Climate Finance for Cities – update from some European initiatives

Thematic Session 2B: Boost financing for climate action at the local level

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Fedra Vanhuyse, PhD
Head of Division – Societies, Climate and Policy Support at SEI
Finance and Procurement Expert, Viable Cities Strategic Innovation Programme
Climate change has cost the EU €145 billion in a decade

Greenhouse gas emissions by source sector, EU, change from 1990 to 2020
(million tonnes of CO₂ equivalent and % change)

Annual investment needs through 2030 to decarbonize economies in Europe:
between 400 and 800 billion USD

Sources:
- https://europeansting.com/2022/12/05/climate-change-has-cost-the-eu-e145-billion-in-a-decade/
The EU missions

- The EU Mission for Climate-Neutral and Smart Cities – 100 EU cities and 12 cities from countries associated to Horizon Europe (2021-2027).
- The EU Mission on Adaptation - 202 EU regions and local authorities from 24 EU Member States; and 13 regions and local authorities from countries associated to Horizon Europe (2021-2027)

Some national level initiatives

• The Swedish Strategic Innovation Programme Viable Cities, aimed at supporting Climate Neutral Cities 2030 with a good life for all within planetary boundaries. Currently 23 cities, representing 40% of the Swedish population
  o Average territorial emissions in Sweden: about 4,4 tonnes of CO2-e per capita (2020)
  o Average consumption-based emissions in Sweden: about 7,65 tonnes of CO2-e per capita (2020)
• The Spanish CitiES2030, supporting 8 Spanish cities with climate neutrality by 2030

The approach for financing climate-neutral cities

0. Current emissions in the city
- Territorial or consumption-based
- Asset structure in the city

1. Forecasted emissions (2030)
- Territorial or consumption-based
- Asset structure in the city

2. Defining climate actions – goal is net zero
- Behavioural change measures
- Technological improvements and shifts to renewable energy
- Negative emission technologies

3. Assessing consequences
1) Risk management
2) Economic case

\[ f(x) = -I_{at} + \sum_{t=0}^{n} \frac{R_{at} - C_{at}}{(1 + i_a)^t} \]

With: Capital investment (I); Revenue (R); Costs (C); over time (t); per actor (a) with \( i \) the interest rate per type of actor

3) Policies and policy instruments analysis (city, region, national and supranational mapping)

4. Climate Investment Planning
Focuses on the capital planning
- Considers financial rating of the “asset owner”
- Considers financial instruments each owner has access to
- Includes terms and conditions, such as interest rate, payback term
- Requires monitoring of the impact of the investment, and alignment with rules and regulations such as the EU Taxonomy
Reflections

• NOVEL: whole-of-city approach
  o Many actors in the city and around the city
  o Many assets that need to be “converted”
    -> buy-in from all actors in the city – everyone needs to change
    -> to avoid stranded assets and white elephants

• Risk management essential – both with the climate action and the investment plan

• Ability and willingness of different actors to support the climate action and investment plan
  o Credit rating of different actors and financial instruments available
  o Citizen: equity and equality challenge
  o Institutional investors: systems thinking – EU Taxonomy on Sustainable Finance – redirecting fossil-fuel support
  o Public actors: redirecting public funding (including fossil-fuel support)

• Iterative – the climate action and investment plan change continuously
For the 291 cities in Sweden – a dashboard that combines climate action and economic costing (beta-version – open access and free of use)

https://seivcf.eu.pythonanywhere.com/


In 2023

- Further elaboration of the dashboard; highlighting also measures that work for adaptation – for more countries across Europe as part of the Net Zero Cities consortium
- Portfolio approach – within a city and across cities (e.g., what to procure together)
- Redirecting public funding and attracting private investments – how to?

SourceS: https://netzerocities.eu/
Further reflections

• Supporting nations outside the EU and LMIC - see. e.g., consumption-based emissions, through the provision of:
  • Concessional funding
  • Blended finance
  • Loss and damages
More information? Please contact:
fedra.vanhuyse@sei.org or
fedra.vanhuyse@viablecities.se