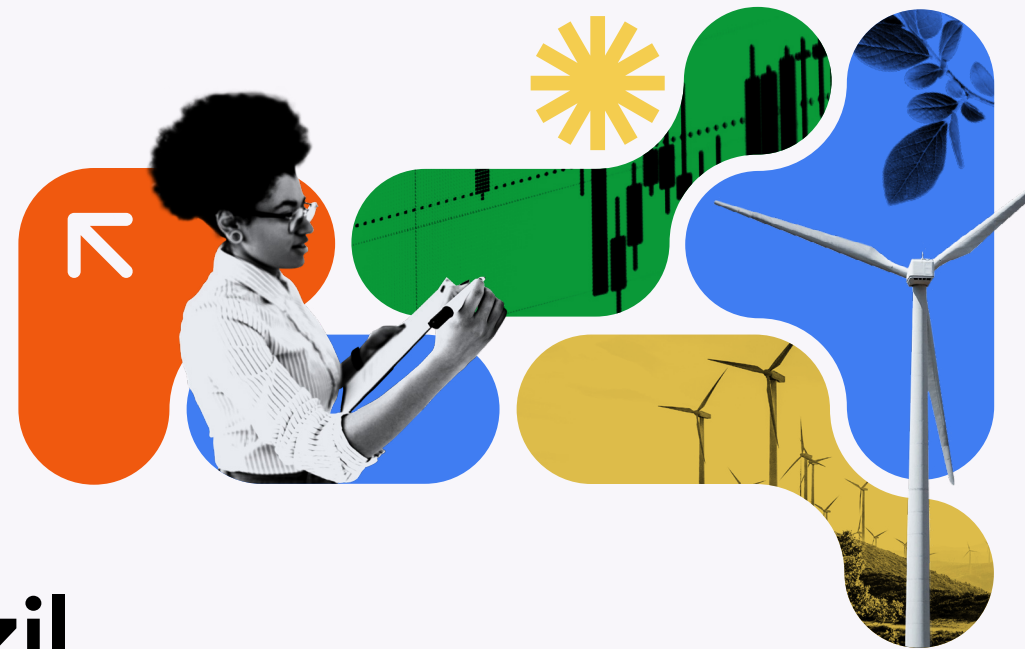


## Mobilising green investment in Brazilian states



# Understanding Climate Funding in Brazil

A mobilising green investment in Brazilian states cheat sheet

## Climate Plans

Climate decarbonisation and resilience building (adaptation) plans are essential to indicate how subnational governments plan to support national commitments, such as Nationally Determined Contributions (NDC). They must ensure, for example, that targets reflect local realities and interests, and are based on science. Yet, climate plans are not always clear for funders and investors.

## Climate Financing Plan

In order to attract funding for climate plans, states, regions and cities translate these plans into a language that potential investors can understand. This gives certainty to investors about what are their financial needs, how the transition will take place, and how these needs can be met by different types of capital. Climate Financing Plans help to provide this longer-term clarity, looking at priorities and solutions in terms of financial instruments, strategy to access different types of capital, among others. From an investor's perspective, they represent clear investment opportunities.

## Climate finance

Climate finance is an investment, from public or private sources, that supports climate mitigation and adaptation action. In other words, financial flows that have climate as a main objective. This term refers to the US\$ 300 billion of annual contributions, pledged by developed countries at COP29 in Baku, and the US\$ 1.3 trillion target from multiple sources – both part of what became known as the New Collective Quantified Goal (NCQG).

## Paris-aligned finance

Paris-aligned finance includes climate finance, and goes beyond. It ensures that all finance, even when not centrally targeting climate objectives – e.g. to build a school or a hospital, or to expand an IT startup, will be aligned with governments' climate commitments and not detrimental to climate action. In other words, alignment with the Paris Agreement should move finance towards "green" investments while also making sure to shift it away from "brown" ones, such as in fossil fuels and maladapted activities.

## “Bankable” projects

Bankability means the ability of projects to fulfil at least four criteria. First, they are technically and financially viable. Second, they are able to show additionality to climate goals. Third and fourth, they comply with minimum safeguards and can justify, whenever it is the case, the generation of co-benefits to other Sustainable Development Goals (SDGs), such as gender and social inclusion, biodiversity, etc. Ultimately, a “bankable” project is a project more attractive to different types of funders and ready to receive investments.

### Technical and financial viability

Robust, bankable projects must be technically and financially viable. This means they can show potential funders that they have a good grasp of what is necessary to deliver. It also means the project can generate returns and continue to deliver positive impact even after the investment horizon or completion of the initial implementation period.

Not all projects have to be “bankable”, but with our collective need to transition entire economies, it is crucial to boost those investments and ensure that different types of capital will be available for various parts – and types of actors – in society and the economy.

### Climate additionality

Climate additionality relates to a project’s ability to deliver positive and credible impacts in support of a climate-resilient and low-carbon transition. Broadly speaking, additionality normally indicates that a certain positive impact would not have taken place without the project. That can be in terms of increased resilience against climate impacts, transformational triggers that unlock decarbonisation processes or emissions reductions that conform to and go beyond decarbonisation pathways.

### Safeguards and co-benefits

Safeguards represent the minimum requirements that strong projects should present. They ensure that activities will not produce negative impacts thus adding risks to both communities and potential investors. Safeguards can relate to issues of human rights, gender equality and social inclusion, environmental conservation, among others.

Co-benefits represent a project’s ability to promote positive outcomes in other areas. They are not about the minimum, but rather about extra arguments that can show a project has taken a more transformational approach, making it more competitive in a search for funding. It is important that co-benefits can be objectively linked to the project, with appropriate rationale and indicator.

### Project pipeline

Project pipelines communicate upcoming investment opportunities to potential funders. For example, by improving their ability to prioritise activities and develop projects, state governments can create a pipeline of ready-to-invest projects that use various financial instruments to target different types of capital, thus attracting finance at scale to their climate transition. Project pipelines are as robust as the projects they contain. Strong pipelines will signal investors not only about the strength of existing projects but also about the proponents’ capacity to develop new projects.