GFANZ
Glasgow Financial Alliance for Net Zero

Mobilisation Statement of Support

With sufficiently ambitious Nationally Determined Contributions (NDCs) and the right country platform frameworks, GFANZ expects the flow of private financing of EM&DC transitions to be consistent with the annual investment needs of over $1 trillion by the end of this decade. This is a sevenfold increase in today's investment levels.[1] GFANZ members will work with stakeholders to create the right conditions for this increased investment, are already committed to aligning their current $7+ trillion of assets in these countries to a net zero pathway and help catalyse public markets to finance the transition to net zero in EM&DCs.

- GFANZ members recognize that many emerging markets and developing countries (EM&DCs) are most vulnerable to the devastation of climate change and least equipped to finance their transition and resilience needs.
- As the world's largest coalition of financial institutions committed to transitioning the world economy to net zero, GFANZ members commit to working with policymakers to create a new financial architecture with the enabling conditions required to transform the current billions of finance and investment into the trillions needed for EM&DCs. To that end, we are:
  - Committing to working with the G20, Multilateral Development Banks (MDBs), Development Finance Institutions (DFIs), EM&DC governments, and private-sector partners to provide support on the expansion of country platforms globally, a model that focuses on public-private collaboration on enabling environments, creating catalytic finance opportunities, and mobilizing more parts of the private finance sector value chain, including public institutional investors. This dovetails with the work of the Climate Finance Leadership Initiative (CFLI),[2] which, through their country pilots, is testing a model that tailors country platforms to climate and private capital.[3]
  - Endorsing an initial set of impact-driven Catalytic Initiatives, which together represent tens of billions in investment opportunity and, more importantly, allow GFANZ to play market and investment-enabling roles. These are CFLI Country Pilots,[4] FAST-Infra, Global Energy Alliance for People & Planet, Mobilist and Innovative Finance for the Amazon, Cerrado and Chaco (IFACC).[5] We will continue to grow the list of initiatives we endorse and support in the years to come.[6]

1 Reflects clean energy investment need only. In reality, the investment need required will be much bigger and include other types of climate finance. Source: Financing clean energy transitions in emerging and developing economies, IEA, 2021. Reflects clean energy investment need that will be required by the end of the decade within EM&DCs if the world is to meet net zero by 2050. Estimates exclude China.

2 Further details of CFLI and their approach provided on their website.

3 This also connects with the work being done by the Sustainable Markets Initiative (SMI) on country financing roadmaps and capital mobilisation.

4 As a starting point GFANZ members could be involved with CFLI's India pilot. CFLI India would CFLI would welcome GFANZ members being part of forthcoming country pilots.

5 All Catalytic Initiatives will require a GFANZ member owner and need to be 'signed off' in accordance with working group governance processes.

6 These will be published and updated on the GFANZ website on an ongoing basis. We understand identification of initiatives is a tangible but initial step on the journey to mobilising capital to climate solutions in low-, lower- and middle-income countries. Future initiatives will vary across geographies and include Small Island Developing States (SIDS).

- Committing to an ongoing, structured engagement with MDBs and DFIs to strengthen relationships and identify tangible mechanisms through which more private capital can be catalyzed.[7, 8] MDBs have already demonstrated that they can mobilise twice as much private capital as the public resources they deploy in a project or fund. Their contribution to climate finance has increased to around $40 billion per year over the 2018-2020 period, but the level of private capital mobilisation varies greatly, from 0.14x of private to public capital mobilisation ratio at the lower end to 2.42x at the higher end.[9] We will seek to build on existing work and collaborate through a constructive partnership to materially move the dial for mobilisation of private capital in climate finance in EM&DCs.

- We understand and recognise the specific needs and challenges around scaling up climate finance investments in these markets. To enable greater levels of private capital investment, countries need to create the right high-level, cross-cutting enabling environments. This will establish investment-friendly business environments; a replicable framework for deploying private capital investments; and pipelines of bankable investment opportunities.[10] Private capital and investment will flow to these projects if governments and policymakers create the appropriate conditions.
- Where countries have established these investor-friendly environments, there has been increased private-sector capital deployment, most often in middle-income emerging market countries. The challenge is most acute in developing countries where there will be a need for stronger partnerships between private and public finance to support their transitions.
- GFANZ members already have a significant presence in EM&DCs, with an estimated $6 trillion-plus currently allocated to these countries. With sufficiently ambitious NDCs and the right country platform approach in place, we are committed to supporting the decarbonisation of our investment and financing activity in these markets and deploying additional capital to enable EM&DCs to achieve net zero targets.

Estimates indicate that by the end of the decade over $1 trillion will be required for clean energy investment alone if we are to reach net zero by 2050. This reflects a sevenfold increase from today's levels,[11] even before considering other types of climate finance needs, like agriculture. Beyond finance for new assets, delivering the transition across EM&DCs will also require mobilizing public markets to fund corporate and sovereign decarbonisation strategies and attracting institutional investors to recycle deployed capital.

7 This will involve building on the significant work that has already been done. The changing global landscape, and proliferation of various development institutions and MDBs, have led to multiple rounds of recommendations on how the overall system could be improved. They include the G20's comprehensive study on Global Financial Governance (the Eminent Persons report) in 2018, the UN's Global Investors for Sustainable Development (GISD) report in October 2021, and the Sustainable Market Initiatives in September 2021.

8 We are looking to explore how we can collaborate with the Sustainable Markets Initiative on these issues as well.

9 Climate Finance Joint Report on MDBs 2020, (ratios are for EM&DCs only, with IDBG the highest).

10 An example of this is the CFLI India pilot.

11 Reflects clean energy investment need only. In reality, the investment need required will be much bigger and include other types of climate finance. Source: Financing clean energy transitions in emerging and developing economies, IEA, 2021. Reflects clean energy investment need that will be required by the end of the decade within EM&DCs if the world is to meet net zero by 2050. Estimates exclude China.

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