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"Following the finance: improving tracking of the USD 100bn commitment" SB38 Side Event report

Overseas Environmental Cooperation Center, Japan (OECC)
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This is a report of a side event held at the 38th Session of the Subsidiary Bodies of the UNFCCC from June 3rd to 14th 2013, in Bonn, Germany.

- Title：Following the finance: improving tracking of the USD 100bn commitment
- Date：13:15 – 14:45, Tuesday, 11 June, 2013
- Organiser(s)：Organisation for Economic Co-operation and Development (OECD)
- Venue：Room Wind at the Ministry of the Environment of Germany
- Presenter(s)：Alan Miller (International Finance Corporation: IFC), Seyni Nafo (Mali), Karine Hertzberg (OECD Climate Change Expert Group Chair), Robert Youngman (OECD), Jane Ellis (OECD), Randy Caruso (OECD), and Stephanie Ockenden (OECD)
- Abstract: This side event highlights recent work of the OECD and CCXG in improving the tracking and mobilising of international climate finance.

Summary

1. Robert Youngman: "Policies and innovative financing instruments to support green investment"

- At the outset of his presentation, Mr. Youngman noted that global energy supply is as carbon-intensive today as it was in 1990 despite significant efforts were made worldwide to improve energy efficiency and expand the use of renewable energy. He pointed out that an increased level of investment in green infrastructure is the key to achieving the 2-degree goal. He noted in this context that governments need to establish a green investment policy framework, which consists of: 1) strategic goal setting and policy alignment; 2) enabling policies and incentives for investment; and 3) financial policies and instruments.
- He explained that the OECD is currently working on mobilising private investment in green infrastructure at the country, international and sectoral levels. Institutional investors are a very important source of non-traditional private financing, therefore, the OECD is working on leveraging this type of financing as well.

- He pointed out that despite the work currently conducted by the OECD, the volume of green investment in green infrastructure in the OECD countries is still limited. The barriers to such investment include: lack of stable support policies (e.g. power purchasing agreements); lack of suitable financial vehicles (e.g. limited volume of "BBB" rated green bonds); undefined infrastructure roadmaps, and low-quality historical data to assess transactions and risks.
- In light of this situation, Mr. Youngman stressed the need to further exploit financial instruments for green infrastructure investments, such as, policy-supported financial structuring (e.g. credit enhancement), specialist arrangements and entities (e.g. PPPs and green investment banks), and green bonds.

2. Stephanie Ockenden**:** "Development finance for climate change: tracking & improving effectiveness"

- Ms. Ockenden made a presentation on the OECD's on-going work for tracking development finance for climate change. Given the goal of mobilising $100 billion for the year 2020, climate finance is expected to increase substantially from now on, which makes it imperative to track this finance and assess its effectiveness.
- The OECD has been tracking climate-related aid through the Rio Marker system since 1998. They have discovered that aid in support of climate change mitigation has been steadily increasing since 2006 (250% increase from 2006 to 2011).
- The total climate-related aid is estimated to be $17-23 billion in 2011. The proportion of climate change-related assistance in the total official development assistance (ODA) has been increasing in recent years and reached approximately 13% in 2011, although there are significant inter-annual fluctuations. In 2011, Japan and Germany were the two top donors for climate change mitigation and adaptation. The top recipient countries include India and Vietnam among other developing countries.
- The OECD is striving to improve its statistical techniques to better track climate financing; for example, they are working on widening the coverage of statistical data and reviewing the definition of official development finance.
- Ms. Ockenden focused on effectiveness of climate-related finance in the second part of her presentation. She noted that currently there is no precise definition of it. But there are some useful criteria that they can use, for example, the aid effective principles that have been used over 50 years by the OECD.
- The OECD has conducted research on this theme and discovered that there is widespread awareness among different countries about the OECD aid effectiveness principles. But new financing sources and instruments many pose additional questions

on how to achieve effectiveness.

- In conclusion, Ms. Ockenden summarised the most important points of her presentation as follows: 1) The Rio Marker system is a robust method for tracking climate finance; 2) climate-related aid is significant, but it is imperative to consider its effectiveness; 3) there is widespread awareness about effectiveness of climate financing; and 4) new financing sources and instruments many pose additional questions on how to achieve effectiveness.

3. Randy Caruso and Jane Ellis, Presentation on tracking the $100 billion commitment

- Mr. Caruso and Ms. Ellis made a joint presentation on possible ways to track the $100 billion commitment. They noted at the outset that there are some outstanding issues under the UNFCCC on this particular commitment. For instance, the parties still need to agree on the following: what exactly is included in the commitment; and what needs to be reported and how this will be reported. In other words, there is incomplete guidance from the UNFCCC on the $100 billion commitment.
- They pointed out that there are four main factors that influence the estimate of “mobilised climate finance”, that is, existence of a causal link between an intervention and mobilised climate finance; if mobilisation can be attributed to specific actors; whether financing is public or private; and assessing when mobilisation is estimated and reported.
- There are conservative and non-conservative methodologies to assess and estimate mobilisation: in terms of causality, conservative assessment methods focus on additionality, project sub-components and value-added, whereas less conservative assessment methods look at the total project costs. Similarly, there are conservative and less conservative assessment methods with regard to attributions, public or private finances, and the timing of estimation.
- The two speakers presented as a case study a project of a wind energy power plant in Pakistan, which comprises three phases: pre-project enabling activities, project implementation and policy mechanism. And the donors involved in these three phases include the United States, the IFC, the Asian Development Bank (ADB), and Turkey, which means that there is a large risk of double counting.
- In conclusion, they stated that there is political pressure to assess mobilised climate finance, but no top-down guidance on how to do it. In this context, many (but not all) institutions have started estimating their climate finance. But the speakers affirmed that future reporting under UNFCCC will not be complete unless guidance further enhanced
- As a way forward, they suggested the following: comparing what needs to be tracked

against what is currently being tracked; increasing the importance of tracking mobilisation within financial institutions; improving communication between the existing tracking efforts; exploring the possibility of collective reporting (to avoid double counting), and reporting at the level of project implementation.

4. Seyni Nafo and Alan Miller: Comments on the presentations

- Mr. Nafo and Mr Miller made comments on the presentations.
- Mr. Nafo made the following points:
  - ✓ To scale-up the level of investment in green infrastructure, there needs to be some kind of regulatory framework at the international level.
  - ✓ It is necessary to increase the international carbon prices to incentivise private investment.
  - ✓ The biggest challenge to measuring climate financing is that there is currently no universally agreed definition, which makes it imperative to devise a qualitative indicator rather than a quantitative one.
  - ✓ In terms of negotiations on financing, there are some major gaps. For example, developing country parties do not have the obligation to report on the financial support they receive.
- Mr. Miller's statement comprised the following contents:
  - ✓ Two of the strategic objectives of the World Bank are: sustaining carbon prices in the long term and removing subsidies for fossil fuels.
  - ✓ In regard to the question of definition, there was no universally accepted definition of energy efficiency or renewable energy only a few years ago. But multilateral development banks, including the World Bank, successfully came up with common definitions (alluding to the possibility that the same can be done for climate finance).

■ Q&A

Q. (German Development Institute): When institutions report on their financing on adaptation, what kind of definition of adaption is used? Is there any common definition?
A. Ms. Ellis: It is true that sometimes what is tracked by the OECD and what is reported by institutions are different.
Ms. Ockenden: Given that adaptation can be defined in various ways, when tracking adaptation finance, it is essential not to focus on just one year, but to rather look at the overall trend of finance.

Q. (New Zealand): How is it possible to disentangle development and climate finance, given that these are closely interlinked?
A. Ms. Ockenden: It is true that it is impossible for the finance tracking tools to entirely eliminate subjectivity.

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English:
http://www.mmechanisms.org/e/relation/details_oecc_SB38report.html