IFC

Financial Institutions Group (FIG)

Climate Finance

Industry Context

Climate change represents both a challenge and an opportunity for financial institutions in emerging markets. Climate mitigation and adaptation needs in emerging markets and developing countries are significant, with estimates ranging between $1.7 trillion and $3.4 trillion annually by 2030 – an amount that cannot be financed by the public sector alone. The private sector has a critical role to play by investing in low-carbon technologies, creating jobs and skills, and building resilience into its investments and operations. Indeed, according to the IMF, 80-90% of the climate finance needed in emerging markets will have to come from the private sector. Fortunately, financial institutions are increasingly building climate finance into their long-term strategies and portfolios, and financial markets are integrating climate transition risks and opportunities into investment decision making.

As of June 2023, FIG committed

$15.2billion
to climate-related projects

through **210+**
emerging market
financial institutions

IFC Strategy and Portfolio

Since the 1980s, IFC has been a critical player in climate business and continues to be a leader in this space. IFC's climate business is focused in the near term on five strategic areas – clean energy, climate-smart cities, climate-smart agribusiness, green buildings, and green finance. IFC is committed to working with financial institutions to finance projects that will support mitigation and adaptation. In addition, IFC has committed to aligning 85% of its new investment projects with the objectives of the Paris Agreement starting July 1, 2023, and 100% of these investments starting July 1, 2025.

FIG focuses on investing directly in and partnering with financial institutions in climate-smart sectors to reduce GHG emissions and support climate change adaptation. FIG's climate finance strategy is guided by three priorities:

- Help create a livable planet for all by ensuring climate markets and sustainability engagements support a just transition.
- Create and grow climate markets through investment, mobilization, and institution building.
- Enable emerging market financial institutions to meet their Paris Agreement commitments.

IFC'S CLIMATE BUSINESS WITH FINANCIAL INSTITUTIONS HAS SKYROCKETED

- In FY23, FIG's climate finance projects totaled $4.5 billion including mobilization across 51 projects, including $1.2 billion for green buildings, $850 million for climate bonds, $600 million for climate trade, and $500 million for climate-smart vehicles.
- FIG's investments have supported partners in avoiding GHG emissions of 30 million tCO_2e/year.
- IFC was the first issuer of a $1 billion benchmark green bond in 2012 and, by the end of FY23, had issued more than $12.5 billion in 198 green bonds in 21 currencies.
- IFC's advisory services facilitate global client financial institutions to build climate finance portfolios, avoiding additional millions of tons in annual GHG emissions.

Investment & Advisory Examples

UPSTREAM GLOBAL BLUE BONDS INITIATIVE

This global initiative has enabled IFC financing to over $1.5 billion in bonds/loans in FY22-23 across Asia, LAC and ECA, further establishing IFC as a market leader in Blue Finance globally. In FY20, IFC began the Upstream Global Blue Bonds initiative to develop a capital market instrument to help address the twin challenges comprising the rapid depletion of both the blue economy and clean water resources. Blue Bonds, and Blue Finance more broadly, is an innovative form of financing that earmarks funds exclusively for ocean friendly projects and critical clean water resources protection. As a result of the initiative, IFC launched the Blue Finance Guidelines in FY22. The Guidelines establish definitions, eligibility criteria, and guidance frameworks for Blue Finance, and support broader market awareness. IFC also developed the Practitioners Guide to Blue Bonds along with the International Capital Markets Association (ICMA) and other Development Finance Institutions (DFIs).

E-MOBILITY – ALD SOCIÉTÉ GÉNÉRALE

FIG provided a $400 million, 4-year loan to Société Générale's vehicle leasing subsidiary ALD, to finance its Electric Vehicle transition across 7 emerging market countries. The deal was the largest e-Mobility project in IFC history and the largest climate project (at the time of commitment). The financing, which was intermediated by Société Génrale on behalf of ALD, is expected to add 15,000 green vehicles with the potential to reduce carbon emissions by 22,180 tons a year across the target countries by 2026.

DISTRIBUTED SOLAR

Global investment in rooftop/distributed solar continues to grow rapidly, despite the challenges inherent in financing small projects. FIG has been scaling up its investment and advisory services work to help clients expand their investments in these projects. This includes investment projects with banks, NBFIs, and debt funds for commercial and industrial solar and in a company financing off-grid solar and appliances (M-KOPA). FIG's Global Climate team leverages donor resources to support clients with their advisory needs for rooftop solar.

GREEN BUILDINGS – ABSA

In South Africa, FIG committed $241 million to finance the expansion of ABSA's certified green building finance portfolio. This project is the largest to date supported by IFC's Market Accelerator for Green Construction Program (MAGC), and will target both developers and mortgages and support affordable housing. IFC estimates that the project will help reduce over 12,000 tons of emissions annually. The investment will also contribute to South Africa's Nationally Determined Contribution (NDC) targets under the Paris Agreement to reduce GHG emissions by 42% by 2025.

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