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Young,Green and Unfunded: How Three Myths Block Climate Innovation

A group of young green entrepreneurs, supported by Aliança Empreendedora, Brazil

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Attitudes are changing across the globe and international development spending faces increased scrutiny due to economic pressures and shifting national priorities. Too often, climate change is being de-prioritized in favour of domestic concerns—leading to declining investment in climate solutions, precisely when support, particularly in the regions most sharply affected, is most critical. It's therefore timely to ensure that the limited budget available is not used in vain, but rather supports realistic, long-term, and sustainable results. The way forward is clear: investing in youth-led climate enterprises. Empowering the communities at the sharp end of the problems, best-placed to identify and harness the most effective opportunities, will lead to innovation, economic growth, and self-sufficiency. This approach reduces dependency on handouts while building resilience where it is needed most.

In the sections that follow, we explore why youth-led climate enterprises are the smartest investment - and what needs to happen to harness their full potential

Unlocking Capital and Credibility for the Next Generation of Climate Solutions

Climate adaptation faces a **$280-330** billion annual funding gap. While current global investment reaches only **$20-27.5** billion yearly, emerging markets and the regions most acutely affected by climate change need **$300-350** billion to adequately prepare for climate impacts. This shortfall grows more expensive daily - every dollar not invested today costs five times more tomorrow due to accelerating climate damage.

The irony is: the demographic most motivated to solve this crisis; young entrepreneurs are significantly more likely to prioritise environmental problems yet face systematic exclusion from capital markets. Young climate entrepreneurs face compounded barriers: limited credit histories, minimal collateral, and age-based financing restrictions. This creates a perfect storm where those best positioned to drive climate innovation remain systematically excluded from growth capital, despite their proven commitment to environmental solutions.

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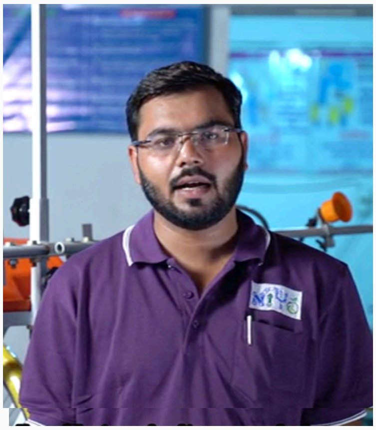
Myth-busting

Myth 1:

Adaptation is Charity



Yogesh Gawande
Founder: Niyo Farmtech Private Limited, supported by BYST, India

Empowers farmers with precision tools to optimise yield, reduce waste, and grow sustainably

The prevailing narrative positions climate adaptation as inherently philanthropic rather than commercially viable. This "charity" framing persists because investors struggle to value avoided costs and long-term benefits that represent adaptation's true return on investment, unlike mitigation ventures like solar farms with clear revenue streams.

This fundamentally misprices adaptation's economic value. S&P Global projects climate risks could cost the world's largest companies $1.2 trillion annually by the 2050s, assuming no adaptation measures. The OECD confirms that delays in climate action weaken economic resilience and threaten long-term prosperity, while the World Resources Institute identifies a massive gap between available climate finance ($300 billion by 2035) and actual needs ($1.3 trillion annually for vulnerable countries).

The business case is clear: adaptation isn't charity, it's insurance against trillion-dollar losses. Companies investing in adaptation benefit from reduced insurance premiums, maintained revenue streams, and faster recovery after extreme weather events. Early investment proves five times more cost-effective than delayed action, yet institutional frameworks continue to treat adaptation as a cost center rather than a profit driver.

Myth 2:

Innovation is Being Measured Backwards

Yuki Egawa
Founder, Clean Ocean Ensemble
Supported by ETIC, Japan

Removing, recycling, and repurposing marine debris to protect coasts and create opportunities

Current innovation metrics prioritise tech startup trajectories with rapid growth, exit valuations, and organisational scaling that systematically overlook how climate enterprises actually create value. This "VC-or-bust" mentality forces climate ventures to chase hypergrowth models unsuitable for their mission-driven business models.

Climate enterprises scale impact differently to traditional startups. They create value through partnership networks, knowledge transfer to other organisations, and model replication across regions, mechanisms that generate enormous environmental impact but minimal organisational growth. A climate adaptation consultancy that helps 50 cities implement flood management systems creates vastly more climate value than one that raises Series B funding but serves only five cities.

This measurement gap particularly disadvantages youth entrepreneurs who lack the networks and credentials to access traditional VC funding. Their ventures—often community-focused, digitally-enabled, and partnership-driven—represent exactly the asset-light, scalable models that can drive massive climate impact. Yet they're systematically overlooked because they don't fit hypergrowth templates designed for consumer apps, not planetary solutions.

Myth 3:
All Climate Ventures are Capital Intensive and Unsuitable for Youth

The assumption that climate solutions require substantial upfront investment in specialized infrastructure creates an artificial barrier that systematically excludes youth-led ventures. This myth conflates all climate enterprises with heavy industrial projects, ignoring the vast opportunities in service-based solutions, digital platforms, and process improvements that require minimal physical capital. The misconception persists because traditional financiers lack frameworks for evaluating intangible assets, community relationships, and digitally verifiable cash flows that characterize modern climate enterprises.

Adaeze Akpagbula
Founder, Farmspeak Technology Limited, Supported by Fate Foundation, Nigeria

Giving African poultry farmers AI-powered tools to reduce loss and run healthier, more profitable farms, straight from their phone

Youth-led climate ventures frequently operate through asset-light models that leverage technology, partnerships, and innovative service delivery to create environmental impact without significant capital requirements. Alternative credit scoring models successfully overcome collateral constraints by utilizing broader data sets to assess creditworthiness beyond traditional markers. Many successful climate enterprises scale through intellectual property, platform effects, and network expansion rather than physical infrastructure investment. The perceived capital intensity often reflects institutional blind spots rather than actual business requirements, with many youth-led solutions proving more capital-efficient than established alternatives.

Solutions

The root cause of this $280-330 billion annual funding gap is not a global shortage of investment funds, but a trust gap between innovative climate business models and traditional evaluation frameworks. Capital exists globally; it simply fails to flow to youth-led climate enterprises due to institutional inability to accurately assess their risk profiles and unique value propositions. Bridging this trust gap requires targeted interventions that translate climate enterprises' business models into language and metrics that traditional financiers understand.

Solution 1

Integrated Ecosystem Support

The most effective approach combines financial capital with comprehensive ecosystem support that addresses multiple barriers simultaneously. YBI's member Habitat Association's FutureLab accelerator in Turkey exemplifies this integrated model. The programme provided Okan Dursun's AI-driven sustainability startup, Carbon Gate which is helping corporates measure, track and reduce their carbon emissions, with tailored support. This included business mentorship focused on sustainability-oriented modeling, access to trusted networks including potential partners and consultants, visibility through Demo Day events, $5,000 in grant funding, and peer learning opportunities.

This comprehensive support enabled Carbon Gate to enhance technical credibility, and expand network reach. The programme's integrated approach resulted in measurable environmental impact, improved service delivery capabilities, and strengthened market positioning. The business's client base expanded sixfold within six months, demonstrating how addressing fundamental business development needs creates sustainable growth rather than unsupported hypergrowth.

Alternative Credit Assessment Models

Solution 2

Financial institutions must adopt alternative credit scoring mechanisms that recognize climate enterprises' unique value drivers. This involves developing evaluation frameworks that account for environmental impact metrics, community relationships, regulatory compliance advantages, and future cash flow potential from avoided climate costs. A modest investment in proactive flood monitoring can avert major property damage, slash business disruptions, and cut insurance costs, delivering savings far beyond the initial outlay. Collaborative partnerships between enterprise support organisations (ESOs) and financial institutions can co-design tailored loan products that reflect young entrepreneurs' realities, including non-linear growth trajectories and mission-driven business models.

Policy Reform and Procurement Integration

Solution 3

Governments must eliminate age-based restrictions that prevent young entrepreneurs from accessing credit or participating in procurement programmes. A study shows that many young entrepreneurs face difficulty winning public procurement contracts due to strict financial criteria, high tender costs, and collateral demands. Youth-friendly procurement policies can provide predictable revenue streams that de-risk climate ventures for private investors. Regulatory simplification and sector-agnostic support ensure that businesses in both high-tech and traditional industries receive equal quality training and advisory services, recognizing the diverse nature of climate solutions.

Takeaways

Winners of YBI Young entrepreneur of the year awards 2024

Challenge the charity narrative

Climate adaptation represents a compelling return opportunity with clear business cases for reduced insurance costs and maintained revenue streams, not philanthropic expenditure.

Reframe innovation metrics

Success in climate entrepreneurship requires measuring impact scaling through partnerships and knowledge transfer, not just organisational growth and exit valuations.

Highlight capital-efficient pathways

Many youth-led climate solutions operate through asset-light models that leverage technology and networks rather than requiring substantial physical infrastructure investment.

Bridge the trust gap

The primary funding barrier is institutional inability to assess climate ventures' risk profiles, not inherent business model flaws or capital requirements.

Demonstrate integrated support effectiveness

Comprehensive ecosystem programmes combining mentorship, networking, visibility, and modest funding achieve superior scaling outcomes compared to capital-only approaches.

Advocate for alternative assessment

Traditional collateral and credit history requirements systematically exclude creditworthy climate entrepreneurs who demonstrate value through community ties and digital cash flows.

The myths surrounding youth-led climate entrepreneurship create artificial barriers that prevent capital from flowing to high-impact, financially viable ventures. By systematically addressing the trust gap between innovative climate business models and traditional evaluation frameworks, we can unlock the massive potential of young entrepreneurs to drive both environmental and economic value. The integrated support model demonstrated by programmes like FutureLab provides a proven pathway forward, proving that when we design systems to recognize climate entrepreneurs' true value, both environmental impact and financial returns follow naturally.

Let's stop asking young climate entrepreneurs to prove they're worthy of our old systems, and start building new systems worthy of their solutions.

Finalists of the Global Young Entrepreneur of the Year 2022

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