



IFC

Financial Institutions Group (FIG)

Climate Finance

As of September 2024

Industry Context

Climate change represents both a challenge and an opportunity for financial institutions in emerging markets. Climate mitigation and adaptation needs in emerging markets and developing economies are significant, with estimates ranging between \$1.7 trillion and \$3.4 trillion annually by 2030 – an amount that cannot be financed by the public sector alone. The private sector has a critical role to play by investing in low-carbon technologies, creating jobs and skills, and building resilience into its investments and operations. Indeed, according to the IMF, 80-90% of the climate finance needed in emerging markets will have to come from the private sector. Fortunately, financial institutions are increasingly building climate finance into their long-term strategies and portfolios, and financial markets are integrating climate transition risks and opportunities into investment decision-making.

FIG Climate-Related Committed Portfolio



\$18.5 billion

to climate-related projects



through **160+**
emerging market
financial institutions

IFC Strategy and Portfolio

Since the 1980s, IFC has been a critical player in climate business and continues to be a leader in this space. IFC's climate business is focused in the near term on five strategic areas – clean energy, climate-smart cities, climate-smart agribusiness, green buildings, and green finance. IFC is committed to working with financial institutions to finance projects that will support mitigation and adaptation. In addition, IFC has committed to aligning 85% of its new investment projects with the objectives of the Paris Agreement starting July 1, 2023, and 100% of these investments starting July 1, 2025.

FIG focuses on investing directly in and partnering with financial institutions in climate-smart sectors to reduce GHG emissions and support climate change adaptation. FIG's climate finance strategy is guided by three priorities:

- Help create a livable planet for all by ensuring climate markets and sustainability engagements support a just transition.
- Create and grow climate markets through investment, mobilization, and institution building.
- Enable emerging market financial institutions to meet their Paris Agreement commitments.

IFC'S CLIMATE BUSINESS WITH FINANCIAL INSTITUTIONS HAS SKYROCKETED

- In FY25Q1, FIG's climate finance projects totaled \$1.75 billion across 12 projects, including \$1 billion in own account volume and \$750 million in core mobilization.
- FIG's investment partners have reported projects leading to an estimated reduction in GHG emissions of 24.33 million tCO₂e/year.
- IFC was the first issuer of a \$1 billion benchmark green bond in 2012 and has issued \$13.9 billion in 207 green bonds in 21 currencies.
- IFC's advisory services facilitate global client financial institutions to build climate finance portfolios, avoiding additional millions of tons in annual GHG emissions.

STRATEGIC INITIATIVES

BLUE FINANCE

The Global Blue Bond Project achieved a significant milestone reaching a cumulative financing total of \$1.6 billion since its inception in 2020, including three IFC blue loans totaling \$172 million most recently in FY24. IFC partnered with T. Rowe Price to develop a global blue bond investment strategy, which contributed to winning the 2024 ESG Initiative of the Year award in the Americas from Environmental Finance. Furthermore, IFC was recognized as the Best Multilateral Institution for Sustainable Finance by Global Finance, highlighting its blue-themed bonds that support sustainable ocean economies. Additionally, the Philippine SEC issued new guidelines on Blue Bond Issuance in September 2023, building on IFC's Blue Finance Guidelines and reflecting increasing global interest and commitment to the blue economy, underscoring IFC's leadership in this field.

ADAPTATION & RESILIENCE

In FY24, FIG committed \$84.4 million in own account climate adaptation & resilience finance across 15 projects in the areas of climate smart agriculture, green buildings, renewable energy, and biodiversity. Examples of deals include: IFC's commitment of \$130 million to DLL, a Rabobank subsidiary, to finance sustainable equipment for agri-SMEs in Brazil, Chile, and Poland, with at least half of the proceeds earmarked for climate adaptation. Meanwhile in Morocco, IFC provided a risk sharing facility for up to \$15.8 million to Banque Centrale Populaire to help farmers and distributors acquire photovoltaic and drip irrigation equipment, enhancing renewable energy and water management in agriculture.

Project Examples



AXIS BANK (INDIA)

IFC is partnering with Axis Bank, one of the largest private sector banks in India, to provide a \$500 million loan to help develop a blue finance market and scale up financing of green projects in India. This is IFC's first blue investment in India and the first blue transaction by a financial institution in the country. This loan will not only catalyze private sector investment in this emerging asset class but also raise and direct long-term funding for investments such as water and wastewater management, reduction of marine pollution, restoration of ecosystems, sustainable shipping, and offshore renewable energy. As part of its advisory services, IFC will support Axis Bank in growing its green buildings portfolio, including for affordable housing projects and building capacity for impact reporting.



AAIB SUSTAINABILITY BOND

In Egypt, IFC committed \$300 million in Arab African International Bank's (AAIB) \$500 million sustainability bond, alongside EBRD and BII. The sustainability bond is the first in Egypt - and the largest issued by a private bank in Africa - and will support green and sustainable projects in Egypt. 75 percent of the bond's proceeds will be allocated to green financing, including industrial energy efficiency, small-scale renewable energy projects, and green buildings. The other 25 percent will be earmarked for social assets including inclusive finance and MSMEs. The bond will help Egypt meet its goal of reducing greenhouse gas emissions by 37 percent by 2030.



BBVA BIODIVERSITY BOND (COLOMBIA)

In July 2024, IFC and BBVA Colombia issued a \$15 million first tranche of the world's first biodiversity bond that will amount to \$70 million, with the objective to finance projects that address the key drivers of biodiversity loss, particularly focused on reforestation, regeneration of natural forests on degraded lands, climate-smart and regenerative agriculture, and restoration of wildlife habitats. The operation will help establish eligibility criteria and reporting indicators for activities that help protect, maintain, or improve biodiversity and ecosystem services.