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Climate

The challenge of climate change

Climate change is one of the biggest challenges facing humanity, requiring the international community to take collective action. In 2015, the international community created a political framework for this kind of action with the 2030 Agenda and the Paris Agreement. Its aim is to limit global warming to well below 2°C. However, this target can only be achieved by consistently reducing greenhouse gases around the world. More specifically, this means shifting to a climate-friendly development path where national economies rely increasingly on renewable energies rather than fossil fuels. At the same time, the possibilities for higher energy efficiency need to be capitalised on more effectively and natural carbon stores like forests and oceans better protected. And finally, there needs to be prompt action in the form of adaptation measures, since even a rise of less than two degrees in some areas of the world is set to have serious consequences. KfW is active in all of these areas, supporting its partner countries in their efforts to protect the environment and adapt to the impacts of climate change.

Current situation

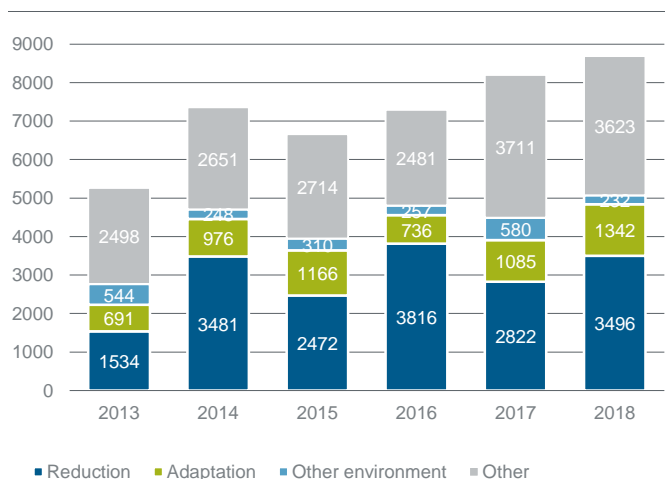
Climate change represents a global challenge. To meet this challenge head-on, the international community adopted the Paris Agreement in 2015. The aim of the agreement is to limit the rise in temperature to between 1.5°C and 2°C above pre-industrial levels, thereby preventing the most serious consequences for human beings and the ecosystem. To achieve this target, all nations must contribute to reducing greenhouse gas emissions and adapt to the

impacts of climate change. Significant investment is required to achieve this goal. To support developing countries as they face these challenges, industrialised countries have pledged to mobilise a minimum of USD 100 billion from public and private sources for climate change mitigation and adaptation starting in 2020. The international community created the Green Climate Fund (GCF) in 2010 as a key means of achieving this objective. Germany announced it would double its contribution to climate financing between 2014 and 2020.

The KfW development approach

KfW Development Bank works on behalf of the German Federal Government to implement a large part of Germany's contribution. From 2013 to 2018, KfW invested approximately EUR 23.6 billion in climate-related projects. Over half of its new commitments have the stated aim of climate change mitigation or adaptation. Around 75% of the commitments focus on climate change mitigation and 25% on adapting to the impacts of climate

Percentage of total commitments for environment and climate change 2013 – 2018



Source: own data

change. Climate change is one of KfW's key priority areas for funding.

Promoting renewable energy sources and energy efficiency is an important field when it comes to climate change mitigation. KfW Development Bank supports partner countries in the development of solar power, wind power, geothermal technology, the electricity grid and energy efficiency on both the supply and demand sides. To this end, KfW uses innovative approaches to offer the private sector incentives for investment (e.g. funds, facilities for risk mitigation, support for national feed-in tariffs). Mobility within cities, urban development in general, forest protection and waste management also play a significant role in climate change mitigation.

Developing countries are often particularly hard hit by climate change. As a result, KfW Development Bank finances projects which contribute to making people, infrastructure and ecosystems more resilient to climate change. KfW's portfolio also includes projects which tap into the potential brought about by climate change. By taking climate risks into account in agriculture and rural development, natural resources, water and waste management, coastal protection, flood and disaster prevention, KfW helps to minimise the damage caused by extreme weather conditions and climate change. Moreover, KfW is actively involved in climate risk insurance. These types of insurance models aim to cushion the negative impact of climate change (e.g. crop failure) primarily for poorer sections of the population.



Scenes from Bangladesh, a country under constant threat of flooding. Source: KfW Group, photographer: Jashim Salam

Flood protection in Bangladesh

The coastal regions of Bangladesh are among the most threatened by climate change in the world. Therefore, KfW is financing protective measures during extreme weather conditions to protect people there from great hardship. In three of the country's poorest districts located along the coast, 45 new cyclone shelters are being erected, 20 more rehabilitated to be made more "climate proof" and 80 kilometres of storm-resistant access roads built. In addition to protecting 85,000 people from storm and flood disasters, the project is also creating more than 1,700 full-time jobs and primary schools for more than 18,000 children and will reduce local transport costs by an estimated 20%.

The project in Bangladesh has a total volume of USD 80 million. The Green Climate Fund (GCF) has pledged a grant of USD 40 million for the project. In addition, the German Federal Ministry for Economic Cooperation and Development (BMZ) is offering co-financing in the amount of USD 15 million through KfW and the Bangladeshi government is contributing USD 25 million. The project is one of the first to be approved by the GCF. The GCF is a multilateral climate fund, which awards grants and loans to implementing organisations for climate-related projects. In early 2015, KfW became one of the GCF's first accredited implementing organisations.



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