

# The Market for Climate Resilience: Notes on Business, Investment, and Finance



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## Coordinator of PROADAPT

**\$12 million program co-financed by**

**The Nordic Development Fund to:**

- promote private climate resilience in micro to medium sized firms and supply chains in Latin America and the Caribbean
- foster business opportunities related to the demand for products and services that reduce the climate vulnerability of buyers
- generate market knowledge on private sector climate resilience
- support the creation and/or dissemination of practical business and investment models, tools, and analytics for various sectors, including the finance, agriculture, transportation, housing and the built environment among others.

## PROADAPT Program

- is based on several working hypotheses:

- climate resilient solutions (e.g. products and services) are bought and sold in markets across the globe – these are not accounted for using climate jargon
- the hidden nature of private climate solutions impedes effective policymaking and perpetuates the myth that the private sector is has done little on resilience/adaptation
- private sector is a fount of innovation in the area of climate resilience, selling solutions that protect assets from climate risks
- climate resilience market identifies firms that offer innovative resilience solutions and that are candidates for investments, leverage, partnership or public-private partnerships





## working hypotheses (cont.):

- highlighting private climate resilience solutions will help private actors to better understand that climate variability is the “new normal” -- weather or natural disaster models may not be sufficient for framing the demand for resilience solutions
- For most companies action on climate change is embedded in some version of a “sustainability” or “green business” program - typically focused on mitigation rather than on building climate resilience
- The drive for sustainability will continue to generate opportunities in renewable energy, energy-efficient technologies, and other products - but the market potential in climate resilience may be larger.



## Climate Change

- A Quantifiable Financial Risk?
- Or a Major Uncertainty?

## A Shift in Thinking on Physical Climate Risk\*:

- From carbon-intensity to considerations of future physical impacts
- French Energy Transition Law
- Task Force on Climate-Related Disclosure (TCFD)

\* See November 2016. Global Adaptation and Resilience Working Group. *Bridging the Adaptation Gap: Approaches to the Measurement of Physical Climate Risk and Examples of Investment in Climate Adaptation and Resilience*



•At least six categories for measuring physical climate change risk exist:

- government indices/rankings,
- insurance risk ratings,
- corporate use data,
- project/portfolio risk screening tools,
- project scorecards and
- engineering due diligence and design analysis

### **Lack of Connection of *Financial, Regulatory, Disclosure or other Systems:***

- Lack of resiliency metrics that relate to financial performance or cost, revenues,
- Lack of resiliency metrics that are related to regulatory, reporting or disclosure requirements



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[www.proadapt.org](http://www.proadapt.org)

