



Frankfurt School

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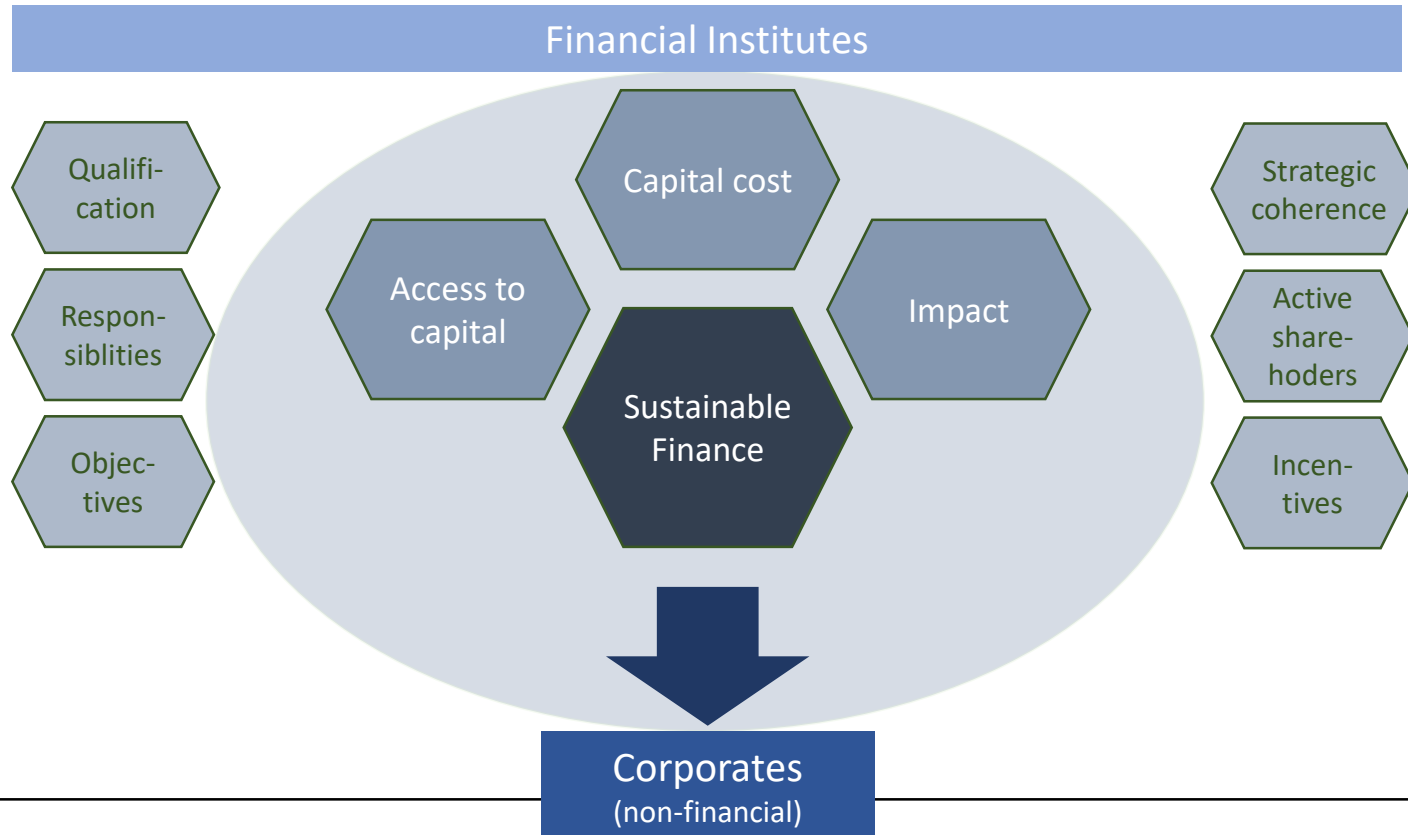
# Business opportunities in response to climate change by financing climate adaptation and mitigation solutions

24.11.2022, ADB Roundtable for Financial Institutions, Karsten Löffler

# Opportunity to finance the transition



# Transmission channels for a sustainable financial system



# Sustainable Finance in a nutshell

|                      |                       | Operationalisation |                   |                     |
|----------------------|-----------------------|--------------------|-------------------|---------------------|
|                      |                       | Risk management    | Impact management | Products & services |
| Transmission channel | Capital costs         | Strong relation    | Medium relation   | Weak relation       |
|                      | Access to capital     | Medium relation    | Strong relation   | Weak relation       |
|                      | Others / soft factors | Medium relation    | Medium relation   | Medium relation     |

Legend:

- Strong relation (Dark Green)
- Medium relation (Light Green)
- Weak relation (Very Light Green)

# Transmission channels to real economy

## Climate-related and environmental risks / opportunities in real economy

### Transition risks



Technology, Policy, regulation, Market sentiment

### Physical risks



**Climate:** Extreme weather Events; **Environment:** Resource scarcity; Biodiversity loss; Pollution

### Opportunities



**Environment:** Resource-Efficiency  
**Climate:** RE, Climate resilience

### Value chain

Interruption, resource prices

### Production/ assets

Interruption, reduced Productivity, damaged

### Logistic and Markets

Interruption, Change in demand for products & services

**Improving production / assets**  
(e.g., Resilience, Savings)

**Balance sheet**  
Access and cost of capital, asset value (depreciation)

**Profit & loss**  
Price and quality of goods and services, running cost

## Risks & opportunities for the financial sector

Strategic planning  
Risk management



Financial impact / profitability

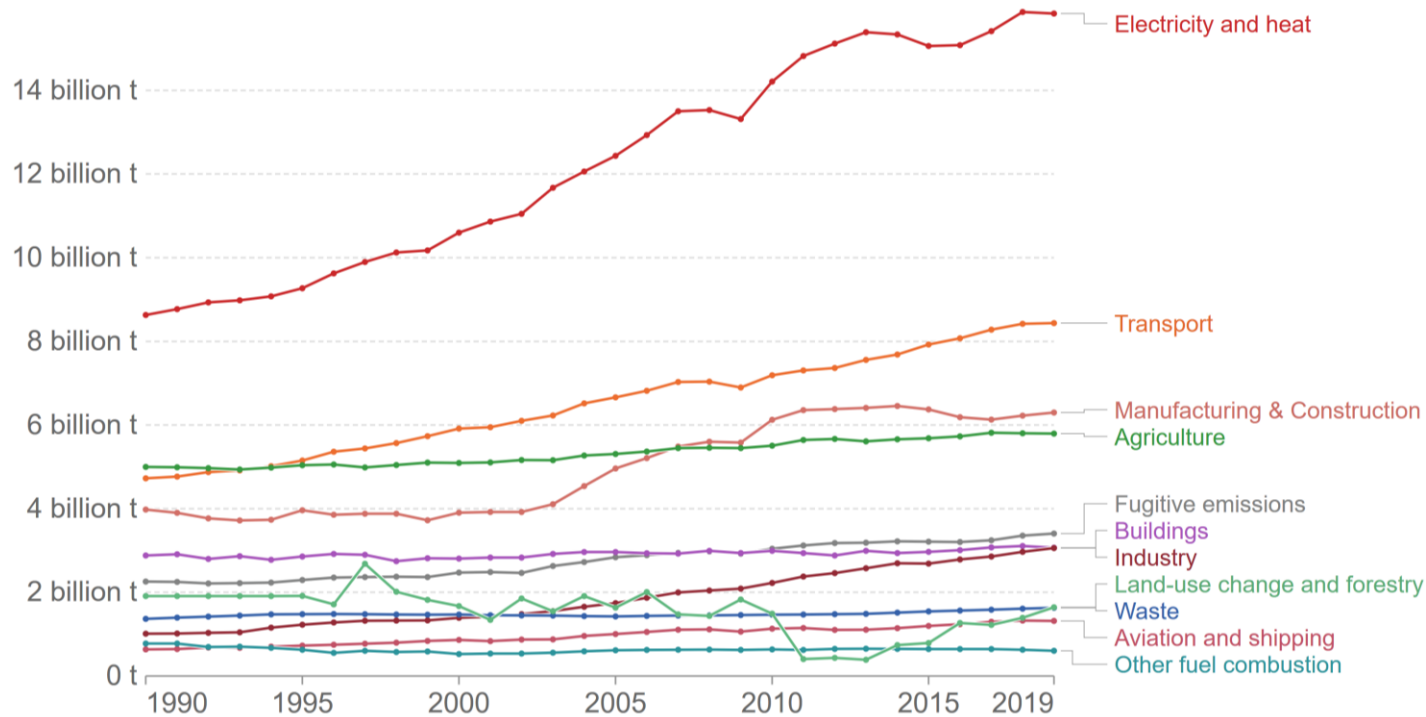


Liability risk  
Credit risk  
Liquidity risk  
Market risk  
Operational risk  
Reputation risk

Insurance  
Lending  
All activities

# Identifying focus sectors for climate finance

Emissions are measured in carbon dioxide equivalents (CO<sub>2</sub>eq). This means non-CO<sub>2</sub> gases are weighted by the amount of warming they cause over a 100-year timescale.



Quelle: <https://ourworldindata.org/emissions-by-sector#annual-greenhouse-gas-emissions-by-sector>

# Products & Services – Opportunities

Non-exhaustive

## Loan products

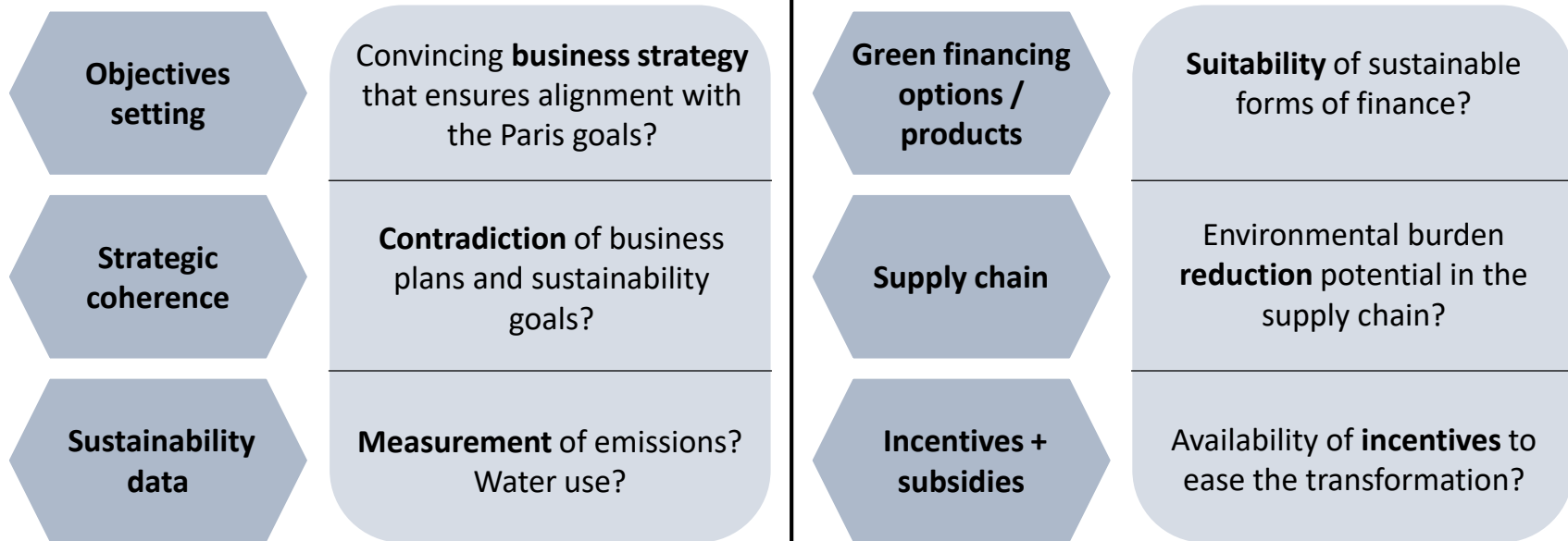
- *Green Impact* focus, e.g. informed by green taxonomy (e.g., renewable energies, energy efficiency, adaptation measures ...)
- *Transition finance*, e.g., Paris-alignment with a focus on hard to abate sectors
- *Risk management* – minimum requirements
  - to adaptive capacity of financed enterprises to changing regulation and market shifts
  - to resilience versus extreme weather events
  - with respect to carbon emissions (incl. measurement of financed emissions)

## Other

- *Systematic Client Dialogue* re transition / future proof business models
- *Advisory services* linked to the transition, e.g. in relation to decarbonisation pathways

**Capital Markets** Products & Services, e.g. green / sustainability-linked bonds

# Typical questions





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**THANK YOU FOR YOUR  
ATTENTION**

