WEBINAR 4
Supporting Mitigation Finance through Blockchain
Dr Pedro Baiz
Director of Research (Finance)
Research Division I
Overview of Sustainable/Green Finance

Sustainable finance refers to the process of taking environmental, social and governance (ESG) considerations into account when making financial decisions.

https://committee.iso.org/home/tc322
Local Mitigation Finance
The Current State of Climate Finance

Market observations and patterns:

- Most climate finance is mobilised and deployed domestically.
- Most private climate finance is provided by corporations and households.
- Most climate projects are financed and implemented by the same organisation.
- Technological advancements have led to innovations in many sectors, especially energy, agriculture, forestry, waste, and transport.
- Currently, mitigation-focused finance represents over 70% of the public finance reported in developing countries.
Global Landscape of Climate Finance

The end of 2019 edition of “Climate Policy Initiative’s Global Landscape of Climate Finance” provides a comprehensive overview of global climate-related primary investment. The report includes the first major wave of investments following ratification of the Paris Agreement, in 2017 and 2018. Some key facts:

- Average annual public climate finance: USD 253 billion in 2017/2018, representing 44% of total commitments.
- Private finance: USD 326 billion on average annually in 2017/2018, continues to account for the majority of climate finance, at around 56%
- Mitigation finance accounted for 93% of total flows in 2017/2018, or USD 537 billion annually on average
- Renewable energy remains the primary destination sector for global climate finance tracked in the 2017/2018, representing USD 337 billion annually, or 58% of global climate finance.
- East Asia & Pacific remained the largest regional provider of and destination for climate finance, rising to USD 238 billion on average per year in 2017/2018 from USD 180 billion in 2015/2016

Climate Finance Gap

The OECD estimates that USD 6.9 trillion a year is required up to 2030 to meet climate and development objectives.

Using OECD and CPI figures, there is an annual finance gap of over 90% of the $100tn global bond market is invested in green bonds.

$6.3tn is needed/year to 2030 to meet development goals

$6.9tn to meet the Paris Agreement goals

Source: OECD [2017] [2]
Source: G20 Green Finance Study Group [2016] [3]

Barriers for Unlocking Private Climate Finance

1. Lack of communication between financial institutions and local governments
2. Uncertainty over regulation and tax policies
3. Inadequate capacity and expertise
Sustainable Impact for Communities: Green Bonds

Types of Green Bonds

1. Energy
2. Waste Management
3. Circular Economy
Mitigation Finance and Emerging Technologies
Emerging Technologies

Blockchain is NOT a standalone technical all-in-one solution. It works best when combined with other technologies, such as:

- Big Data
- Internet of Things
- Cloud Computing
- Edge Computing
- Distributed Computing
- Machine Learning (AI)
Aim: To bring computing services closer to service consumers or data sources.

The practice of capturing, processing, and analysing data near where it is created.

Distributed and open architecture, decentralised processing power

Creates new and improved ways for industry and businesses to
✓ maximize operational efficiency,
✓ Improve performance and safety,
✓ automate all core processes, and
✓ ensure availability at all times.

Helps solve challenges with bandwidth, latency, resiliency and data sovereignty.

Use cases: IoT, robotics, machine learning, or all those that require service provisioning closer to users.

Concrete examples: smart utility grid analysis, safety monitoring of oil rigs, streaming video optimization, and drone-enabled crop management

Edge computing can provide an infrastructure for blockchain nodes to store and verify transactions.
THANK YOU