

Leadership for Urban Climate Investment (LUCI)

THE CHALLENGE

Cities are key to secure our climate future and successfully implement NDCs. Today, more than half of the world’s population lives in cities and over two-thirds will live in cities by 2050. An estimated USD 93 trillion worth of sustainable infrastructure will be built by 2030, over 70% of which will be built in urban areas. Investments in sustainable urban infrastructure are essential to achieve the goals of the Paris Agreement and to avoid locking us into an unsustainable pathway.

Cities face barriers in accessing such finance including lack of focus on cities as a strategic priority by the global climate finance architecture and shortage of financing options. Lack of national and financial framework conditions conducive to climate-friendly projects, limited funding for project preparation support as well as capacity constraints in developing and implementing projects constitute further barriers in this regard.

THE INITIATIVE

To address these barriers, LUCI provides a comprehensive and transformative approach encompassing the entire investment and infrastructure value chain that accelerates, scales-up and leverages climate finance for cities as a strategic priority.

Through its multi-level and multi-partner approach, LUCI closes gaps in the subnational financial architecture. LUCI links new and existing initiatives and programs across the entire value chain: from increasing the pipeline of bankable projects, to mobilizing capital markets for sustainable city infrastructure financing, from accelerating climate finance flows to urban projects, and creating new financing instruments to tracking subnational climate finance.

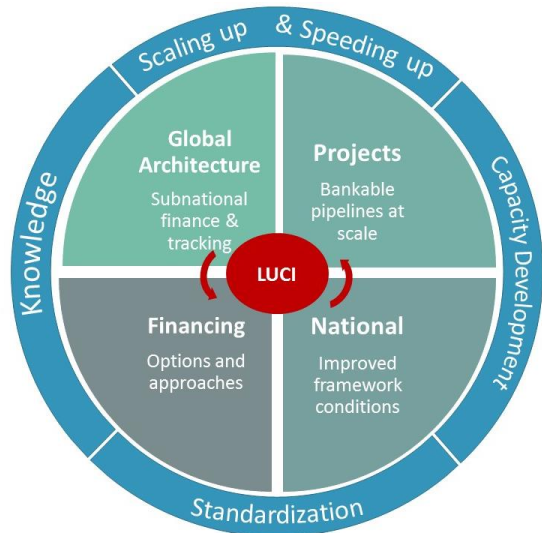


Image 1: LUCI’s approach of four integrated components across the entire infrastructure and investment value chain.

LUCI consists of four integrated components containing multiple initiatives. Each of these initiatives mobilizes the comparative advantages and unique capabilities of the respective key stakeholders - these include national and subnational governments, international finance institutions and climate funds, development banks, city networks, international organizations and think tanks. Overall, LUCI will:

- Systematically **accelerate, scale-up and leverage urban climate finance**
- **close gaps** in the subnational climate finance architecture;
- Strengthen the capacity of **2000 cities** in **project preparation** by 2025;
- Link **1000 climate smart urban infrastructure projects** to finance by 2025;
- Enable **100 climate smart urban infrastructure projects** to successfully use new national and international financing mechanisms by 2025;
- **Strengthen national framework conditions**, including the capacity of **National Development Banks (NDBs)** to support urban infrastructure projects.

Component 1 focuses on creating a strong global architecture for subnational climate finance and its tracking. The reformed **Cities Climate Finance Leadership Alliance (CCFLA)**, with the **Climate Policy Initiative (CPI)** as the new Secretariat, will serve as the main platform for cooperation, partnerships and advocacy in the field of subnational climate finance. CCFLA will function as connecting tissue of LUCI by actively linking stakeholders and initiatives and providing knowledge management to them. CCFLA will link stakeholders and initiatives and provide knowledge management to them. A standard methodology, which, for the first time, will allow tracking and measuring of climate-related finance flows at the sub-national level, is currently being developed by the **OECD and CPI**. This will provide the basis to ensure that both, LUCI and the global architecture for subnational climate finance remain responsive and effective against their objectives.

Component 2 will create bankable projects and coherent pipelines at scale. The launch of the **Cities Climate Finance Gap Fund (Gap Fund)** will dramatically increase funding for early-stage project preparation. The Gap Fund will provide grant funding of more than EUR 100m to unlock a pipeline of EUR 4bn in climate infrastructure projects (leverage ratio 1:40), supporting the preparation of more than 5000 low-carbon and/or resilient infrastructure projects in cities in low- and middle-income countries. Initiatives such as **ICLEI's Transformative Actions Program (TAP)** and the **CDP** will support the identification of projects for the Gap Fund. Through its implementing partners, the Gap Fund will strengthen cities' project preparation capacities and build pipelines of projects for later-stage technical assistance and for investors. Enhanced and scaled project preparation facilities, such as **C40 Cities Finance Facility (CFF)** and **FELICITY**, and the upstream **Transaction Advisory Window of the Global Infrastructure Facility (GIF)** will collaborate with the Gap Fund to carry its activities and funding further downstream. In addition, based on the experiences of the **World**

Bank Cities Resilient Program (CRP) a new global mechanism will improve coordination and cooperation among financing institutions.

Component 3 will improve financing options and approaches for cities and urban infrastructure projects. The component also supports linking projects supported under component 2 with financing. Programs for further development so far include **IADB's 'Capital Market Solutions for Sustainable Urban Infrastructure'** for facilitating access to capital markets, the expansion of blended finance subnational climate funds like **R20's 'Sub-national Climate Fund for Africa'** and **5B+** initiative that will replicate it, the **Climate Investment Funds (CIFs)** newly proposed **Global Program for Climate Smart Urbanization** and the **Downstream Finance Window** of the **GIF**. In addition, international financing institutions and NDBs will engage in dialogues with stakeholders on strengthening their urban portfolios.

Component 4 focuses on favourable national framework conditions and strong development banks, both essential pillars for supporting financing for climate friendly infrastructure in cities. Initiatives in component 4 aim at increasing capacity and engagement of national and sub-national development banks, i.e. through the **Global Alliance for Subnational Development Banks** developed by **Global Fund for Cities Development (FMDV)**, with Cameroon and RIAFCO. This component also creates a **dialogue space for national governments on favourable framework conditions facilitated by the CCFLA.**

BENEFITS OF JOINING LUCI

National governments who actively engage in LUCI can benefit from the following:

- **accelerating their NDC- implementation** by enabling their cities to help implement NDCs and climate action plans and develop bankable projects and get them financed;

- **demonstrating leadership and ambition by** announcing their participation in LUCI and commitment to enhance enabling environments for climate friendly urban infrastructure projects at the summit;
- sending a **strong signal to international and national financiers** that climate friendly urban infrastructure development is a strategic priority;
- **participating in LUCI’s dialogue space and knowledge platform** on policy design and financing instruments for urban infrastructure;
- **supporting the design and development of vertically integrated future technical assistance and capacity development opportunities.**

JOINING GOVERNMENTS COMMIT TO

1. enhance enabling environments, as appropriate, to help transform cities so that they can play their part in addressing climate change and to enable investment in sustainable, low-carbon and climate-resilient infrastructures at the local level;
2. facilitate subnational access, as applicable, to national and international financing;
3. cooperate and actively engage, where possible, with the other stakeholders of LUCI to scale-up and accelerate investment in sustainable low-carbon, climate-resilient urban infrastructures.

In addition, governments have the possibility to further contribute to LUCI by joining the Cities Climate Finance Leadership Alliance (CCFLA) and one or more of the other initiatives of LUCI and/or by providing financial support or in-kind to one or more of LUCI’s initiatives.

Should you wish to express interest or obtain any additional information on LUCI, please contact the German Government as Focal Point for LUCI in the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety:

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PARTNERS OF LUCI (SELECTED)

