

MILKEN
INSTITUTE

Recalibrating Climate Finance

The Next Decade of Deployment (2025-2035)

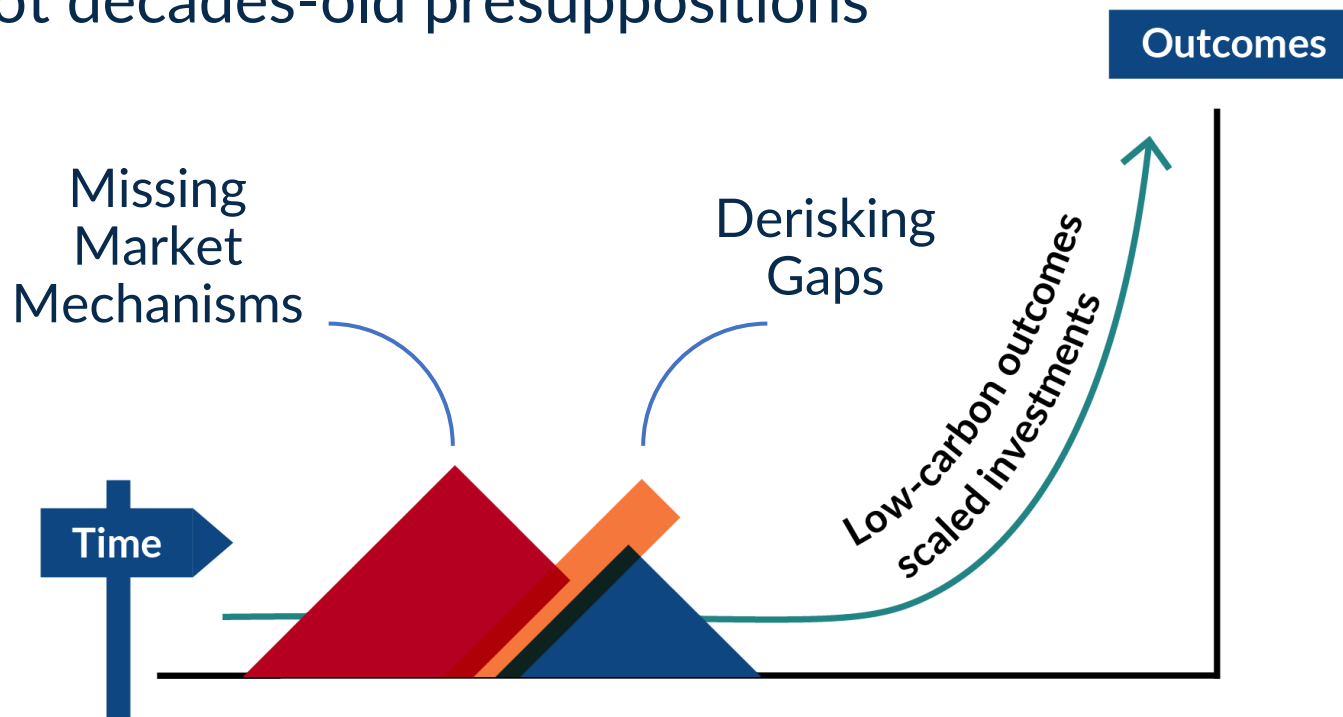
Current Situation

“Barring a deployment miracle, we’re not going to reach the Paris Agreement’s mid-term targets by 2030.”

– What everyone is thinking but not saying

The Right Response: Build A New Outcomes Strategy for 2025-2035

Bend the curve based on today's deployment realities, not decades-old presuppositions



How To Build Speed and Scale?

- I. Unpack The Issues That Confound Capital Deployment
- II. Lean Into A New Theory of Change
- III. Implement Market-Making Solutions
- IV. Stage the Work

I. Unpacking The Issues



“This reminds me of a recurring dream where my state’s pension fund invests in climate infrastructure in my hometown”

“I see \$2 trillion in stranded assets screaming for resilient redeployment”

“Hmmm... I see concessionary micro-loans to jumpstart solar takeoff in Africa”

“Looks like Bretton Woods 2.0 to me”

II. The New Theory of Change

Less top-down commitments, more bottom-up strategies



Adaptation Not an Afterthought

- Resilience Realities = Trillions in Asset and Insurance Risks Exposed
- Plus-Up [PREPARE](#)
- Support Regional and Local Mobilization Partnerships
- Scale Up Food and Nature as Asset Classes

High-Impact Strategies

- Listening to the Global South
- Using Carrots To Catalyze Markets and Key Sectors
- Monetizing Risk Mitigation
- Grappling With Grid Issues
- Deploying Scale Tech in Frontline Communities
 - Regenerative Agriculture
 - Water Conservation
 - Climate Equity
- What Else?

III. Market-Making: What It Takes

- Public Funding and Subsidies
- Pipeline and Predevelopment
- Pipes to Connect Public & Private
- Private Sector Scale-Up
- Pricing Re-Imagined
- Partnerships, People, and Talent

Public Subsidy and Public Policy

- There is no escaping this fact or skipping this step: Public funding, R&D, and technology subsidies are how we scale up new technologies and markets and re-industrialize for net zero
 - But to accelerate a smart energy and food transition and address adaption challenges we can no longer ignore, it's time to re-examine our public subsidy budget

Half the Pie to Oil and Gas?



Global Public Sector Spending, Annually, \$ in Billions

Predevelopment = Pipeline

Research by the International Coalition for Sustainable Infrastructure, the Milken Institute, and others shows that we won't crack open new markets for climate mitigation-resilience-adaptation projects or crowd in serious private capital without ripening the conditions for investment with de-risking/predevelopment funding.

Everyone needs to raise their game when it comes to ponying up for predevelopment – not just the public sector and philanthropy but institutional investors too.

Ask us how. Or expect a dearth of deals for another decade.

New Pipes: MDBs, DFIs, and More

- Risk-Sharing and originate-to-share models
- Regional Predevelopment Funds
- Multiple concierges and guarantee windows
- Next-Generation Asset Managers and Project Developers

Multilaterals 2.0: Debt, Development, Delivery

- The current 80-year-old multilateral system is only partially fit for the purpose of financing climate-related investments
- Global public debt levels threaten to crowd out future investments in mitigation and adaptation, most acutely in lower- and middle-income countries
- G-20 attempts at resolving current debt challenges have yielded mixed results
- Future reforms of the multilateral development finance system must prioritize catalyzing climate finance and bottom-up delivery systems/models

For more information on the Milken Institute's Beyond Bretton Woods: Climate Finance and Delivery working group please contact Matthew Aleshire (miclimate@milkeninstitute.org)

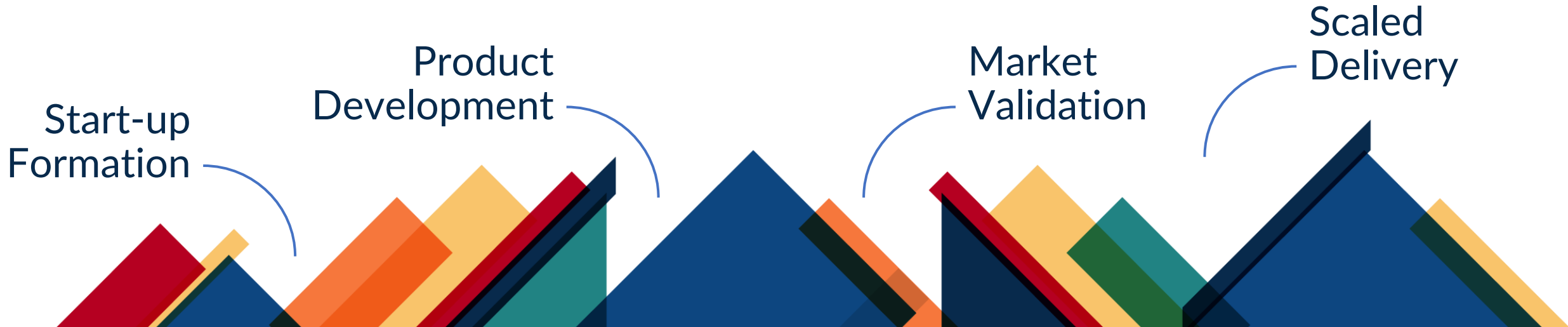


Private Finance at Scale

Want more flow?

- Advocate for More De-Risking Capital
- Scale Tech > Climate Tech
- Engage Developers = DevEngine
- Go Local: Allied Climate and More To Come
- Defy the Valleys of Death

The Valleys of Death

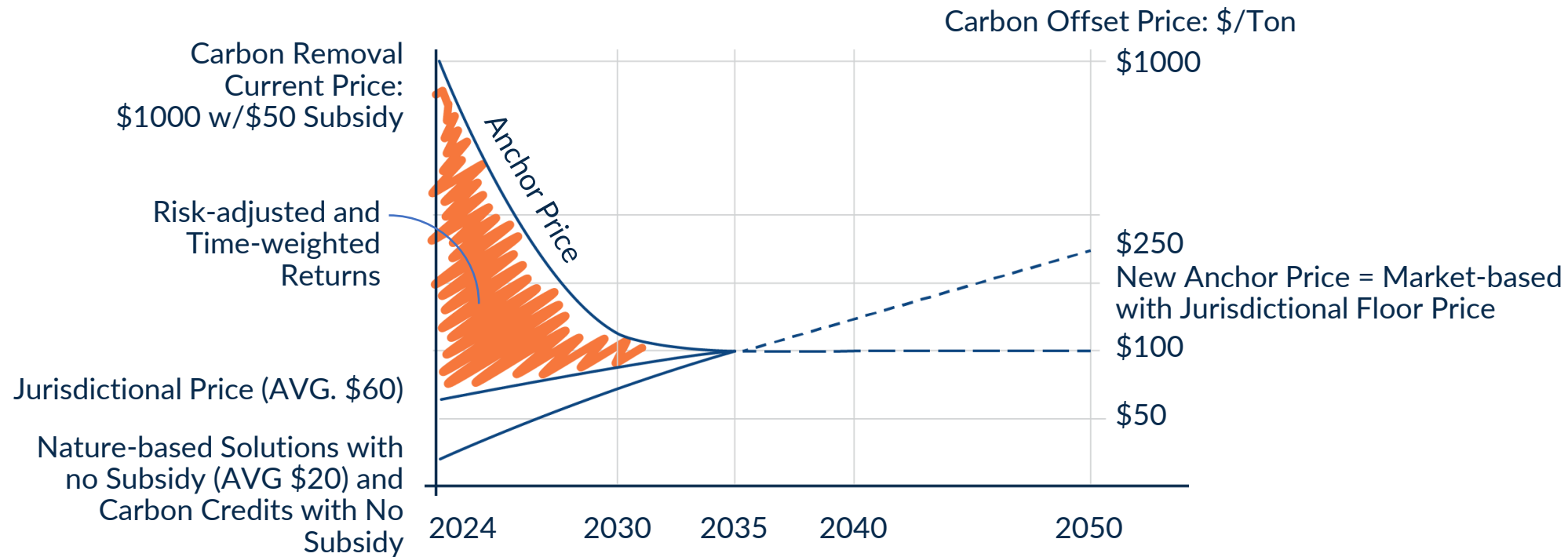


Learn More Here: www.third-derivative.org/blog/climate-techs-four-valleys-of-death-and-why-we-must-build-a-bridge

Pricing

- We all agree now that we will need to remove a 10-15% sized pie slice of CO2 emissions to meet Paris 2050 goals
- Doing so will cost \$1000/ton to do
- So is this the right anchor price for carbon pricing and risk-adjusted returns for frontline nature-based market-making?

The New Math Problem: What's the FICO Score for Carbon?

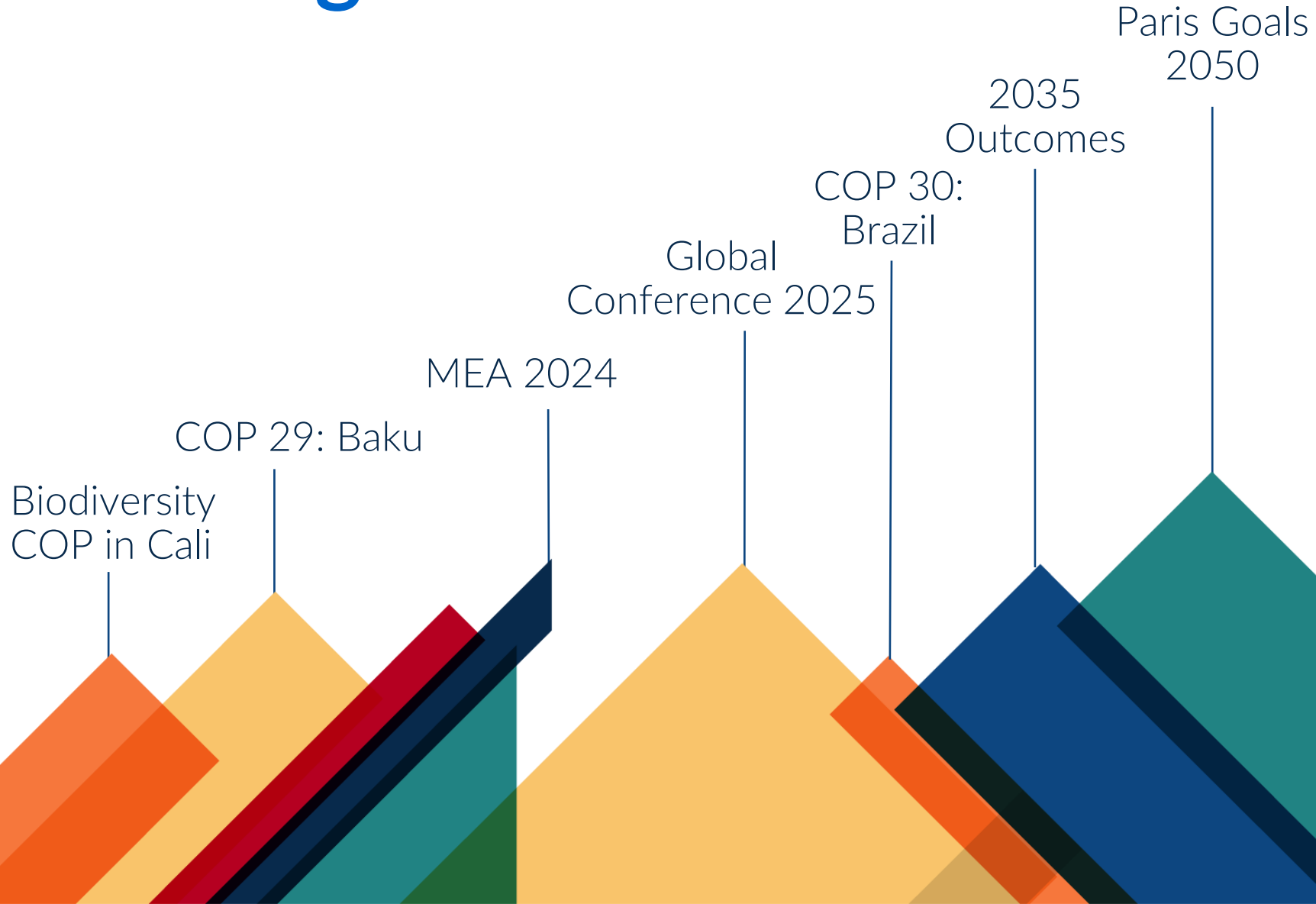


Partnerships, People, and Talent

Need to invest in talent, capacity and diversity



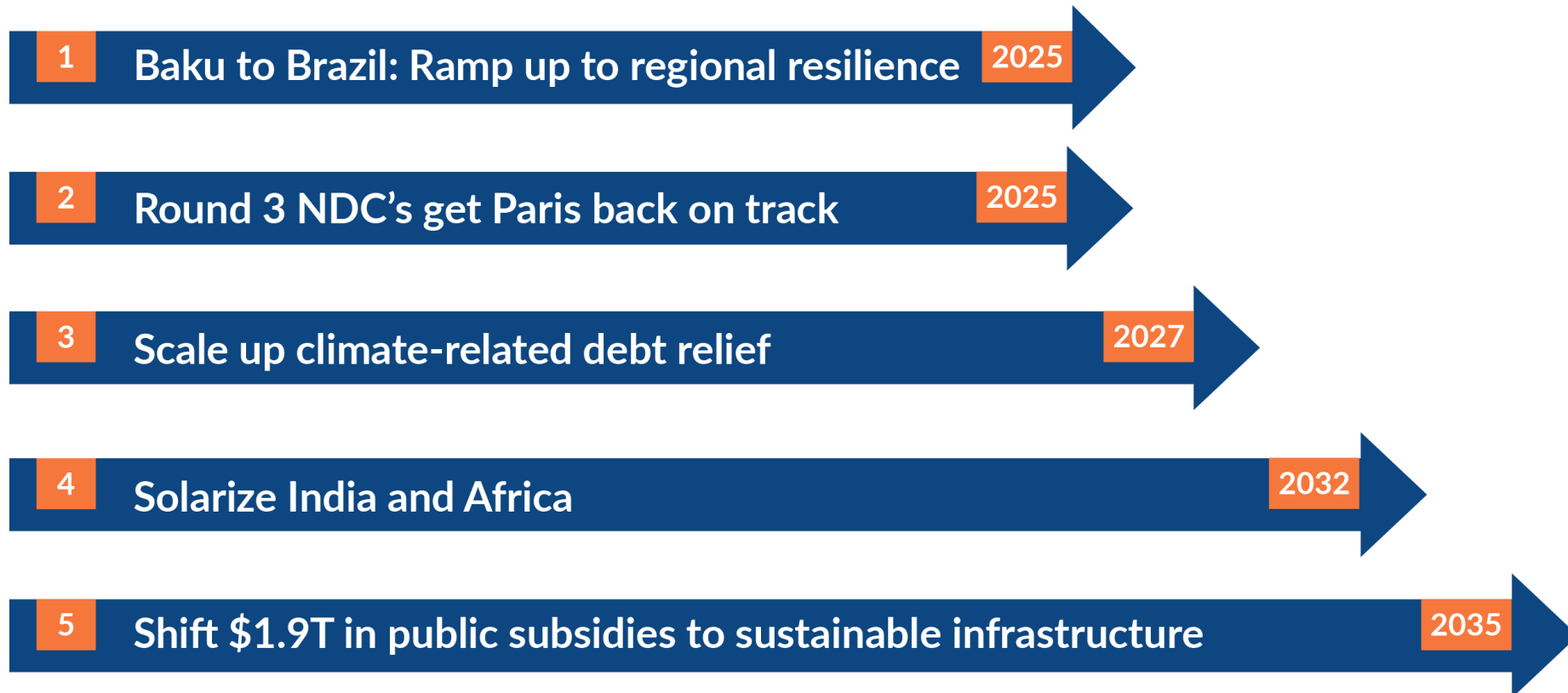
IV. Stage the Work



2025-2030: A Time of Paradox

- For the next five years or so...everyone will be able to make their own case about how the energy transition is going
 - UP: Global oil demand
 - UP: AI and electrification kilowatt needs
 - Also UP: EV market penetration
 - Also UP: renewable projects awaiting grid hookups
- Best response: Head down on deployment and shifting \$150 billion per year to project predevelopment

Key Strategies for the Decade



About This Deck-In-Progress

- We are actively mapping where we can partner to make an impact in the next decade using adaptative strategies
- To share insights and inputs, consider joining one of our work groups. Please contact the Milken Institute Climate team (miclimate@milkeninstitute.org)

Upcoming Milken Institute Events

- UNGA/Climate Week | New York | September 23-29
- Global Investors' Symposium | Mexico City | October 24
- Future of Health Summit | Washington, DC | November 13-14
- Middle East and Africa Summit | Abu Dhabi | December 5-6
- Climate Finance Quarterly Community Call | January 14
- Global Conference 2025 | May 4-7

Work Groups

- Topic 1: Carbon Pricing/Climate Markets
- Topic 2: Securing the Energy Transition – Critical Minerals: Mining and Innovations
- Topic 3: Investable Pipeline, Community Resilience and Equity (US focused)
- Topic 4: First of a Kind Tech and Venture Climate
- Topic 5: Food Systems as an Asset Class
- Topic 6: International Resilience and Adaptation Finance
- Topic 7: US Resilience and Adaptation Finance
- Topic 8: Bretton Woods 2.0
- Topic 9: Adaptive Climate Philanthropy