Building a Circle of Trust in the Climate Affair

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- LCS-Rnet 12th Annual Meeting, December 16, 2021

Session 4: Finance for Leveraging Climate Neutral Societies

The decisive battle : reducing the mismatch between where the savings are and where the climate friendly investments opportunities are

56,1 millions of millionnaires
Hold a bit below 50% of world
financial wealth

They logically 'put' their money in
real Estates, Land, Luxe and …
carbon intensive activities

Two-thirds of mitigation
investments need to happen in
developing countries

THE FULCRUM TO RESHAPE OUR CARBON INTENSIVE SOCIETIES

Redirect 5% to 10% of their yearly - > scaling- up Low Carbon Investments **AND**
transforming them into safe long term assets would resolve the problem

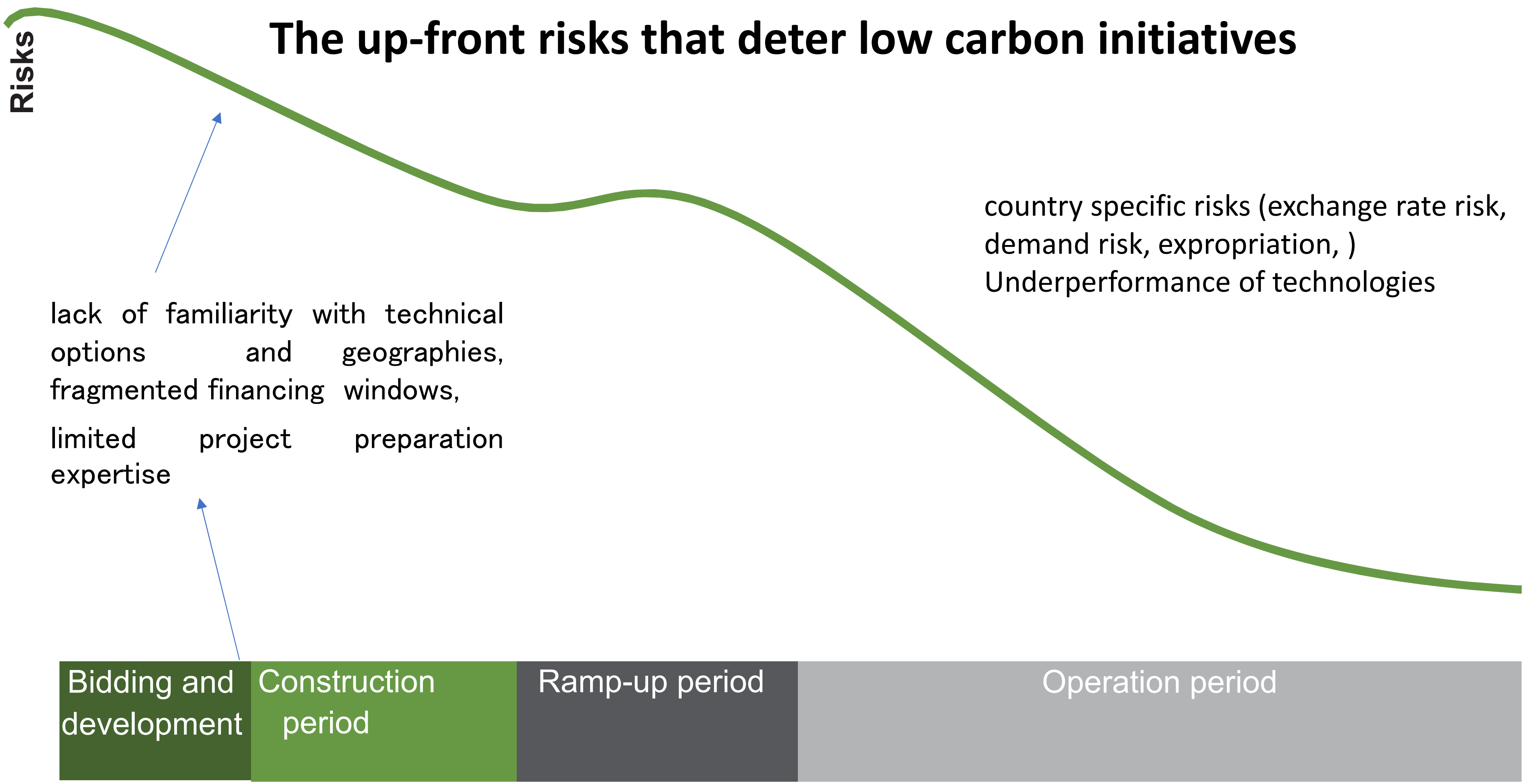
Aligning the CBDR principles and economic efficiency …

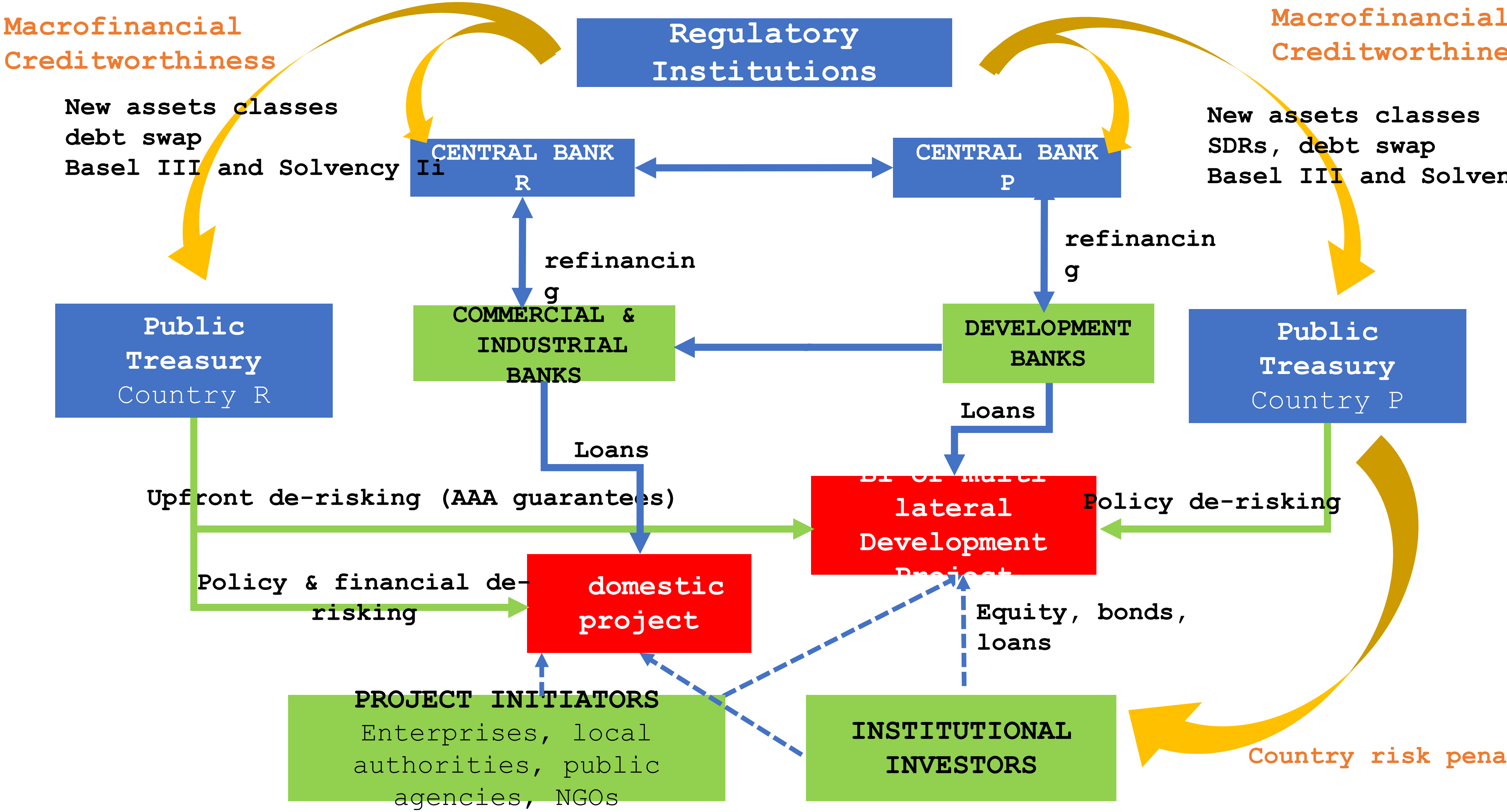
Post-pandemic: an adverse context or ‘the’ moment of truth?

- **More than even limited budgetary capacity in developing countries.**
- **No willingness of developed countries to spend abroad**
- **The ‘working memory ’ of High Level Decision – Makers (H.D.L.M.) restricted by**
  - **demands on Health, Security, Social Inclusion,**
  - **the creditworthiness of their country (public budgets, external payment balance)**
  - **taxpayer fatigue**

But climate resignated H.L.D.M should be sensitive to three facts

- ***Without coordinated ‘big push’ the world economic post COVID recovery is uncertain*** **because deprived of the recovery of 40% of world markets**
- ***An enlarged gap between the propensity to save and propensity to invest*** **might lead to instable growth and aggravated inequalities**
- **Bridging the infrastructure investment gap with ‘clean options’ will have a** ***strong short term knock-on effect, long term co-benefits on SDGs and … the stability of the financial system***


The up-front risks that deter low carbon initiatives
Risks
lack of familiarity with technical options and geographies, fragmented financing windows,
limited project preparation expertise
country specific risks (exchange rate risk, demand risk, expropriation,)
Underperformance of technologies
Bidding and development
Construction period
Ramp-up period
Operation period



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New assets classes
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Enterprises, local
authorities, public
agencies, NGOs
INSTITUTIONAL
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Country risk pena

Credible short-term reciprocal gains … and their conditions

For developed countries:

- public costs easily offset by the fiscal revenues of the exports content of the supported projects (5%)
- jobs and improved external balance

For developing countries (China ‘almost’ excluded):

- USD 128 to 303 millions equity ‘inflows’ per year and 80 to 202 cash grant equivalents
- higher creditworthiness if climate remediation assets are recognized (implicitly of explicitly)
- crowding in private finance for marketable mitigation activities will free grants based aid and MDB support to SDGs and adaptation

Conditions … a matter of credibility

- multi-sovereign initiatives
- agreed-upon assessment rules (quantity and value of the avoided carbon) + third party assesment
- de-fragmentation of climate and development finance: help MDBs and NDBs to work synergistically

THANKS

For numerical assessments and more operational details see

Jean-Charles Hourcade, Dipak Dasgupta, F. Ghersi. Accelerating the Speed and Scale of Climate Finance in the Post-Pandemic Context. ***Climate Policy,*** *Taylor & Francis,* 10.1080/14693062.2021.1977599