CONCLUSION

The individual contributions in the Climate Report suggest the following central statements and recommendations for political action:

1. CLIMATE PROTECTION TARGETS HAVE BECOME INCREASINGLY IMPORTANT FOR THE PRIVATE SECTOR; MARKET-FOCUSED LEGAL FRAMEWORKS AND A RANGE OF GOVERNMENT INITIATIVES SUPPORT THIS DEVELOPMENT.

The Paris Agreement appears to have a positive impact on climate financing by the private sector. The confidence of the private sector in climate policy targets has grown along with the willingness to invest in climate-compatible areas. However, there are still uncertainties regarding the actual implementation of the formulated climate goals. The situation thus calls for a clear, reliable and market-focused legal framework. In the various G20 countries, this framework differs widely; in the industrialised countries, it is much stronger than in most emerging economies.

For climate financing, the private sector and politics are dependent on each other. Source: Tobias Schwarz, Reuters

Against this background, an increasing number of G20 countries are establishing CO_2 pricing systems, particularly with a view to the competitiveness of their respective economies. The recognition that insufficient consideration of the CO_2 emissions associated with goods, services and investments is detrimental in the long run, particularly when it comes to export and foreign direct investment, is driving the political and economic course of action in many countries. Both CO_2 taxes and emissions trading systems are popular instruments, partly also as a supplement or substitute for more inefficient and less market-compatible legal regulations such as feed-in tariffs. From an entrepreneurial point of view, this results in cost factors (e. g. savings through higher energy efficiency or use of renewable energies) and image issues ("green" products, corporate responsibility, etc.); the development of future-proof business models is also fostered (reduction of own CO_2 intensity as a reaction to political risks in the form of more stringent climate protection legislation).

Apart from economic drivers, health and environmental policy aspects, such as air pollution, also play a central role in climate-related financing in many G20 countries; in China, the term "green finance" is preferred over "climate finance" for this reason. Arguments around energy (supply security, energy prices), industrial (technology development, economic modernisation), structural (regional development) and employment

policy ("green" jobs) also play a role. Climate financing is thus only relevant insofar as the measures and investments concerned also have a climate protection effect above and beyond the aforementioned effects.

The international dialogue on these issues must undoubtedly be intensified. The aim would be to coordinate the various national legal frameworks as far as possible to facilitate investments compatible with climate protection by internationally active private-sector players under similar competitive conditions.

2. THE FINANCIAL SECTOR MUST BE INTEGRATED AS A PREREQUISITE FOR ACHIEVING AND FINANCING COMMITMENTS FOR CLIMATE PROTECTION; POLICYMAKERS MUST REMOVE BARRIERS IN THIS RESPECT.

The commitments and promises of the wealthier countries to implement transparent and continually growing climate financing to the benefit of the poorer countries is a core element of the Paris Agreement. The donor countries must expand public climate funding with the help of the private sector to meet their commitments. A positive tendency is in fact becoming apparent in this context. The financial markets have also shown a measurable development over the past few years, as indicated by the growing number of insurance and investment companies, banks and funds that have made sustainability and climate factors a priority.

In the various G20 countries, this development is taking place at a different pace. In particular Great Britain, but also the USA, France, China and India, are all striving for international leadership in the young segment of climate finance. Green bonds are in vogue, but they remain a niche market; its expansion is obstructed due to the weakness of the capital markets in many G20 emerging markets. In addition to insufficient data availability and measurability of climate-relevant effects, further general obstacles to the expansion of climate finance are a lack of legal certainty as well as political and economic instability in some areas.

The clear difference between the longer-term temporal horizon of climate protection and the more short-term investment horizon of the producing and financial economy undoubtedly remains a fundamental problem. This dilemma also frequently applies when it comes to policy perspectives. However, the lack of measurability and transparency with regard to greenhouse gas emissions is also an obstacle to the reconciliation of these perspectives. As a result, climate issues are commonly not considered in the scope of financing decisions even though they may be of relevance from the decision-makers' point of view. Policymakers should thus support the development and standardisation of measurement methods and reporting as well as the necessary internalisation of emission-related external costs. The public sector should also take the opportunity to take account of climate and sustainability aspects when formulating the strategy for government funds and investments. This would, in turn, also drive developments in the private sector. In the foreseeable future, investment incentives by the state, national and regional development banks, as well as by funds are likely to remain of central importance, especially in many emerging markets.

In many G20 countries, the subsidisation of fossil fuels is another major obstacle to the growth of climate financing. In some countries, this subsidisation has been declining in recent years which has been facilitated or driven by the global fall in the price of these energy sources. However, the volume of such subsidies remains enormous. A reduction in state influence (and expenditure) would have a positive effect on climate financing in this context.

3. THE CLIMATE FINANCE OF THE PRIVATE SECTOR HAS SO FAR CONCENTRATED ON RENEWABLE ENERGIES, NECESSITATING INCENTIVES FOR AN IMPROVED BALANCE.

The focus of climate finance on emission reductions in the electricity sector has resulted in an imbalance between investments in power plants and network infrastructures in many G20 countries. As a result, clean electricity is often not used, and the resulting downtimes cause additional costs. From a political perspective, this calls for legal regulations to enable private-sector investment in a way that is beneficial to the overall system, i.e. to maximise (cost) efficiency in energy utilisation where possible and foster the conversion of the energy system. This principle applies to both costs and climate protection. In this sense, climate financing must integrate the construction, mobility, agriculture and forestry sectors to a greater extent. There is also still a lot of potential in the area of energy efficiency.

The fact that private climate financing has so far hardly covered the area of adaptation to the effects of climate change is another fundamental imbalance. The accelerating process of global warming makes this aspect of climate protection increasingly important. A sensible approach to foster private sector investment in this area are measures such as climate insurance for emergency aid and reconstruction after catastrophes due to increasingly extreme weather events. The InsuResilience initiative, which was launched by the German Federal Government in the context of its G7 presidency in 2015, involves the insurance industry and development banks. New insurance markets are generated with the support of public funds, which, in turn, have a beneficial effect on adaptation measures and risk provision. Instruments of this kind should be considered by policymakers in response to the consequences of climate change. This would also have an indirect effect on the flow of refugees.

Jasper Eitze is Coordinator for Energy, Climate and Environmental Policy at the Konrad-Adenauer-Stiftung.