

Sabine Mauderer: Climate adaptation requires greater global attention

Speech by Dr Sabine Mauderer, Vice-President of the Deutsche Bundesbank, at The Network for Greening the Financial System (NGFS) Finance Day, Australian Prudential Regulation Authority, Baku, 14 November 2024.

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1 Introduction

Ladies and Gentlemen,
It is great pleasure and honor to be here today at this critical session on climate adaptation finance.

I have been listening to the panel discussion with great interest.

There is one aspect that struck me:
Namely that, at this point, there is no way back.
Adaptation means moving ahead.

We gather here today as the number of severe weather events continues to rise, fueled by climate change.

The widespread flooding that hit Baku last month is a clear example.^{[1](#)}

So are the devastating floods that claimed over 200 lives in the Spanish region of Valencia at the end of October.^{[2](#)}

It was one of the worst natural disasters in Spain's modern history.

It is clear that we urgently need to bolster our defenses against severe weather events.

Yet, climate adaptation measures remain insufficient – in both the Global North and the Global South.

So, what are the key takeaways of today's session?

2 To-Dos in Climate Adaptation

First: Efforts to adapt to climate change must accelerate.

The World Bank estimates that a mere 5% of global climate finance is allocated to adaptation.^{[3](#)}

This means that – out of a total of USD 1.4 trillion allocated for climate finance in 2022^{[4](#)} – less than USD 100 billion went into climate adaptation.

Only a fraction of this sum reaches emerging and developing economies, which suffer heavily from the effects of climate change.

Frankly, we ought to do better.

Second: More private funds need to flow into adaptation.

The United Nations Environment Program (UNEP) estimates that the adaptation finance needs of developing countries are around 14 times the current size of international public adaptation finance flows.⁵

Therefore, the gap will not be met by public funds alone, the financial sector needs to play a role too.

Third: We need to tackle existing barriers to adaptation finance, starting with lack of awareness among some stakeholders.⁶

Other hurdles include underdeveloped capital markets in many of the countries that are most affected by climate change, and the fact that adaptation investments often serve a common good.

These factors make it challenging to generate enough private capital for adaptation measures.

Last, but no least: we need to get better at touting the benefits of climate adaptation.

What exactly are these benefits?

First, reducing climate damages can lessen the financial burden on governments and the private sector.

Second, reduced climate damages and lower insurance costs yield notable benefits for the economy and beyond.

The World Bank estimates that every USD 1 spent on adaptation returns USD 4 in overall socio-economic benefits.⁷ More recent studies point to an even greater cost-benefit ratio— as high as USD 1:12.⁸

Third, non-market social and environmental benefits will accrue over time. *For example, preserving wetlands and coastal mangroves bolsters resilience. This is particularly important for low income countries and disadvantaged groups (including women).*

This triad of benefits is often referred to as the "triple dividend".⁹

What matters now is translating these promising payoffs into larger investments in climate adaptation.

Before I conclude, I would like to briefly discuss the role of the NGFS in this context.

3 Role of the NGFS and Closing Remarks

It is the responsibility and duty of central banks and supervisory authorities to raise awareness about significant risk to the economy and the financial sector.

A lack of preparedness for severe weather events is such a risk.

The Network for Greening the Financial System (NGFS), which I chair, provides practical guidance and assistance to our more than 140 members and beyond.

Our focus lies on managing climate-related risks.

This will help create the conditions to mobilize more private capital for climate financing, including for adaptation.

I encourage all of you to take a look at our new Conceptual Note on Adaptation.

And I can assure you that the NGFS won't let go of this important subject.

Our Taskforce Adaptation is currently focusing on future priority areas.

These include integrating adaptation considerations into transition planning, addressing insurance protection gaps, and exploring the link between adaptation and inflation.

We aim to launch a comprehensive report on adaptation at the COP30 in Brazil a year from now.

Obviously, all this would not have been possible without the extraordinary effort and hard work of Sean Carmody, Executive Director at APRA, and Shelagh Kahonda, Executive Director of the Financial Stability Directorate at the National Bank of Rwanda.

Thank you both for leading the charge on this issue in our network and for giving me the opportunity to speak at this important COP29 session.

I would like to conclude today's session by quoting from On the Origin of Species by British naturalist Charles Darwin:

"It is not the most intellectual of the species that survives; it is not the strongest that survives; but the species that survives is the one that is able best to adapt and adjust to the changing environment in which it finds itself."

¹ [Baku hit by widespread flooding \(msn.com\)](#).

² [What to Know About the Floods That Killed Over 200 in Spain | TIME](#).

³ [Finance & Prosperity 2024 \(worldbank.org\)](#).

⁴ [Finance & Prosperity 2024 \(worldbank.org\)](#) / the stated figures are from 2022.

⁵ [Adaptation Gap Report 2024 | UNEP - UN Environment Programme](#).

⁶ NGFS Conceptual Note on Adaptation, November 2024.

⁷ World Bank, 2019 [Open Knowledge Repository \(worldbank.org\)](https://openknowledge.worldbank.org/).

⁸ Standard Chartered/KPMG/UNDRR, 2024, [Guide for adaptation and resilience finance | UNDRR](#).

⁹ Global Commission on Adaptation, September 2019, [Adapt now: a global call for leadership on climate resilience - Global Center on Adaptation \(gca.org\)](https://www.gca.org/).