



# Climate Resilience Programme

As the effects of climate change become increasingly severe, the urgency to direct financing from capital markets toward climate resilience grows more pressing. The United Nations Environment Programme (UNEP) estimates physical adaptation and resilience financing needs in developing countries of up to USD300bn per year by 2030, while global adaptation and resilience financing needs are significantly higher.<sup>1</sup>

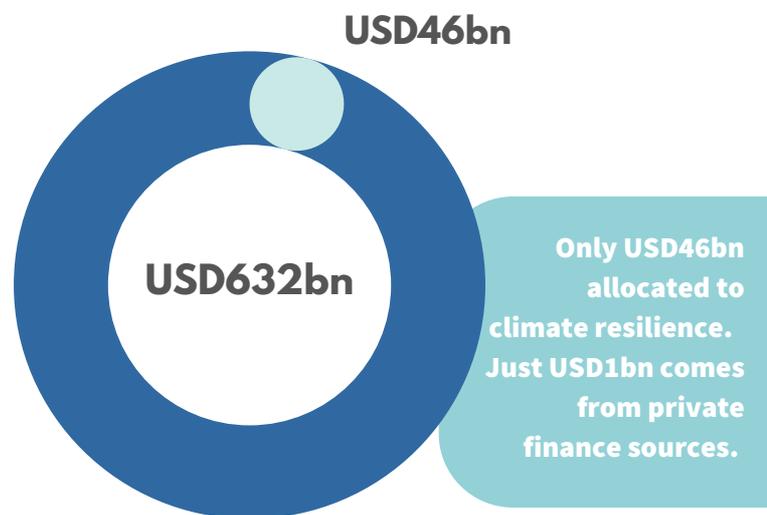
Current finance flows for climate resilience are way below these estimated needs. In 2021, the Climate Policy Initiative found that financial flows related to climate resilience were only USD46bn per year, out of total reported climate finance flows of USD632bn per year.<sup>2</sup>

Almost all adaptation finance comes from the international public sector, with less than USD1bn from private finance sources. The sustainable bonds market offers a substantial opportunity to bridge the gap between current finance flows and the estimated requirements for climate resilience.

Green bonds have channelled over USD3tn from capital markets to sustainable activities. They have emerged as a primary vehicle for financing climate action. Despite the significant progress made by sustainable bonds, only a small portion of the capital flows are currently directed towards climate resilience: only 19% of labelled green bonds were found to have any resilience-related use of proceeds.<sup>3</sup>

The demand for thematic borrowing and investment has expanded and diversified in recent years, encompassing areas such as social, sustainability, SDG, blue, and resilience, among others. Despite this growth in demand for labelled issuances, the supply of project pipelines still falls short, leaving investor demand unmet.

The lack of clarity on what constitutes a resilient investment is a major reason for the supply and demand mismatch in climate resilience investments. This uncertainty makes it difficult for both investors and issuers to identify credible and impactful projects for inclusion in thematic instruments, hindering the flow of capital towards this critical area.



## Advancing Climate Resilience

To overcome this challenge Climate Bonds Initiative (Climate Bonds) is developing a Climate Resilience Taxonomy that will provide a classification system and screening criteria for climate resilience investments. This taxonomy will promote a more consistent, transparent, and systematic approach to defining and identifying such investments.

The development of the Climate Resilience Taxonomy is one of several key levers for mobilising finance for climate resilience that Climate Bonds is pursuing as part of its Global Resilience Programme.



### Goal

To mobilise global capital for investments that enhance the climate resilience of economic, social, and ecological systems.

### Objectives

To catalyse USD1.5tn within the thematic bond market to be directed toward resilience investments by 2025.

To influence the public sector in priority Climate Bonds geographies to put in place measures that incentivise investments in and reduce the cost of capital for projects that enhance climate resilience.

## The Resilience Programme has three expected outcomes:

### Outcome 1:

Investment opportunities that build resilience are being identified using common, science-based standards and definitions.

### Outcome 2:

Credible resilience measures are being financed at scale through the sustainable debt market.

### Outcome 3:

The scale and speed of growth of resilience investments are accelerated through a supportive policy and regulatory environment that is underpinned by common and credible definitions of resilience investments.

## Programme scope:

Central to the Climate Bonds strategy is to use clear science-based green definitions backed by institutional investors as a tool to mobilise governments and the public sector to act. Climate Bonds plans to execute its strategy through three outlined workstreams.



### Workstream 1: Science-based rulesets

Create clear guidelines and criteria for sovereign, sub-national, and corporate to issue debt for projects that increase physical, social, economic, and ecosystem dimensions of resilience. This involves developing a Climate Resilience Taxonomy and updating the Climate Bonds Standards and Certification Scheme to certify bonds aimed at building resilience.

### Workstream 2: Market & pipeline development

Promote market growth by offering training, support, and tools that enable demonstration issuances (sovereign, sub-sovereign, and corporate) to kick-start markets and mobilise resilience finance. Climate Bonds will engage with investors to provide education, improve reporting, and transparency, and establish a knowledge-sharing platform for issuers and early adopters in the market.

### Workstream 3: Enabling policy

Incorporate resilience definitions into national and regional taxonomies. Climate Bonds currently advises over 20 countries like the EU, China, and India. Promote resilience policies, including credit support, preferential lending, and fiscal measures. Provide practical policy recommendations to policymakers and development finance institutions (DFIs), supported by partners and global investors.

## About Climate Bonds

An international non-profit organisation working to mobilise global capital for climate action. We achieve this through the development of the Climate Bonds Standard and Certification Scheme, through our policy engagement efforts and market intelligence work. We empower our partner organisations and key stakeholders with the tools and knowledge needed to navigate, influence and instigate credible change.

To learn more about the Climate Resilience Programme, please visit [www.climatebonds.net](http://www.climatebonds.net) or contact Ujala Qadir at [ujala.qadir@climatebonds.net](mailto:ujala.qadir@climatebonds.net)

#### Endnotes:

1. United Nations Environment Programme (UNEP), 2021. Adaptation Gap Report. Available online: <https://www.unep.org/resources/adaptation-gap-report-2021> [Accessed June 2023].
2. Climate Policy Initiative, 2021. Global Landscape of Climate Finance 2021. Available online: <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2021/> [Accessed June 2023]
3. Climate Bonds Initiative, 2021. Estimate.