



Financing climate action – Germany as a responsible partner

Background

Climate change is a reality. It is already taking place and its effects are visible. Flooding, droughts or water shortages are jeopardising development progress in many countries. We need to accomplish a full turn-around, for instance in our energy systems, and move away from a carbon-based economy to limit climate change to a level we can cope with. For this goal to be achieved within a century, global finance flows need to be directed towards low-emission, climate-proof investments. This means that, ultimately, funds should only be channelled into investments that do not run counter to climate change mitigation and adaptation. At the same time, developing countries need support for making their economies climate-friendly and climate-proof.

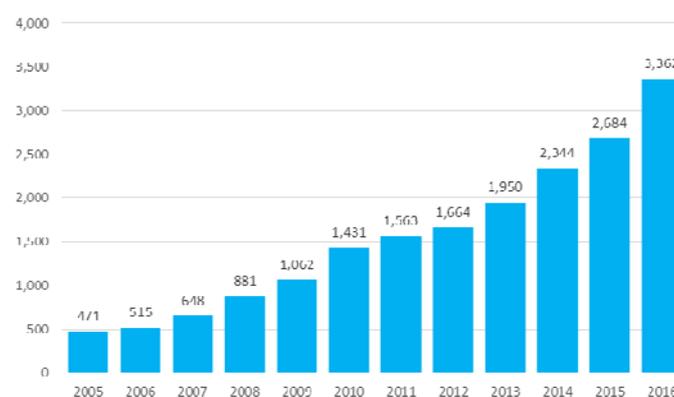
Objective

Germany helps developing countries and emerging economies to fund measures that curb greenhouse gas emissions and mitigate the effects of climate change. Germany thus contributes to meeting the commitments made in Copenhagen (COP 2009): industrialised countries are to provide and mobilise, from 2020, an annual 100 billion dollars from public and private sources for climate change mitigation and adaptation in developing countries. After 2025, a new financing target is to be agreed that will exceed the 100 billion dollar mark. The donor community has not yet been defined.

Implementation

In 2016, the German government pledged some 3.4 billion euros from budget funds for international climate funding. Germany increased its financial contribution to climate funding sevenfold over a period of eleven years. 80 to 90 per cent of these funds are from the BMZ budget.

German climate funding from budget funds 2005-2016, in million euros



In addition, Germany is making an important contribution by mobilising funds on capital markets. In 2016, KfW Bankengruppe (KfW banking group) together with its subsidiary DEG (German Investment and Development Company) committed an additional 5.2 billion euros in the form of development loans and promotional loans, investments and other financing from capital market funds. German public funds made available for international climate finance in 2016 amounted to a total of 8.5 billion euros.

Last but not least, Germany mobilised private climate funding, involving mainly revolving credit lines for local (development) banks, investments in structured funds and public-private partnerships (at least 1.4 billion euros in 2016). In total, Germany's contribution in 2016 amounted to roughly ten billion euros.

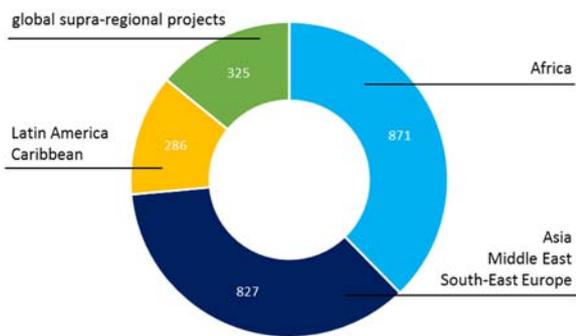
In May 2015, German Chancellor Angela Merkel underlined Germany's commitment and announced that the country would seek to double its climate funding by 2020. This means that climate financing on the basis of budget funds will be increased from two billion euros to four billion euros.

At the climate conference in Marrakech, the industrialised countries presented a road map for the future financing of the

100 billion dollars. The road map suggests that the 2020 goal is within reach. According to OECD calculations, the pledges made to date amount to a total of 93 billion dollars. The remaining gap can be closed by 2020 through additional pledges by other donors, greater engagement from multilateral development banks and the mobilisation of private climate finance.

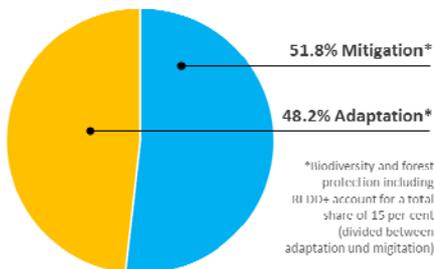
Bilateral activities:

Bilateral climate funding by the BMZ in 2016, by region, in million euros



The BMZ supports projects for climate change mitigation and adaptation in almost all its partner countries. The focus of its climate action is on bilateral cooperation, which is why 83 per cent of the BMZ's climate finance is used for bilateral interventions.

Bilateral climate funding by the BMZ in 2016, by area, in per cent



- Bilateral climate finance is being used for climate change adaptation, greenhouse gas mitigation and for the protection of forests and biodiversity including the REDD+ initiative (Reducing Emissions from Deforestation and Forest Degradation).
- The division between adaptation and mitigation is adjusted annually depending on economic fluctuations. In 2016, the share of adaptation in bilateral climate finance provided by the BMZ amounted to 48.2 per cent, the share of mitigation to 51.8 per cent.

Multilateral commitment:

Multilateral cooperation complements the BMZ's bilateral activities. Multilateral development banks realise comprehensive programmes in developing countries and emerging economies and can coordinate the interventions of different donors. They are expected to take a pioneering role in directing global financial flows towards low-emission and climate-proof investments.

Multilateral commitment:

- Green Climate Fund (GCF): For the GCF (established in 2014, with an endowment of ten billion dollars), the German government is making available 750 million euros. All of Germany's funding comes from the budget of the BMZ.
- Global Environment Facility (GEF): For the GEF (with countries pledging a total of 20 billion dollars in six replenishment rounds since 1991), the BMZ is the third largest donor after Japan and the United States.
- Least Developed Countries Fund (LDCF): For the LDCF, for which countries have so far pledged a total of 1.2 billion dollars since 2004 and which focuses on adaptation measures in the poorest countries of the world, the BMZ is the largest donor.
- Other multilateral contributions are mostly channelled through institutions of the World Bank especially for climate risk insurance and forest protection measures in developing countries (Forest Carbon Partnership Facility – FCPF).

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Addresses of the BMZ offices

BMZ Berlin | Im Europahaus
 Stresemannstraße 94
 10963 Berlin, Germany
 Tel. +49 (0)30 18 535-0
 Fax +49 (0)30 18 535-2501
 BMZ Bonn
 Dahlmannstraße 4
 53113 Bonn, Germany
 Tel. +49 (0)228 99 535-0

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