#CAIP2024

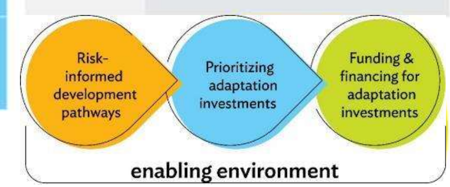
CLIMATE ADAPTATION INVESTMENT PLANNING FORUM 2024

17-18 SEPTEMBER 2024

ADB adpc Climate Bonds CIF ICIMOD IISD NAP Global Network OECD

Time	17 September 2024 (Tuesday)
09:00–10:15	High-level Opening Session
10:15–10:45	Coffee Break
10:45–11:45	**Plenary 1:** Understanding climate change risk to inform development pathways
11:45–12:30	**Spotlight 1:** Foresight thinking for transformational adaptation investments
12:30–14:00	Lunch
14:00–15:00	**Plenary 2:** Making adaptation investments a priority across governments and public and private sectors
15:00–15:30	Coffee Break
15:30–16:15	**Spotlight 2:** Making the economic and financial case for adaptation investment
16:15–17:30	Deep-dive discussions: Prioritizing adaptation investments across sectors
18:00–19:30	Reception

Time	18 September 2024 (Wednesday)
09:00–10:00	**Plenary 3:** Funding and financing adaptation
10:00–10:30	**Lightning Talk:** Resilience bonds to leverage private finance
10:30–11:00	Coffee Break
11:00–11:45	**Partner Marketplace:** Adaptation funds, financing instruments and programs
11:45–12:30	**Clinic:** Finance matchmaking for adaptation investment plans
12:30–14:00	Lunch
14:00–15:15	**Policy Roundtable Discussion:** Priority actions for enabling adaptation investment planning
15:15–15:45	Coffee Break
15:45–16:30	Closing Session



LIGHTNING TALK

Resilience bonds to leverage private finance

#**CAIP**2024

Lightning Talk: Resilience bonds to leverage private finance

Nisha Krishnan
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Noah Wescombe
Climate Resilience Specialist
Cadlas

Climate Bonds Initiative

Climate Adaptation Investment Planning Forum 2024

Lightning talk: Leveraging Private Finance

Climate Bonds Initiative & Cadlas

18 September 2024 | Manila

CADLAS

The Private Finance Need

In 2023 the United Nations Environment Programme (UNEP) estimated an adaptation finance gap of USD194–366bn annually, with developing countries needing 10–18 times more than current flows.

The Challenge: Doubling international finance or relying solely on public sector finance is insufficient, as required investments exceed current budgets. Limited fiscal capacity, competing priorities, and political constraints hinder governments' ability to fund climate action.

Public sector finance must be complemented by private sector investment and international cooperation to mobilise the necessary resources for effective climate mitigation and resilience building.

The Challenge: In 2023, Climate Policy Initiative (CPI) found that reported finance flows related purely to adaptation were USD63bn per year, only USD1.5bn coming from private finance sources.

Universe of Labelled Bonds

USE-OF-PROCEEDS BONDS

are debt instruments where the funds raised are earmarked for specified social and/or climate-related programs or assets. E.g., renewable energy plants, climate mitigation funding programs, essential services such as healthcare and education, etc.

SOCIAL BONDS

- Affordable housing
- Education
- Gender equality
- Healthcare
- Town revitalisation
- Youth
- Employment

GREEN BONDS

- Blue
- Climate
- Green
- Resilience
- Renewable energy
- Solar
- Environmental
- Water

TRANSITION BONDS

- Transition
- Blue transition
- Green transition
- Low-carbon transition

SUSTAINABILITY BONDS

- ESG
- Positive impact
- Sustainability awareness
- SDG
- Social responsible investing

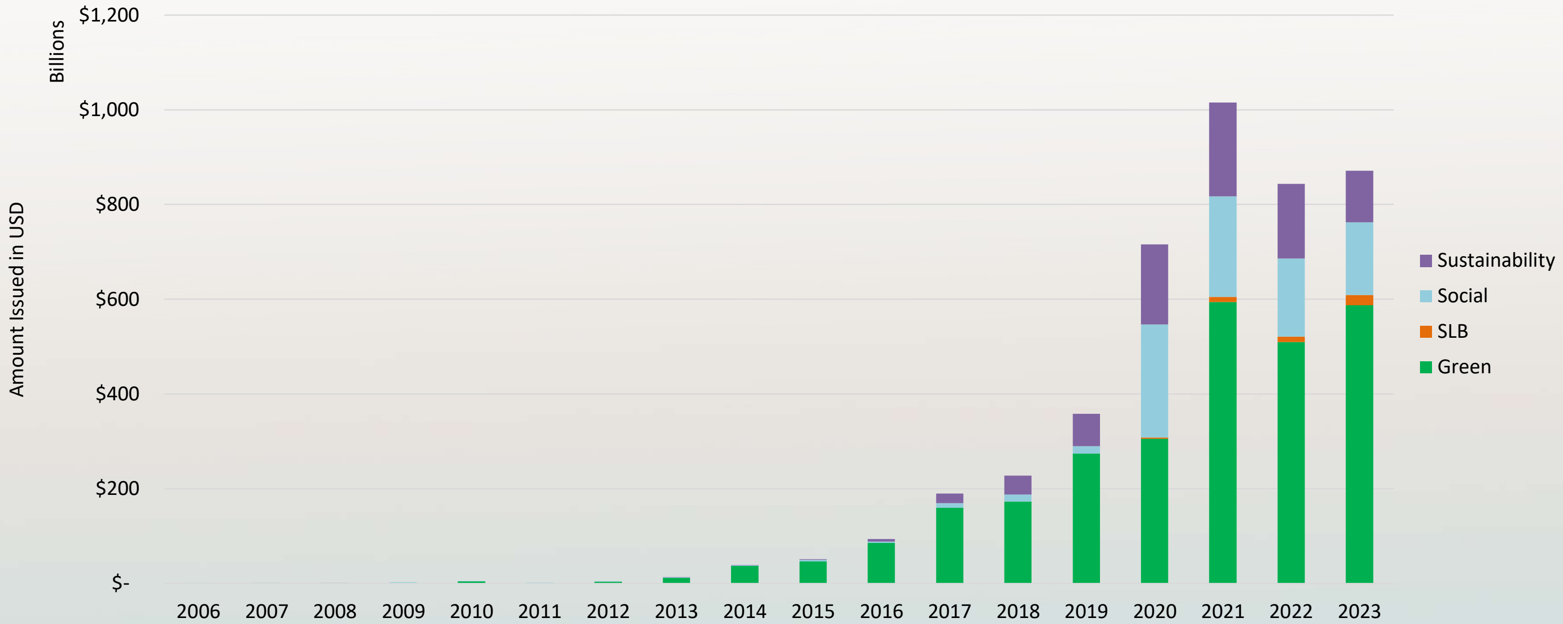
PERFORMANCE-LINKED BONDS

raise general purpose finance and involve penalties/rewards (e.g., coupon step-ups/step-downs, early repayment obligations, etc.) linked to meeting/not meeting pre-defined, time bound SPTs typically at the entity level. E.g., SLBs (and loans).

SLBs

- SLBs
- ESG-linked
- SDG-linked
- Social impact-linked
- Social & sustainability-linked

Evolution of GSS+ Instruments



Source: Climate Bonds Initiative Q4 2023.

The sustainable debt market globally (**USD 4.5tn**) has been dominated by green bonds (**USD 2.9tn**), but the share of other labelled bonds has grown in recent years, both in terms of amount issued and number of issuers.

Benefits of Labelled Bonds

Issuers

- Access additional capital sources from dedicated sustainable financing and a diversified investor base.
- Greater alignment and integration of risk into instruments and the project lifecycle assessments.
- Improved reporting processes, inter-department alignment and reputational benefits.
- Attracting strong investor demand, which may lead to high subscription and pricing benefits.

Investors

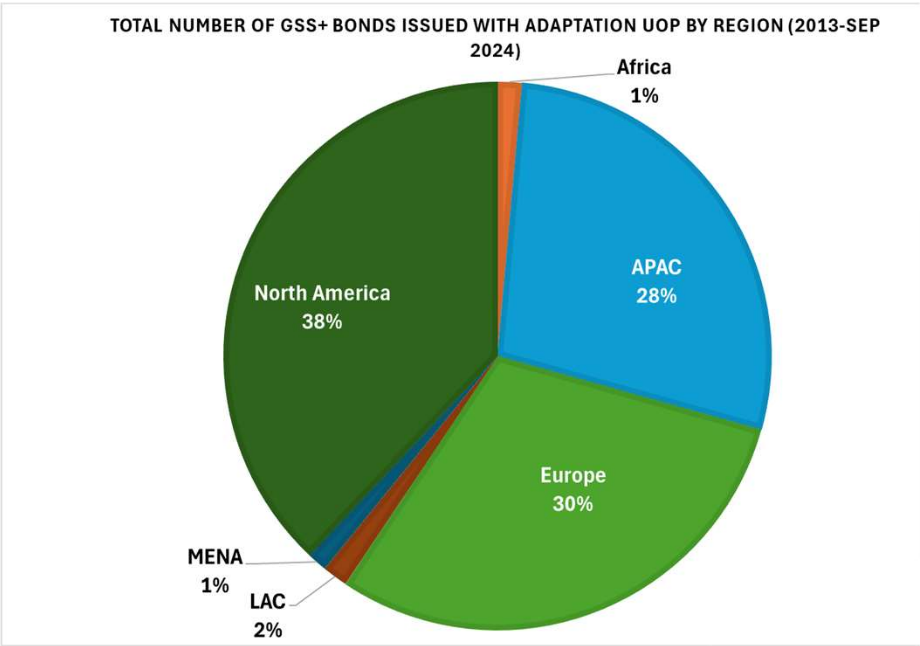
- Diversify portfolio by adding green which also provide less risk as green bonds consider the long-term impact.
- Meeting ESG and sustainable investment mandates with reduced burden of due diligence.
- Increasing transparency and accountability on the use and management of proceeds.

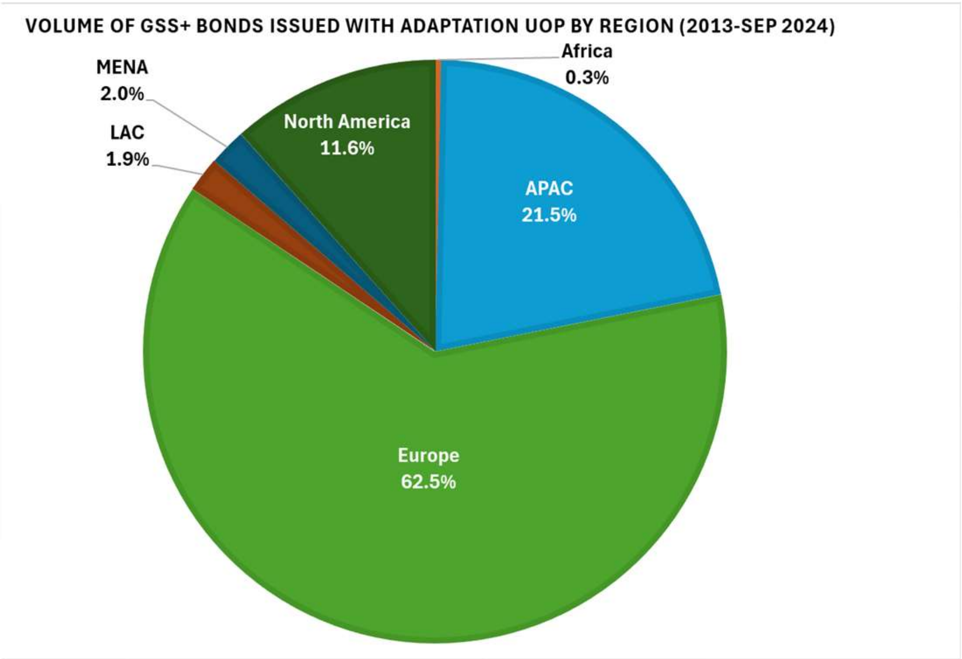
Systemic

- Stimulate positive market reaction and improvements in financial performance.
- Foster green and social innovations.
- Help transition towards low-carbon, resource-efficient and inclusive economies.
- Contribute to public-private partnerships development opportunities.

Global State of Play: GSS+ bonds with adaptation Use of Proceeds (UoP)

There have been approximately 2500 GSS+ bonds issued since 2013 which include adaptation UoP, amounting to a total volume of just over USD $1 trillion dollars*





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*according to the Environmental Finance database as at Sep. 2nd 2024

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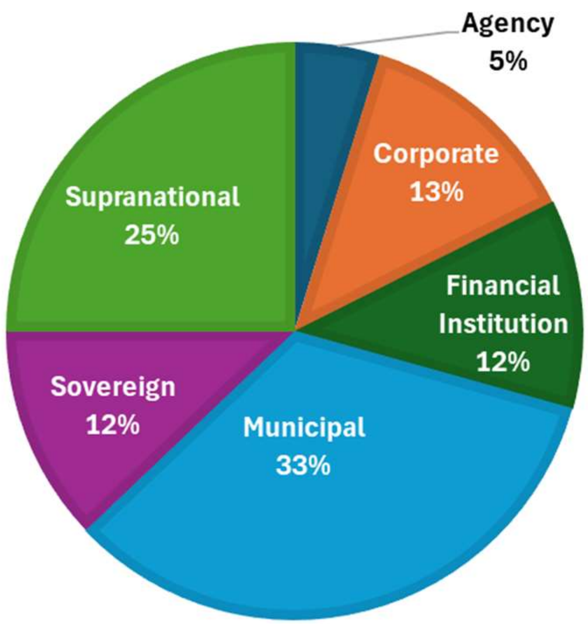
Global State of Play: GSS+ bonds with adaptation Use of Proceeds (UoP)

TOTAL NUMBER OF BOND ISSUANCES BY ISSUER TYPE (2013-SEP 2024)



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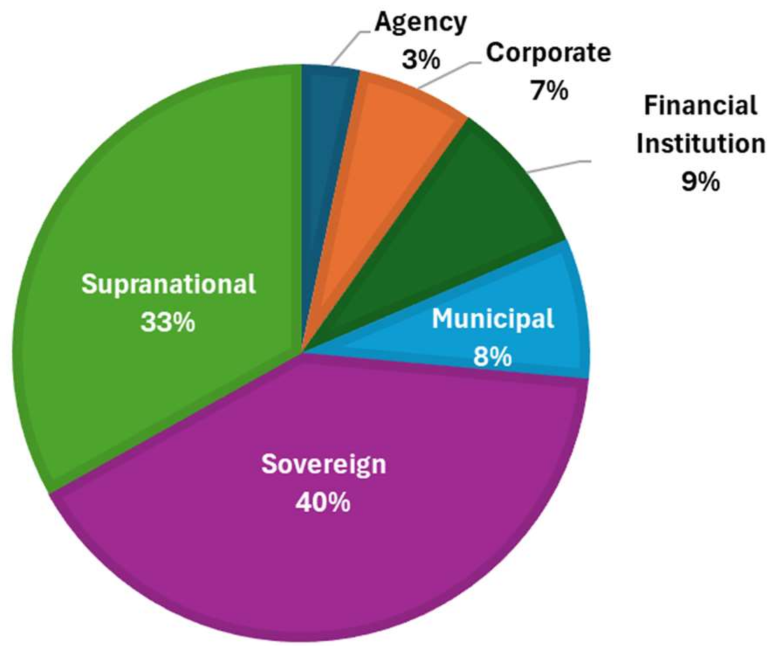

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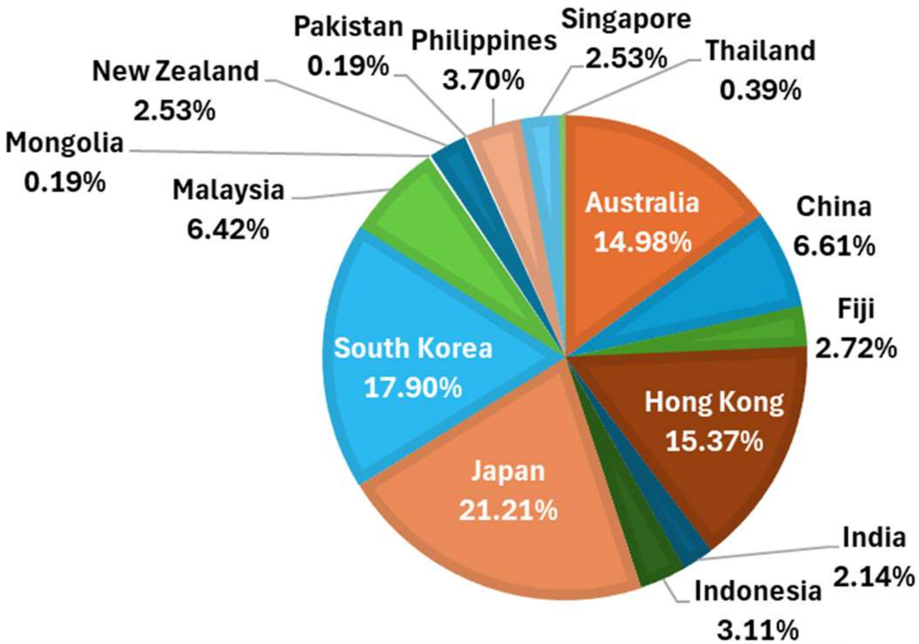
A Closer Look: GSS+ bonds with adaptation in the Asia-Pacific region

TOTAL NUMBER OF GSS+ BOND ISSUANCES IN THE APAC REGION BY ISSUER TYPE (2013-SEP 2024)



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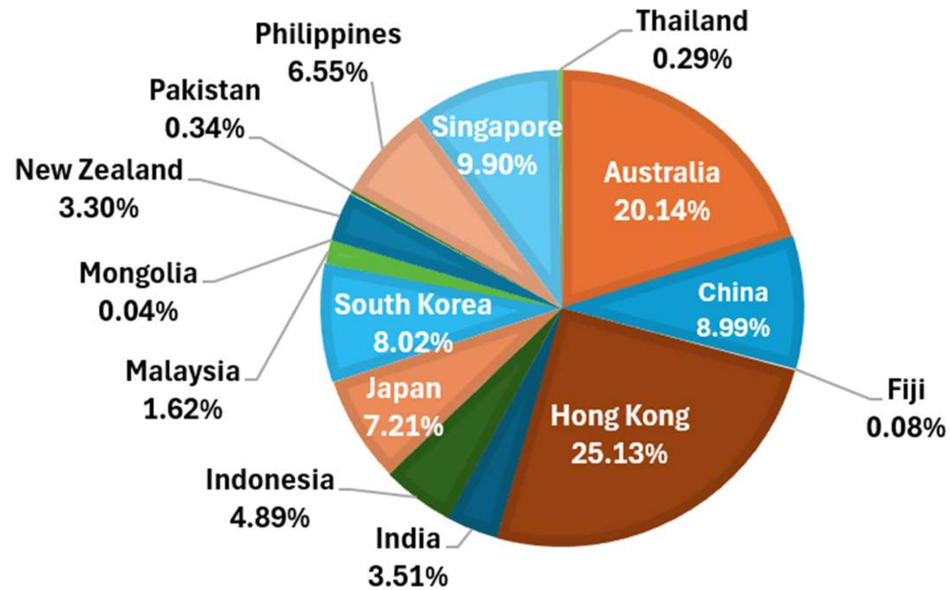

A Closer Look: GSS+ bonds with adaptation in the Asia-Pacific region

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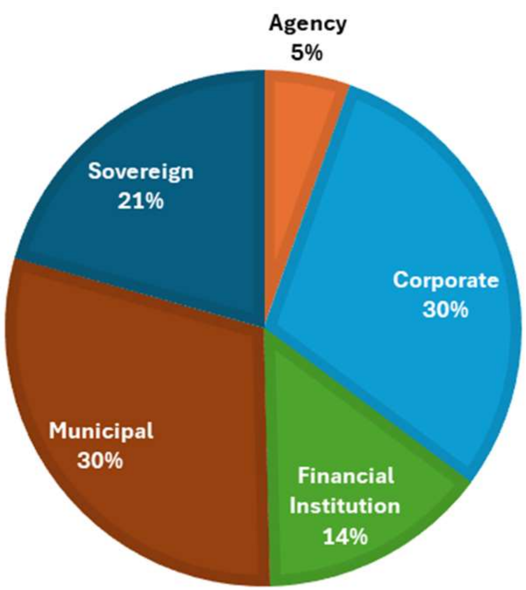

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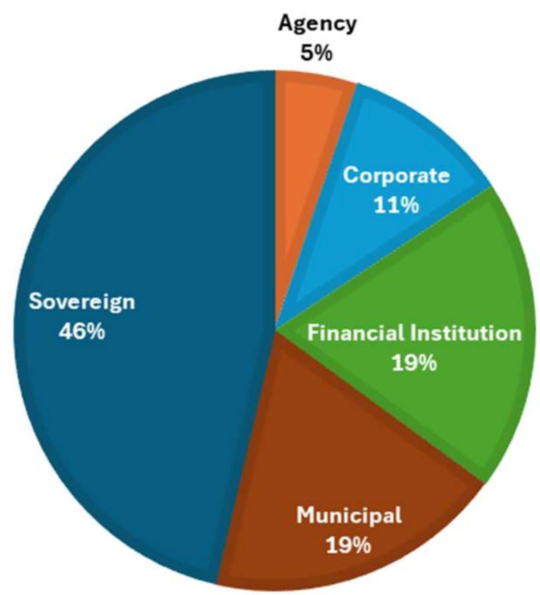

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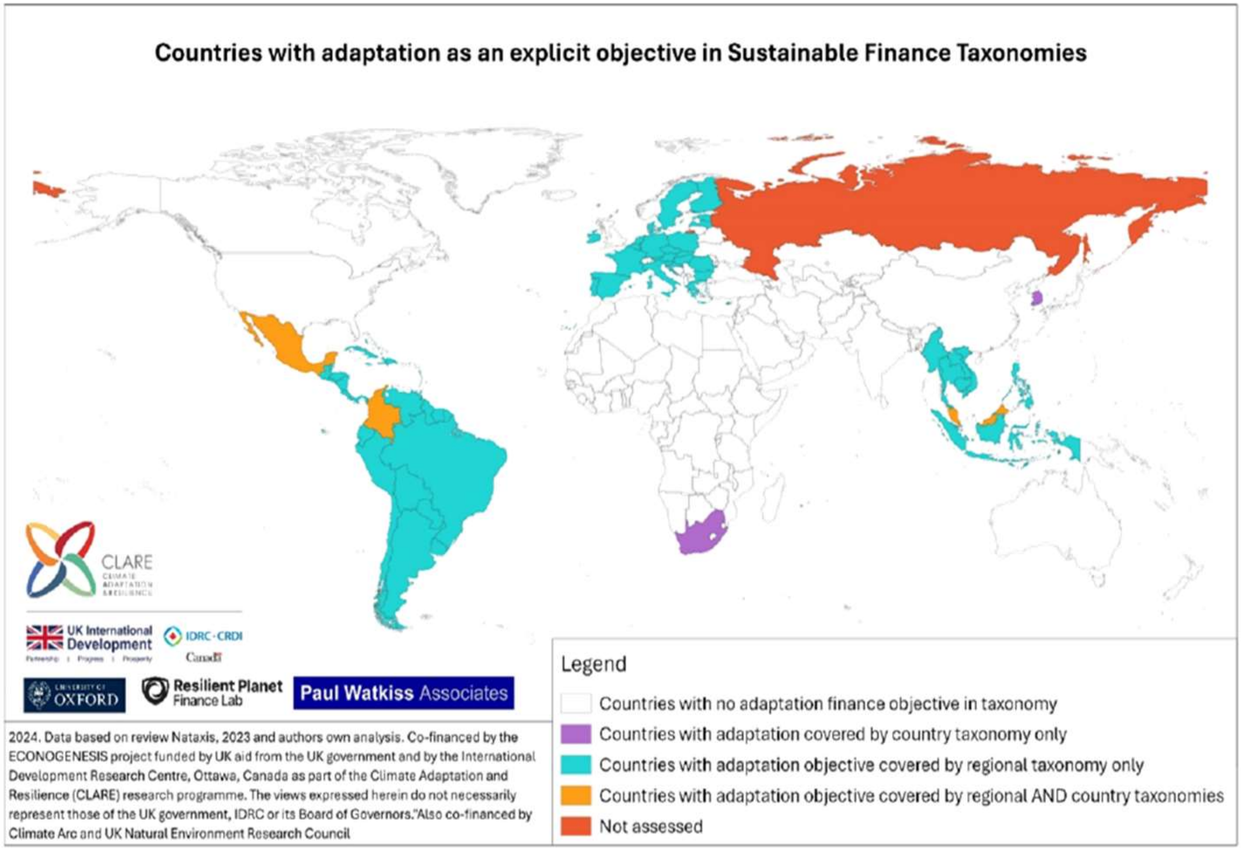
A Closer Look: GSS+ bonds with adaptation in the Asia-Pacific region

The lack of clarity on what constitutes a climate resilience investment is one of the key reasons for the supply and demand mismatch in climate resilience investment markets.

This uncertainty can make it difficult for both investors and issuers to identify credible and impactful projects for inclusion in thematic instruments

Solution: Sustainable finance taxonomies and standards can direct private and public investments toward sustainability goals by providing clear definitions and a common framework for issuers and investors.

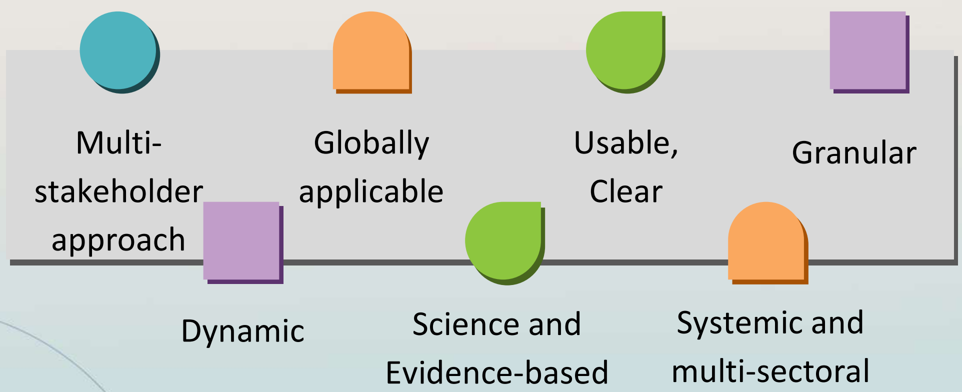
A number of countries have included A&R in their taxonomies.
BUT… there are limitations to them!



What is the Resilience Taxonomy?

A **classification system** for organising eligibility criteria for investments that have the potential to make a substantial contribution to resilience outcomes

Purpose: provide a common framework for issuers, investors, market regulators, observers and policymakers to identify and/or develop measures, assets, activities and entities that make significant, consistent and verifiable contributions to climate resilience



How to Apply the Resilience Taxonomy?

A harmonised approach to adaptation and resilience financing across use cases

Government (regulators, ministries, treasuries, state-owned enterprises, DFIs)	Guide budget planning and tagging (sectoral and macro) and investments in resilience
	Support issuance of sovereign and sub-sovereign bonds that credibly build resilience
	Direct fiscal incentives to investments in resilience
	Support the development of national and regional taxonomies and standards on adaptation and resilience
	Support DFIs in identifying resilience investments for concessional finance and derisking, and issuing bonds
Financial Markets (Financial Institutions, Investors, Asset Managers)	Guide investors on how to assess the credibility of resilience investment opportunities
	Underpin the design of financial services and products that are taxonomy aligned (investment funds, etc.)
	Guide underwriters to assess the credibility resilience bond issuances
Real Economy Sectors	Support issuance of corporate bonds
	Inform corporate strategic decision-making, reporting and disclosures
	Provide guidance on adaptation and resilience actions

Resilience Taxonomy for Debt Issuances

How to use the Climate Bonds Resilience Taxonomy for debt (bonds / loans) issuances?	
✓	Support issuance of sovereign, sub-sovereign, corporate, or financial institutions debt that credibly builds resilience
✓	Guide investors and underwriters to assess the credentials of resilience debt issuances

https://www.climatebonds.net/resilience

Climate Bonds Resilience Taxonomy brochure:

https://www.climatebonds.net/files/page/files/resilience_brochure_v5.pdf

Thank You

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LIGHTNING TALK

Thank you!

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