



# **CITIES**

## **The Cities Climate Finance Leadership Alliance Action Statement**

*Provisional copy*



**CLIMATE SUMMIT 2014**

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## Action Statement

### The Cities Climate Finance Leadership Alliance

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#### THE ROLE OF THE CITIES CLIMATE FINANCE LEADERSHIP ALLIANCE

Cities are at the center of the world's efforts to address the threat of climate change. The Intergovernmental Panel on Climate Change (IPCC) estimates that urban areas account for 71–76% of energy-related CO<sub>2</sub> emissions, and the world's cities produce almost half (37-49%) of all global greenhouse-gas emissions. Most urban dwellers are already exposed to the severe impacts of climate change, including flooding, drought, heat waves, and water stress. A recent World Bank research report observes that "more than eighty percent of the overall annual global costs of adaptation to climate change are estimated to be borne by urban areas." Economic losses due to floods in 2010 were approximately 170% greater than in 1990.

Cities today also face extraordinary challenges due to growing populations and the impacts of climate change. Urban populations are increasing rapidly: cities are growing by nearly 180,000 people every day. By 2030, urban areas will be home to almost five billion people, more than sixty percent of the global population. Many cities are also struggling with outdated or inadequate infrastructure. Growing populations, especially in developing countries, are increasingly straining the capacity of these systems.

The members of this Alliance share a common goal of accelerating investment in low-carbon and climate-resilient urban infrastructure to address these dual challenges. Against this backdrop:

***The mission of the Cities Climate Finance Leadership Alliance is to catalyze and accelerate additional capital flows to cities, maximize investment in low-carbon and climate-resilient infrastructure, and close the investment gap in urban areas over the next fifteen years.*** The success of the Alliance will be measured by its ability to stimulate the flow of investment towards climate-related infrastructure projects in cities across a large spectrum of financial actors, nationally and internationally, that includes the mobilization of private capital that will help grow the market from billions to trillions of dollars each year. In addition, the Alliance will facilitate collaboration among these stakeholders, with a primary focus on macro-scale solutions in which collective action will be highly valuable and complementary to efforts already underway around the world.

Investments in low-carbon and climate-resilient infrastructure can lower emissions and reduce the risk of future damage in urban areas due to climate change and weather-related extreme events. These investments can simultaneously deliver significant social and economic benefits. Many of these investments will also reduce systemic risks to the mainstream portfolios of most investors. In this regard, it is imperative to expand investment in energy efficiency, renewable energy, and resilient energy solutions.

The unmet demand for investments in low-carbon and climate-resilient urban infrastructure remains enormous. According to the World Economic Forum and World Bank, more than \$1 trillion per year is needed to finance the infrastructure gap in low- and middle-income countries. The World Bank estimates that about half of the total cost for "climate-proofing" infrastructure will be for urban-specific infrastructure investments. Others have suggested that this figure will be much more, as high as 80%.

There are many reasons for this investment gap, including:

- Lack of critical information;
- Institutional and regulatory constraints that have limited access to certain sources of finance;
- Inadequate levels of municipal credit-worthiness, which limit access to low-cost capital;
- The relatively small scale of (and high transaction costs associated with) many needed investments;
- Shortage of capacity at city-level to formulate projects with adequate business plans; and
- Other shortfalls in institutional capacity at the city-level.

Overcoming these structural and institutional barriers is a huge challenge, but with concerted and collaborative action it is possible to substantially increase the flow of investment capital for low-carbon and climate-resilient urban infrastructure. Creating an enabling environment that encourages private sector investment in urban infrastructure will be absolutely critical to securing the capital necessary for these investments.

The undersigned members of this **Cities Climate Finance Leadership Alliance** collectively commit to work together to remove obstacles and close the resource gap on investment into low-carbon and climate-resilient urban infrastructure. In particular, the Members of the Alliance commit to expand their efforts aimed at facilitating and leveraging similar investments through sharing of knowledge, lessons learned from past activities, and best practices. Because of the varied nature of the members of this Alliance, this commitment will – and must – take a variety of forms.

The principal added value and leverage of the Alliance comes from its ability to share knowledge and spur replication of successful investment models. Activities to be jointly undertaken by members of the Alliance include:

#### **Connect & Engage**

- **Solicit participation in the Alliance** by city networks and leaders, international financial institutions, development finance institutions, national financial institutions, non-governmental organizations, private sector institutions, and other investors;
- **Facilitate exchanges of knowledge, experience, and best practices between members that would not otherwise happen** through regular meetings of Alliance Members as well as regional meetings to allow for more regionally specific coordination.

### Advocacy & Policy

- **Identify and advocate for innovative solutions that will dramatically transform the financing landscape for low-carbon and climate-resilient infrastructure in urban areas,** with particular attention to the needs of poor communities;
- **Explore opportunities through policy and regulatory reform to incentivize efforts to plan, design, and invest in secure, cost-effective and profitable projects** in low-carbon and climate-resilient infrastructure, as well as capital-efficient packages to finance low-carbon and climate-resilient infrastructure;
- **Support increased investments in capacity building and in the strengthening of existing regional and national entities** as well as financial institutions that offer resources to local authorities, in order to enhance their capacity to prepare robust, bankable, and sustainable urban infrastructure projects;
- **Engage with leading actors in finance, including the private sector as well as national and international public financial institutions, with the intention of stimulating the scale-up of financial products,** concessionary and otherwise -- including blended funding (combining loans with grants), structured finance, municipal green bonds, green climate project bonds and innovative instruments offered by local financial institutions.

### Research & Knowledge Management

- **Identify effective solutions and effective intermediary organizations to facilitate an improved alignment of efforts by different types of investors and third party institutions,** both public and private, to coordinate offerings and assistance as well as to identify ways to blend various sources of funds into capital-efficient packages that can be used to finance new and additional investment into low-carbon and climate-resilient infrastructure;
- **Conduct research to assess the landscape, understand the challenges cities and financial institutions are facing in mobilizing investments in low carbon climate resilient infrastructure** and publish an annual report on the status of city and regional climate finance;
- **Disseminate information widely by developing an Internet-based, multi-stakeholder knowledge-sharing platform** that would act as a clearinghouse for information and resources related to city project finance and technical assistance on low carbon, resilient infrastructure.

Investments in low-carbon and climate-resilient infrastructure can yield substantial cost savings for local authorities and generate significant returns for investors. The members of this Alliance jointly assert that building the low-carbon and climate-resilient cities of the future way will generate new wealth and create the good jobs demanded by youth worldwide. This Alliance will free up the flow of new capital to cities and unblock the transformational change that is needed to meet the challenge of climate change. Together, that is what we commit today to do.

## Partners

- Agence Française de Développement (French Agency for Development - AFD (AFD))
- Kreditanstalt für Wiederaufbau (Germany Development Bank - KfW) (KfW)
- CAF – Development Bank of Latin America
- Bank of America
- Japan International Cooperation Agency (JICA)
- World Resources Institute (WRI)
- Carbon Disclosure Project (CDP)
- C40
- Climate Bonds Initiative
- European Investment Bank (EIB)
- Gold Standard
- ICLEI
- Meridiam Infrastructure
- UN-Habitat
- World Bank Group
- World Wildlife Federation (WWF)