



# How to mobilise the private sector for climate action

## New approaches pursued by the German Development Ministry for climate action alliances with the private sector

### BACKGROUND

Climate change is a reality – everywhere in the world. Climate change is increasing the frequency and intensity of floods, extreme heat, storms and droughts.

According to an expert group led by British economist Nicholas Stern, the estimated investment needed for the energy transition, climate change adaptation, loss and damage, and nature conservation and restoration in developing countries and emerging economies is four times as high as the volume of funding currently available.

In other words, it is clear that public funding alone will not be enough to meet these enormous needs – not only in view of the very tight budget situation that governments worldwide are facing. What is needed is new approaches to international climate action that do not just look at payments from the North to the South but at overall investment levels. One important sector that has not been involved sufficiently in the effort yet is the business community.

### CREATING AN ENABLING POLICY ENVIRONMENT FOR PRIVATE INVESTMENT

The most important prerequisite for private investment is an enabling, reliable environment. Next year, all countries will have to update their Nationally Determined Contributions (NDCs). In NDCs, countries define the actions through which they want to deliver on their share of the effort to reach the common climate goals, for instance through more renewable energy or through climate-friendly

transport policies. The NDCs provide guidance for businesses and investors on where they could invest and what they could produce to make a profit.

Many developing countries are asking for assistance as they define their NDCs. The German Development Ministry (BMZ) assists them in many ways, including through multilateral channels. For example, the United Nations Development Programme (UNDP) has launched the Climate Promise programme. The German government will increase its cooperation with UNDP, thus contributing to more specific and more coherent NDCs which lead to more private investment.

### HAMBURG SUSTAINABILITY CONFERENCE – INNOVATIVE ALLIANCES WITH THE PRIVATE SECTOR

Getting new stakeholders on board, including from the private sector, and bringing together partners for new alliances in order to jointly accelerate progress on sustainability and climate action: this was the mission of the Hamburg Sustainability Conference, which the BMZ organised together with UNDP, the Michael Otto Foundation and the Free and Hanseatic City of Hamburg. The [first HSC](#) was held in Hamburg on 7-8 October 2024. Participants from more than 100 countries not only discussed key global challenges in Hamburg, they also concluded more than [15 specific agreements](#) geared towards meeting these challenges. The signatories of these agreements include about 60 governments and international organisations, non-governmental

organisations and academic institutions – and numerous representatives of the private sector.

## EXAMPLES

### LEVERAGING PRIVATE INVESTMENT FOR SUSTAINABILITY

Insurance companies, pension funds and other large investors have huge sums that they are looking to invest. At the same time, there many countries in Africa, Asia and Latin America where extensive opportunities for climate-related investment are left unexploited – for example in wind farms, solar power plants, and the production of green hydrogen. So far, it has often only been pioneering enterprises that have been willing to make such investments. Even though there are promising investment options, large institutional investors such as pension funds and insurance companies have rarely made large-scale investments in these fields so far. Implementation often takes a long time because it may take several years to prepare such investments and financial products are often very complex. This deters many potential investors.

However, if the world is to become more sustainable, investment opportunities for the pioneering few need to become investment opportunities for the many. The solution agreed in Hamburg, the **Hamburg Sustainability Platform**, is intended to facilitate a joint effort to pave the way for this. Public partners – including the BMZ and like-minded players in Canada, the UK, South Africa, Denmark and France – want to agree on a standardised approach for using public resources to cushion the risks of investing in sustainable development. Private partners – currently the Allianz insurance company and the Canadian pension fund CDPQ – are joining these efforts so that this will later become a feasible approach for them and for many other investors. The OECD is on board as well, in an advisory capacity. The goal is to use limited public funds to leverage far larger volumes in the form of private investment in sustainable development and climate action – to the tune of billions.

### VIABLE FORMS OF TRANSPORT FOR THE FUTURE

Aviation and shipping bring the world closer together. They stand for exchange and trade – but they are also major drivers of climate change. Maritime shipping alone accounts for more greenhouse gas emissions than Germany as a whole. There are technical solutions for climate-friendly propulsion technologies: fuels based on green hydrogen produced with wind and solar power.

Translating these theoretical ideas into reality takes many players – including, in particular, from the private sector: fuel producers, logistics companies, port and airport operators, academia, financiers, and policymakers to provide the necessary enabling environment. The Hamburg Sustainability Conference brought together stakeholders from these new value chains for sustainable, renewable shipping and aviation fuels.

The **Hamburg Declaration on the Decarbonisation of Global Shipping** saw more than a dozen companies – from sustainable fuel producers all the way to companies using such fuels for shipping – agree to cooperate on developing sustainable shipping corridors, and on research and development, knowledge sharing and investment financing. There are four governments that support the initiative – Germany, Brazil, Morocco and Denmark.

The **Hamburg Declaration on Green Aviation** found the support of a dozen signatories. They agreed to work together on developing Green Aviation Hubs in the areas of research and development, knowledge sharing and financing. Signatories include the airport of Hamburg, Deutsche Post AG, and Sasol, a South African synthetic fuel producer planning to switch from fossil to green kerosene.

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