Review and Implications on Climate Finance for a New Climate Regime

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I. Background

- Paris Agreement and the post-2015 development agenda in 2015
  - Ambitious goal and leave no one behind
  - Accelerate low-carbon and climate-resilient economy
  - Climate finance is core means of implementation

- International efforts to scale up mobilization
  - Public finance is vital to support the need of developing countries
  - Increases in provision of financial resources from bilateral and multilateral flows

- Following agendas in Climate finance and Challenges
  - On-going negotiation to implement PA
  - Climate finance as a major means of implementations
    - Information of mobilizing finance by developed country and other Parties
  - Korea’s role as housing country of GCF Headquarters
II. Efforts for Climate Finance Mobilization

1. International negotiations in climate finance

☐ Adoption of United Nations Framework Convention on Climate Change
  - Commitment of developed country Parties (Annex II)
    • Shall provide new and additional financial resources to assist developing country Parties
    • Assist Parties that are vulnerable to adverse effects of climate change
  - Establishing a Financial Mechanism
    • Functions under the guidance of the Conference of the Parties (COP)
    • Operation of the financial mechanism is entrusted to GEF

☐ Establishment of three special funds at COP7, 2001

<table>
<thead>
<tr>
<th>Fund</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Least Developed Countries Fund</td>
<td>national adaptation programme of actions (NAPAs)</td>
</tr>
<tr>
<td>Special Climate Change Fund</td>
<td>adaptation, technology transfer, capacity building</td>
</tr>
<tr>
<td>AF (under the Kyoto Protocol)</td>
<td>adaptation projects and programmes</td>
</tr>
</tbody>
</table>
II. Efforts for Climate Finance Mobilization

2. Mobilization Target and GCF establishment

- Introduction of mobilization target and GCF at COP16 in Cancun
  - Goal of mobilizing jointly $100 billion per year by 2020
    - in the context of meaningful mitigation actions and transparency on implementation
    - from a wide variety of sources (public & private, bilateral & multilateral, alternative)
  - GCF, another operating entity of the financial mechanism
    - Significant share of new multilateral funding for adaptation to GCF
  - Standing Committee on Finance to assist COP w.r.t the financial mechanism

- Efforts to scale up the mobilization from 2014 to 2020
  - Biennial submission by developed country Parties on strategies and approaches for scaling up climate finance
  - Annual in-session workshop
  - Biennial high-level ministerial dialogue on climate finance
II. Efforts for Climate Finance Mobilization

3. Standing Committee on Finance

☐ Function of SCF (COP16)
  - Improving coherence and coordination in the delivery of climate change financing,
  - Rationalization of the Financial Mechanism,
  - Mobilization of financial resources, and
  - Measurement, reporting and verification of support provided to developing countries

☐ Assisting the COP in exercising its functions (COP17)
  - Organizing a forum for communication and continued exchange of information
  - Maintaining linkages with the Subsidiary Body for Implementation (SBI) and thematic bodies
  - Providing to the COP draft guidance for the operating entities of the Financial Mechanism
  - Making recommendations on how to improve the coherence, effectiveness and efficiency of the operating entities of the Financial Mechanism
  - Preparing a biennial assessment, overview of climate finance flows (BA)
II. Efforts for Climate Finance Mobilization

4. Bodies

- Conference of the Parties (COP) / Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) / Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA)
  - Bureau
    - Permanent subsidiary bodies
      - Subsidiary Body for Scientific and Technological Advice (SBSTA)
      - Subsidiary Body for Implementation (SBI)
    - Convention bodies
      - Ad Hoc Working Group on the Paris Agreement (APA)
      - Adaptation Committee (AC)
      - Standing Committee on Finance (SCF)
      - Executive Committee of the Warsaw International Mechanism for Loss and Damage
      - Paris Committee on Capacity-Building
    - Kyoto Protocol bodies
      - Compliance Committee
      - Executive Board of the Clean Development Mechanism (CDM-EB)
      - Joint Implementation Supervisory Committee (JISC)
      - Adaptation Fund Board (AFB)
  - Technology Executive Committee (TEC)
  - Advisory Board of the Climate Technology Centre & Network (CTCN)
  - Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention (CGE)
  - Least Developed Countries Expert Group (LEG)
  - Financial mechanism
    - Global Environment Facility (GEF)
    - Green Climate Fund (GCF)
    - Special Climate Change Fund (SCCF)
  - Other financial arrangements
    - Least Developed Countries Fund (LDCF)
    - Adaptation Fund (AF)

- United Nations Framework Convention on Climate Change (UNFCCC) secretariat
III. PA and follow-up Agendas

1. Climate finance in PA

- (Differentiation) Developed country Parties shall provide financial resources in continuation of their existing obligations under the Convention

- (Mobilization) Developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels

- (ex-ante report) communicate indicative quantitative and qualitative information

- (MRV) provide transparent and consistent information on support for developing country Parties provided and mobilized through public interventions biennially in accordance with the modalities, procedures and guidelines to be adopted by CMA* at its first session
  
  * Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

- (Financial Mechanism) The Financial Mechanism of the Convention, including its operating entities, shall serve as the financial mechanism of this Agreement
Mandates from COP21 and Timeline

<table>
<thead>
<tr>
<th>Mandate from Decision 1/CP.21</th>
<th>Body</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ex-ante)Initiate process to identify information to be provided by Parties (para 55)</td>
<td>COP</td>
<td>-Initiate work at COP22 -adoption by CMA1</td>
</tr>
<tr>
<td>Develop modalities for the accounting of financial resources provided and mobilized through public interventions (para 57)</td>
<td>SBSTA</td>
<td>Third part of the first CMA session (2018), at the latest</td>
</tr>
<tr>
<td>Adaptation Fund may serve the Agreement, subject to relevant decisions by the CMP and the CMA (para 59~60)</td>
<td>COP and APA</td>
<td>Third part of the first CMA session (2018), at the latest</td>
</tr>
<tr>
<td>Enhance the coordination and delivery of resources to support country-driven strategies through simplified and efficient application and approval procedures (para 64)</td>
<td>Institutions serving the Agreement</td>
<td>On-going</td>
</tr>
<tr>
<td>Develop recommendations for modalities, procedures and guidelines (para 91)</td>
<td>APA</td>
<td>Third part of the first CMA session (2018), at the latest</td>
</tr>
</tbody>
</table>

Source: Progress tracker: Work programme resulting from the relevant requests contained in decision 1/CP.21 (Nov 28, 2016).
3. Finance matters in COP23, Bonn ①

- Long-term Climate Finance
  - Different views between developed and developing country Parties
    - Issues related with Pre2020 vs beyond
  - 3rd high level ministerial dialogue on climate finance: access to climate finance

- Standing Committee on Finance
  - Endorses the workplan of the Standing Committee on Finance for 2018
  - Requests the SCF to enhance its work on MRV beyond biennial assessment
  - Avoiding duplication of ongoing work under other bodies like SBSTA & APA

* Subsidiary Body for Scientific and Technological Advice, Ad Hoc Working Group on the Paris Agreement
III. PA and follow-up Agendas

3. Finance matters in COP23, Bonn ②

- Process to identify the information to be provided by Parties following PA
  - Potential considerations for the preparations of quantitative and qualitative information to be biennially communicated in the context of PA
    - Increasing clarity on the expected levels of climate finance mobilized from different sources
    - Actions and plans to mobilize additional finance
    - Enhancement of enabling environment and the balance between adaptation and mitigation

- Modalities for the accounting of financial resources provided and mobilized through public intervention in accordance with PA
  - Climate finance provided through bilateral & multilateral, regional and other channels
  - Climate finance mobilized through public interventions
IV. Mobilizing Climate Finance

1. Climate finance landscape

□ Climate Finance flow in 2013-2014

<table>
<thead>
<tr>
<th>Flows to developing countries 2013-2014 average total Public: USD 41 billion Private: USD 2 billion renewables</th>
<th>2013 (USD billion face value)</th>
<th>2014 (USD billion face value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNFCCC funds*</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Multilateral climate funds (including UNFCCC funds)</td>
<td>1.9</td>
<td>2.5</td>
</tr>
<tr>
<td>Climate-specific finance through bilateral, regional and other channels</td>
<td>23.1</td>
<td>23.9</td>
</tr>
<tr>
<td>Of which grants and concessional loans</td>
<td>11.7</td>
<td>12.4</td>
</tr>
<tr>
<td>MDB climate finance attributed to developing countries (own resources only)*</td>
<td>14.9</td>
<td>16.6</td>
</tr>
<tr>
<td>Renewable energy projects*</td>
<td>1.8</td>
<td>2.1</td>
</tr>
<tr>
<td>FDI in greenfield alternative and renewable energy</td>
<td>26.4</td>
<td>21.6</td>
</tr>
<tr>
<td>Mobilized private finance*</td>
<td>12.8</td>
<td>16.7</td>
</tr>
<tr>
<td>Global total flows (inclusive of flows to developing countries above) 2013-2014 average total USD 714 billion</td>
<td>95-102</td>
<td>102-112</td>
</tr>
<tr>
<td>Public and private investment excluding renewables (CPI)</td>
<td>244</td>
<td>285</td>
</tr>
<tr>
<td>Private energy efficiency</td>
<td>334</td>
<td>337</td>
</tr>
<tr>
<td>Private sustainable transport</td>
<td>Not available</td>
<td>Not available</td>
</tr>
<tr>
<td>Private climate-relevant land use</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Private adaptation</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Domestic climate-related public investment</td>
<td>192</td>
<td>192</td>
</tr>
</tbody>
</table>

Source: UNFCCC Standing Committee on Finance, 2016 Biennial Assessment and Overview of Climate Finance Flows Report
IV. Mobilizing Climate Finance

1. Climate finance landscape

- Current and projected public finance in developing countries

<table>
<thead>
<tr>
<th>Source</th>
<th>Implementing entities</th>
<th>Instrument (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grants</td>
<td>Loans</td>
</tr>
<tr>
<td>UNFCCC funds*</td>
<td>United Nations agencies, MDBs, bilateral development agencies, accredited national institutions, NGOs and private banks / funds</td>
<td>100</td>
</tr>
<tr>
<td>Multilateral climate funds (including UNFCCC funds listed above)</td>
<td>MDBs, United Nations agencies and bilateral development finance institutions</td>
<td>53</td>
</tr>
<tr>
<td>Climate-related bilateral</td>
<td>Bilateral development finance agencies (e.g. GIZ, DFID, USAID, NORAD)</td>
<td>49</td>
</tr>
<tr>
<td>MDB climate finance</td>
<td>MDBs</td>
<td>9</td>
</tr>
</tbody>
</table>

- Global climate finance in context

source: UNFCCC SCF(2016), OECD(2020 Projections of Climate Finance Towards the USD100 Billion Goal, 2016)
IV. Mobilizing Climate Finance

2. Projection of Climate finance

□ Roadmap to 2020 Year

source: OECD. 2016. Projections of Climate Finance Towards the USD 100 Billion Goal
### IV. Mobilizing Climate Finance

#### 3. Multilateral Support

<table>
<thead>
<tr>
<th>Fund by Type</th>
<th>Pledge</th>
<th>Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adaptation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Least Developed Countries Fund</td>
<td>1,250</td>
<td>983</td>
</tr>
<tr>
<td>Pilot Program for Climate Resilience</td>
<td>1,153</td>
<td>997</td>
</tr>
<tr>
<td>Adaptation Fund</td>
<td>663</td>
<td>417</td>
</tr>
<tr>
<td>Special Climate Change Fund</td>
<td>368</td>
<td>292</td>
</tr>
<tr>
<td><strong>Mitigation – General</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clean Technology Fund</td>
<td>5,370</td>
<td>4,899</td>
</tr>
<tr>
<td>GEF Trust Fund (GEF 5)</td>
<td>1,152</td>
<td>909</td>
</tr>
<tr>
<td>Scaling Up Renewable Energy Program</td>
<td>720</td>
<td>342</td>
</tr>
<tr>
<td>Global Energy Efficiency and Renewable Energy Fund</td>
<td>282</td>
<td>224</td>
</tr>
<tr>
<td>Partnership for Market Readiness</td>
<td>127</td>
<td>52</td>
</tr>
<tr>
<td><strong>Multiple Foci</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green Climate Fund</td>
<td>10,273</td>
<td>2,245</td>
</tr>
<tr>
<td>GEF Trust Fund (GEF 6)</td>
<td>1,117</td>
<td>498</td>
</tr>
<tr>
<td>GEF Trust Fund (GEF 4)</td>
<td>1,083</td>
<td>969</td>
</tr>
</tbody>
</table>

*source: Climate Fund Update (accessed on Dec. 2017)*
IV. Mobilizing Climate Finance

3. Multilateral Support

- GCF’s initial resource mobilization (2015-2018)
  - USD 10.3 billion equivalent in pledges from 43 countries (as of July 2017)
  - 43 projects and programmes amounting to $2.2 billion in GCF funding for a total value of $7.3 billion, with co-financing included
1. Scaling up Climate finance and Roles of GCF

- Engaging Private Sector
  - US withdraws from the PA
  - Limitations in scaling up public finance
  - More investment incentives and various instruments to engage private sector
  - Capacity building and enabling environment in developing countries

- GCF as an operating entity of financial mechanism
  - Core role in climate finance architecture?
  - Simplified approval process and access to financial instruments
  - Practical guidance from COP
V. Challenges & Implications

2. Differentiation and Role of Each Party for Scaling up Climate finance

☐ Potential reporting Parties on finance provided and mobilized

source: Vallejo, Moarif and Halimanjaya (2017)
V. Challenges & Implications

3. Consistent MRV framework

☐ Enhancing transparency of support

- Common agreement and incomplete reporting framework
- Climate finance aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts*

* SCF. 2014. Biennial assessment and overview of climate finance flows)

- SCF 1st BA(2014): global climate finance ranges from 340 to 650 US billion flow to developing countries ranges from 40 to 175 US billion
- OECD-CPI (2015): average of 57 billion over the 2013-14 to developing countries

☐ Building mutual trust and promoting effective implementation

- Common modalities, procedures and guidelines for the transparency
V. Challenges & Implications

4. Domestic Measures

- Integrated statistic system of climate finance
  - Ex-ante and ex post information from PA

- Longer-term national policies for low-carbon and climate-resilient economy
  - Encouraging the private sector to invest more in technology development for being competitive abroad
Thank You

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