

HOW TO ↑↑↑ SCALE PRIVATE FINANCE € FOR ADAPT ATION

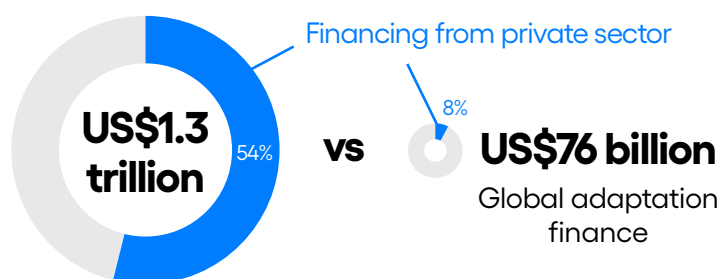
and unlock new business opportunities.

The role of the private sector in climate adaptation

For full report, [click here.](https://iccwbo.org/TheBusinessOfClimate)
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Adaptation cannot wait: why the private sector matters

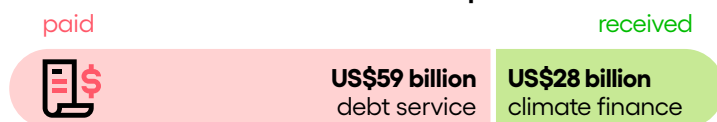
Climate change is already causing severe economic damage globally. A 2024 [Oxera study](#) for the International Chamber of Commerce (ICC), the world's business organisation, found that extreme weather events resulted in **US\$2 trillion in economic losses** between 2014-2023, directly affecting **1.6 billion people**. Annual damages are rising rapidly, reaching **US\$451 billion** in 2022-2023 alone.



Global mitigation finance

Adaptation must match mitigation in urgency – and investing today is critical to reducing escalating future losses. While global mitigation finance hit **US\$1.3 trillion** in 2022, adaptation finance totalled just **US\$76 billion** – only 8% of which came from the private sector, compared to 54% for mitigation.¹

Small island and least developed states:



While no country is spared from climate-related disasters, developing countries are hardest hit – and least equipped to respond. In 2022, small island and least developed states paid over twice as much in debt service (**US\$59 billion**) as they received in climate finance (**US\$28 billion**).²

Public finance remains far below what is needed. The Glasgow Climate Pact urged developed countries to double adaptation finance to developing countries from 2019 levels by 2025 – but even if met, this would cover only a small amount of the estimated **US\$203-388 billion** required annually in those countries.






Public resources alone cannot meet the scale of the challenge – and this opens an opportunity for the private sector to step up and work with governments to drive the innovation and investment needed to build resilience at speed and scale.

The **private sector** has both the **determination and capacity** to deliver scalable, locally rooted adaptation – particularly where it owns or depends on vulnerable assets and infrastructure.


¹ Climate Policy Initiative (2024), [Global Landscape of Climate Finance](#)


² Oxera analysis based on International Institute for Environment and Development (2024), [World's least developed countries spend twice as much as they receive in climate finance](#)

Key barriers blocking private sector investment


|  Information barriers |  Institutional and regulatory barriers |  Financial barriers |
|---|---|---|
| <ul style="list-style-type: none"> • Uncertainty about where, when and how climate risks will materialise hampers investment planning and risk pricing. • Limited disclosure of climate risk exposure – only 35% of companies globally have disclosed an adaptation plan – restricts information sharing across markets. • Lack of shared metrics and taxonomies for adaptation makes it difficult to compare costs and benefits, assess returns or standardise financial instruments. | <ul style="list-style-type: none"> • Unclear policy signals – including National Adaptation Plans (NAPs) that often lack clarity on private sector roles and incentives – deter long-term investment. • Limited public-private collaboration and rigid regulations delay project design, approval and implementation. • Constrained access to capital and lack of technical capacity block investment, especially in developing economies. | <ul style="list-style-type: none"> • Low or indirect return and unpredictable cash flows limit investment appetite. • High political and regulatory risks, long time horizons and limited exit options, deter financing – especially under current prudential frameworks that do not adequately reflect the benefits of climate resilience. • Fragmented and highly-localised projects limit scalability and complicate collaboration across actors. |

What is working: turning opportunity into scalable solutions

 **Insurance innovations:** concessional insurance premia and public-private collaboration – such as the Climate Insurance Linked Resilient Infrastructure Financing (CILRIF) initiative or Flood Re in the UK – create incentives for resilient investments while pooling risk to attract private capital. Parametric insurance offers fast payouts and crucial post-disaster liquidity, reducing financing costs and unlocking investment.

 **Blended finance:** structures combining concessional finance, risk sharing and technical assistance can unlock private investment, like the Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM) – a Green Climate Fund (GCF) backed mechanism in East Africa that blends public and private capital to scale smallholder adaptation finance.

 **Adaptation and resilience bonds:** aggregated bond structures – such as European Bank for Reconstruction and Development (EBRD) Resilience Bonds – pool multiple adaptation projects into a single investment vehicle to attract institutional investors. By increasing scale and improving risk-return profiles, they can help overcome common financing barriers for smaller, localised adaptation initiatives.

 **Digital platforms and open data** tools like Oasis Hub and geospatial risk models help reduce uncertainty and guide investment.

In addition to supporting these efforts, ICC will collect and share success stories and business experiences in scaling adaptation and mobilising finance for it through its [Global Climate Opportunity Campaign](#), helping to amplify what works and inspire broader replication.

Policy recommendations for governments and regulators

At COP30 in Belém, ICC calls on governments to forge a robust and coordinated policy agenda that brings together all relevant stakeholders – including multilateral development banks, financial regulators, business, financial and insurance actors – to scale private finance for adaptation and support the implementation of the Global Goal on Adaptation. This agenda should prioritise the following three key action areas:

1 Strengthen climate risk information and transparency

- ✓ Build access to high-quality, open, climate risk data.
- ✓ Mandate disclosure of physical climate risk exposures proportionate to firm size and risk in both operations and supply chains. Providing sector-specific templates to guide reporting will be key in this regard.
- ✓ Support convergence and standardisation of adaptation metrics and taxonomies (building on UNFCCC and standard bodies' work).

2 Establish enabling institutions and regulatory incentives

- ✓ Include businesses explicitly in National Adaptation Plan (NAP) design and implementation – including through procurement frameworks, public-private partnerships and regulatory sandboxes.
- ✓ Clarify antitrust exemptions to enable pre-competitive collaboration on adaptation solutions.
- ✓ Adjust capital requirements and credit ratings to reward climate-resilient investments and reflect physical risk reductions.

3 Scale adaptation finance with innovative instruments

- ✓ Support multilateral development banks and development finance institutions, working hand in hand with financial and insurance actors to expand the use of blended finance, resilience bonds and insurance-linked instruments to de-risk private investment in adaptation.
- ✓ Promote the design and deployment of structured financial vehicles, such as adaptation bonds, underpinned by robust metrics and repayment models linked to avoided losses or service delivery outcomes.
- ✓ Recognise the critical role of insurers and financial actors in climate adaptation by leveraging their unique data, expertise and risk-modelling capabilities. Establishing formal frameworks for public-private partnerships with insurers to prevent coverage retreat in high-risk areas and ensure continued financial protection for vulnerable communities is also important.