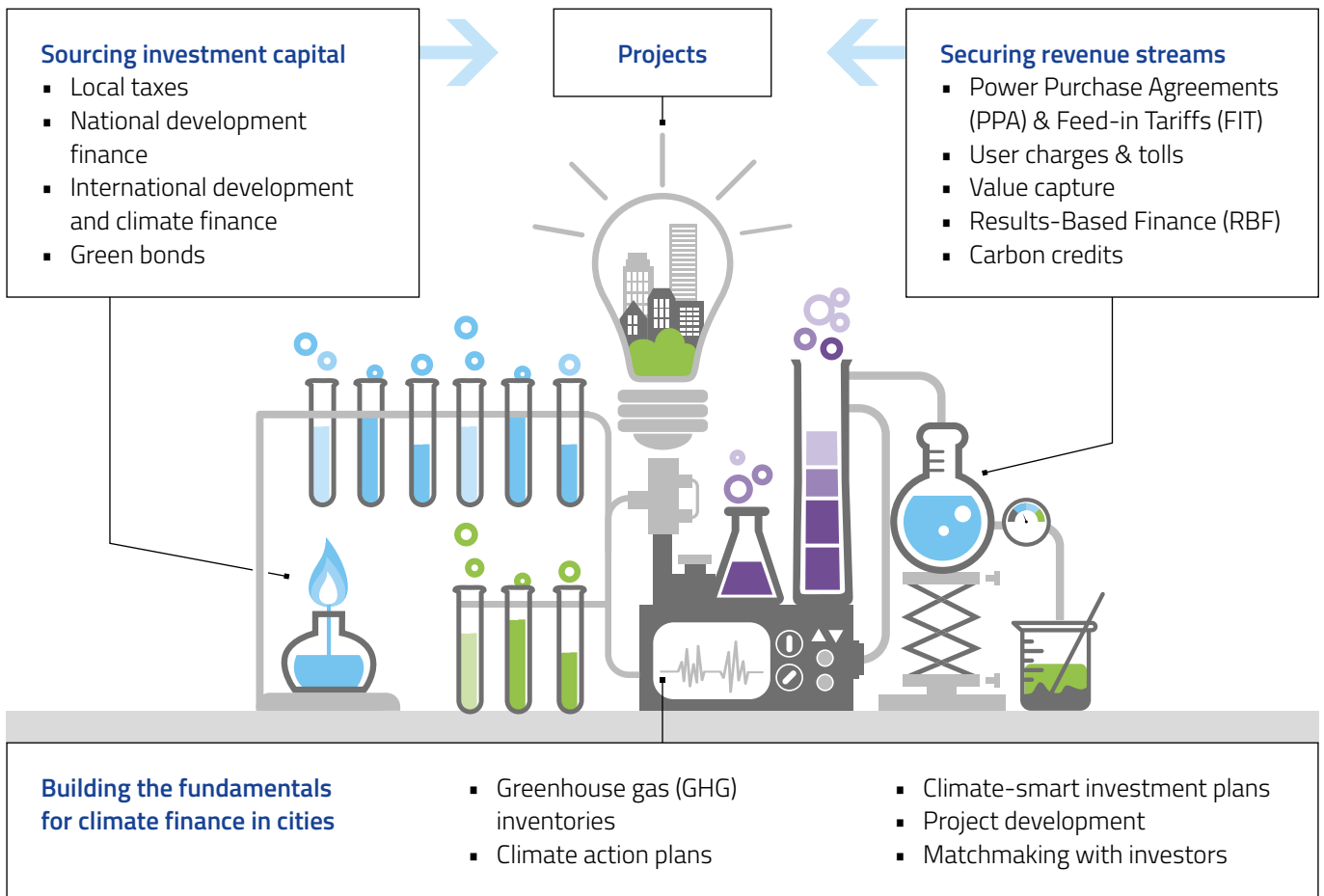


Climate Finance for Cities

A Factsheet for Local Governments

Local governments have the potential to significantly shape the world’s development towards a low-carbon future. This factsheet gives local governments an overview of financial resources and instruments that can help them to realise projects in line with a 2°C pathway. The factsheet focuses on three essential aspects: building the fundamentals, sourcing the investment capital and securing revenue streams. More information on the various financing options is provided on the next page.



Contact for questions and further information on city-level finance

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Building the fundamentals for climate finance in cities

Greenhouse gas (GHG) inventories

GHG inventories systematically measure cities' emissions, forming the basis for more effective emissions reduction strategies. Guidelines for the creation of a GHG Inventory are provided by the [Global Protocol for Community-Scale Greenhouse Gas Emission Inventories \(GPC\)](#). GHG Inventories can be reported via ICLEI's [carbonn Climate Registry](#) and [CDP's Cities Program](#).

Climate action plans

A climate action plan aims to reduce greenhouse gas emissions via a coordinated set of efforts. Resources for creating such a plan were collated by the [Institute for Local Government](#).

Climate-smart investment plans

An investment plan helps to identify which projects should be prioritised and presented to funders. A [City Investment Prioritisation Toolkit](#) is provided by the [Cities Development Initiative for Asia](#). The World Bank's City Creditworthiness provides a tool to set up a [Capital Investment Plan](#).

Project development

Low-carbon and climate-resilient city projects can only secure commercial financing if they are well developed and bankable. A range of project development facilities provides support for cities, including [the Cities Development Initiative for Asia](#) and the [C40 Cities Finance Facility](#).

Matchmaking with investors

Facilitated matchmaking between projects and investors increases the likelihood of funding. One matchmaking platform is ICLEI's [Transformative Action Program](#).



Sourcing investment capital

Local taxes

A wide range of local taxes (income, property, VAT) can enable cities to directly finance low-carbon projects or provide equity to special purpose vehicles (SPVs) and city-owned companies that finance green city-level projects.

National development finance

Most governments have funding lines for green cities and have set up [national development banks](#) that provide equity, loans and guarantees and also [intermediate international climate finance](#).

International development and climate finance

International development finance is financing for development channelled through [Multilateral Development Banks](#) or bilateral development banks and agencies. Climate finance is the portion of financing earmarked for climate change mitigation and adaptation activities. [Climate Funds](#) and [Climate Finance Options](#) provide an overview of international options, whilst the [Covenant of Mayors](#) has collected information on EU funds.

Green Bonds

To secure debt capital, municipalities can issue green bonds, which are bonds whose proceeds are exclusively used for green projects. If cities are not creditworthy, they can work with the [World Bank City Creditworthiness Initiative](#). Other resources include the Climate Bonds Initiatives high-level [Green Muni Bonds Playbook](#) and the World Bank's [Green Bond Process Implementation Guidelines](#).



Securing revenue streams

Power Purchase Agreements (PPA) & Feed-in Tariffs (FIT)

Both PPA and FIT are tools which support the financing of additional renewable energy production. An overview of how to set up PPAs was compiled by the [Public-private Partnership in Infrastructure Resource Center](#). The US [National Renewable Energy Laboratory](#) has collected a number of resources on FITs and [UNEP](#) has produced a guide for developing countries.

User charges & tolls

Cities can apply user charges (e.g. for waste or public transport) and tolls for using roads) as cost recovery tools by local governments. The [Irish Institute for Public Administration](#) has collated information on this revenue stream.

Value capture

Value capture is a mechanism for cities to gather the value increase generated through public projects. Examples are tax increment funding or community infrastructure levies.

Results-Based Finance (RBF)

RBF is a financing mechanism where payment is linked to the verified achievement of outcomes that can go beyond GHG emissions reductions. A framework for RBF in cities is currently being developed under the [Gold Standards Sustainable Cities Programme](#).

Carbon credits

A mechanism where GHG emission reductions can be re-sold to third parties via certificates. Certification schemes include for example the [Gold Standard](#), the [Clean Development Mechanism](#) and certification under various [national and regional carbon market schemes](#).