

# **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 hosing 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

Fund	Support
Least Developed Countries Fund	national adaptation programme of actions(NAPAs)
Special Climate Change Fund	adaptation, technology transfer, capacity building
AF (under the Kyoto Protocol)	adaptation projects and programmes

# 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

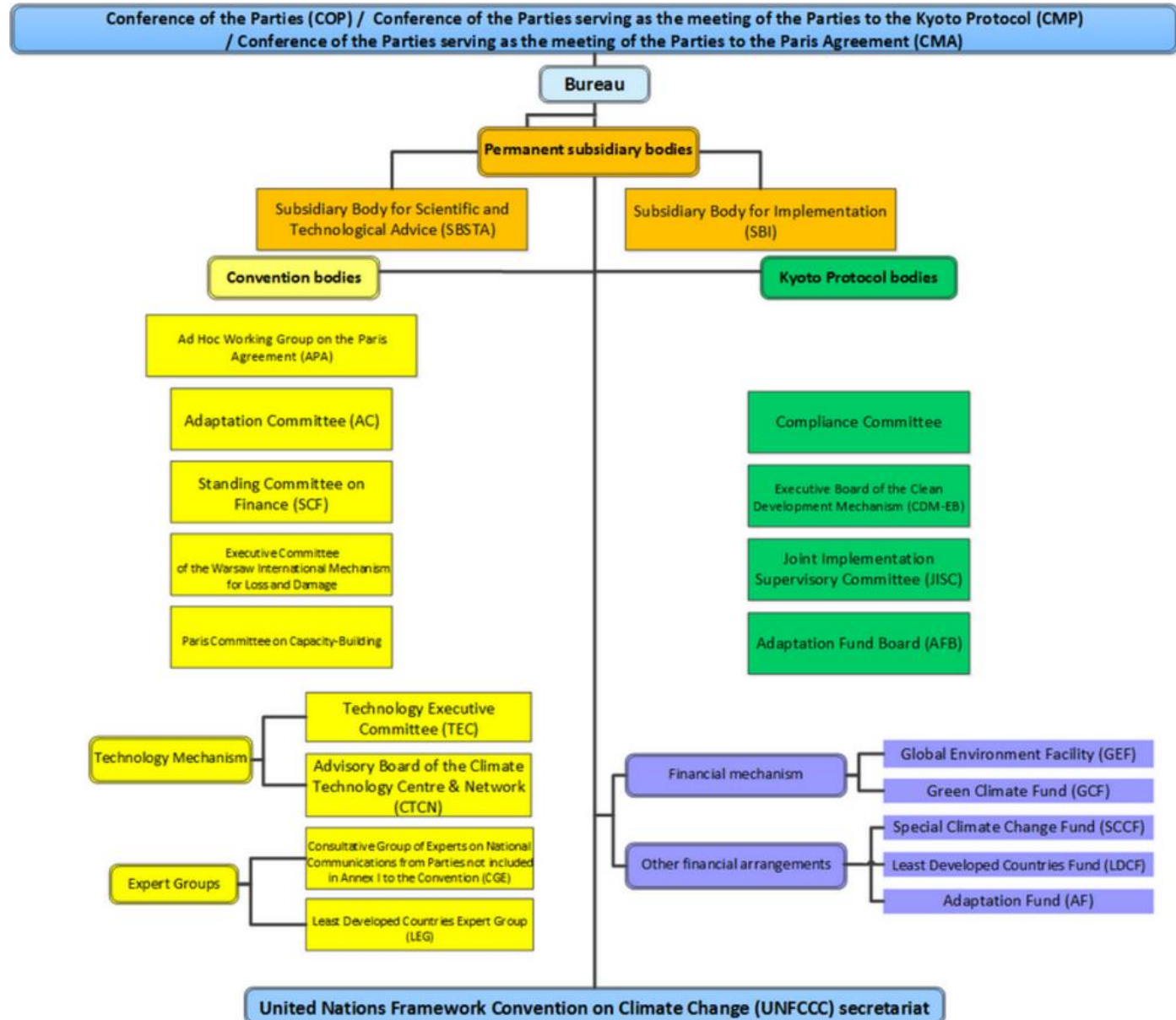
# II. Efforts for Climate Finance Mobilization

## 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



# 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



# III. PA and follow-up Agendas

## 2. Follow-up agenda

### Mandates from COP21 and Timeline

Mandate from Decision1/CP.21	Body	Timeline
(ex-ante)Initiate process to identify information to be provided by Parties (para 55)	COP	-Initiate work at COP22 -adoption by CMA1
Develop modalities for the accounting of financial resources provided and mobilized through public interventions (para 57)	SBSTA	Third part of the first CMA session (2018), at the latest
Adaptation Fund may serve the Agreement, subject to relevant decisions by the CMP and the CMA (para 59~60)	COP and APA	Third part of the first CMA session (2018), at the latest
Enhance the coordination and delivery of resources to support country-driven strategies through simplified and efficient application and approval procedures (para64)	Institutions serving the Agreement	On-going
Develop recommendations for modalities, procedures and guidelines (para91)	APA	Third part of the first CMA session (2018), at the latest

# III. PA and follow-up Agendas

## 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

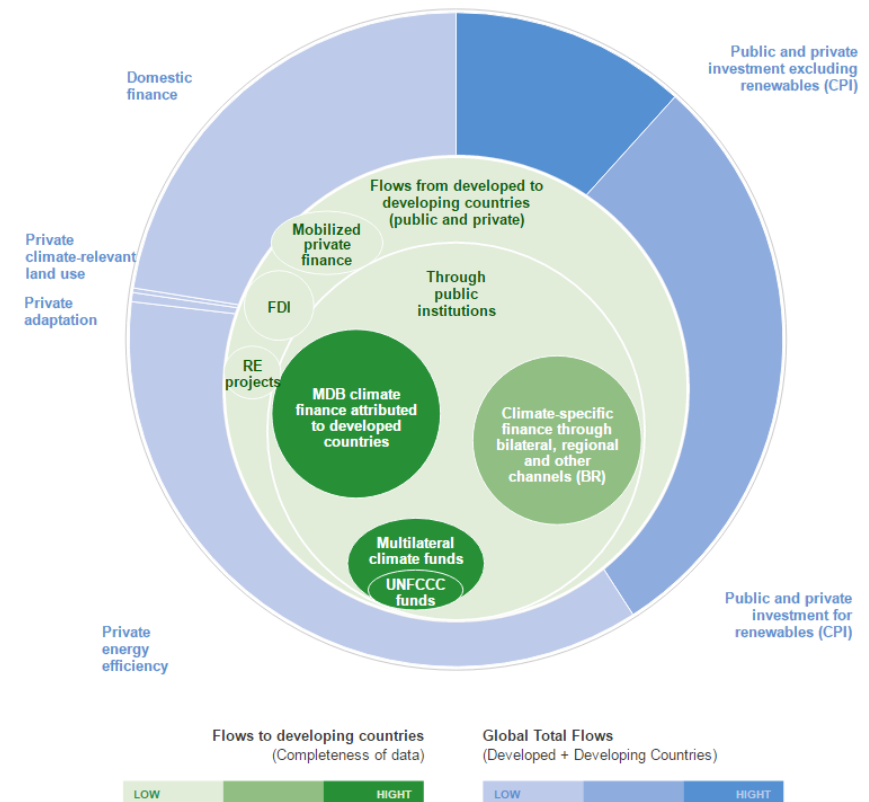
- Process to identify the information to be provided by Parties following PA
  - Potential considerations for the preparations of quantitative and qualitative information to be biennially communicated in the context of PA
    - Increasing clarity on the expected levels of climate finance mobilized from 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 ①

### □ Climate Finance flow in 2013-2014

		2013 (USD billion face value)	2014 (USD billion face value)
Flows to developing countries 2013–2014 average total	UNFCCC funds <sup>a</sup>	0.6	0.8
	Multilateral climate funds (including UNFCCC funds)	1.9	2.5
	Climate-specific finance through bilateral, regional and other channels	23.1	23.9
	Public: USD 41 billion	11.7	12.4
	Private: USD 2 billion renewables	14.9	16.6
	USD 24 billion FDI	1.8	2.1
	USD 14.8 billion mobilized	26.4	21.6
		12.8	16.7
	Global total flows (inclusive of flows to developing countries above)	95–102	102–112
	2013–2014 average total	244	285
USD 714 billion	Private energy efficiency	334	337
	Private sustainable transport	Not available	Not available
	Private climate-relevant land use	5	5
	Private adaptation	1.5	1.5
	Domestic climate-related public investment	192	192



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

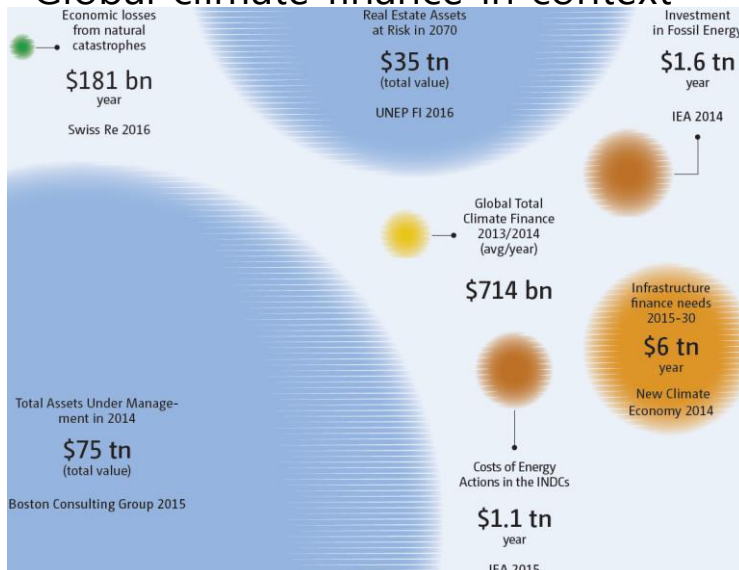
# IV. Mobilizing Climate Finance

## 1. Climate finance landscape ②

### □ Current and projected public finance in developing countries

	Average (2013 and 2014 in billion USD)	Purpose (%)			Implementing entities	Instrument (%)				
		Adaptation	Mitigation	Cross-cutting		Grants	Loans	Concessional Loans	Equity	Other
UNFCCC funds*	0.7	50	50		United Nations agencies, MDBs, bilateral development agencies, accredited national institutions, NGOs and private banks / funds	100				
Multilateral climate funds (including UNFCCC funds listed above)	2.2	27	70	3	MDBs, United Nations agencies and bilateral development finance institutions	53		47		
Climate-related bilateral <sup>b</sup>	14.9–25.3	27	53	20	Bilateral development finance agencies (e.g. GIZ, DFID, USAID, NORAD)	49	2 <sup>c</sup>	47	2 <sup>c</sup>	
MDB climate finance	15.8	18	82		MDBs	9		83	2	6

### □ Global climate finance in context

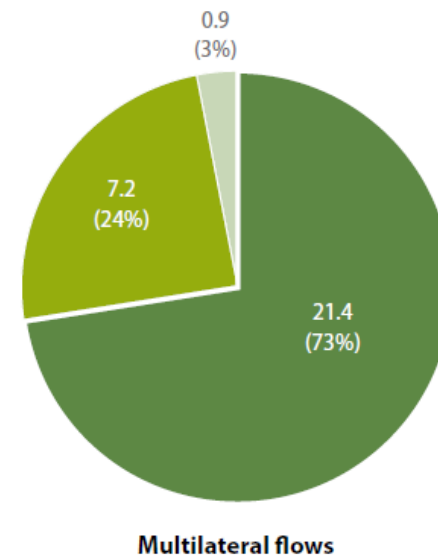
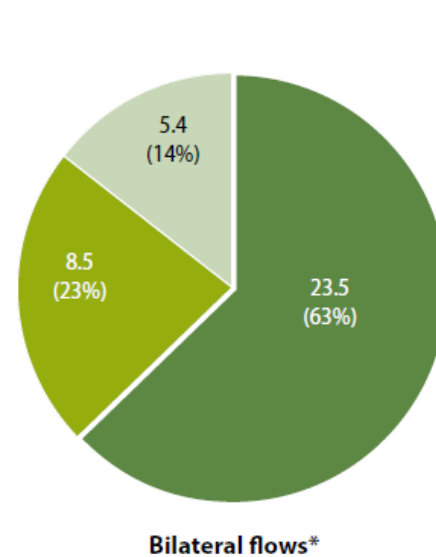
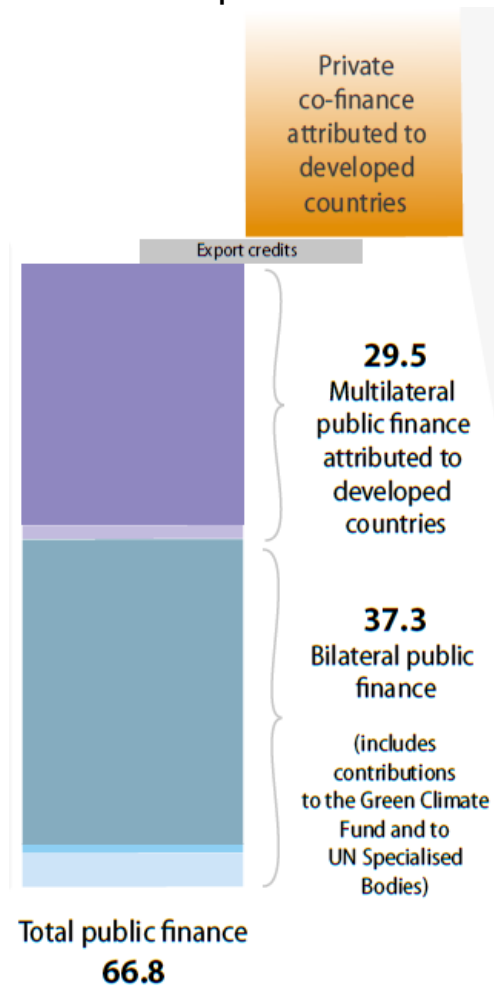


source: UNFCCC SCF(2016), OECD(2020 Projections of Climate Finance Towards the USD100 Billion Goal, 2016)

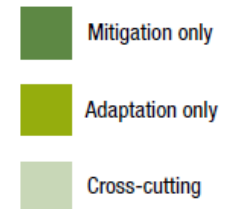
# IV. Mobilizing Climate Finance

## 2. Projection of Climate finance

### □ Roadmap to 2020 Year



Figures refer to USD billions.



\* Includes inflows to the Green Climate Fund.

# IV. Mobilizing Climate Finance

## 3. Multilateral Support ①

- Climate Finance by Multilateral (USD million)

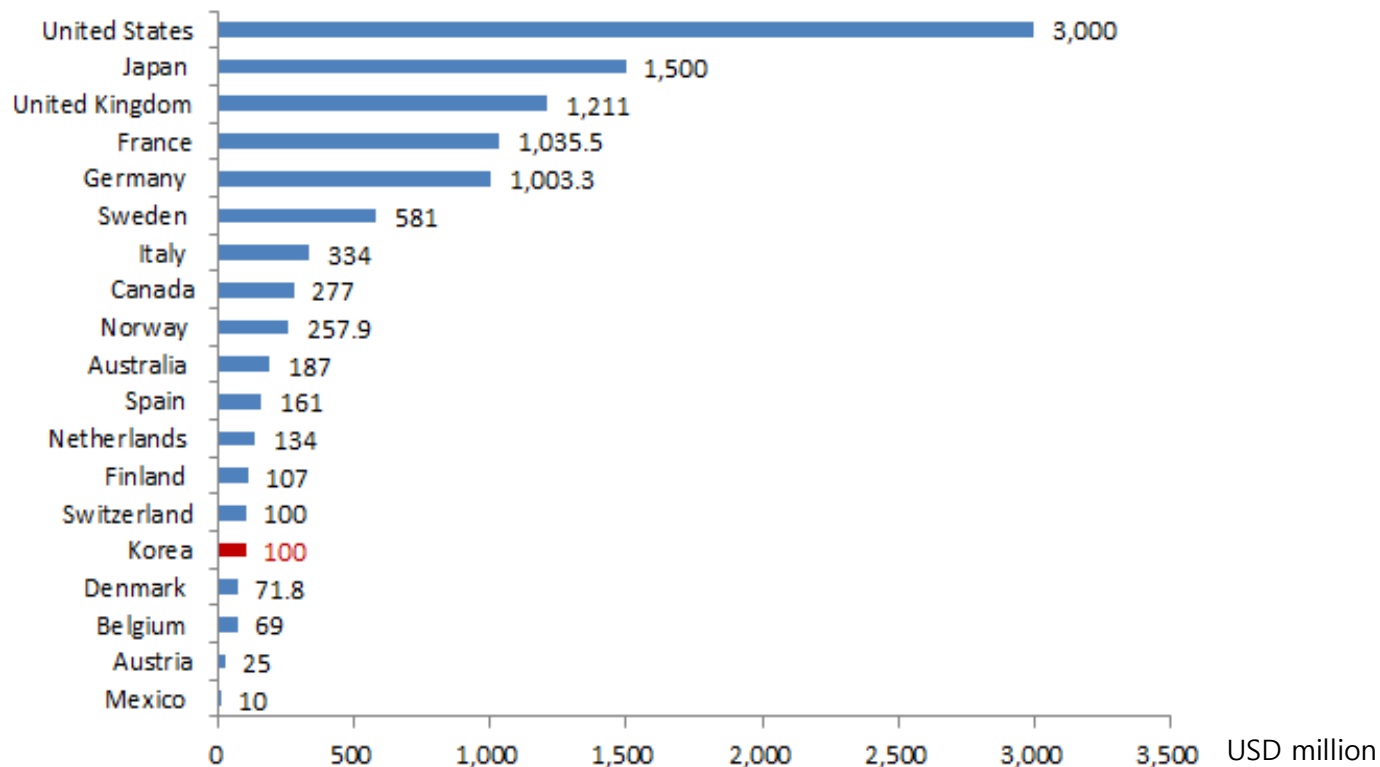
Fund by Type	Pledge	Approval
<b>Adaptation</b>		
Least Developed Countries Fund	1,250	983
Pilot Program for Climate Resilience	1,153	997
Adaptation Fund	663	417
Special Climate Change Fund	368	292
<b>Mitigation – General</b>		
Clean Technology Fund	5,370	4,899
GEF Trust Fund (GEF 5)	1,152	909
Scaling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

source: Climate Fund Update (accessed on Dec. 2017)

# IV. Mobilizing Climate Finance

## 3. Multilateral Support ②

- 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





# V. Challenges & Implications

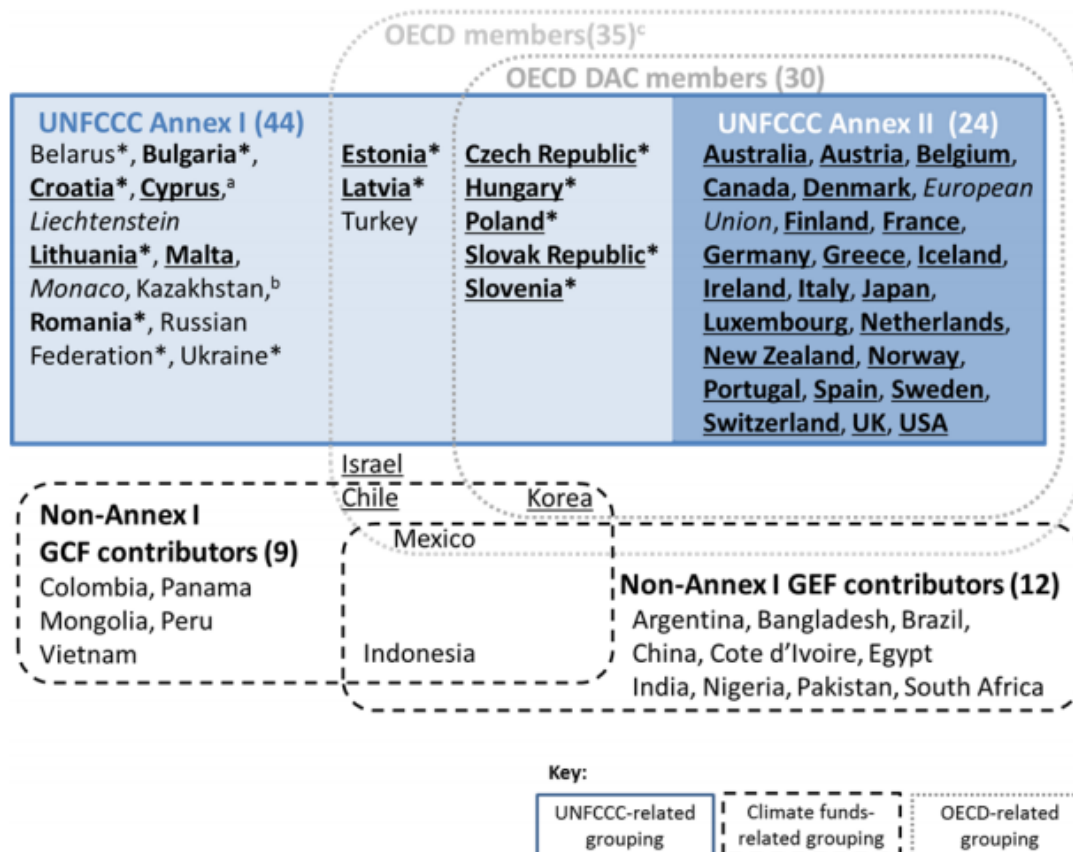
## 1. Scaling up Climate finance and Roles of GCF

- 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

- Efforts to improve quality and coverage of climate finance data

### 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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