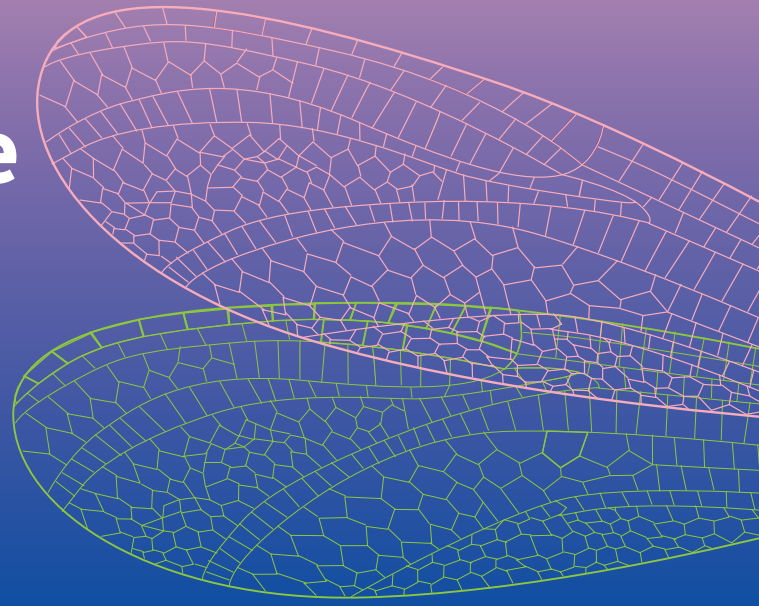




The Climate Bonds Resilience Taxonomy Unlocking Adaptation Finance in Asia



We need to act urgently to adapt to increasing climate impacts



The warning from the World Meteorological Organisation of the 80% likelihood that global temperature exceeds 1.5°C between 2024-2028 requires not only a strengthened commitment to emission reduction targets but preparation for increasingly severe climate impacts.¹

Asia, in particular, is increasingly threatened by the intensifying impacts of climate change, including more frequent and severe typhoons, flooding, and rising sea levels along with their social, economic, and environmental consequences.²

While we fight to stabilise global temperatures by 2050, severe climate impacts can be expected to intensify:

- Typhoons in Hong Kong are expected to double in strength by 2050.³
- Sea levels are rising with Hong Kong, Shanghai, and Jakarta particularly vulnerable due to their dense populations and infrastructures along coastlines.
- Increased flooding risks for low-lying areas and critical infrastructure, including transportation and utilities, housing, and essential services.
- Rising average temperatures affecting public health, agriculture, water resources, and urban heat islands in cities.
- Severe social cost from climate impacts - 225 million disaster-related internal displacements in Asia and the Pacific during 2010-2021, with 95% of them being weather-related hazards.⁴
- Economic implications include increased repair costs, disruptions to supply chains, and loss of productivity in affected sectors.

- Annual losses from natural disasters in Asia are expected to be over USD 160 billion by 2030.⁵
- Increased heat-related illnesses and vector-borne diseases, such as dengue fever, particularly impacting urban populations.

Despite this, adaptation action is stagnating, and the finance gap is widening.

UNEP's latest Adaptation Gap Report reveals a global adaptation finance gap of USD194–366bn annually, with developing countries needing 10–18 times more than current flows. Limited fiscal capacity, competing priorities, and political constraints hinder the ability of governments to fund this gap.

The Climate Bonds Resilience Taxonomy (CBRT) provides a globally recognised framework to guide investment into climate resilience: the ability of systems, weather infrastructure, agriculture, or communities, to withstand and adapt to climate change impacts. It relates to both minimising risk and creating new opportunities for sustainable development in the face of these challenges.

Designed to identify and categorise investments that strengthen climate resilience, it helps investors to prioritise high-impact projects across seven broad areas: infrastructure, agrifood systems, cities and settlements, natural systems, social systems, health, industry, and commerce.

Sustainable debt markets offer a scalable financing solution



The sustainable debt market presents a powerful opportunity to bridge the gap in climate resilience funding. With over USD5tn already mobilised through green, social, sustainable, and sustainability-linked bonds (GSS+), these instruments have become a key driver for financing climate action.

Climate Bonds has been actively working to address this by expanding the scope of eligible projects, from clean energy to broader mitigation investments, and now to adaptation and resilience.

Asian countries can leverage the CBRT to scale up investments that protect its economies and communities from climate risks.

1. [https://wmo.int/news/media-centre/global-temperature-likely-exceed-15degc-above-pre-industrial-level-temporarily-next-5-years#:~:text=The%20chance%20\(80%25\)%20of,change%20between%202023%20and%202027.](https://wmo.int/news/media-centre/global-temperature-likely-exceed-15degc-above-pre-industrial-level-temporarily-next-5-years#:~:text=The%20chance%20(80%25)%20of,change%20between%202023%20and%202027.)
 2. WG2AR6_FOD_Ch10_Final (ipcc.ch)
 3. <https://www.frontiersin.org/news/2021/11/30/tropical-cyclones-in-asia-could-double-in-destructive-power-under-a-warming-climate-according-to-new-research>
 4. <https://www.internal-displacement.org/disaster-displacement-in-asia-and-the-pacific-2022/#:~:text=There%20were%20over%20225%20million,global%20total%20for%20this%20period.&text=East%20Asia%20and%20Southeast%20Asia,closely%20followed%20by%20South%20Asia.>
 5. https://library.wmo.int/viewer/68890/download?file=1350_State-of-the-Climates-in-Asia-2023.pdf&type=pdf&navigator=1

The Resilience Taxonomy covers physical, social, economic and nature resilience



The CBRT represents a significant expansion of understanding about the investments needed to address climate change. It offers a detailed classification system and eligibility criteria for climate adaptation and resilience investments.

The CBRT is a practical tool designed for government bodies, financial institutions, investors, companies, market observers, and international organisations. It offers guidance for debt issuance, shaping fiscal incentives, enhancing financial services, and informing corporate risk management and investment strategies.

Developed through a multi-stakeholder approach, it draws on expertise from a wide range of stakeholders to ensure it is a comprehensive and broadly applicable framework. As an evolving, globally relevant taxonomy, the CBRT will dynamically integrate the latest scientific research and methodologies, adapting to meet changing needs and advancing with new evidence and sector-specific guidance.

The CBRT distinguishes between adapted investments, which enhance the resilience of individual assets and activities; and enabling investments, which foster broader systemic resilience.

The CBRT offers clear guidance on evaluating each investment with three key criteria: significant contribution to resilience, effective management of maladaptation risks, and alignment with broader sustainability goals ensuring no significant harm.

Climate Bonds offers tailored support for applying the Taxonomy effectively



Adapting to climate change can unlock powerful opportunities for sustainable growth and widespread prosperity in Asia. To seize these opportunities, Climate Bonds is actively testing and refining the CBRT to drive investment and ensure effective application.

The CBRT can:

- be tailored to meet specific needs of different regions, and
- assist governments in developing their own resilience taxonomies that align with the CBRT, while incorporating local metrics, contexts, and priorities.

Benefits of CBRT:

- Guidance to issuers in identifying and directing spending on impactful resilience projects
- Standardisation, making it easier for investors to identify and assess eligible projects.
- A well-defined framework enhancing transparency and credibility in the market, which instils greater confidence among investors about impact.
- Aligning investments with national and international climate goals, ensuring that capital flows support sustainable development initiatives and attract public and private sector funding.

Opportunities for growth and investment:

- The CBRT aims to unlock USD3tn in investments for climate resilience globally by 2030, with a huge portion in Asia given the region's unique vulnerabilities and rapid urbanisation.
- Attaining leadership in the next frontier for sustainable finance.
- Increasing frequency of climate events will drive demand for climate-resilient infrastructure and assets.

A Roadmap to CBRT implementation in Asia



1. Customise the Taxonomy

- Adapt the CBRT for local contexts by validating and updating criteria for regional circumstances while ensuring compatibility with the broader CBRT framework.
- Feed into existing or ongoing regional or national taxonomy processes and other policies.

2. Market Engagement

- Engage local governments, financial institutions, investors, and issuers to build a broad coalition for resilience investments.
- Create step-by-step guidance on how to apply the CBRT.
- Track resilience financing and investments.

3. Support demonstration issuance

by sub-sovereigns, corporates, and financial institutions.

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