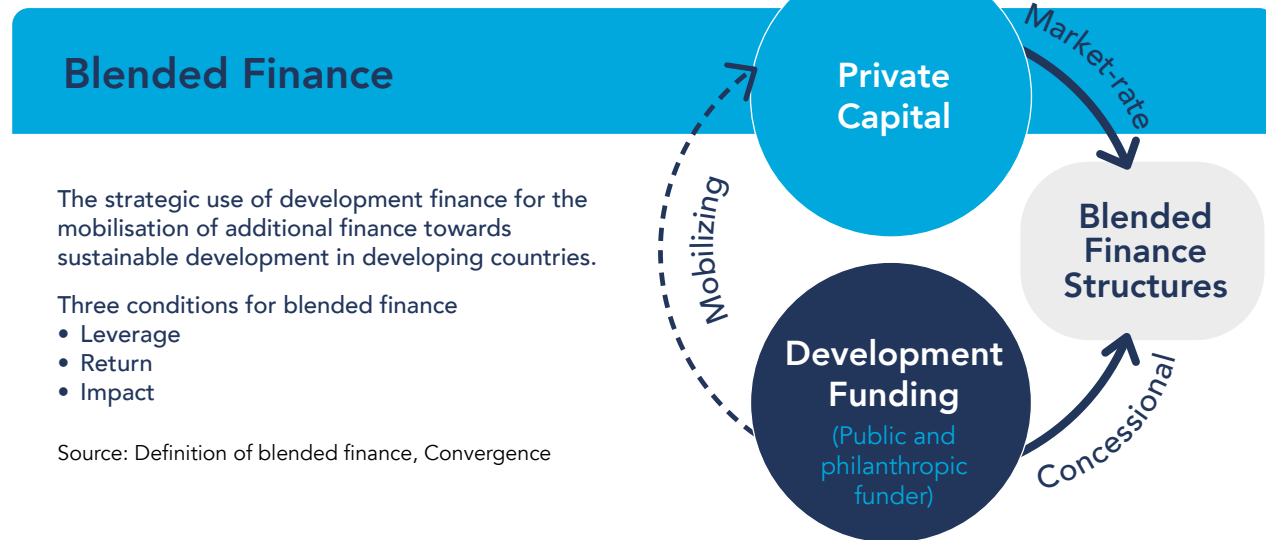
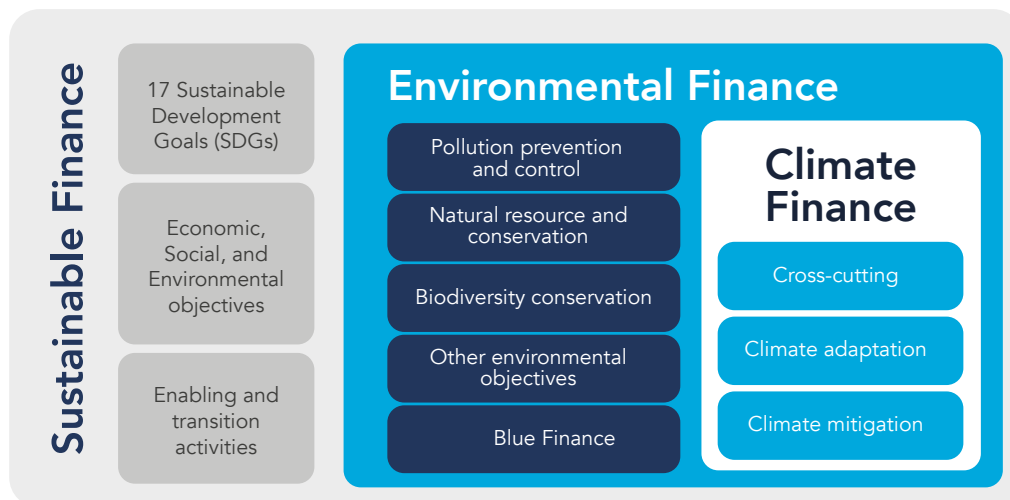


Cheat sheet: Climate finance and blended finance – Key terms



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Climate Finance

Aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts.

(UNFCCC Standing Committee on Finance, 2022)

Climate Finance Ecosystem

A network of interacting actors with the objective to mobilize and catalyze domestic and international public and private finance for a low carbon and resilient development. An ecosystem depicts specific roles and interactions among actors.

Financial Mechanism

A structure that supports the deployment of financial sources. It could be referred as a fund, trust fund, type of organization, or program.

- Climate funds (GCF, GEF, Nama Facility, Adaptation fund, etc.)
- Policy-based or result-based financing
- National/international funds
- Blended finance
- Public Private Partnerships (PPP)

Financial Instrument

An asset, capital, or equity that refers to a legal transaction where the sources are negotiated and stipulated by a contract, under certain conditions.

- Traditional/concessional loans
- Green, blue, SDG, or thematic bonds
- Multilateral/bilateral grants
- Equity
- Guarantees
- Insurance and reinsurance

Targeted use of blended finance instruments

Instruments per type of project level risk

	Risk	How to mitigate risk	Blended finance Instruments
Debt Holder	Probability of default	Reduce costs	Grant for capital costs
		Improve cash flow	Concessional senior debt
		Enhance liquidity	Liquidity guarantee facility
	Loss given default	Distribute loss	Guarantee/insurance, subordinated debt or equity
Equity Holder	Low risk-adjusted return	Leverage returns	Equity with subordination of returns (i.e., waterfall)

Source: the One Planet Lab and the Grantham Research Institute on Climate Change and the Environment. 2021.