

NORDIC CLIMATE DIALOGUES

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Nordic Climate Dialogues

Context Brief

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The global climate and development finance landscape is entering a period of profound change. Official development assistance and concessional public finance are under sustained pressure, while climate investment needs continue to rise. At the same time, private capital is becoming increasingly important to meeting those needs but remains highly concentrated in markets and sectors where risk is best understood and where returns are most readily captured.

For emerging markets and developing economies (EMDEs), this creates a particularly difficult financing environment. The challenge is that too little of the capital available globally is structured to reach the places where investment needs are greatest. The Nordic region is particularly well placed to respond to this challenge given a unique combination of assets: concessional public capital with an explicit risk-taking mandate, a deep pool of institutional capital relative to the size of its economies, globally recognized scientific authority on climate and nature, and corporates that can anchor demand in critical markets. The Nordic Climate Dialogues is designed to explore how these assets can be combined and deployed at the scale required.

1. The shifting global climate finance landscape

Global climate finance has never been higher, but it is growing more slowly at a moment where acceleration is critical. Flows surpassed **USD 2 trillion for the first time in 2024** but annual growth has decelerated from a 30% surge in 2021 to 6% in 2024 and an estimated 2–3% in 2025. At these rates, flows will not reach even the lowest estimated mitigation needs until well into the 2030s (CPI, 2026). EMDEs are a bright spot in this picture: climate finance in these economies more than doubled between 2018 and 2023 and passed **USD 1 trillion in 2023**, of which 80% was mobilized domestically (CPI, 2025).

Climate finance in EMDEs excluding China and least developed countries grew at a 25% compound annual growth rate from 2022 to 2024 (CPI, 2026). Nature and adaptation are the exception to this growth trend: adaptation finance reached only USD 65 billion in 2023, against USD 1.78 trillion for mitigation, and finance for nature and biodiversity remains a small fraction of even those flows (CPI, 2025).

The composition of finance is also changing. **International public climate finance fell 6% in 2024**, after rising 33% in 2022 and 20% in 2023 (though notably, multilateral and national

development banks have increased their contributions to adaptation finance over this period). Over the same period, private finance has become an engine of relative growth: private flows exceeded USD 1.2 trillion with a 19% compound annual growth rate from 2019 to 2024, and commercial financial institutions more than doubled their flows to USD 570 billion (CPI, 2026).

Climate finance does not flow evenly. **Advanced economies and China consistently account for roughly 80% of global flows**, and over USD 1.7 trillion (about 85% of climate investment) was mobilized in domestic markets in 2024. Capital overwhelmingly remains in the country of origin and the market structurally undersupplies cross-border flows to EMDEs. This creates a growing disconnect between where capital is available and where investment is needed (CPI, 2026).

2. The catalytic capital opportunity and instruments that work

In EMDEs, the cost of capital for clean energy and resilience projects is generally substantially higher than in advanced economies. The cost premium reflects currency and macroeconomic risk, weaker enabling environments, thin track records, and investor unfamiliarity, rather than realized losses alone. Well-designed catalytic or concessional capital can lower the effective cost of finance for less risk-tolerant investors. First-loss positions, guarantees, and early-stage equity can help crowd in private capital to geographies and sectors it might otherwise avoid.

Nordic public FIs and concessional providers have a distinctive capacity to be nimble and risk-tolerant with an openness to take first-loss and junior positions and to pilot unproven structures. In a tightening environment, that flexibility is especially valuable to unlocking private and corporate co-investment. Few public or philanthropic institutions are mandated to take high-risk positions specifically to mobilize other investors. Those that do can therefore have an impact disproportionate to the size of their balance sheets. NDF is a case in point: it typically acts as an anchor junior equity investor in the funds it backs, a role that is rare among concessional providers and that is often decisive in moving a first-of-a-kind vehicle to close. Approximately 40% of NDF's institutional commitments sit in 15 blended finance funds with a cumulative fund size of approximately USD 4 billion and around 34% of that portfolio targets adaptation, compared to a market average below 20%.

There is now substantial evidence that well-structured catalytic instruments can mobilize additional investment. For example, over 2014–2025, CPI's Global Innovation Lab has

incubated 80+ instruments that have collectively mobilized **USD 5 billion in climate investment in EMDEs, including USD 1.9 billion from private investors**. NDF has supported several instruments from Lab cycles with investment, making the Lab a concrete pipeline into Nordic portfolios. Below are four diverse approaches that illustrate what "catalytic capital" can look like in practice:

1. CRAFT (Climate Resilience and Adaptation Finance & Technology Transfer Facility).

Developed by the Lightsmith Group in 2017, CRAFT was the first commercial investment vehicle focused specifically on expanding the availability of technologies and solutions for climate adaptation and resilience, drawing on a pipeline of 500+ companies across supply-chain analytics, weather modelling, precision agriculture, water efficiency, distributed energy, disaster response, and parametric insurance. CRAFT demonstrated that adaptation can be a commercial thesis, and that early public backing can prove out an entirely new category. CRAFT was developed with support from CPI's Global Innovation Lab and NDF funded its structuring and launch, a concrete example of Nordic concessional capital de-risking a first-of-its-kind vehicle.

2. EMCAF (Emerging Market Climate Action Fund). A blended fund-of-funds created by the European Investment Bank and Allianz Global Investors, EMCAF reached a final close of EUR 450 million in January 2025. The fund invests in climate mitigation, adaptation, and environmental sustainability across EMDEs. NDF sits in the junior tranche alongside KfW and Luxembourg, absorbing first losses so that senior investors, including Allianz and Folksam can participate on terms allowable by their mandates. EMCAF illustrates the high potential value of junior capital to increase access to institutional money that would otherwise not be available.

3. Acumen's Hardest-to-Reach Initiative (H2R). Launched at COP28 and anchored by a GCF award, H2R reached its USD 250 million target across two vehicles: a debt pool providing impact-linked loans and receivables-based finance to off-grid solar companies, and a market-building facility. NDF is providing USD 10.5 million in concessional funding structured to reward companies for serving first-time, lowest-income customers, and Norad is among the funders of the market-building facility. The initiative targets 70 million people across 17 countries, including 50 million first-time energy users.

4. Mitsiry Biodiversity and Climate Fund. A USD 50 million blended finance fund from Mirakap and Kinomé, Mitsiry invests patient capital in regenerative enterprises

restoring ecosystems and transforming land-use value chains in the South-West Indian Ocean region, particularly Madagascar. By combining concessional and commercial capital and pairing it with a technical assistance facility, it reduces the risk of nature-based businesses in least developed countries to a level private investors can accept, directly addressing the thin-pipeline problem in nature finance. In the hardest markets, catalytic capital and TA must work together; the fund targets 10,000 jobs, improved livelihoods for 400,000 people, USD 80 million in enterprise revenues, 30,000 hectares under sustainable management, and 5 million tons of CO₂ reduced, avoided, or sequestered. Mitsiry illustrates several of the key elements nature-positive finance requires: patient capital, technical assistance alongside that capital, and a tolerance for ticket sizes that most institutional investors can't reach.

These instruments illustrate that the most material constraint is rarely the availability of capital in the abstract, but the absence of structures that appropriately share risk with private investors. Targeted risk-sharing can help connect capital with investment opportunities that would otherwise remain out of reach.

3. The Nordic opportunity

The Nordic institutional ecosystem possesses a combination of intellectual and institutional assets that few other regions can match. Five features stand out:

1. **A deep stack of catalytic public capital relative to size and experience in pooling that capital.** At the center of this deep stack of public capital is NDF, which has had the mandate since 2009 to work at the intersection of climate and development with a specific focus on low-income countries. Also in this stack sit Nefco, the jointly owned Nordic Green Bank, the Nordic Investment Bank, four national DFIs (Finnfund, Norfund, Swedfund, Impact Fund Denmark) holding more than EUR 8 billion in committed portfolio between them, and direct ministry climate finance. Few regions concentrate this much mandate-driven concessional capital in one bloc, and even fewer have as much institutional history of deployment.
2. **Deep institutional capital with climate-relevant mandates.** The Nordic pension and life-insurance sector is very large relative to GDP, highly professionalized, and operates under some of the world's most advanced responsible-investment mandates. Unlike much global institutional capital that treats climate as an overlay, a large share of this pool already has climate and ESG considerations built into its fiduciary framing. Pension

assets in Denmark and Iceland were the highest in the OECD relative to GDP at the end of 2024. The scale of this capital pool creates significant potential for well-structured, institutional-grade climate finance instruments.

3. **A guarantees and risk-instrument tradition.** Sida's guarantee portfolio, Norad's risk-sharing instruments, and Impact Fund Denmark's use of guarantees and junior positions are all examples of the region's working experience with instrument classes that remain under-utilized for mobilization globally. Guarantees do not require new capital so much as a willingness to put an existing balance sheet behind a risk, which makes them well matched to a tightening aid environment and to the risk-sharing conversations to be explored during the Dialogues.
4. **Corporates that can anchor demand alongside investors with track records in EMDEs.** Nordic firms are global leaders in wind, grid technology, shipping, and industrial equipment, and many already operate in the markets where climate investment is most needed. Credible corporate offtake and long-term contracting are critical and Nordic institutional investors bring practical experience of deploying in EMDEs.
5. **A world-class climate and nature knowledge base.** Across the Nordic region there are several significant scientific, research, technology, and finance institutions which provide recognized expertise on climate, nature and finance. Several of these organisations are represented in Nordic Climate Dialogues. As more capital moves toward nature and adaptation, credible measurement will remain a major barrier to investment, making the region's close links between science and finance a particular advantage.

4. A framework for the day

Nordic Climate Dialogues will seek to turn this starting point into an agenda for progress: what would it take to mobilize Nordic institutional and corporate capital for climate, resilience, and nature solutions in EMDEs at the scale required? Which instruments and approaches deserve backing now?

There are a set of key capital mobilization bottlenecks that the program of the day is set to address:

1. **Early-stage and project preparation risk:** Most climate and nature projects in EMDEs fail

before investability due to this risk. Session 2 offers examples of how concessional and catalytic capital can move earlier in the cycle to address this risk and Session 4 will put specific instruments in front of the room for discussion.

2. **Currency and macroeconomic risk:** This risk drives the cost-of-capital premium and cannot be diversified away at the level of individual projects. Session 1 sets the macroeconomic and geopolitical context in which that premium has widened, and Session 2 examines the risk-sharing structures (junior positions, guarantees, and credit enhancement) through which public balance sheets can absorb risk that individual projects cannot carry alone.
3. **Aggregation barriers:** Institutional investors need scale, liquidity, and standardization that individual projects cannot offer. Session 2 brings that perspective to the room and the fund-of-funds structure discussed aims to bridge this gap.
4. **Measurement and verification in nature:** Nature-positive finance will not reach institutional scale until outcomes can be measured and verified with the confidence fiduciary mandates require. Session 3 focuses on this bottleneck, pairing the Nordic science base with fund managers and corporates working on what credible nature outcomes look like in practice.

The day will move from **what capital is available and on what terms, to which solutions are ready for that capital, and what needs to happen next**. The aim is to discuss concrete instruments, partnerships, and opportunities that can move from dialogue to investment.



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