

# Long-term investors commitment towards increased cooperation on climate finance for a more sustainable future

*D20 - Long-Term Investors Club*

## **D20 Statement 2023**

*Dubai, 2<sup>nd</sup> December 2023*

### **Call to action**

The **D20-LTIC** commends all stakeholders, from governments to civil society, convened this year at COP28 for their efforts in tackling climate change, a defining challenge of our time. As long-term investors with a public mandate from the world's largest economies aiming to promote the role of long-term finance in driving economic development and sustainable growth around the world, **we commit to increase our cooperation to foster new and bold action on climate finance.**

We also wish to convey to governments the **importance of policies that foster blending between public and private financial resources**, to better use scarce concessional funds and concurrently increase the attractiveness of sustainable resilient and regenerative infrastructure, climate adaptation and climate mitigation projects in a just transition. Finding ways to **prioritise green sustainable initiatives** that adhere to ESG criteria is indeed key for sustainable economic and social development and key to reduce emissions, to capture carbon emissions and to restore the forest and natural habitats.

### **Policy recommendations**

The global economy has shown resilience and the ability to react to recent shocks, such as the Covid-19 pandemic. However, the **current global outlook remains subdued, uneven and increasingly divergent**. Risks against prolonged and sustainable growth are still present due to heightened inflation, geoeconomic tensions, extreme weather events, natural disasters, and the tightening in global financial conditions. To offset these threats, **ever more important is global coordination in forums such as COP28 and G20**, where governments can come together to align policy objectives on a number of fundamental topics such as **sustainable economic development and climate change**, also thanks to civil society contributions.

In 2021-22 average annual **climate finance flows reached and surpassed the 1 trillion US dollar mark**<sup>1</sup>. As much as such figure has doubled compared to 2019-20, such finance still represents only 1% of global GDP. Moreover, to limit global warming to 1.5° C and avoid the worst impacts of climate change, **financial flows should be between 8 and 9 trillion US dollars until 2030** and increase to over 10 trillion US dollars thereafter<sup>2</sup>. Accelerating the provision of such investments would also make business sense, as data shows that sooner the global temperature rise is mitigated lower will be the costs linked to dealing with climate change impacts<sup>4</sup>.

**As D20-LTIC we are ready to support governments** in achieving the objectives of accelerating strong, sustainable, balanced and inclusive growth through the **development of climate-resilient and environmentally sustainable**

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<sup>1,2,4</sup> Climate Policy Initiative, Global Landscape of Climate Finance 2023

<sup>3</sup> G20 New Delhi Leaders' Declaration, 2023

**pathways** that respect the need to achieve the Paris Agreement, including its temperature goal, set in the **G20 New Delhi Leaders' Declaration**<sup>3</sup>.

By **blending limited public resources with private investments**, thanks to the development of stronger enabling environments, **capacity building** and **innovative lending policies**, more and higher quality projects could be financed, especially in emerging markets and developing economies (EMDEs). It is in fact important to recognise the significant role private finance could have as an important enabler of resilient infrastructure and climate actions at large.

Mechanisms such as **blending** and **de-risking** – in which both public finances and long-term investors such as us play a critical role – **are fundamental** to address both adaptation and mitigation efforts and achieve ambitious, carbon neutrality and net-zero targets. For such tools to be effective, we underscore the **importance of maximizing the effect of concessional resources**, such as those of multilateral climate funds, especially in support to EMDEs' implementation of the Paris Agreement.

As long-term investors, **we also recognise the important role innovation has to play**. Supporting the commercialization of early-stage technologies that avoid, abate and remove greenhouse gas emissions and facilitate adaptation can increase the chances of achieving climate targets. It is thus crucial to **continue financing startups and innovative solutions**, channelling greater private flows for the rapid development, demonstration, and deployment of green and low-emission technologies.

By championing an integrated and inclusive approach, it is thus important to **take action to scale up sustainable finance** and support government action in line with the G20 Sustainable Finance Roadmap. Also **increasing the quality of data** on SDG-aligned projects and social impact investment instruments would support such an effort, as better information to policymakers, investors and civil society alike could unlock more and better decision-making.

## **D20-LTIC commitment**

**Long-term investors** are available to increase their support to governments in promoting the necessary policy actions to increase investments towards sustainable resilient and regenerative infrastructure, climate adaptation and climate mitigation projects.

We, the **D20-LTIC**, **therefore commit to support the COP28 and G20 efforts** aiming at increasing the current available climate investments by leveraging our unique role between public and private finance, thereby contributing to a more sustainable and inclusive growth.

## Annex: D20-LTIC members' climate finance initiatives



The Brazilian energy matrix is one of the cleanest in the world, with 87% of electrical energy coming from clean and renewable sources. BNDES is a major stakeholder in support to this matrix, being recognized as one of the largest global financiers of renewable energy. Over the last 22 years, it has supported 61% of wind farms and 27% of Brazilian solar parks, being a main driver of the development of production chains and technologies necessary for this energy transition. There were R\$146 billion in approvals, in 395 projects. In addition to investing in the generation of hydro, wind and solar energy, BNDES will expand its support for the development of sustainable fuels in order to decarbonize sectors that are difficult to reduce emissions, such as heavy transport, aviation, steel, fertilizers.

BNDES experience as manager of the Amazon Fund is considered a reference in climate finance. Created in 2008, the fund supported 102 projects until 2022, with disbursements of around R\$1.75 billion. Among other results of this support, it is worth highlighting carrying out 1,896 inspection missions, combating 32,837 fires and supporting sustainable productive activities that benefited 233 thousand people. The fund's support has already included 196 conservation units and 101 indigenous lands, in addition to having contributed to strengthening the management of 52 million hectares. To boost climate action in the Amazon region BNDES and IDB formalized, in August 2023, with development banks in the Amazon region and the World Bank and CAF, the Joint Declaration of the Green Coalition of Development Banks. The Green Coalition comprises 17 members in different countries (Bolivia, Brazil, Colombia, Ecuador, Peru and Suriname), as well as 3 partners strategic, including multilateral banks, in addition to a partner association (ALIDE).



The ecological transformation is at the heart of the Caisse des Dépôts Group's ambition and plays into all its strategic objectives, with the aim of aligning all the Group's activities with a pathway of limiting global warming to 1.5 °C. By adopting a climate policy, a biodiversity policy and a climate change adaptation plan, the Caisse des Dépôts contributes to national climate objectives and supports regional adaptation through dedicated support services and is a pioneer in preserving biodiversity. Between 2020 and 2022, Caisse des Dépôts mobilised more than €53 billion in loans and investments for the green transformation. A large part of this financing is earmarked for the energy renovation of buildings, construction of energy-efficient buildings, transformation of production models, installation of renewable energy capacities and low-carbon transport. The Group's target of €60 billion in financing over 2020-2024 will therefore be far exceeded. In 2023, it set a new target of €100 billion in financing over the next five years.



Climate finance is at the heart of CDP's strategy. By using blended finance CDP provides different types of interventions, such as (i) financial guarantees, (ii) Interest Rate and Capital Subsidy, and (iii) technical assistance activities. In this context, key initiatives currently being developed within the European Fund for Sustainable Development Plus, include: • The Global Green bond Initiative (GGBI), promoted by the European Commission, with the participation of CDP, EIB, AECID, AFD, COFIDES, EBRD, KfW and the Green Climate Fund aims to support the

development of the green bond market in emerging economies. • Renewable Infrastructure & Sustainable Energy partnership Africa - EU (RISE), which is a partnership between CDP and the EIB. The initiative aims at maximizing the effectiveness of European financial institutions' interventions in support of African countries in the transition to renewable energy through technical assistance activities and risk mitigation tools. • Transforming and Empowering Resilient and Responsible Agribusiness (TERRA), a program that has been designed together by CDP and FAO to foster the sustainable and resilient transformation of food systems, supporting the development of agri-food supply chains. CDP is also the Italian Climate Fund manager, a financial tool established by the Ministry of the Environment and Energy Security with a 4.2 billion euros endowment up to 2026. With its resources Italy will support initiatives aiming at fighting climate change, improving energy security and promoting sustainable development in emerging economies and developing countries.



The DBSA is a government-owned development finance institution, established in 1983, with the mandate to promote economic growth as well as regional integration for sustainable development projects and programmes in South Africa, SADC and the wider Sub Saharan Africa. Our purpose is to 'Build Africa's Prosperity' by driving inclusive growth and securing innovative solutions that drive socio-economic development in emerging economies in sub-Saharan Africa.

The Development Bank of Southern Africa leverages its accreditation with global green funds to drive a number of domestic and regional climate finance programmes, among which are a water reuse programme to develop the water infrastructure by crowding in private sector participation; a municipal solid waste programme to implement various organic waste treatment solutions; a climate finance facility to crowd in the private sector to support projects that mitigate or adapt to climate change and an embedded generation investment programme to create a market for embedded generation renewable energy projects. Total Green Climate Fund capital raised for these programmes thus far amounts to US\$347 million. The Bank has also launched a \$1 billion hydrogen fund in collaboration with South African and Dutch partners to develop the green hydrogen industry in South Africa.



The European Investment Bank (EIB) is the long-term lending institution of the European Union owned by its Member States. It makes long-term finance available for sound investment in order to contribute towards EU policy goals. [Climate and environmental sustainability \(eib.org\)](https://www.eib.org); [EIB at COP28](#)

- In 2019, the EIB's energy lending policy was adopted to end financing to any unabated fossil fuel energy projects, including natural gas, the first multilateral development bank to do so.
- In 2021, the EIB became the first MDB to align our financial activities with the Paris Agreement.
- With its [Climate Bank Roadmap](#) the EIB Group aims to support €1 trillion of investment in climate action and environmental sustainability through the critical decade, 2021-2030.
- The EIB has committed to increase investment in climate action and environmental sustainability to more than 50% of annual EIB lending by 2025 — last year that was exceeded with 58%.



Reliable frameworks like the FAST-Infra Label can help investors identify quality infrastructure projects to finance, especially in emerging markets and developing economies (EMDEs). The FAST-Infra Label is a credible, consistent, and globally applicable labelling system designed to identify and evaluate sustainable infrastructure projects, with the overarching objective of supporting sustainable infrastructure and creating a liquid asset class. The FAST-Infra label assesses infrastructure on several criteria among 4 dimensions: environmental, social, governance and resilience and adaptation, using indicators and benchmarks from other existing frameworks. The FAST-Infra Label is already applied in some funds to select sustainable and resilient projects. The FAST Infra Group has designated Global Infrastructure Basel Foundation (GIB) as the Secretariat and Bloomberg L.P. as Data Repository for the FAST-Infra Label.



The Hellenic Development Bank (HDB) is dedicated to assisting SMEs and Midcap companies in accessing finance for sustainable development in Greece. Emphasizing environmental sustainability and climate resilience, HDB launched a groundbreaking co-financing scheme for sustainability linked loans, providing 475 mil. euros for green initiatives for SMEs. This initiative offers a 40% interest rate reduction and an additional 3% subsidy for the first 2 years. Beyond SMEs, HDB supports energy efficiency in households, resulting in significant CO2 reductions and energy savings. Looking ahead, we are proud to announce the integration of a dedicated pillar focused on “green transition and innovation” as a cornerstone of our strategy post-2024, whilst, expanding our internal capacity to champion green projects, leveraging innovation, project finance, and other forward-looking initiatives to propel environmental sustainability to the forefront of our mission, positioning the bank as a driving force for positive change in Greece's future.



October 2021, JBIC issued the JBIC ESG Policy and committed to pursuing ambitious and accelerated efforts to reduce its operational emissions to net zero by 2030, and to achieve net zero emissions in its finance portfolio by 2050. JBIC raised USD 1,500 million through three green bond issuances since October 2021, underpinning its commitment to green finance. Leveraging the risk-assuming function as a policy-based financial institution, along with long-standing relationships with its stakeholders and overseas networks, JBIC has achieved robust progress in green financing, including renewable energy, hydrogen utilization, and waste energy generation, among others (see detailed information here). JBIC will continue to proactively contribute to fostering global sustainable development and addressing global challenges.



Korea Eximbank, an official export credit agency of the Republic of Korea, has established the foundation for ESG Management by launching ESG Roadmap in July 2021 and has been incorporating ESG value into its business strategy to support Korea's “2050 Carbon Neutrality Vision”. With the mission to spread ESG values by promoting international economic cooperation and sustainable development, the Bank has set its key goals as promoting the

global ESG competitiveness of Korea companies and contributing to the achievement of carbon neutrality and expanded social value. In December 2020, the Bank has permanently suspended financing commitments for new overseas coal-fired plant projects as an initial step to reduce greenhouse gas emissions. Also, the Bank is expanding support for green items such as highly fuel-efficient and eco-friendly vessels, rechargeable batteries, and renewable energy to boost green industries as well as to strengthen competitiveness of Korean companies in the global market. To this end, the Bank is operating ESG Financing Programs which include providing preferential terms to companies engaged in the activities related to reducing carbon emission. Under the programs, the Bank plans to provide a total of KRW 180 trillion in ESG financing by 2030. The Bank has also been issuing ESG bonds since 2013, whose proceeds are used to support various green projects and it will expand the amount of ESG bond issuance up to USD 20 billion by 2030 for providing sufficient financial assistance to ESG-related sectors.

## KfW

KfW aims to achieve a greenhouse gas-neutral portfolio by the end of the first half of the century. At the same time, it wants to accelerate the transition to a sustainable society while strengthening Germany as an industrial and technological hub. With EUR 60.5 billion in commitments for financing climate action and environmental projects at home and abroad, KfW is one of the world's leading financiers in these fields. <https://www.kfw.de/About-KfW/Service/Download-Center/Konzerntemen/Nachhaltigkeit/Nachhaltigkeitsbericht/index.jsp.jsp>

Prepared for climate change: KfW supports India with EUR 500 million for sustainable urban development: On behalf of the Federal Ministry for Economic Cooperation and Development, [KfW signed a EUR 500 million loan agreement with the Indian Ministry of Finance for sustainable and climate-resilient urban development in the Indian State of Tamil Nadu](#). The funds were passed to the municipalities of the state via the "Tamil Nadu Urban Development Fund". The state then uses the funds to implement projects to improve the climate resilience of urban infrastructure. These include water supply and waste water disposal projects, improved waste management, the construction of rainwater channels, energy-efficient street lighting and parks. The aim is to use a circular economy to ensure the availability of water in cities and to supply all households with water connections. There are also plans to regenerate bodies of water and wells, reuse treated waste water and improve flood protection. The fund – originally launched with the support of the World Bank – and now with three private financial institutions as minority shareholder- is the first public-private-partnership in India that provides long term debt for civic infrastructure.

## TSKB

Founded in 1950 with the support of the World Bank and the Central Bank of Türkiye with the mission of financing medium-to-long term investments in Türkiye, TSKB is the leading bank in promoting new initiatives for scaling up green finance and developing methodologies for climate-related risks. TSKB aims to have more than 90 per cent share of SDG-linked loans and a 60 per cent share of climate and environment-focused SDG-linked loans in the total portfolio by 2025. As of 2023 Third Quarter, these figures represent as 92% and 64% respectively.

In 2022, TSKB received funding with the amount of USD 650 million from Development Finance Institutions (i.e. JBIC, IFC, EBRD, AIIB and AFD). In 2023, TSKB also received funding from OeEB and KfW with the amount of EUR 25 million and EUR 100 million in climate finance. The Bank is also planning to receive green reconstruction related funding for earthquake affected companies from several DFIs, amounting up to 450 million USD. Within 2023, TSKB is also planning to obtain a loan from IBRD in the amount of 155 million USD to capitalize Türkiye Green Fund (TGF)

to support the green and greening firms through equity financing and expand climate financing in Türkiye's capital markets. By this means, TGF shall be the very first of its kind globally.

As being a signatory of the Net-Zero Banking Alliance and in line with the 1.5°C target of the Paris Agreement, TSKB will align its loan and investment portfolio with net-zero emission targets by 2050 and have set its carbon emission reduction targets for its Scope 1, 2 and 3 emissions for 2035, verified by Science Based Targets initiative (SBTi). Fighting climate change, supporting the transition to a carbon-free economy and ensuring inclusive social development will continue to be among TSKB's strategic priorities in the upcoming period.