Methodology COP29 Explainer: Why we can't rely on the private sector to finance the energy transition

The dataset covers blended energy transition finance transactions (defined below) from public bilateral and multilateral development banks between 2014 and 2023. In this analysis, we focus on transactions in the five years from 2019 through 2023.

Sources: Our database draws information from the Infrastructure Journal (IJ) Global and Convergence databases, in addition to information made publicly available by the financial institutions making blended finance transactions and other public sources of information. Convergence describes itself as "the global network for blended finance," adding that it "maintains the largest and most detailed database of historical blended finance transactions to help build the evidence base for blended finance."[1] It includes both project and portfolio-level transactions.

Scope: Our database only includes projects that are either explicitly part of a blended finance initiative or were identified as a blended finance project by Convergence; we exclude transactions that did not aim to mobilize private finance. This follows conventional blended finance definitions, such as the definition used in the United Nations Addis Ababa Action Agenda: "financing that combines concessional public finance with non-concessional private finance."[2] Our dataset differs from Convergence in that we only include projects related to the energy transition (defined below), while Convergence's dataset captures all energy projects, including fossil fuel and large hydropower projects, which we exclude. Their dataset also includes projects with concessional guarantees or technical assistance grants only within its scope of blended finance projects, which we also exclude. Finally, we also omit projects that did not have private sector investors involved.

Our dataset includes transactions where all or most of the financing was for energy that is both low-carbon and has negligible impacts on the environment and human populations if implemented with appropriate safeguards. This includes solar, wind, grids, storage, tidal, geothermal, and small-scale hydropower projects (under 30 MW). We also search for blended finance transactions related to energy efficiency projects (where the energy source(s) involved are not primarily fossil fuels), public transportation, and fair fossil fuel phase out measures such as worker retraining, though we did not identify any.

Limitations: There are several important limitations due to a lack of transparency and reporting. We do not have any information about how concessional the terms of the concessional finance were. Thus, we are not able to assess whether the degree of concessionality of the public finance impacted the additional amounts mobilized across transactions.

How we made the calculations: For each transaction, we recorded the public concessional finance, the public finance mobilized, and the private finance mobilized. This allows us to calculate the crowd-in rates of how much concessional finance to non-concessional finance was brought in, the rates of public concessional finance to private finance, and the rates of overall

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[1] "About Us," Convergence finance, accessed November 6, 2024, https://www.convergence.finance/about

[2] UNDESA – United Nations Department of Economic and Social Affairs (2015) Addis Ababa action agenda of the Third International Conference on Financing for Development. New York: United Nations (sustainabledevelopment.un.org/index.php?page=view&type=400&nr=2051&menu=35)

public finance to private finance for each transaction. For our main finding, we use the ratio of the private finance brought in to the concessional public finance for each transaction. This is most relevant given the policy and political emphasis on blended finance as a tool to attract private finance. This is also in line with definitions from the United Nations,[3] previous research focused on blended finance from the Overseas Development Institute, and reporting from donor countries among others.[4]

It is important to note that various organizations and institutions use and emphasize other formations of mobilization ratios. For example, Convergence tends to use the ratio of public and private commercial finance to concessional finance. In contrast, reporting by the OECD and multilateral development banks on “private capital mobilization” is less focused on blended finance and so is instead a ratio of private finance leveraged to all public financing (both concessional and commercial). We include all three of the finance types in these different ratio structures in Figure 2.

[3] UNDESA – United Nations Department of Economic and Social Affairs (2015) Addis Ababa action agenda of the Third International Conference on Financing for Development. New York: United Nations (sustainabledevelopment.un.org/index.php?page=view&type=400&nr=2051&menu=35)

[4] “COP26 Climate Finance Delivery Plan: Meeting the US $100 Billion Goal,” 2021, pg. 6 *https://www.canada.ca/en/services/environment/weather/climatechange/canada-international-action/climate-finance/delivery-plan.html*