



2021 European Climate Change Adaptation Conference

Webinar 25 May 13:30 - 16:00 CEST

Financing climate adaptation: from climate-proofing investment to mobilizing funds for a resilient society

Break out groups highlights and key messages

Context

The ECCA21 opening webinar “Financing climate adaptation: from climate-proofing investment to mobilizing funds for a resilient society” shed the light on the urgent need to mobilize public, private and alternative financing sources to help the society to adapt to a changing climate.

During two live panels, key experts from international organizations and the financial sector presented and discussed innovative solutions on financing climate adaptation, while participants provided their ideas and insights on the different key tools, drivers and services for sustainable finance in four interactive break-out groups which dealt with the following topics:

1. Financing solution for cities;
2. New standards and metrics;
3. Climate services;
4. Business case for adaptation: development of an adaptation investment plan.

The main insights and ideas raised during this last and more interactive session provided the ground for the elaboration of key messages (outlined below) that will be shared in the 10th webinar held with all webinar champions and possibly they will be raised during the High-level event on 22nd June.

Main highlights

Financing solution for cities

Co-moderators: **Idan Sasson** (Cities Climate Finance Leadership Alliance/Climate Policy Initiative), **Eyerusalem Masale** (Cities Climate Finance Leadership Alliance/Climate Policy Initiative) and **Katarzyna Smętek** (Polish Youth Climate Council)

This breakout group focusing on the barriers and opportunities in financing adaptation solutions in cities. This included input on what makes adaptation finance more challenging than mitigation finance, what are the opportunities for urban climate finance as opposed to



adaptation finance more generally, and what are some successful cases that can be learned from for urban adaptation infrastructure.

New standards and metrics

Co-moderators: **Walter Kahlenborn** (Adelphi) and **Arianna Lovera** (Italian Forum for Sustainable Finance)

The presentation of the new ISO standard 14091 “Adaptation to climate change: Guidelines on vulnerability, impacts and risk assessment”, as well as the content and applicability of this standard opened this session and guided the discussion among participants.

The debate was focused on which are the contexts where standards and metrics are currently missing, which gaps exist regarding already existing standards and metrics, and whether the new ISO 14091 standard could be a useful tool to address some of the needs for driving investment in climate resilience.

Key challenges identified concerned the lack of a universal definition of adaptation and metrics that can measure adaptation progress and project outcomes at local level. Another aspect were standards are lacking concern standards or certification of people competent to advise on the matter, in order to bridge the gap between science and finance.

Climate services

Co-moderators: **Karianne de Bruin** and **Ingrid Coninx** (Wageningen University & Research)

This session was to discuss the role of climate services to enable finance for adaptation as well as the role of climate services for the financial sector. Two projects have been presented and the discussion was raised on the experiences and recommendations for better knowledge sharing and more fruitful collaborations.

Business case for adaptation: development of an adaptation investment plan

Co-moderators: **Genevieve Mortimer** (Climate KIC Australia) and **Alyssa Gomes** (Adaptation Fund)

After the presentation of the “Adaptation Finance Project” led by Climate-KIC Australia, the participants were taken a thought experiment which provided a real-world example of why adaptation action is not currently financeable at scale and how shifting from a single-asset to a system view when establishing a business model may unlock investment. This interactive simulation allowed the audience to step through and discuss what a systemic approach could look like and why it is needed to unlock finance.

The main learning was that *systemic approach* to adaptation finance provides the opportunity for future projects to move from incremental to transformative change.



Main key messages

Sharing knowledge

New or emerging understandings:

- a) The adaptation sector is not a singular topic or challenge, but it is intersectional with a host of other social, political, and economic challenges.
- b) There are various funding opportunities for smaller scale adaptation projects, particularly in the Global South, but it is difficult to know how to access them
- c) While solutions and approaches may be different for global north and global south there is still a lot of opportunity for shared knowledge exchange.
- d) A systemic approach provides the opportunity for future projects to move from incremental to transformative change. The approach taps brings forward the emergent future value of systemic adaptation into business models.
- e) The value of adaptation is inherently created in the interconnected emergent value of the system.

Inspiring and effective examples of knowledge sharing (think also about digitalization, social media and education).

- a) The connection between Climate-KIC Australia and its findings with the Adaption Fund and UNEP Finance Initiative.

Recommendations to improve knowledge sharing.

- a) The term “adaptation” needs to be defined and communicated better. Since many projects are implemented, but not named as such.
- b) The whole process of knowledge sharing needs to involve multi-stakeholder and multi-beneficiary groups in order to be effective.

Inspiring actions for transformation

Inspiring actions that have fostered the recent transformations.

- a) New ISO standard 14091 “Adaptation to climate change: Guidelines on vulnerability, impacts and risk assessment” developed by Amundi:
<https://www.iso.org/obp/ui/#iso:std:iso:14091:ed-1:v1:en>
- b) CLIMINVEST project [funded by JPI Climate funded research (ERA4CS)]:
<https://www.ecca21.eu/participants/246#363564>

Recommendations to overcome remaining bottlenecks.

- a) Finance needs to engage with the emergent and regional value of adaptation. Instead it is often steeped in a paradigm that outcomes can be measured at the single asset level and spends effort and funding to generate precision around impacts.



Creating connections and collaborations

Successful collaborations/initiatives as enabling tools to analyze, design or plan solutions.

- a) Climate KIC Australia-Adaptation Finance Project: <https://climate-kic.org.au/2020/11/23/new-report-surfaces-fundamental-impasse-in-climate-adaptation-finance-gap/>
- b) Climate KIC- Transformational Capital Whitepaper: <https://www.climate-kic.org/programmes/transformation-capital/>

Lessons learnt from these collaborations and initiatives.

- a) Regions with systemic adaptation plans can connect in with Climate KIC and Climate KIC Australia transformational finance initiative to prototype a financing approach which is designed to enable systems change.

Recommendations for future collaborations.

- a) Cooperation between financial institutions, cities and international partners is needed in order to arrange the often-complex adaptation finance solutions. No single partner can do it alone.
- b) Public-Private-Partnerships offer great opportunity. It's great to mix financing approaches and multi-donor funds can be utilized to leverage adaptation projects in cities.
- c) Decision-makers should realize that various stakeholders want to cooperate - they want to provide proposals, suggestions and ideas. It is important that political leadership recognize the opportunity in bringing together diverse stakeholders.
- d) Government should provide clear and stable regulations on open data and should support the standardization of data and methods.
- e) Research should build trust with finance sector via 3rd party mutual liaisons and collaborating on concrete goals or in community of practice, in addition to provide information that is relevant to the financial sector and improve communication.
- f) Education should connect students from natural sciences with students from finances (BG3).
- g) Municipalities should build networks with local businesses and financial sector.
- h) Business should be supported by the finance sector by non-repayable investments for best practices on sustainable management.

Implementing action

The adaptation solutions needed in the longer-term pathway toward a resilient society.

- a) Public funds offer a means to unlocking private finance for adaptation solutions.

The key ingredients for a recipe for success related to the implementation of actions and solutions.

- a) Co-benefits (monetary benefits combined with social/environmental aspects) inspire implementation of further action and can demonstrate the full value of adaptation solutions.



- b) The development of adaptation indices for countries, similar to existing vulnerability indices.
- c) Standards and metrics for transformative adaptation, instead of only incremental adaptation, are necessary.
- d) The finance paradigm for adaptation needs to shift from a single asset to systemic investment logic if we are to scale investment adaptation and avoid large-scale maladaptation.

Recommendations to improve implementing adaptation action in the future.

- a) The traditional model of assessing needs, developing a business case and accessing funding, cannot work. A new paradigm is needed, in which we set a vision, identify the points of strategic leverage, and attract catalytic investment. Regions and communities need to establish an integrated social, environmental and economic vision. The new adaptation capability is to identify the key initial and connected initiatives that will breathe life into the vision.
- b) It is important to prioritize the multiple municipal needs in a given project and divide it into various sectors. Then it can be thought of holistically.
- c) A clearer, universal definition of adaptation is needed and how it can be differentiated from development or other purposes of finance.
- d) Further developments are also needed to identify adaptation progress at local and project level, including detailed criteria for implementation of policies and assessment of donor funding.
- e) Climate risk assessments results should be used to enable more finance for adaptation.