ASIAN INFRASTRUCTURE INVESTMENT BANK

Climate Transition & Adaptation in Emerging Economies: Needs, Financing Challenges & Risks

Ludger Schuknecht
Vice President, Policy and Strategy
Asian Infrastructure Investment Bank

Financing Climate Transition and Adaptation in Emerging Economies: The Cases of Asia and Latin America
5 May 2026

*OFFICIAL USE ONLY

Role of Government and Role of MDBs

- Governments provide “rules of the game” and public goods and services
- International rule and public goods also important
- MDBs: support national institution building and financing of public goods such as infrastructure (in the broad sense), also health and education
- MDBs contribute to international rules (implementation capacities) and public goods (most importantly climate/environment)
- AIIB focuses on infrastructure in broader sense

1. **Overview of AIIB**
2. Global Climate Finance
3. AIIB's Climate Commitment
4. Case Studies: AIIB Climate Projects

Balanced Multilateral Governance

Important **checks and balances** on governance and ownership

Regional Members	Voting Power
China	26.36%
India	7.53%
Russia	5.92%
Korea	3.45%
Australia	3.41%
Top 5 Members	**46.67%**

Nonregional Members	Voting Power
Germany	4.11%
France	3.14%
UK	2.85%
Italy	2.43%
Spain	1.72%
Top 5 Members	**14.24%**

As of Jan 28, 2026

Financing

- Total approved financing: USD 69.5 billion across 361 projects in 40 members.
- Over 70% as climate financing in 2025.

Top 5 Client Members by Investment (USD million)

By Approved Amount (USD million)		Share of total Approved Amount
India	12,938	18.60%
Türkiye	7,167	10.30%
Indonesia	5,526	8.14%
Bangladesh	5,034	7.95%
China	4,865	6.99%
Top 5 Members	35,530	51.09%

As of Jan 26, 2026

Staffing

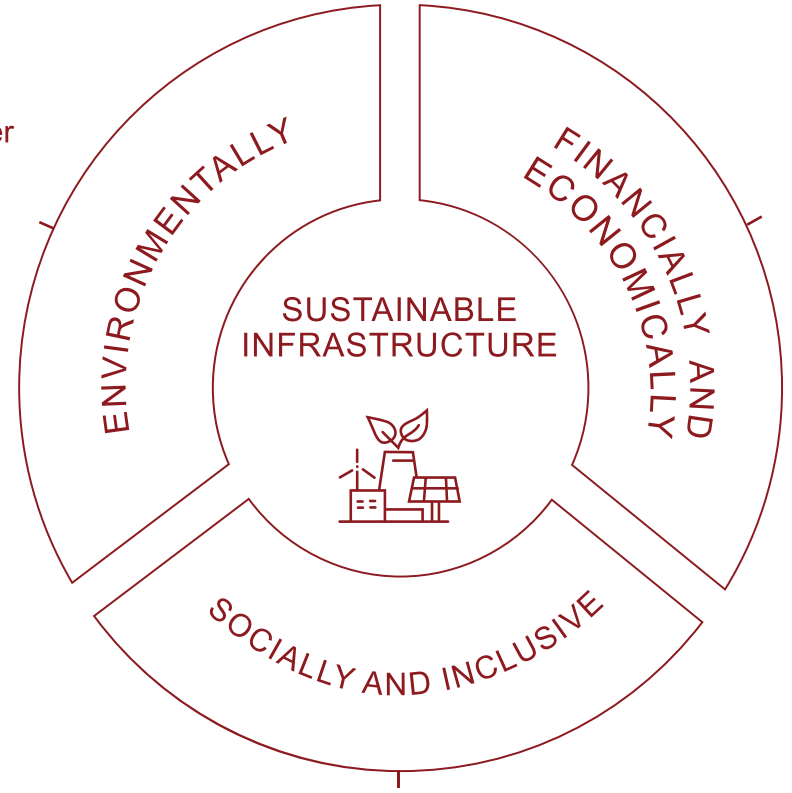
- By end 2025, 736 professional staff members from 82 economies. Female employees represent 42.7% of total.

AIIB | Financing the Infrastructure for Tomorrow (i4t)

- A **multilateral development bank** with **110** member countries - **AAA-rated MDB** trusted by global markets
- Mission: ***Financing the Infrastructure for Tomorrow (i4t)***
- Focus: **enable clients to build green infrastructure** with **sustainability**, **innovation** and **connectivity** at its core

i4t

Addresses ecological impacts like water and air quality, biodiversity, pollution and climate change.



Projects with sound ROI, that raise economic growth and increase productivity.

Gives inclusive access, particularly to citizens excluded from access to infrastructure services.

Note: ROI = return on investment

AIIB Strategies Architecture

OUR MANDATE

Foster sustainable economic development, create wealth, improve infrastructure connectivity in Asia and promote regional cooperation and partnership

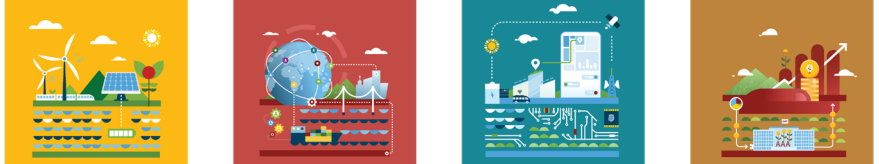
CORPORATE STRATEGY

OUR MISSION

Financing Infrastructure for Tomorrow (i4t)

OUR THEMATIC PRIORITIES

- GREEN INFRASTRUCTURE
- CONNECTIVITY AND REGIONAL COOPERATION
- TECH-ENABLED INFRASTRUCTURE
- PRIVATE CAPITAL MOBILIZATION



OUR SECTOR STRATEGIES

- ENERGY
- TRANSPORT
- SUSTAINABLE CITIES
- WATER
- DIGITAL INFRA
- HEALTH

AIIB | Climate Milestones

AIIB's Climate Action Plan was launched in 2023 and AIIB is committed to allocating **at least 50 percent** of its annual financing approvals as climate finance

100% new operations are **Paris aligned** since July 2023

70.58% of AIIB projects in FY2025 are **climate finance**

Innovation in capital markets:

1st Climate Adaptation Bond issued in 2023

1st ISSB-aligned Sustainability Report (2025) – transparency and accountability

Green Infra | AIIB responds with system-based approaches to enhance:

1. Bankable Pipelines

- **Fewer than 15%** of **infrastructure ideas** in emerging markets **reach financial close**[4]
- Strong **project preparation** facilities, **feasibility** studies, **technical assistance** are needed
- **Converting ideas into investable projects** through **standardization** and **replicable** models

2. Policy & Regulation

- **Predictable, long-term** policies reduce investor risk
- **Sectoral transition plans** (energy, transport, water) are needed to avoid stranded assets
- Countries with **clear regulatory frameworks** mobilize significant more private capital[5]

3. Innovative Finance

- **Blended finance** can reduce perceived risks and attract institutional investors
- **Transition finance** expands financing beyond renewables
- **Sustainability-linked instruments** align financing terms with climate performance.
- **De-risking tools** are crucial for frontier markets.

4. Collaboration at Scale

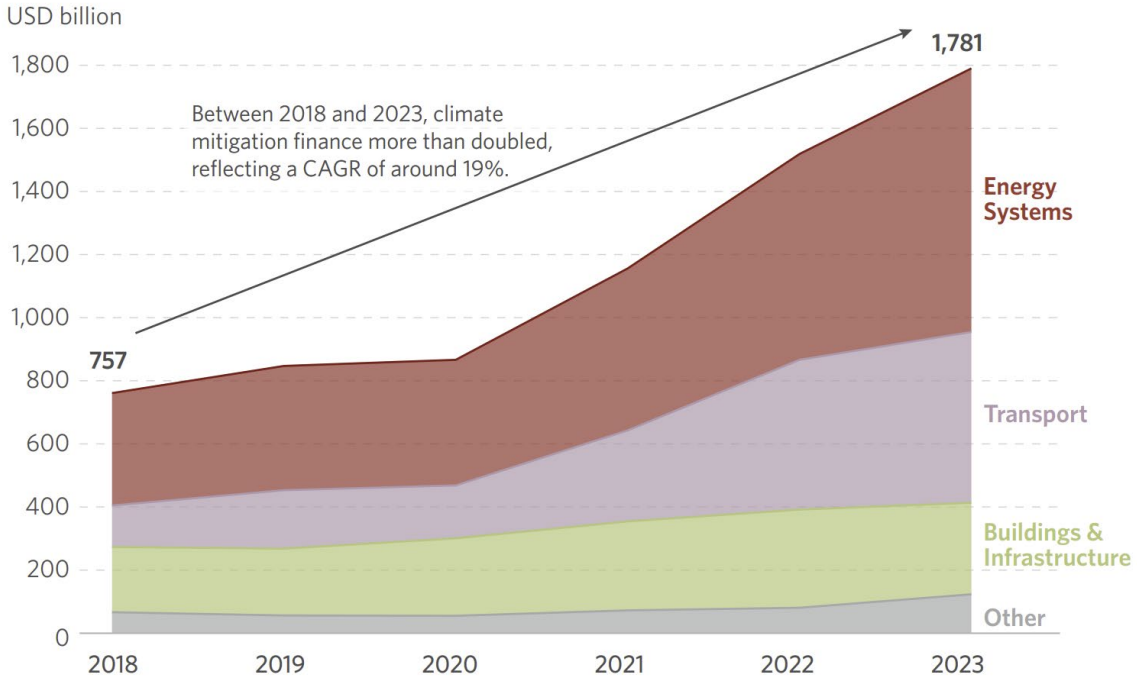
- **MDBs and governments** de-risk
- **Private capital** provides scale
- **Partnerships** ensure cross-border alignment

4. The Global Infrastructure Facility: Scaling infrastructure investment since 2014, Astrid Manroth, World Bank
5. Tracking Private Finance Mobilisation and Increasing Development Finance Efforts, OECD 2022

1. Overview of AIIB
2. **Climate Financing- Global**
3. AIIB's Climate Commitment
4. Case Studies: AIIB Climate Projects

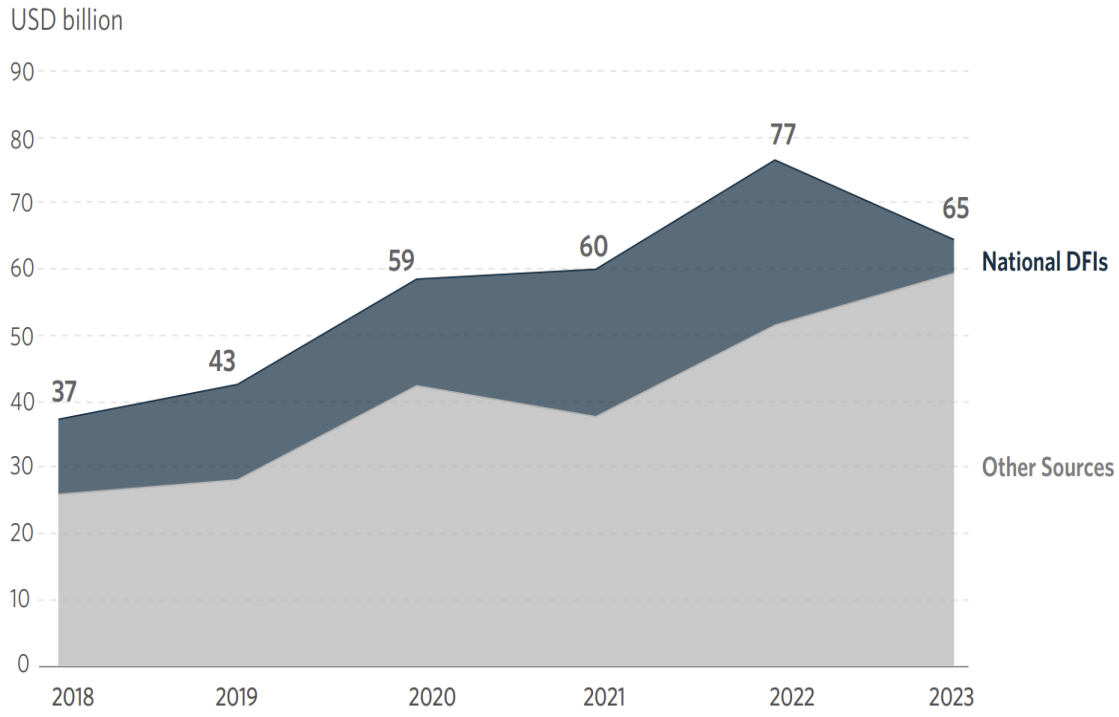
Global Climate Finance

Figure 6: Climate mitigation finance by sector



Note: Other sectors include Others & Cross-sectoral, Industry, Waste, AFOLU, Water & Wastewater, Information and Communication Technology, and Unknown sectors.

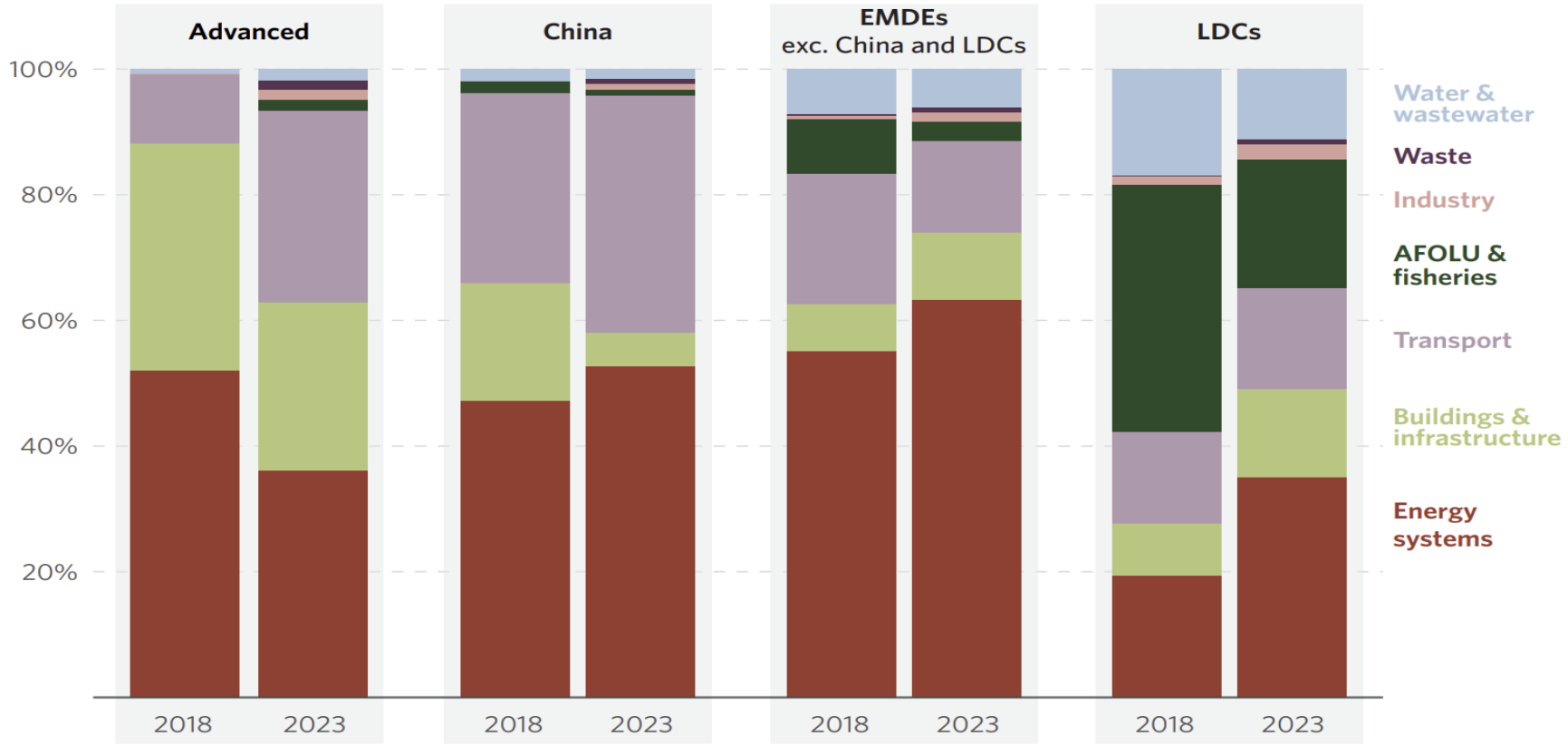
Figure 15: Adaptation finance from national DFIs and other sources



Source: CPI Global Landscape of Climate Finance 2025

Climate Financing Concentration

Figure 28: Total climate finance flows by sector and country status



Note: Transregional and unknown regions are not shown in this figure, nor are flows to information and communication technology (ICT) and others and cross sectoral sectors.

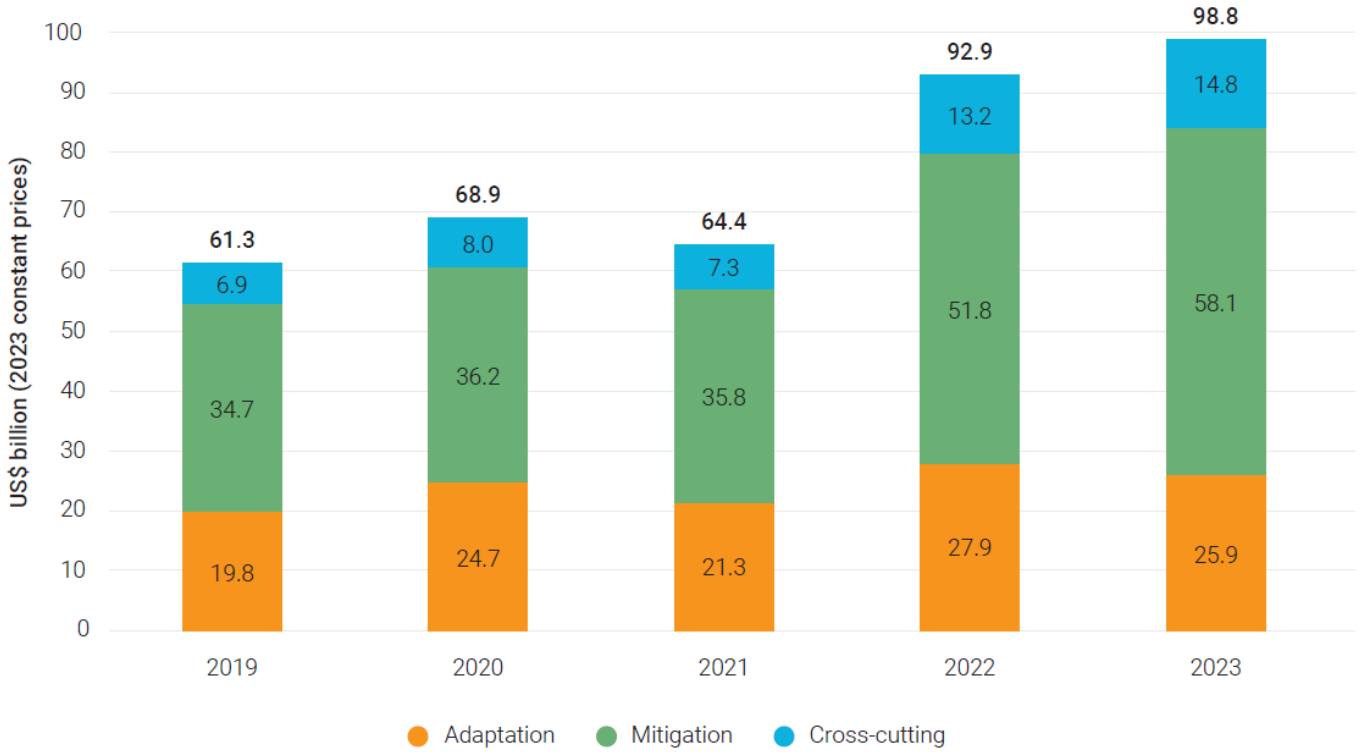
Note: AFOLU = agriculture, forestry, and other land use. Source: CPI Global Landscape of Climate Finance 2025

Climate Finance

Asia as a region is more vulnerable than others to impact of climate change

- Asia has a higher incidence of and impact from climate disasters
- Climate-related physical risk could cost Asia and the Pacific around **US$310 billion** per year by 2035.
- The adaptation finance gap is not reducing. Annual adaptation costs in developing countries alone are estimated to be **US$310-365 billion** in 2035. Compared to global adaptation finance of only **US$26 billion** in 2023.

Figure 4.4 International public climate finance commitments from developed countries towards developing countries per year for the period 2019–2023, disaggregated into adaptation, mitigation and cross-cutting finance (US$ billions, constant 2023 prices)

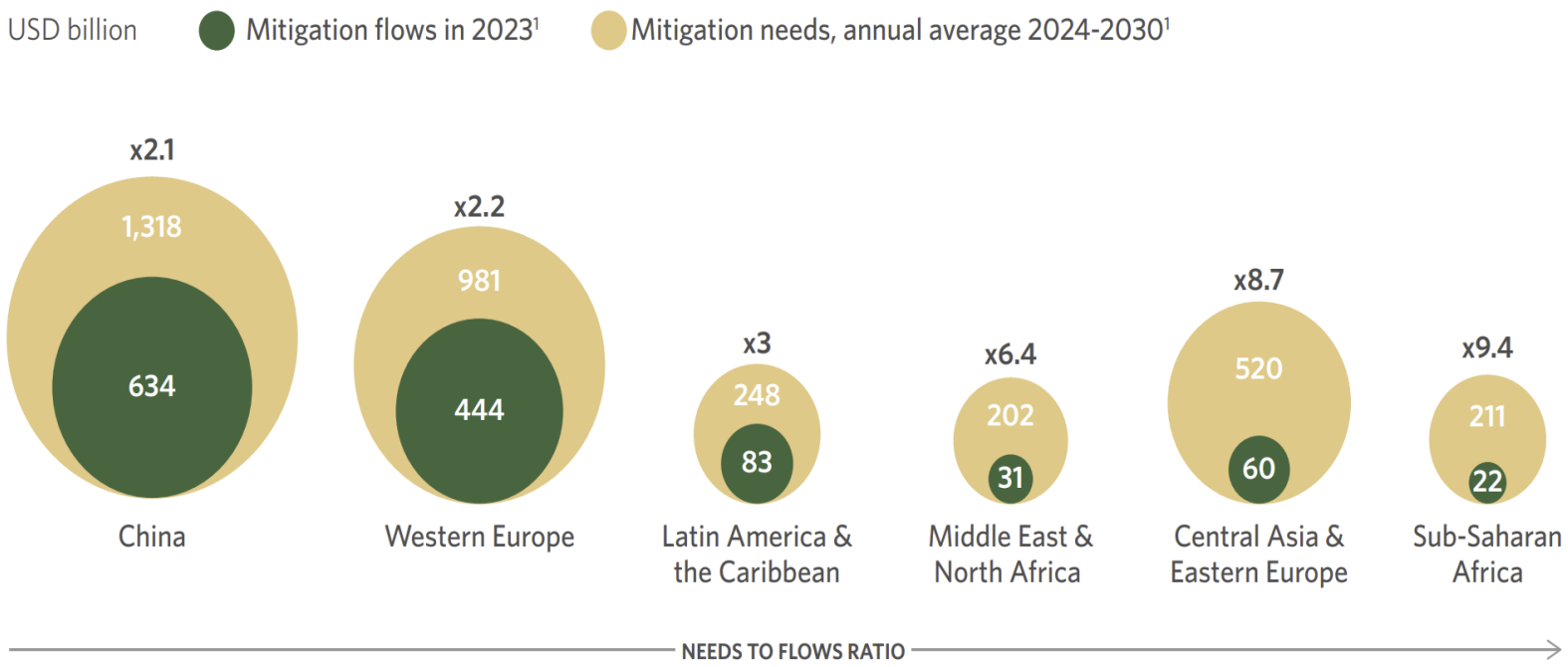


Note: These values do not include the private flows mobilized from international public finance or export credits

Source: UNEP Adaptation Gap Report 2025

Comparing mitigation needs to flows highlights regional disparities

Figure 25: Climate mitigation finance flows vs. needs by region



[1]Mitigation needs and flows are for energy, buildings and infrastructure, industry and transport only. Multiple regions are not displayed in the chart (East Asia and Pacific, Other Oceania, South Asia, the US and Canada) due to inconsistencies between investment needs and investment flows regional breakdowns. Investment needs values are based on the aggregation of external sources' estimates which differ in their regional breakdowns, here, only the comparable regions are shown.

Source: CPI Global Landscape of Climate Finance 2025

The largest mitigation needs-to-flows ratios are observed in areas with higher shares of EMDEs and higher vulnerability:

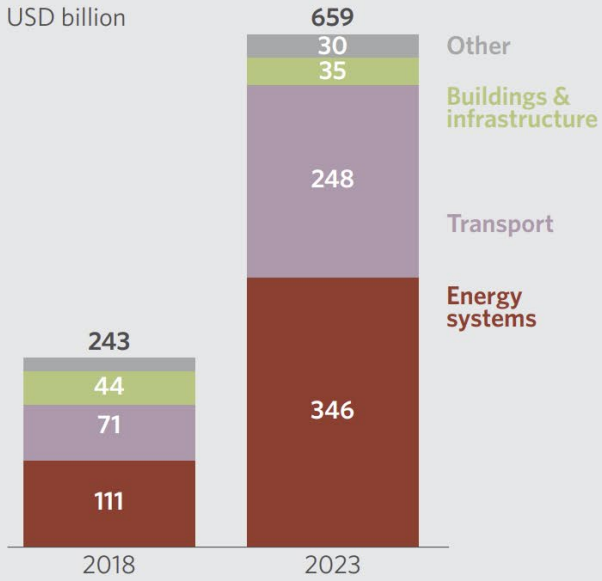
- Climate finance in Sub-Saharan Africa and Central Asia & Eastern Europe must increase 9.4 and 8.7 times, respectively.

- The inclusion of adaptation needs would amplify this effect—especially in sub-Saharan Africa, one of the most vulnerable regions to the impacts of climate change.

China and Western Europe have the largest mitigation needs in absolute terms, but are mobilizing significant levels of climate finance, requiring relatively lower scaling of investment. Despite this, flows in both regions must at least double in the short to medium term to avoid the worst impacts of climate change.

China's dramatic scaling of domestic climate investment

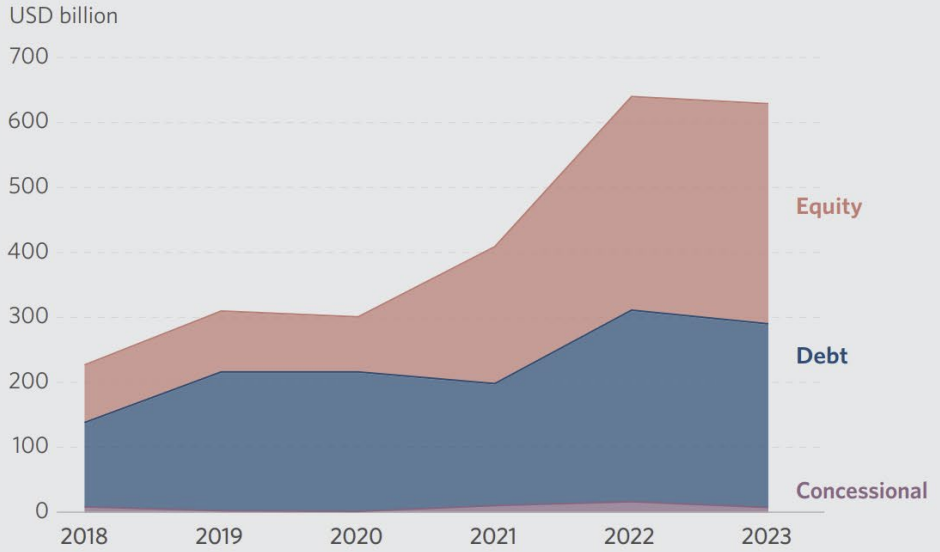
Figure 35: Climate finance flows by sector, China



Between 2018 and 2023, China saw an around 170% increase in mobilized climate finance, with the vast majority domestically funded.

The energy and transport sectors attracted the most finance, with BEVs and solar PV accounting for 59% of flows in 2023. Key policy drivers include subsidized feed-in tariffs for wind and solar and purchase tax exemptions for EVs (IEA, 2024c).

Figure 36: Share of instruments in transport, energy and buildings, China



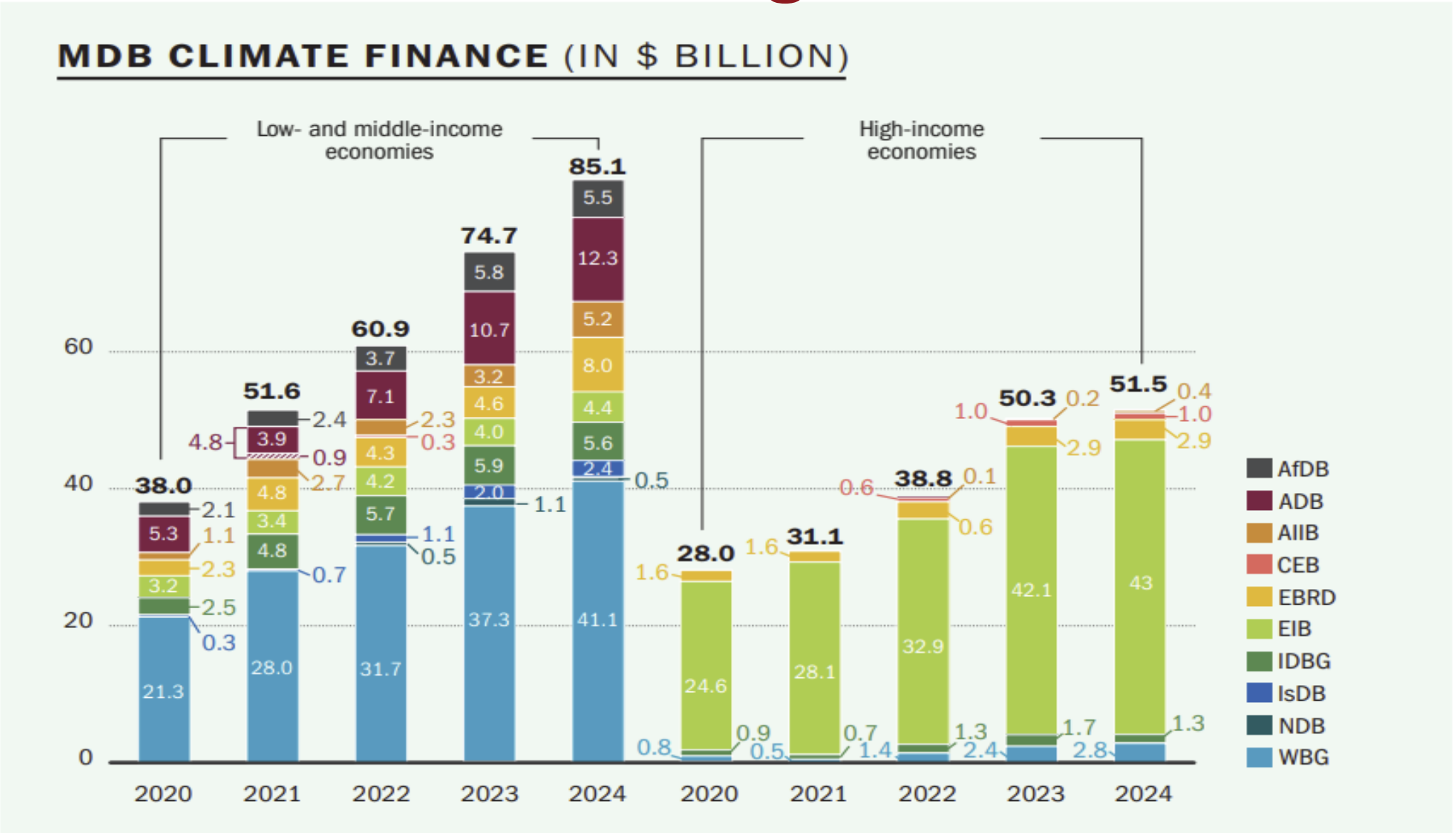
This rapid scale-up in climate solutions was often underpinned by a phased policy approach—first targeting domestic technological capabilities—reinforcing with subsidies to stimulate market demand, then gradually phasing them out as technologies mature and costs fall (Bai, Wang, and Chen, 2024).

The shift from subsidies to a market-driven approach for renewables has been prioritized in official government policy notices (NDRC and NEA, 2025).

The growing role of equity financing reflects this market maturity, with flows rising between 2022 and 2023, even as debt and concessional finance declined. Notably, Chinese state-owned enterprises are using equity instruments to expand grid infrastructure to support and integrate the deployment of large-scale renewables (Fitch Ratings, 2025).

Source: CPI Global Landscape of Climate Finance 2025

MDB's role in climate finance is growing but further coordinated scaling is needed



Source: Joint MDB Finance Report 2024

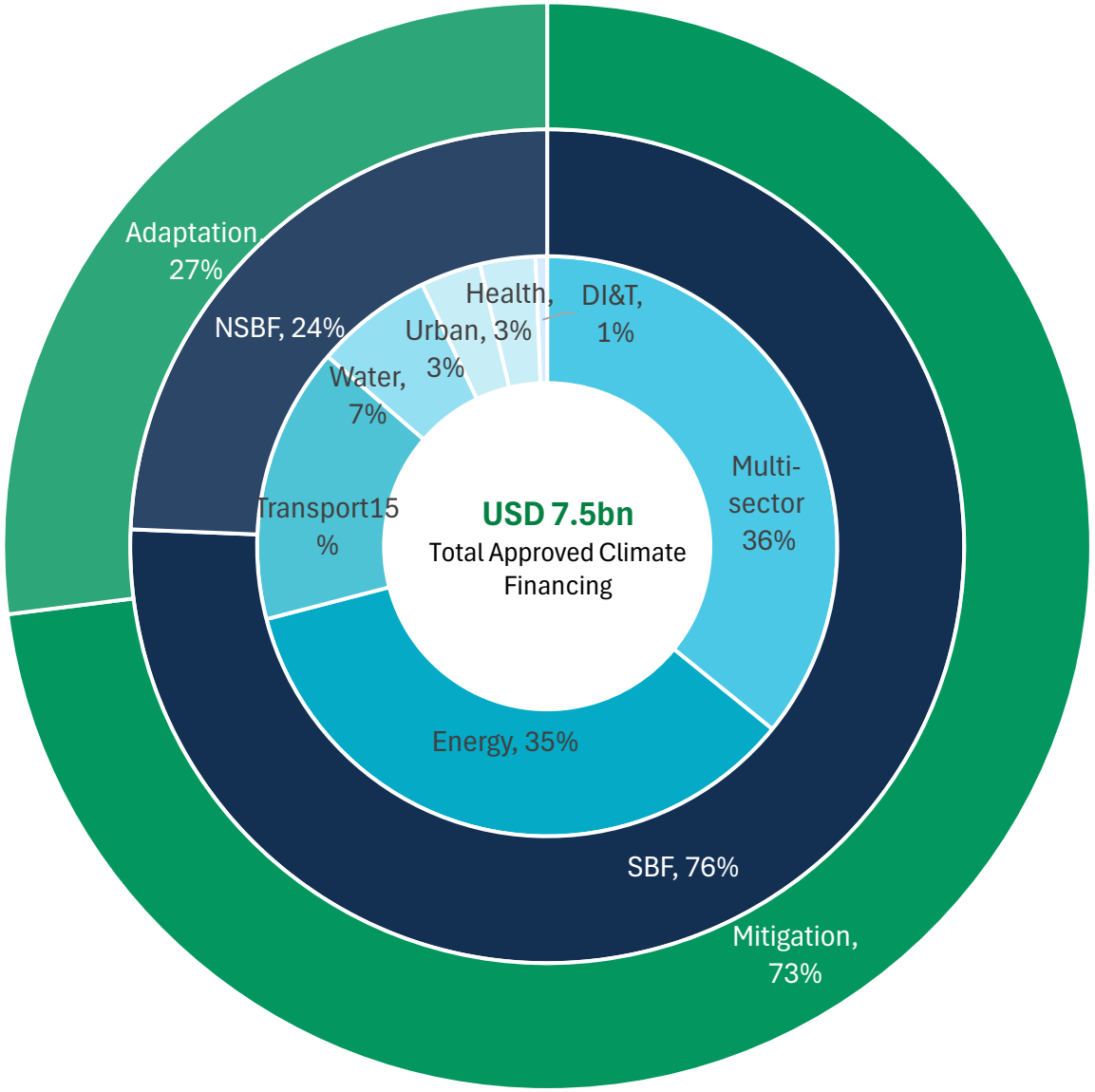
1. Overview of AIIB
2. Climate Financing- Global
3. **AIIB's Climate Commitment**
4. Case Studies: AIIB Climate Projects

AIIB's Climate Action Plan

Principles

1. Client Focus – support differentiated and tailored solutions adapted to the ns and circumstances of all Members
2. Impact: Adding Value to Projects – holistic, sustainable solutions to mitigate climate change, complement adaptation efforts, and maximize for nature and biodiversity conservation.
3. Catalytic: Mobilizing Financing Partners – scale up its own climate finance by mobilizing the private sector
4. Innovative – accelerate the pace of innovation and deployment of effective solutions and technologies to meet net-zero and resilience objectives

AIIB's Climate Financing in 2025



In 2025, AIIB's climate finance amounted to over **70%** of total approved financing, up from **67%** in the previous year.

- By sector
- By financing type
- By type of project

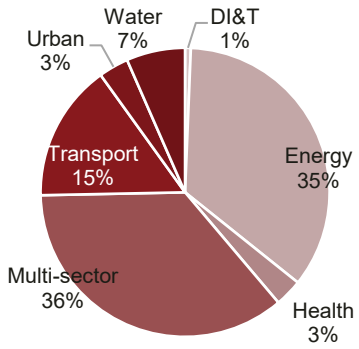
Overview of Climate Financing (2025)

AIIB increased its climate financing from 67% of approved financing in 2024, to over 70% in 2025

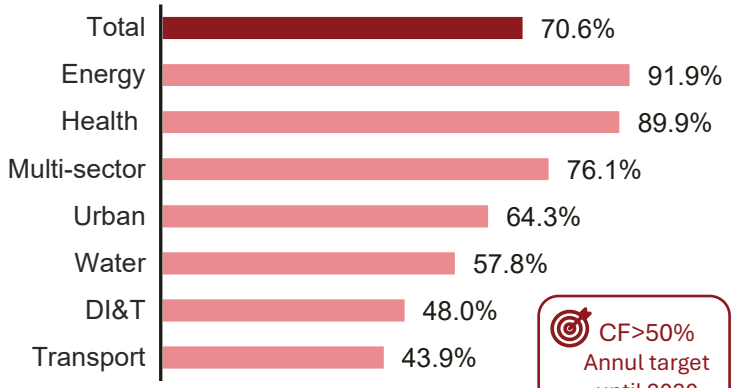
Climate Financing (Overall)

Contribution to Climate Financing

Climate Financing Amount USD7.5 billion



Climate Financing % by Sector

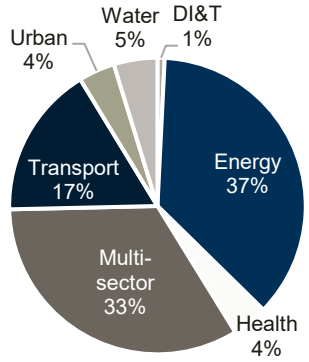


CF>50% Annul target until 2030

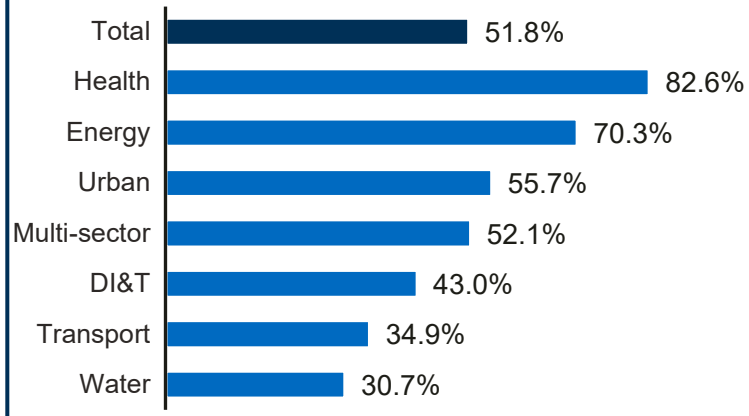
Climate Mitigation Financing

Contribution to Mitigation Financing

Mitigation Financing Amount USD5.5 billion



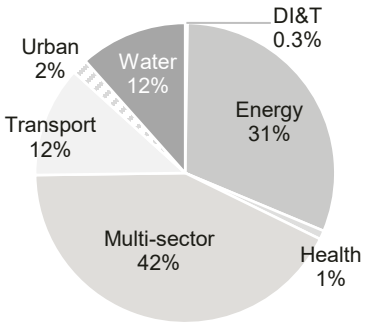
Mitigation Financing % by Sector



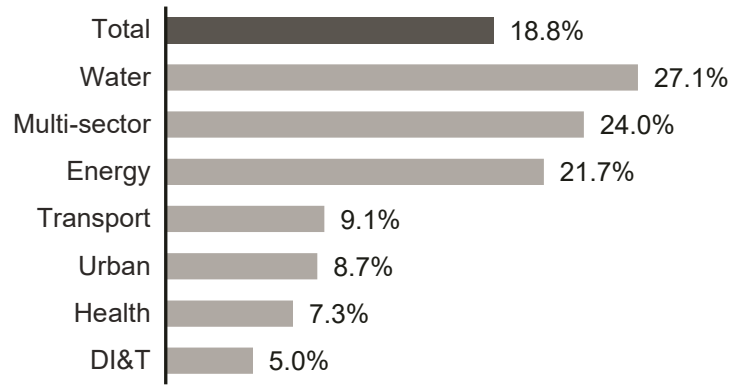
Climate Adaptation Financing

Contribution to Adaptation Financing

Adaptation Financing Amount USD2.0 billion



Adaptation Financing % by Sector



1. Overview of AIIB
2. Climate Financing- Global
3. AIIB's Climate Commitment
4. **Case Studies: AIIB Climate Projects**

Bangladesh | Climate Resilient Inclusive Development Program (2025)

- **Challenge:** Bangladesh is **highly climate-vulnerable**, with 56% of the population exposed to hazards. **Climate spending is <1% of GDP**, far short of the 3–4% needed to meet NAP and NDC priorities.
- **Innovation:** AIIB introduced the **Climate Policy-Based Financing (CPBF)** - a new instrument that shifts financing from single projects to systemic reform.
- **AIIB's Role:** Approved a **USD 400m loan** (co-financed with ADB - Sub-program 1), expanding fiscal space for climate investments.
- **Impact:**
  - **Climate budgeting mainstreamed** into national planning and budgeting
  - **Financial sector mobilized** through Bangladesh Bank's green bond guidelines and other sustainable finance frameworks
  - **Private sector institutions engaged** through Climate Development Partnership launched, coordination between ministries, private sector, and development partners will be enhanced to implement the government's climate strategy.

China | Liaoning Green Smart Public Transport Demonstration (2021)

- **Challenge**: **High emissions**, **aging diesel fleets**, and **inefficient transport systems** in Liaoning's fast-urbanizing cities (85% urban by 2050).
- **Innovation**: Deployment of 912 electric buses, 104 charging piles, and AI-enabled traffic systems. **Boarding times cut by 30%, maintenance downtime reduced 25%.**
- **AIIB's Role**: Provided **EUR 130m (USD 150m) sovereign loan**, mitigating currency risk, plus technical assistance and training for 1,200 staff in EV and digital operations.
- **Impact:**
  - **24,000 tons CO_2 avoided annually** at full scale, with higher public transport ridership.
  - Smarter, cleaner mobility powered by **AI-enabled systems**, improving reliability and passenger satisfaction.
  - Green jobs and skills: **287 new positions and workforce re-trained** in EV and digital operations.

Singapore | Regional Transport Connectivity Project (2023)

- **Challenge:** Maritime industry is widely recognized as one of the most difficult hard-to-abate sectors. This is due to a combination of structural, technical and economic constraints. Marine transport relies on energy-dense fuels to move large volumes of goods over long distances, for which zero-emission alternatives are currently limited, costly, or not yet commercially scalable

- **Innovation:** AIIB introduced the **Sustainability-linked-loan (SLL)** - an innovative instrument that incentivize our clients to further decarbonize

- **AIIB's Role:** Approved a **USD 70m loan** and supported the shipping company on establishing its sustainability linked finance framework, which includes the decarbonization target

- **Impact:**
  - **Climate incentives** are embedded in the USD 70 million loan for three vessels, with climate-performance-linked incentives reinforcing the client's commitment to achieving its decarbonization goals across its entire fleet.
  - **International Standard** AIIB also supported the client in structuring the loan to fully align with the Loan Market Association (LMA) Sustainability-Linked Loan Principles, ensuring robust climate performance targets, monitoring mechanisms, and credible alignment with international market standards.

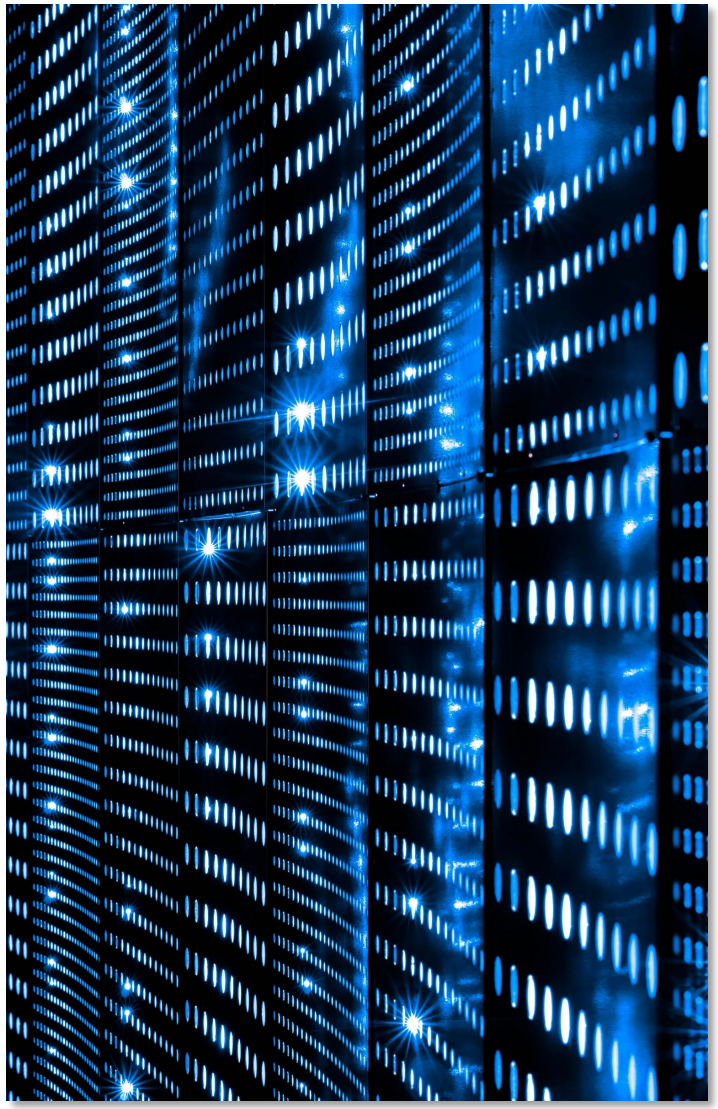
Multi-country | Seraya SEA Energy Transition and DI Fund (2023)

- **Challenge:** The primary challenge addressed by the Fund is the significant **infrastructure gap** in Southeast Asia, particularly the urgent need for a transition to clean energy and the modernization of digital infrastructure. Rapid economic growth in the region has led to **increased carbon emissions** and a "digital divide" where existing infrastructure cannot meet the demands of a high-tech, low-carbon future.

- **Innovation:** The Fund focus specifically on "next-generation infrastructure" that blends technology with sustainability. This fund targets four high-growth, tech-enabled sectors: **offshore wind farm support vessels**, **electric vehicle (EV) charging networks**, **autonomous vehicle leasing**, and **green data centers**.

- **AIIB's Role:** Approved a **USD 120m investment , including co-investment sleeve**

- **Impact:**
  - Working with a first-time General Partner (GP) to establish robust Environmental and Social (E&S) requirements. By aligning the GP's internal management system with international standards-such as the AIIB's Environmental and Social Policy—the project builds long-term capacity for responsible investing.



ASIAN INFRASTRUCTURE
INVESTMENT BANK

THANK YOU

AIIB
Tower A, Asia Financial Center
No.1 Tianchen East Road
Chaoyang District
Beijing, China
100101

+86-10-8358-0000
information@aiib.org

aiib.org