

Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) Explainer Series

Area CF1. International climate finance

Sylvan Lutz, Analyst Transition Pathway Initiative Centre London School of Economics and Political Science



ASCOR framework

Emissions Pathways (EP)

EP1. Emissions trends

EP2. 2030 targets

EP3. Net zero targets

Climate Policies

(CP)

CP1. Climate legislation

CP2. Carbon pricing

CP3. Fossil fuels

CP4. Sectoral transitions

CP5. Adaptation

CP6. Just transition

Climate Finance

(CF)

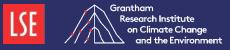
CF1. International climate finance

CF2. Climate costing

CF3. Climate spending

CF4. Renewable opportunities

Note: <u>ASCOR framework: methodology note - Version 1.1</u> was used to assess 70 countries in 2024.



Content

- 1. Introduction to international climate finance
- 2. How does ASCOR assess international climate finance?
- 3. Results and emerging good practices





1. Introduction to international climate finance







Why does ASCOR assess international climate finance?



In 2009, developed countries (donors) pledged \$100 billion annually by 2020 in international climate finance (ICF) for developing nations (recipients).



ICF is a cornerstone of the UN Framework Convention on Climate Change (UNFCCC) and puts into practice the principle of common but differentiated responsibilities.



Developed countries have an obligation to "provide financial resources to assist developing country Parties with respect to both mitigation and adaptation" under the Paris Agreement.



ICF can serve as a vital catalyst for the \$2.4 trillion in climate finance that developing countries are <u>estimated</u> to need annually by 2030.



Assessing whether developing countries contribute a proportional share to the \$100 billion commitment can help investors **hold high-income countries accountable**.

What is international climate finance?



Climate finance

Refers to all finance towards actions to cut emissions, boost carbon sinks, and build resilience.



International climate finance

Refers to the flows of finance between donor and recipient countries under the UNFCCC.

Types of international climate finance



Bilateral finance: Direct financial support from one country to another

- Public
- Multilateral finance: Funds pooled and distributed through international organizations
- Private mobilised finance: Investments from private entities, facilitated by public capital
 Private

Ways to provide public international climate finance



- Grants: Non-repayable funds for climate projects
- Concessional finance: Loans offered on below-market terms for climate projects
- Market-rate loans: Standard financial loans contributing to climate goals

2. How does ASCOR assess international climate finance?







Indicators and metrics



CF1a. Does the country contribute at least a proportional share of the \$100 billion commitment to climate finance?

CF1ai. What is the country's 3-year average climate finance contribution as a % of GDP?



CF1b. Does the country's targeted climate finance contribution represent at least a proportional share of the \$100 billion commitment?

CF1bi. What is the country's targeted level of international climate finance contributions as a % of GDP?

How does ASCOR assess international climate finance?



This area assesses if donor countries' past contributions and future commitments meet their proportional share of the US\$100 billion goal.



We estimate the proportional share to be 0.2% of gross domestic product (GDP) based on the ratio of US\$100 billion and the sum of the GDP of donor countries (World Resources Institute).



To assess ICF contributions, we review countries' biennial reports submitted to the UNFCCC.



To assess future ICF commitments, we rely on publicly-stated targets.



We divide past contributions and future targets by GDP to calculate the country's current and future contribution as a share of GDP.

3. Results and emerging good practices





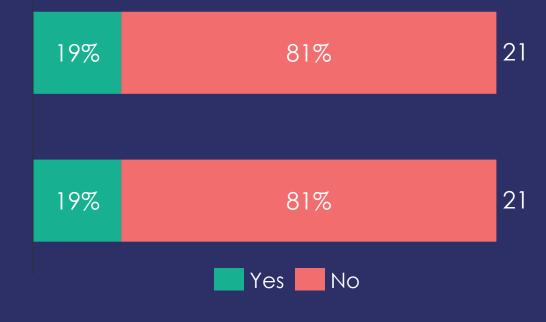


2024 assessment results

CF 1.a Does the country contribute at least a proportional share of the \$100 billion commitment to climate finance?

CF 1.b Does the country's targeted climate finance contribution represent at least a proportional share of the \$100 billion commitment?

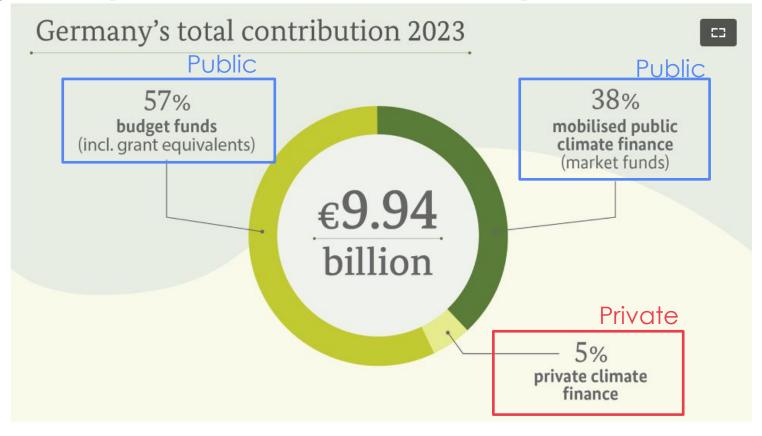
Note: The number of countries assessed against each indicator is specified next to each bar.







Emerging good practices – Germany



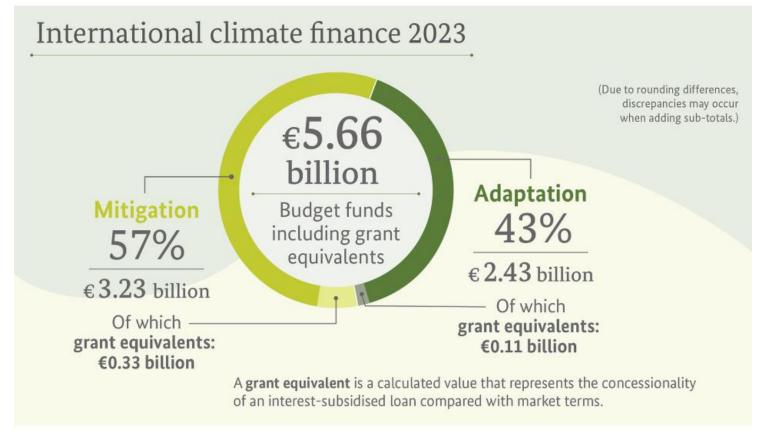
Germany's total contribution in 2023: Climate finance total from public funds and from funds mobilised through 6 of 6 public and private finance, e.g. in the form of revolving credit lines for local (development) banks, investment in structured funds and public-private partnerships. This represents Germany's total contribution to international climate finance and thus to the goal set by industrialised countries of providing 100 billion US dollars a year for climate protection and adaptation measures in developing countries. — © BMZ

Source: German Federal Ministry for Economic Cooperation and Development





Emerging good practices – Germany



International climate finance: In 2023, the German government provided a total of 5.66 billion euros in budget

1 of 6
funds, including grant equivalents, for international climate financing. Of this, 57 per cent went to climate
protection projects (3.23 billion euros) and 43 per cent to climate change adaptation measures (2.43 billion euros).

— © BMZ

Source: German Federal Ministry for Economic Cooperation and Development





Stay up to date on the ASCOR project:

www.ascorproject.org

Access the ASCOR tool and database:

www.transitionpathwayinitiative.org/ascor

Contact:

gri.ascor@lse.ac.uk







Disclaimer

Assessing Sovereign Climate-related Opportunities and Risks (hereinafter referred to as "ASCOR") is an investor-led project to develop a publicly available, independent tool that assesses countries on climate change. The Transition Pathway Initiative Centre ("TPI Centre") at the London School of Economics and Political Science ("LSE") is the ASCOR academic partner.

The ASCOR framework is for illustrative research education purposes only. The ASCOR or any related material hosted on the website does not constitute any advice (including investment, legal, accounting or tax advice) or an investment instrument. The LSE, TPI Centre and ASCOR supporting partners are not responsible for the content of the website and information resources that may be referenced herein, including any third-party sources. The access provided to these sites and the provision of such resources do not constitute an endorsement by the LSE, the TPI Centre, ASCOR or its partners of the information contained therein and of the resulting sovereign assessments. Unauthorised use of the materials published herein is strictly prohibited. The LSE, TPI Centre and ASCOR does not accept any responsibility for any prohibited, restricted or unauthorised use of the materials published herein. All liability in this respect is excluded. Additionally, ASCOR, TPI Centre, the LSE and its partners are not responsible for any errors or omissions, for any decision made or action taken based on information on this website, or for any loss or damage arising from or caused by such decision or action. All information is provided "as-is" with no guarantee of completeness, accuracy or timeliness, or of the results obtained from the use of this information, and without warranty of any kind, expressed or implied.

ASCOR and its partners do not require or seek collective decision making or action with respect to acquiring, holding or selling sovereign debt instruments. Any such decision shall be solely based on investors' discretion and made in their individual organisation's capacities and in accordance with their industry practice(s). This means that users of the information provided by ASCOR are responsible for their own investment analysis and decisions and must always act completely independently to set their own strategies, policies and practices based on their own best interests and commercial interests.

Furthermore, the use of ASCOR information for engagement tools and tactics with sovereigns (whether bilaterally or collaboratively) is at the discretion of individual investors. Even the exchange of information in the context of collaboration can give the appearance of a potentially unlawful agreement; it is important to avoid exchanging information that might result in, or appear to result in, a breach of corporate or competition law. Investors must avoid coordination of strategic behaviour between competitors that impacts or is likely to impact competition.

During such engagements, investors may not claim to represent ASCOR and its partners, including the TPI Centre, the LSE that in consultation with ASCOR investor partners, curated the development of the ASCOR framework and of the indicators to assess transparently the progress made by governments in managing the low-carbon transition and the impacts of climate change.

Notwithstanding any terms and conditions set out herein, the ASCOR data:

- Is licenced for internal and non-commercial purposes only, including for research, as one of the inputs to
 inform portfolio construction, for financial decision-making including cases of lending and underwriting,
 for engagement and client reporting, for use in proprietary models as part of climate transition analysis
 and active investment management (subject to exclusions noted above)
- Subject to prior written consent, may be used for further commercial exploitation through redistribution, derived data creation, analytics, and index or fund creation (inclusive of where the index is used as the basis for the creation of a financial product, or where ASCOR data is a key constituent of a fund's construction).

Notwithstanding any other provision set out herein, none of the ASCOR data or information published on this website may be reproduced or made available by you to any other person except that you may reproduce an insubstantial amount of the ASCOR data or information for the uses permitted above. The ASCOR data and information may not be used in any way other than as permitted above. If you would like to use any such data or information in a manner that is not permitted above, you will need the LSE TPI Centre's prior written permission. In this regard, please email all enquiries to: gri.ascor@lse.ac.uk.

