

Total: USD 59.5 billion

- Overall:
 - 60% went to fossil fuels
 - 18% went to clean energy solutions
 - 11% went to energy access

Source: Oilchange International

Who and What? 2014-2016



Source: Oilchange International

Development Banks, Energy Finance 2014-2016

Multilateral Development Banks	Fossil Fuel	Clean	Other
African Development Bank	109	119	1,132
European Bank for Reconstruction and Development	301	110	31
European Investment Bank	293	259	194
Islamic Development Bank	38	-	-
New Development Bank	-	-	60
World Bank Group	2,052	636	1,120
Total	2,793	1,124	2,537
Regional Development Banks	Fossil Fuel	Clean	Other
Development Bank of Southern Africa	66	105	12
Total	66	105	12

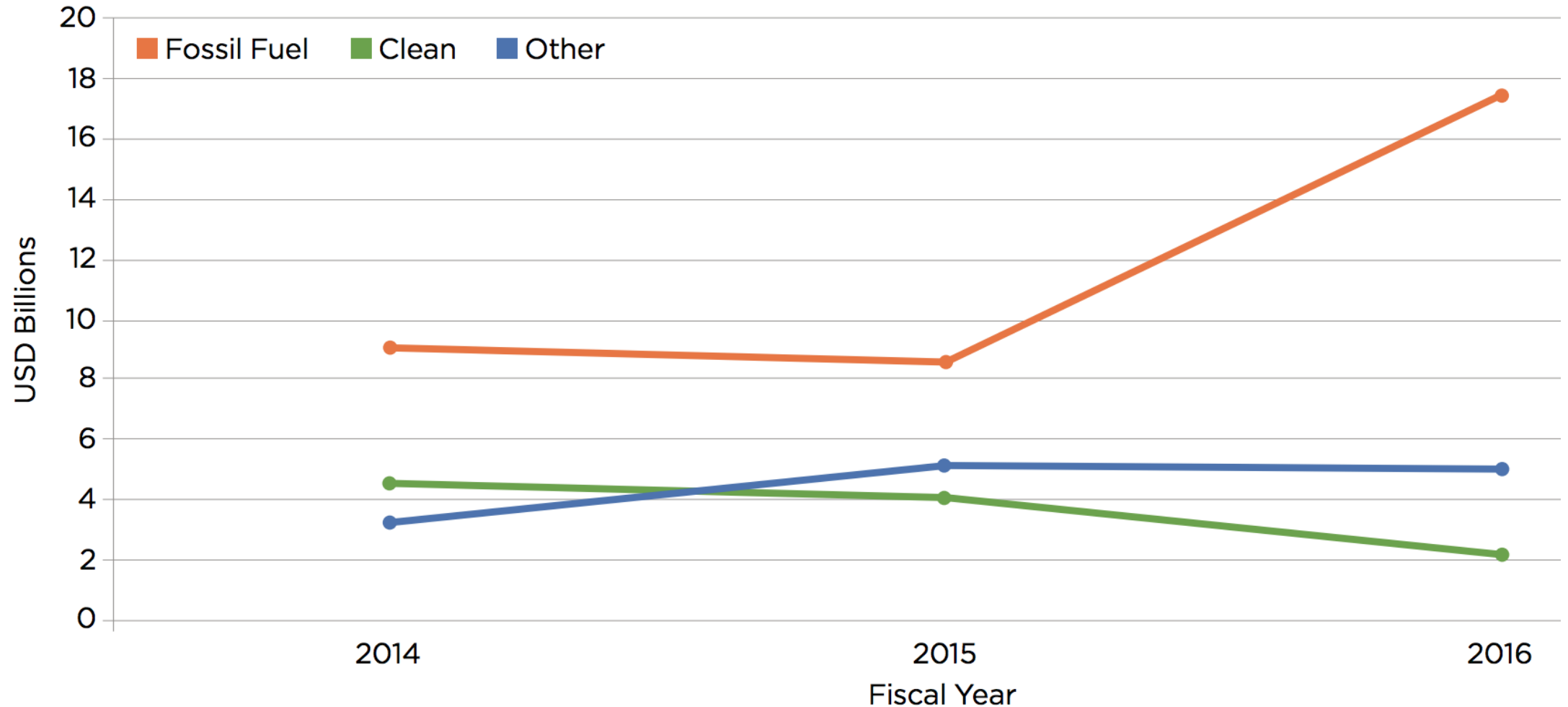
Source: Oilchange International

Impact of playing both sides

- Mixed messages to policy makers and the general public
- Justifications for further investment in unsustainable practices, energy generation, building, and transport
- \$25TN USD in infrastructure at risk due to inaction
- Corruption in governments that further compromises political figures to take on personally lucrative fossil-fuel based projects instead of what is best for the future health and economics of their constituents
- Globally we move more rapidly to 1.5+ degrees
- The most vulnerable people have the most to lose

Leaves us a Future filled with Fossil Fuels:

Approvals for Africa's Energy Sector



Source: Oilchange International

Kenya Example: Lamu Coal Plant

- Kenya has 7,000 – 10,000 MW of geothermal resources
- Researchers at the University of California, Berkeley found that Kenya can have a “zero carbon emissions” electricity generation sector with increases of \$3 – 7 USD/MWh by exploiting its geothermal and wind resources
- Despite community and international opposition, the Government of Kenya and Amu Power (with strong connections to AfDB) are going forward with a 1,050MW Coal Plant in Lamu

Arguments re Lamu Coal Plant

- Pros:
 - All developed nations used coal, why not us?
 - Big agencies fund coal and fossil fuels, why aren't get getting some of that?
 - We have so little GHG emissions now, we can emit more
- Cons:
 - Not necessary for electrification
 - Abundant and cost-competitive geothermal and wind
 - Insufficient mitigation measures in ESIA
 - Not economical
 - Environmental and cultural damage

What can be done

- Corporations – slow to turn when their business models are dependent on climate-destructive products
- Banks – communicate long-term risk of fossil fuel investments to shareholders and
 - **stop financing carbon-intensive projects immediately**
 - Increase funding to projects that contribute to sustainable solutions
- Development agencies - internal discussions to shift the financing portfolios from fossil fuels to 100% sustainable solutions
 - Eliminate institutional hypocrisy
 - Align actions with messaging to truly support sustainable development and eradicate poverty
 - **Signal to policy makers in developing countries that fossil fuel investments are not the way of the future**

Thank you

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