NOVEMBER 2023

GPCA
Global Private Capital Association

Climate Funds in Global Markets

MAPPING PRIVATE CAPITAL STRATEGIES

About GPCA

The Global Private Capital Association, which was founded as the Emerging Markets Private Equity Association (EMPEA) in 2004, is a non-profit, independent membership organization representing private capital investors who manage more than USD2t in assets across Asia, Latin America, Africa, Central & Eastern Europe and the Middle East.

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Overview

Focus on climate change is accelerating among institutional investors as net-zero targets near, spurring private capital fund managers globally to raise capital for climate solutions.

To meet LP demand, GPs are marketing new strategies – or building on existing strategies – aligned to the net-zero transition.

This feature maps climate-dedicated funds across GPCA markets – including Asia-Pacific, Latin America, Africa, CEE and the Middle East – exploring the sectors and strategies driving commitments and the climate-related outcomes investors are prioritizing.

Underlying data from this report is available to GPCA Members at globalprivatecapital.org. For additional questions or feedback, contact research@gpcapital.org.

Key takeaways from the report

- **Private capital allocations to climate are increasing on the back of rising demand from development finance institutions (DFIs) and institutional investors.** Over USD29b has been raised for climate funds targeting GPCA markets since 2015, but dedicated climate strategies represent just 4% of total private capital fundraising.
- **Climate-focused strategies are becoming more diverse and specialized.** Regional and country-dedicated funds – as opposed to those investing across multiple regions – have gained a share of climate fundraising in GPCA markets, reaching 89% in 1H 2023. Managers are also increasingly raising VC funds targeting tech-enabled opportunities beyond renewable power infrastructure.
- **The most established GPs in GPCA markets are launching dedicated climate funds**, while new management teams are also capturing momentum. First-time climate funds have raised USD1.6b for GPCA markets since 2019.
- **The majority of managers are explicitly targeting commercial returns, with some tying carry to climate outcomes.** Blended finance vehicles could bring additional commercial capital into markets farther out on the risk spectrum.
- LPs are ratcheting up climate reporting requirements and pushing for additional disclosure from GPs. Going forward, **managers will be required to address climate risk in an integrated way to raise capital from DFIs and commercial LPs – regardless of strategy.**
- Investors expect specialization within the climate funds space to increase in the years ahead, with dedicated offerings within asset classes and within specific sectors. **Given the scale of the climate challenge and bold commitments made by allocators, a central challenge will be matching capital with investible opportunities.**

Methodology

For the purposes of this report, "climate fund" refers to a private capital fund predominately investing in enterprises focused on mitigating greenhouse gas (GHG) emissions or providing solutions for climate adaptation and resilience.

GPCA Climate and Sustainability Fund Verticals

- **Climate Change Mitigation**: Includes private capital funds predominately investing in utility-scale renewable power, distributed power generation platforms (e.g., off-grid solar), energy efficiency technologies, electric-vehicle (EV) value chain and low-carbon transportation, alternative fuels from renewable sources, forestry and carbon sequestration, as well as digital tools and services for GHG monitoring and reduction.
- **Climate Change Adaptation & Resilience**: Includes private capital funds predominately investing in enterprises focused on alleviating the impacts of climate change or creating stronger systems, such as sustainable food and agriculture enterprises, climate-focused financial services, etc.
- **Climate-Adjacent Sustainability Strategies**: Includes private capital funds predominately investing in enterprises focused on preserving natural resources or reducing physical waste and water pollution, including circular economy models, recycling solutions and biodiversity. **Climate-adjacent sustainability strategies are not addressed in this report.**

The methodology for this report synthesizes input from global private capital investors and other market participants such as ESG consultants. GPCA Research has reviewed all individual funds included in the dataset for classification purposes.

For more information on the methodology behind the GPCA full private capital dataset, visit the GPCA website or contact research@gpcapital.org.

Driving forces: Institutional investors and DFIs are announcing bold climate plans

Globally active sovereign wealth funds, pensions, family offices, foundations and development finance institutions are strategically repositioning their portfolios to decarbonize and support climate change mitigation efforts.

UN Net-Zero Asset Owner Alliance members representing **USD8.4t** in AUM have set intermediate climate targets to transition their portfolios to net-zero greenhouse gas (GHG) emissions by 2050, up from USD7.1t in AUM a year prior.

Over **USD380.6b** has been dedicated to investments in climate solutions in 2023.

"We're positioning our portfolio to be resilient through the coming energy transition. We expect that if investors aren't considering the emissions profile of their investments, then they will see multiple compressions in the future."

– North American public pension fund

TEMASEK

Temasek | AUM: USD283b | Net-Zero Target: 2050

Temasek aims to halve 2010 levels of net carbon emissions attributable to the portfolio. The fund committed an initial amount of SGD5b to establish GenZero, an investment platform company that aims to accelerate decarbonization.

CDPQ

Caisse de dépôt et placement du Québec | AUM: USD202b | Net-Zero Target: 2050

CDPQ targets a complete exit from oil production assets by 2022 and aims to reach USD54b in its low-carbon asset portfolio by 2025. The fund will reduce portfolio carbon intensity by 60% by 2030. CDPQ will create a USD10b transition envelope to decarbonize the heaviest carbon-emitting sectors.

DFC U.S. International Development Finance Corporation

DFC | AUM: USD5.6b | Net-Zero Target: 2040

In fiscal year 2022, DFC committed more than USD2.3b for climate-linked projects, including more than USD390m in climate adaptation and an additional USD200 million in deals that will generate adaption co-benefits.

Source: GPCA analysis, UN Net-Zero Asset Owner Alliance, DFC, Temasek.

Driving forces: Leading global asset managers are raising climate-dedicated vehicles

Select Global Climate Funds with Closes, 2021-1H 2023

Fund Manager	Fund	Fund Type	Geographic Focus	Vintage Year	Capital Raised to Date (USDb)	Disclosed LPs
Brookfield	Brookfield Global Transition Fund	Infrastructure	Global*	2021	15.0	Temasek, PSP Investments, OTPP, Investment Management Corporation of Ontario
lightrock	Lightrock Climate Impact Fund	Late-Stage	Asia; North America; Western Europe*	2022	0.9	AP1, BayTrust, Carbon Equity, Golding Capital Partners, Gulf Energy Development Public Company, Temasek, Haniel, Wire Group
ARDIAN	Clean H2 Infra Fund	Infrastructure	Global*	2021	2.1	Air Liquide, Airbus, AXA, Baker Hughes, Ballard Power, Chart Industries, Groupe ADP, LOTTE Chemical, Plug Power, Schaeffler Group
actis	Actis Energy 5	Infrastructure	Africa; Asia; Latin America	2020	4.7	Allianz, AllState, Texas ERS, Industriens Pensionforsikring, NPS of Korea, Prudential Insurance, Florida SBA, Texas TRS
TPG RISE	TPG Rise Climate	Growth	Global*	2021	7.3	AllState, AXA, WSIB, Silk Road Fund, Public Investment Fund, Michigan Retirement System
GENERAL ATLANTIC	BeyondNetZero	Growth	Global*	2022	3.5	PFR Ventures
mirova	Gigaton Empowerment Fund	Infrastructure Debt	Africa; Asia; Latin America; Middle East	2023	0.2	European Investment Bank, Swedfund, Swedish International development Cooperation Agency, U.S. DFC
Morgan Stanley | INVESTMENT MANAGEMENT	1GT Private Equity Platform	Growth	North America; Western Europe*	2023	0.5	N/A

* Fund is not included in GPCA aggregate statistics since it plans to invest the majority of its capital outside of GPCA markets. Source: GPCA. Data as of 30 June 2023.

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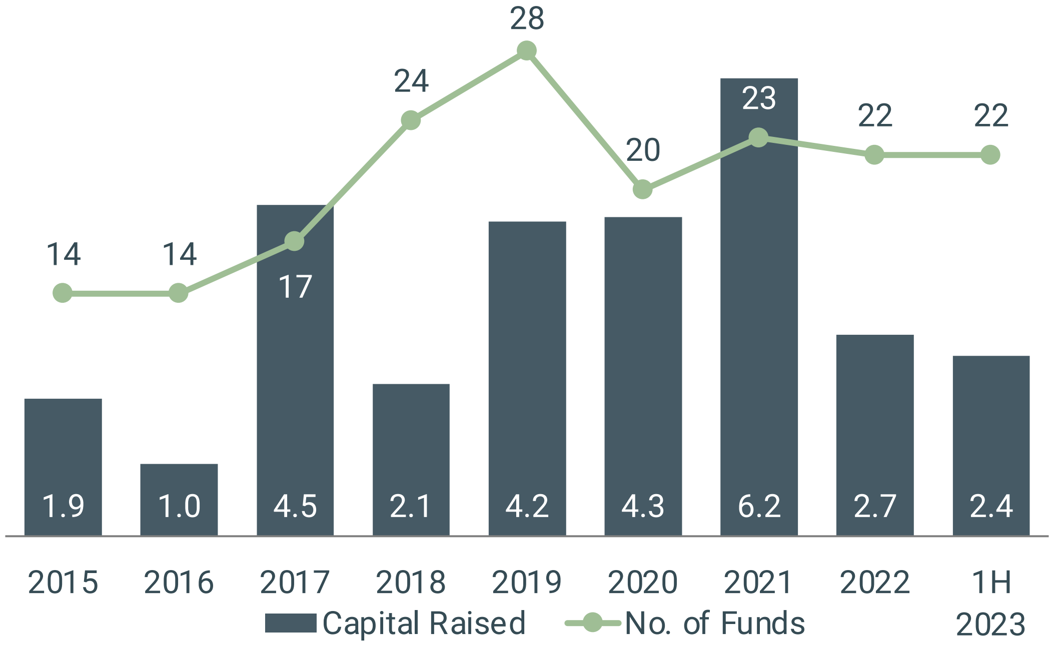
Fundraising: Climate funds targeting GPCA markets have raised over USD29b since 2015

Overall Fundraising for Climate Funds Targeting GPCA Markets, 2015-1H 2023



Global market uncertainty has affected the momentum for climate-dedicated strategies. Despite this, climate funds have raised USD2.4b in the first half of 2023 – nearly matching the 2022 annual total – across 22 funds.

Source: GPCA. Data as of 30 June 2023.

Capital committed to climate funds dedicated to GPCA markets – including Asia-Pacific, Latin America, Africa, CEE and the Middle East – has accounted for just over 4 percent of total fundraising activity since 2015. Fundraising peaked at USD6b in 2021 led by Actis Energy 5.

Climate-Dedicated Funds, 2019-1H 2023 (USDm)

	2019	2020	2021	2022	1H 2023
Mitigation	4,063	3,976	6,021	2,103	1,886
Adaptation & Resilience	173	326	146	613	547
Total	4,236	4,302	6,167	2,716	2,433

Climate-Dedicated Funds, 2019-1H 2023 (No. of Funds with Closes)

	2019	2020	2021	2022	1H 2023
Mitigation	22	13	20	18	16
Adaptation & Resilience	6	7	3	4	6
Total	28	20	23	22	22

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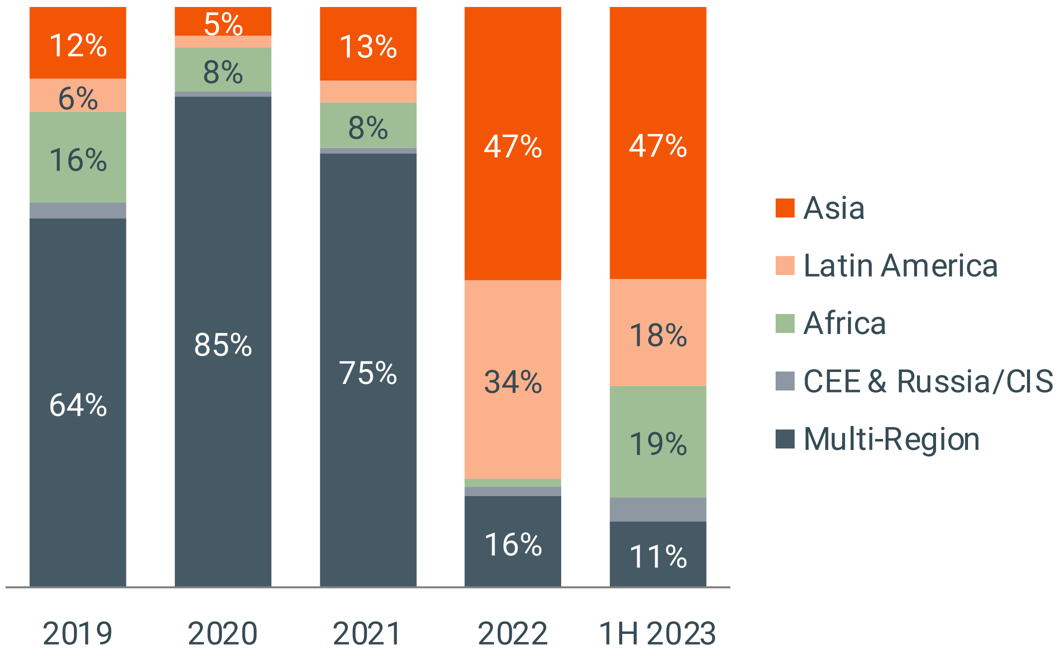
Fundraising: Region and country-specific climate vehicles are gaining traction

Funds targeting Asia, Latin America, Africa and CEE on a regional basis, or specific countries within these regions, have raised USD4.4b since the beginning of 2022.

Fundraising for Climate Funds by Geographic Focus, 2019-1H 2023 (% of Capital Raised)



Source: GPCA. Data as of 30 June 2023.

Select Region- and Country-Dedicated Climate Funds, 2021-1H 2023

Fund Manager(s)	Fund	Fund Type	Geo. Focus	Capital Raised (USDm)	Vintage Year
Everstone Capital Asia	Green Growth Equity Fund	Infrastructure	India	741	2018
IDG Capital Partners, Towngas	IDG Carbon-Free Technology Fund	Multi-Stage/ Opportunistic	China	709	2023
Navis Capital Partners	Asia Green Loop Fund	Restructuring/ Continuation	Asia	450	2021
BTG Pactual	Brazil Timberland Fund II	Natural Resources	Brazil; Latin America	230	2022
Lion's Head Global Partners	Facility for Energy Inclusion	Infrastructure Debt	Africa	211	2019
Inspired Evolution	Evolution III	Infrastructure	Africa	199	2023
Vinci Partners	Vinci Climate Change FIP	Infrastructure	Brazil	185	2023

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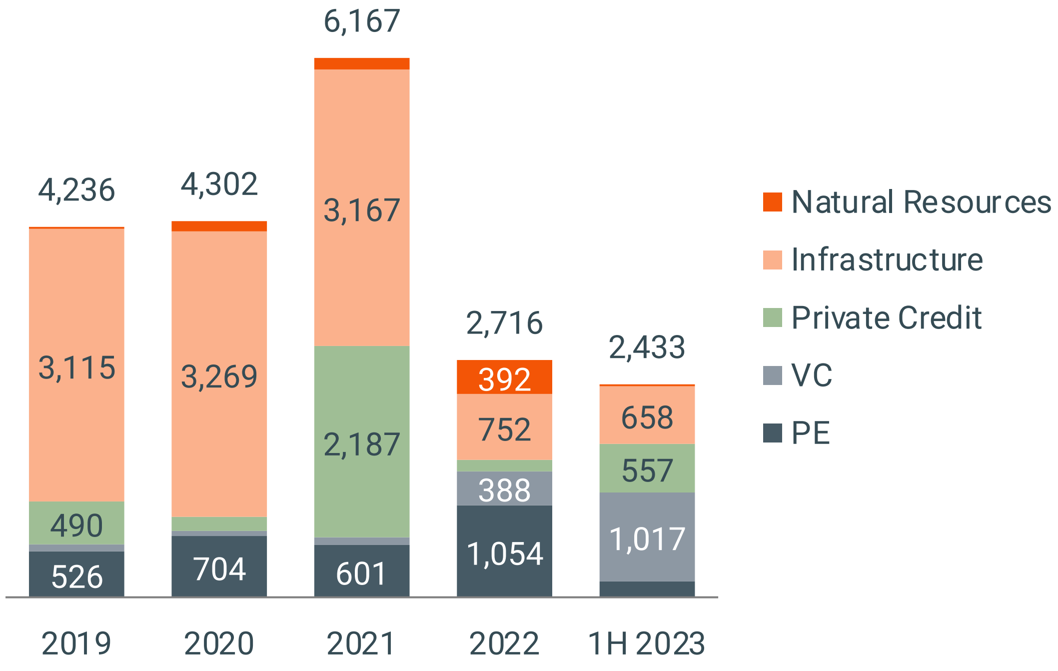
Fundraising: GPs are raising capital for climate across asset classes

Renewable power infrastructure strategies have captured the majority of commitments to climate funds in GPCA markets. However, a broader range of funds have attracted capital over the last 18 months, with VC funds investing in climate tech raising over USD1b in the first half of 2023. Commitments to specific sector verticals outside of renewable power and food/agriculture remain limited.

Climate Fundraising by Asset Class – GPCA Markets, 2019-1H 2023 (USDm)



Source: GPCA. Data as of 30 June 2023.

Climate Fundraising by Geographic Focus and Vertical – GPCA Markets, 2019-1H 2023 (USDm)

	Multi-Region	Asia	Latin America	Africa	CEE
Alternative Fuels	25	-	-	40	-
Utility-Scale Renewable Power	10,255	537	765	1,310	265
Distributed Generation	419	-	17	450	-
Energy Efficiency	-	117	-	-	-
Green Transportation	-	231	-	-	-
Forestry & Carbon Sequestration	159	120	320	35	94
Sustainable Food & Agriculture	106	755	604	58	-
Climate-Focused Financial Services	220	62	-	-	-
Diversified Climate Solutions	459	2,121	223	88	-
Total	11,643	3,942	1,928	1,981	359

Strategies in focus: Renewable energy infrastructure

BlackRock

BlackRock | BlackRock Climate Finance Partnership | USD673m

CFP investments will be targeted toward select countries in Southeast Asia, Latin America and Africa. The vehicle's focus on what is generally referred to as the climate infrastructure sector will include; grid-connected and/or distributed generation renewable energy power; energy efficiency in residential, commercial and/or industrial sectors; energy storage solutions; and ultra-low emission or electrified transportation and mobility services.

DENHAM CAPITAL

Denham Capital Management | Denham Sustainable Infrastructure Debt I | USD2b

Denham's newly created Sustainable Infrastructure debt platform will target global investments in renewable power generation, energy storage, electric vehicle charging, energy-efficient data centers and other infrastructure that meet Denham's Sustainable Infrastructure Responsible Investment Policy.

Renewable energy infrastructure funds dedicated to GPCA markets have raised USD17.1b since 2015, with global investors targeting renewable energy assets to expand access to power and reduce the fossil-fuel intensity of national grids.

Political support for the clean energy transition is spurring opportunity. Alcazar Energy Partners is currently raising a USD500m fund to invest in the Middle East and North Africa, Eastern Europe and Central Asia, where governments are offering guarantees for long-term power purchase agreements at fixed prices pegged to the dollar. The firm exited its first fund's entire portfolio to Three Gorges for USD500m in 2021.

ALCAZAR ENERGY

"Renewable power doesn't rely on subsidies in our markets, and these projects are of strategic importance for our host governments, so we are seeing political will. These assets are economically viable as they provide electricity below the cost of other technologies."

– Markus von Haniel, Partner, Alcazar Energy Partners

Source: GPCA analysis, BlackRock, Aflac Global Investments.

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Strategies in focus: Distributed generation

Distributed generation-focused funds have raised USD1.1b since 2015. Decreasing manufacturing costs for solar photo-voltaic equipment and battery storage are improving energy access and reliability and reducing reliance on public utilities, which don't reach remote consumers in some markets.

CrossBoundary Group

"When we entered the renewable energy space in 2013, I felt like we had a secret that most people didn't know: solar was decreasing in cost by 15% a year, and that was compounding. A lot of people know that now, but what they still don't realize is that the economies of scale for solar and batteries largely occur at the point of manufacture, not the point of installation. It's not a lot cheaper on a unit basis to build a large solar field versus a smaller one. This is a new kind of modularity for energy generation and means that the traditional advantages of centralized generation are fading away."

– Matthew Tilleard, Co-Founder and Managing Partner, CrossBoundary Group

responsAbility

responsAbility Investments | responsAbility Access to Clean Power Fund | USD158m

The responsAbility Clean Power Fund is focused on backing energy access companies that provide distributed generation solutions (primarily based on solar energy) to households and small and medium-sized enterprises mainly in Africa and Asia. The fund's market opportunity is the financing gap in the off-grid solar market created by the lack of financing from commercial banks.

Triple Jump

Triple Jump | Energy Entrepreneurs Growth Fund | USD125m

The fund is designed to provide patient, flexible capital combined with technical assistance that is currently lacking in the off-grid energy ecosystem. It will finance more than 25 companies and predominantly provides mezzanine structures, as well as equity and debt investments through tailored solutions to meet the changing needs of growing energy companies.

Source: GPCA analysis, EIB disclosure, Shell Foundation.

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Strategies in focus: Non-infra services and tech-enabled solutions

HILLHOUSE

Hillhouse Capital | Carbon Neutrality Industry Investment Fund | CNY2b

The fund will back companies in areas such as new energy, new materials, advanced manufacturing, green transport and agricultural technology.

GEF | CAPITAL PARTNERS

GEF Capital Partners | GEF LatAm Climate Solutions III | USD208m

The fund will target Latin America, with a focus on Brazil, supporting the growth of companies in three main sectors: clean energy and energy efficiency, sustainable food & sustainable agriculture and sustainable urban solutions.

GEF Capital Partners | GEF South Asia Growth Fund II | USD200m

Resource scarcity is one of the key challenges in Asia and SAGF is the only private equity fund that supports SMEs operating in the underserved resource efficiency market. SAGF provides investments to businesses that address cleaner and more efficient production and usage of energy, water and food resources, predominantly focused on the Indian market.

Climate-focused PE and VC funds – many of which are investing in a diverse range of climate solutions, including energy efficiency, food and agriculture, green mobility and digital tools for decarbonization – have raised over USD1b in the first half of 2023, led by a CNY5b (~USD709m) first close for IDG Carbon-Free Fund.

Food and agriculture is a key investment area for many PE and VC funds with a climate focus. India-focused Omnivore Agritech and Climate Sustainability Fund 3, which has reportedly raised USD150m to date and is targeting USD200m, will invest in tech-driven agricultural enterprises improving productivity and profitability for farmers.

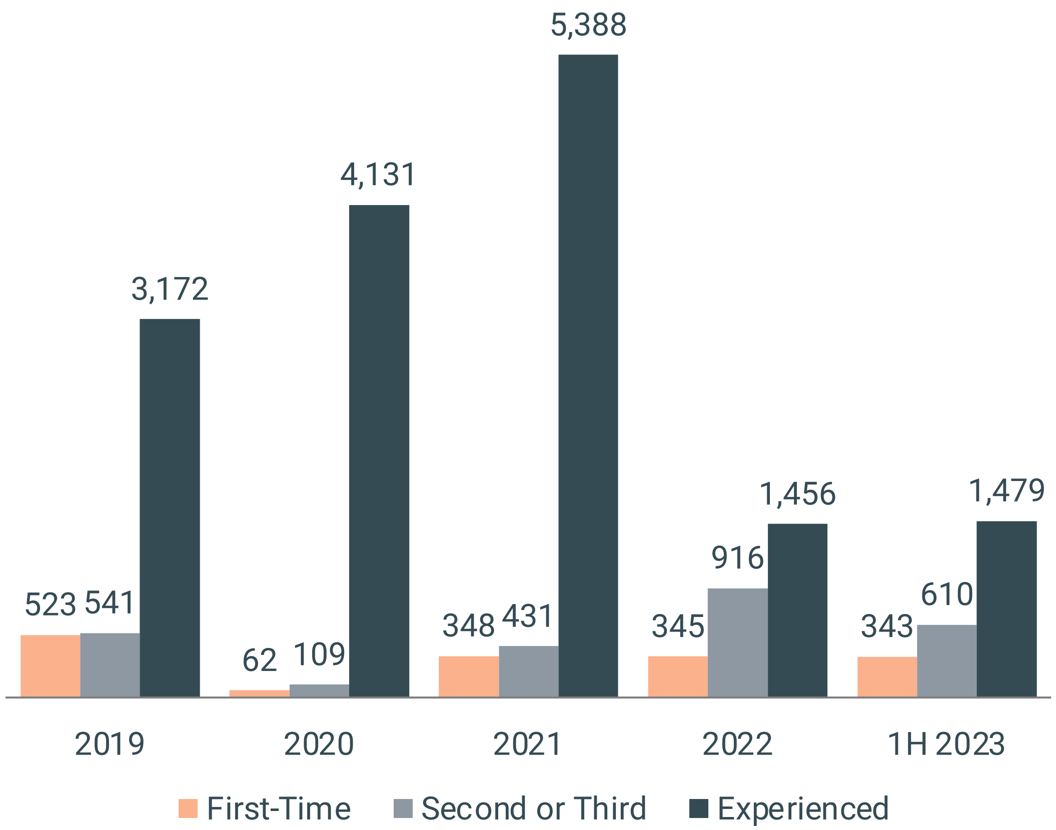
"The market today is much deeper. The velocity of companies we're evaluating is 2-3 times faster, and the ticket size has increased from USD10-12m to USD30-35m. We're seeing some competition and valuation inflation – not because these are climate deals, but because they are attractive deals."

– Raj Pai, Managing Partner, GEF Capital Partners

Source: GPCA analysis, AVCJ, GEF Capital Partners, BII disclosure.

Manager experience: Established GPs are launching new climate strategies

Climate Fundraising by Fund Series – GPCA Markets, 2019-1H 2023 (USDm)



Source: GPCA. Data as of 30 June 2023.

Experienced GPs – those on their fourth fund or later – have raised USD15.6b for climate since 2019, with multi-asset managers like Everstone Group and Vinci Partners closing on commitments for their climate-dedicated strategies.

Leading impact managers like TPG Rise and Lightrock have also launched strategies to provide LPs with direct exposure to climate solutions. In GPCA markets, Mirova has raised USD511m across five climate funds since 2015 targeting opportunities in reforestation, distributed generation and sustainable food and agriculture. Other impact managers, such as BlueOrchard and Encourage Capital, have raised funds to invest in climate-linked insurance and solar finance.

"We're seeing sustainable investment funds with high performance on ESG that are evolving into climate funds. They have high-quality sustainability practices, but for the first time, they're labeling themselves as climate funds with frameworks and consultants to supplement their capacities. We're also looking at first-time managers; the real test is additionality and investing in a catalytic way that attracts commercial capital."

– European climate-focused fund of funds

Manager experience: First-time funds account for 23% of climate funds seeking capital

VC firms Rockets Capital, targeting the EV value chain, and Equator Africa, which invests in tech-enabled climate solutions, have reached USD200m and USD40m first closes, respectively, on first-time vehicles. In CEE, Modus raised EUR85m (USD91m) to invest in clean energy infrastructure. GPCA Research is currently tracking a total of 21 first-time funds with a climate focus.

Funds Currently Raising by Fund Series and Climate Vertical – GPCA Markets (Cumulative Target in USDm, No. of Funds in Market)

	First-Time	Second or Third	Fourth or More	All Managers
Alternative Fuels	70	400	-	470
Distributed Generation	130	650	1,120	1,900
Diversified Climate Solutions	250	1,127	6,255	7,632
Energy Efficiency	206	100	1,871	2,178
Green Transportation	500	-	1,158	1,658
Sustainable Food & Agriculture	80	654	984	1,719
Utility-Scale Renewable Power	1,372	1,400	4,002	6,774
Forestry & Carbon Sequestration	14	300	1,054	1,368
Climate-Focused Financial Services	-	250	100	350
Total	2,622	4,881	16,545	24,048

	First-Time	Second or Third	Fourth or More	All Managers
Alternative Fuels	1	1	-	2
Distributed Generation	1	2	3	6
Diversified Climate Solutions	4	7	12	23
Energy Efficiency	2	2	3	7
Green Transportation	1	-	2	3
Sustainable Food & Agriculture	3	3	5	11
Utility-Scale Renewable Power	8	4	16	28
Forestry & Carbon Sequestration	1	1	7	9
Climate-Focused Financial Services	-	1	1	2
Total	21	21	49	91

Source: GPCA. Data as of 30 June 2023.

Commercial returns: GPs are aligning financial incentives with climate action

Leading GPs in the climate space are focused explicitly on commercial returns and demonstrating conviction in their climate theses with innovative fund structures. General Atlantic raised USD3.5b for BeyondNetZero in 2022, which is structured as a companion fund to co-invest alongside the firm's flagship vehicle. Other fund managers are tying portions of their GP compensation to their climate performance. GPs who can effectively integrate climate targets into their fund structures signal the opportunities for risk-adjusted returns while mitigating CO_2 emissions.

Morgan Stanley | INVESTMENT MANAGEMENT

Morgan Stanley Investment Management | 1GT Private Equity Platform* | USD500m

For 1GT, the team will tie a portion of its incentive compensation to underlying investments, collectively catalyzing one gigaton avoidance/reduction in CO_2 emissions from the date of 1GT's investment through 2050.

JUST CLIMATE by generation

Just Climate | Climate Assets Fund I* | USD1.5b

Under the fund's integrated performance fee, financial returns drive the amount of performance fee accruable. The fund's performance fee is 100% linked to the delivery of ambitious greenhouse gas abatement goals.

EQT

EQT Group | EQT Future Fund* | EUR4b**

Up to 20% of EQT Future's total carried interest will be linked to achieving the portfolio-level KPIs, including reduction of GHG emissions using the Science Based Targets.

* Fund is not included in GPCA aggregate statistics since it plans to invest the majority of capital outside of GPCA markets. ** Target Fund size. Source: GPCA analysis, Morgan Stanley Investment Management, Just Climate, EQT Future.

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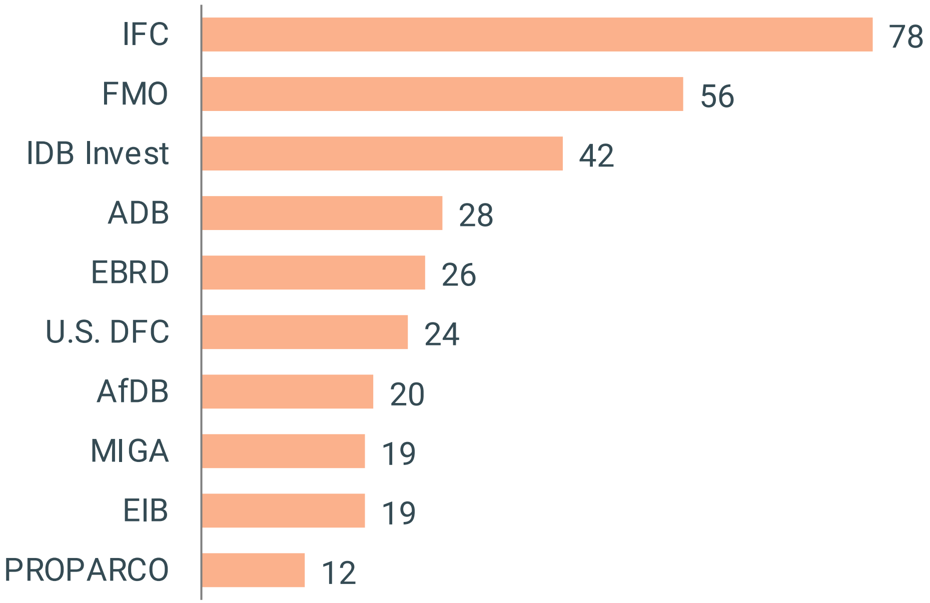
Blended finance: DFIs can mobilize catalytic capital into climate-linked opportunities

Most Frequent DFI/MDB Participants in Climate Blended Finance Deals by No. of Commitments, 2017-2022



Select Climate Blended Finance Funds, 2017-2022

New Forests Asset Management | Tropical Asia Forest Fund 2 | USD120m

Fund Sub-Class	Equity Type	Capital Allocated (USDm)
Class A	Commercial Equity	250 Target
Class B	Concessional Equity	50 Target

Climate Fund Managers | Climate Investor One | USD855m

Fund Sub-Type	Instrument	Capital Allocated (USDm)
Development Fund	Reimbursable Loans	45
Construction Equity Fund	Tier 1: First-loss Equity	160
Construction Equity Fund	Tier 2: Subordinated Equity	320
Construction Equity	Tier 3: Senior Equity	350
Refinancing Fund (Prospective)	Senior Debt	500

Nationally determined contributions in the Paris Agreement include commitments to deploy capital for climate finance across GPCA markets. DFIs are earmarking first-loss capital for climate financing on their balance sheets, particularly with less proven strategies, to reduce the risk for commercial investors. GPs are leveraging public sector financing for concessional capital, technical assistance grants and political risk insurance to mobilize commercial capital.

Source: Convergence State of Blended Finance 2023, Tropical Asia Forest Fund 2 (TAFF2) Case Study, Climate Investor One (CIO) Case Study.

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Reporting: LPs expect regular and reliable disclosure on emissions

Notable Industry Frameworks for Emissions Disclosure

The Science Based Targets initiative (SBTi): Defines and promotes best practice in emissions reductions and net-zero targets in line with climate science; provides technical assistance and expert resources.

Task Force on Climate-Related Financial Disclosures (TCFD): Consists of 31 members from across the G20, representing both preparers and users of financial disclosures, structured around four thematic areas: governance, strategy, risk management and metrics and targets.

The International Sustainability Standards Board (ISSB): In June 2023, the ISSB issued IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures.*

Regular and reliable disclosure on Scope 1-3 emissions reduced or avoided underpins LP expectations for fund governance. Where portfolio companies are not yet at the level of regular reporting, investors are making use of proxy data points. As industry frameworks become more sophisticated, LPs are scrutinizing GP reporting and are often auditing fund performance using in-house consultants or third-party advisory teams.

Notable Data Collection Tools and Templates

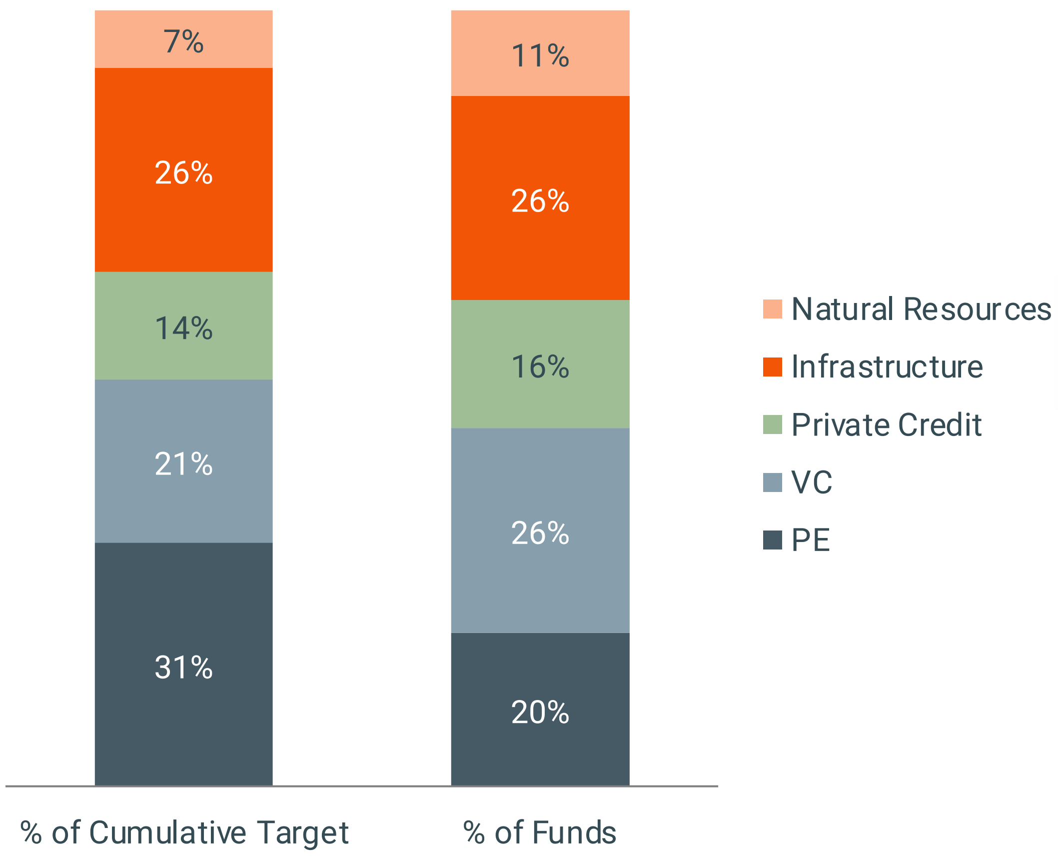
"The perception that emissions measurement is challenging and costly is more nuanced. If you're a GP with a small portfolio (i.e., less emissions to track), the tools and models for tracking fuel consumption data or other climate data are available. It's in the interest of fund managers to get on board with these things as the regulatory environment and market perception change. It requires new capacity and skill, but it is worthwhile."

– Nicola Mustetea, Director, Climate Change, British International Investment

Source: GPCA analysis.

Outlook: Specialization within climate strategies is expected across asset classes and sectors

Climate-Dedicated Funds Currently Raising by Asset Class – GPCA Markets



Source: GPCA. Data as of 30 June 2023.

Increased LP demand for climate-dedicated strategies will continue to transform the fundraising environment, leading to additional segmentation and specialization among managers. Private capital fund managers are seeking to raise USD24b for 91 dedicated climate funds across all asset classes, sectors and geographies in GPCA markets, representing a much broader array of strategies than just renewable energy infrastructure.

GENERAL ATLANTIC

"Fund managers are aligning their investment strategies with the interests of LPs who are allocating capital within specific asset classes, like climate. Finding GPs who match those specific allocation buckets will be crucial for investors seeking risk-adjusted returns, and we anticipate more specialization across managers, with LPs identifying specific verticals and in turn GPs building deep expertise in those respective areas."

– Michael Bevan, Managing Director, General Atlantic BeyondNetZero

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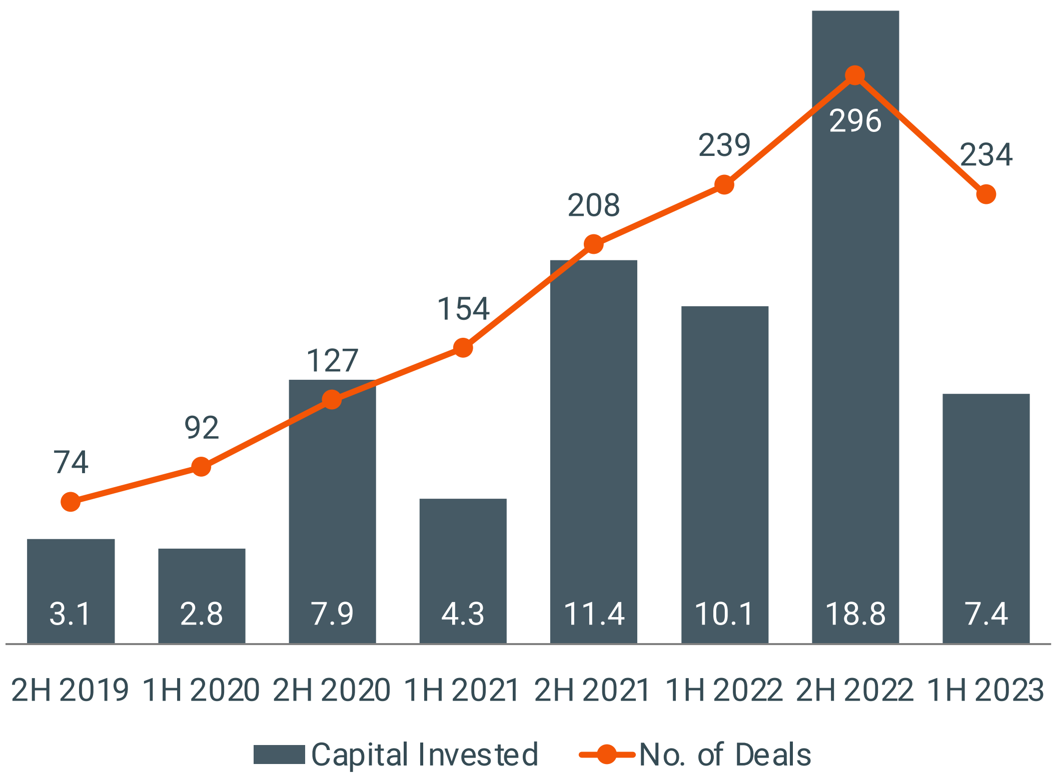
Outlook: GPs must identify opportunities to match investor allocations to climate

Climate and Sustainability Private Capital Investments – GPCA Markets, 2H 2019-1H 2023 (USDb)



Capital deployed by fund managers in climate and sustainability-linked companies and projects – including renewable energy, electric vehicles, cleantech and circular economy assets – remained above historical levels at USD7.4b in 1H 2023.

Though investment momentum has reached unprecedented levels across GPCA markets, interviews with market participants reveal concern over a potential mismatch between capital earmarked for climate-linked opportunities and the pipeline of investible companies and projects, particularly in less mature markets.

Building this pipeline is a key challenge for governments, donors, development finance institutions and investors in GPCA markets – why many are calling for reforms to the multilateral financial architecture to mobilize additional commercial capital and enable climate investment to grow 7x by 2030.

Note: Includes investments in renewable energy, electric vehicles, cleantech and other companies with a specific climate or environmental mandate. Source: GPCA. Data as of 30 June 2023.

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Outlook: Managers will be required to integrate climate considerations regardless of strategy

Climate and ESG Resources for Fund Managers

FMO: ESG Toolkit for PE Funds
BII: TCFD Toolkit for Fund Managers
KfW Group: Paris-Compatible Sector Guidelines
Asian Development Bank: Climate Change Toolbox and Resource Inventory
EBRD: E&S Risk Management Toolkit
Agence Française de Développement: Carbon Footprint Tool for Projects
IIGCC: Net Zero Stewardship Toolkit
ILPA: Decarbonisation Handbook for LPs
2X Global: Gender and Climate Finance Toolkit
DLA Piper: Comparing ESG disclosure rules for funds in the EU, UK, and the US-SFDR, SDR and SEC proposal

Regulatory frameworks and investor expectations around ESG and sustainability disclosure are becoming more sophisticated, pushing managers to adopt more rigorous practices within their investment processes.

Fund managers' abilities to address climate risk and demonstrate progress on meeting net-zero commitments will factor into future capital allocation decisions.

Adverse effects of climate change, including extreme weather events and natural catastrophes, have already begun to impact investors' portfolios. As LPs become increasingly concerned about their climate exposure, all managers— regardless of strategy or asset class — will need to address climate considerations across their portfolios.

Morgan Stanley | INVESTMENT MANAGEMENT

"Having a climate strategy will be as common as having a digitization strategy. Investors will have to consider the climate opportunities and risks of every potential investment – this will become embedded in investing."

– Vikram Raju, Managing Director, Morgan Stanley Investment Management

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