Key messages on Finance

Climate finance is not an isolated topic. Effectively implementing climate action will mean deploying international support at a significant scale, aligning domestic budgets and development strategies with NDCs, and mobilizing private sector investors, as well as building human capacity at all levels.

- All finance is climate-related, but too often fiscal policies pull against climate protection.
- Budget tagging needs to be expanded, towards climate and other critical topics such as gender equality. In addition to directing resources towards climate action it provides data that can underpin successful policies and projects.
- More robust valuation of benefits is critical to align domestic budgets and international finance with climate actions. (Examples shared included nature-based benefits and health impacts from cleaner transport). Support for this kind of cost analysis should increase.
- Climate finance still doesn't flow effectively to cities as well as to local levels and therefore does not reach the poorest and most vulnerable. Decentralised financial instruments such as local climate funds and climate risk insurance must be more accessible. Local actors and stakeholders should be involved more and international organisations less to make finance go further.
- Engaging finance ministries is essential for effective and sustainable NDC implementation. Several emerging processes aim to bring finance ministries more closely into climate action.
- Central banks and financial supervisors are highlighting that climate change poses systemic risks to the financial system. Strong national climate planning is essential to safeguard national credit ratings and positively impact cost of capital.
- Predictable delivery of international finance at scale remains essential for much developing country action. Long-term planning is equally important to sending signals to investors and policy makers.
- Subsidy reform, green taxation, carbon pricing and other fiscal instruments need much wider application to shift the domestic economy towards lower emissions and greater resilience.
- Climate finance and green fiscal policy must also address social inequities exacerbated by climate change and of economic transformation, especially for marginalized groups such as women and the poor. Several important country examples show that revenues can be targeted to advance climate, economic and social goals.
- Clear political decisions need to be taken by governments on how to implement Article 6 of the Paris Agreement on carbon markets, so it can be realised.
- Action at the scale needed to address climate change is only possible by leveraging private sector as well as public capital. Use of blended instruments using public finance to derisk investments can help unlock private capital flows.
- Strong and clear regulatory regimes provide the certainty and incentives that private sector actors need to drive innovation and investment, prevent investments in high-emitting or climate-vulnerable activities and influence citizen behaviour. Harmonised regulatory

approaches at regional level can create economies of scale and thus more effectively drive investment.

- Corporate disclosure and robust risk analysis according to agreed standards are critical levers to encourage companies to shift capital from more to less carbon-intensive sectors and activities, and to take on science-based targets.
- Local banks as well as national and local government actors should receive technical assistance to evaluate projects and prepare investment plans. Similarly, support is needed to help local banks and governments access green bond markets.
- Some more innovative climate actions still struggle to attract finance, in part due to low familiarity among potential investors. (Examples used include nature-based solutions.) Work is needed to improve understanding of these options.
- Green bonds have moved well into the mainstream and there is much more appetite among investors than supply.