



United Kingdom Nigeria Infrastructure Advisory Facility

What you need to know about CLIMATE FINANCE



What is it?

Climate finance is any financing for credible climate action.

To mobilise resources to support actions that contribute to green growth or climate resilience development.

What is the goal?



Remember

Climate finance can include finance that delivers climate smart solutions but may not be explicit about it. We call this 'climate-aligned' finance.

Climate finance can be delivered in various ways. We outline 7 options below.

How is it delivered?



01. Loans

Loans attract interest and must be repaid. Concessional loans have longer repayments or lower interest rates.

Equity is where the investor takes a stake in the company or project.

02. Equity



03. Bonds

Bonds offer investors a return on their capital. Climate or green bonds are linked to climate change solutions.

Insurance pays if a particular risk materialises, e.g. weather-linked insurance.

04. Insurance



05. Grants

Grants are usually provided for non-revenue generating programmes, like knowledge management and capacity building.

Guarantees are an undertaking by a third party to fulfil obligations from a borrower to a lender, in the event of a non-performance or default.

06. Guarantees



07. Debt swaps

Debt swaps offer debt relief in exchange for commitments to invest in climate action.



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