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COP19: High-level Ministerial Dialogue on Climate Finance

Geneva, Nov 29 (Nathan Thanki) – The High-level Ministerial Dialogue on Climate Finance was conducted in two sessions on 20th Nov 2013 at UNFCCC's COP19 in Warsaw. The Dialogue was co-facilitated by Ministers Maria Kiwanuka (Uganda) and Martin Lidegaard (Denmark) and considered progress made in the mobilization of long-term finance as well as efforts to scale up climate finance in the future.

Several developed country representatives informed participants about the contributions they were making on climate finance.

COP President Marcin Korolec opened the Dialogue by acknowledging the challenging nature of the topic given the high targets, short timelines, and the sense of disappointment felt by some Parties towards progress made to date. He noted a general desire to rebuild trust and send a clear message from COP19 that Parties were committed to making progress on adaptation finance, on predictability of finance, and on mobilizing further finance. He urged Parties to use the opportunity to find the basis for progress.

UN Secretary-General Ban Ki Moon, in his keynote speech, noted the essential role of climate finance in addressing climate change and achieving sustainable development. He promised to raise political momentum toward meeting targets during a high-level summit involving Heads of States, business, and civil society leaders in New York in September 2014. The Secretary-General emphasised the need to send policy signals in order to secure high impact investment opportunities. He identified three areas for common action: large injections of public finance for renewable energy, leveraging private investment through public funds, and operationalizing the Green Climate Fund (GCF).

In the second keynote speech, **Mr. Jakaya Kikwete, President of Tanzania**, told the plenary that developing countries lack the resources to effectively respond to climate change. In spite of doing everything they can to mobilize resources, the costs of adaptation are too high, with Africa alone estimated to need $600 billion over the next decade. He lamented the Fast Start Finance (FSF) process, saying most was not new and additional as agreed, but was instead a reallocation of ODA which went mostly to mitigation projects in middle income countries. Transparency was also an issue, and the procedures to access funds were complex and lengthy. Mr. Kikwete urged Parties to learn from the FSF experience and agree on sustainable long term finance in excess of $100 billion per year, which is necessary to achieve the goal of keeping temperature warming to below 2 degrees.

The third keynote speech was given by **Ms. Naoko Ishii, Chief Executive Officer and Chairperson of the Global Environment Facility (GEF)**. She stressed the need for speed, scale, and synergy: speed in terms of tackling climate change, scale in terms of the amount to be invested, and synergy in terms of public-private partnerships and having the GCF and GEF complement each other's work.

Ms. Hela Cheikhrouhou, Executive Director of the GCF, delivered the final keynote. She stated that the mission of the GCF was to support developing countries by creating a paradigm shift to a low carbon and climate resilient world. The GCF, she said, is nearly ready for business and requires readiness of beneficiaries and their institutions.

Minister Maria Kiwanuka, co-facilitator from Uganda then spoke, reminding Parties they had agreed to have this dialogue in Doha and urged them to consider the progress made so far, and work together to find practical solutions to mobilize and scale up finance. Her co-facilitator, **Martin Lidegaard of Denmark**, said that the first session would focus on the state of play and aimed to address three questions: what are the possible gaps to fill after Fast-start Finance (FSF) and what has been learned during the FSF; how do we gather momentum for adaptation finance; and what are the main challenges in mobilizing resources from public and private sources? The aim, he said was to engage in discussion, not reach decisions. The co-facilitators then opened the floor for "ice-breaker" interventions.

Ms. Lisel Alamilla, Minister for Forestry, Fisheries, and Sustainable Development in Belize, began by saying that finance is essential for some developing countries to survive. She highlighted the need for climate proofing infrastructure and pointed out that while developing countries can plan, ultimately they need finance to implement. Even 1.5 degrees C warming will mean coping with impacts, and so climate finance is linked not only to mitigation and adaptation but also to loss and damage. The Minister said that FSF had three lessons. One, we need predictability and continuity of finance. Two, we need confidence that commitments are being met. Three, we need better access which involves making delivery channels fairer. She outlined three major asks: setting milestones in Warsaw to bridge the gap, agreeing to capitalise the GCF and bring it into operation, and securing the necessary resources to keep the Adaptation Fund going.

Ms. Dalila Boudjemaa, Minister of Land Planning and Environment of Algeria, said that three elements were needed: political expression of commitments, use of short time frame as a motivator, and the exchange of good practices. The Minister emphasised that the developing countries need public finance, which is predictable, durable, and unconditional.

Mr. Peter Altmaier, Minister of Energy, Environment and Nuclear Safety, Germany reported that Germany will have made Euro 1.8 billion available in public finance in 2013—mostly through bilateral cooperation but including Euro 30 million to be given to the Adaptation Fund, Euro 50 million for the LDC Fund and Euro 30 million for the Special Climate Change Fund (SCCF). In addition, he said, Germany would contribute Euro 40 million toward readiness measures for the GCF and would keep REDD-plus (reducing emissions from deforestation and forest degradation etc.) financing at current levels as long as it was results based. He added that the world needed to redirect private finance away from carbon intensive investments.

Todd Stern, Special Climate Change Envoy of the US, claimed that climate finance for the last year from the US was $2.7 billion. He said that the US wanted to have better donor coordination and so had convened a group meeting during the World Bank annual meeting in DC in April and then again in Copenhagen in September. Stern said that the US works through various public institutions including bilateral export credit agencies, the GEF, the GCF, and Multilateral Development Banks (MDBs), which can all deliver tools to leverage private finance. He urged delegates to look at his delegation's progress report.

Once the ice-breaker interventions had finished, the co-facilitators opened the floor for discussion. **Fiji, on behalf of the G77+China** said that G77 requires new, additional, and predictable public finance to boost economic growth and reduction of emissions, as well as for their priority area of adaptation. In looking at lessons learned from FSF, it had three comments: finance needs to be scaled up via milestones such an amount of $70 billion by 2016; the adaptation imbalance needs to be addressed as currently 96% of finance is for mitigation; and structures were needed to transfer funds in an accountable and transparent manner; hence the GCF must become operational immediately.

The EU acknowledged that there is debate over FSF, but claimed that it had delivered Euro 7.2 billion over the fast-start period, of which 30% went to adaptation. The keyword for the EU is "mainstreaming," and it has adopted a new 7 year budget which has 20% earmarked for climate related activities. The reason the EU needed to leverage private finance was not because it did not want to meet its obligations.

Colombia, speaking for the Independent Alliance for Latin America and the Caribbean (AILAC) countries, made 4 points. The first was that AILAC needed clarity over the amount of finance pledged for the next 3 years. The second was that efforts of transparency were needed for trust and efficiency. The third point called for a balance between adaptation and mitigation finance. The final point stressed the urgency of the situation, given that delaying will only make adaptation more expensive later. Colombia brought forward "middle ground" suggestions that Parties come with a clear political commitment, a pathway for scaling up, and that they agree to launch a political process which would include biennial sessions in parallel to the Subsidiary Body meetings to evaluate progress made.

Egypt said that it was important to remember that poverty eradication and sustainable development are priorities for developing countries. FSF finance was only the first attempt, the GCF needs $10 billion by next year along with a clear roadmap including $60 billion milestone in 2016. Egypt called for scaling up mobilization, but noted the challenge in doing so is a lack of transparency in the criteria of disbursement and too much conditionality. It said that responsibility finance lay with Parties rather than with the private sector.

China expressed desire to solve roadblocks at the political level, in accordance with the principles of the Convention which state that finance should be new, additional, and adequate. Financial obligations under the Convention are not limited to pre-2020 action but also to post-2020 action, and should be met primarily with government funding. It called for the GCF to open all funding windows and become operational in early 2014, for Parties to agree to a roadmap to mobilizing $100 billion by 2020, and for developed countries to report on their support before 2014.

Peru said that effectiveness of climate finance has to be addressed at both ends. The largest share of finance should go towards adaptation support, and that it would be willing to explore creating incentives for private financing of adaptation. Peru also called for a dedicated REDD-plus window under the GCF as well as increased financial commitments for that.

Morocco reiterated the need to strike a balance between adaptation and mitigation as well as the necessity of having a timetable for committing finance, irrespective of whether the source was public or private. It also called for visible criteria for eligibility and deployment. Noting that the issue of climate finance was more of a challenge than ever, **Rwanda** said that the LDCs have waited for funds to appear even as climate impacts worsen.

Zambia pointed out that finance has a bearing on the full implementation of Convention, and reminded Parties that the Durban mandate provided a legal obligation to provide finance going forward. It called for meaningful capacity building to build national institutions. Zambia also called for the GCF to be capitalized with pledges at COP19 and for it to begin accrediting funding and implementing agencies, and for developed countries to make contributions to the Adaptation Fund.

Recalling a protest by young people at the entrance to the stadium, **Uganda** said that Warsaw should be remembered for being a 'Finance COP'. It said that further clarity is needed on what is meant by new and additional. Uganda said it is not clear how much money is in GCF once administrative costs have been deducted.

Canada said that finance should be results based, transparent, and based on national circumstances. Canada is building capacity to understand adaptation with home grown solutions and had begun conversations with donors and the private sector, in particular the investment sector.

Recalling the Bali Action Plan, **Indonesia** said that Parties have two commitments: FSF and long-term finance. It expressed disappointment that mobilization had not taken place at the scale expected, and also that developing country calls for clarity have been unanswered since Durban.

Switzerland told Parties that it had made 400 million Swiss Francs available during the first three years of FSF. It said that finance was spread across sectors and included 40% for adaptation and 15% for forests. Stating a desire to reduce GHG emissions and strengthen capacity to cope with climate change, it called for clarity on eligibility—could a Swiss company, which made a device that lowered the energy usage of Samsung phones be eligible, it asked.

Bolivia reminded Parties that commitments are between governments, not between governments and companies. It cautioned that neither the private sector nor the market is the solution. The root of the problem has to do with overconsumption, predominantly in the industrialised world. On the GCF, Bolivia said it is not a platform for business, nor is it a bank. It also expressed concern that negotiations on loss and damage has been blocked in the past few hours, which was not good for trust between Parties.

Concluding the first section of the Dialogue, co-facilitator Kiwanuka of Uganda highlighted what she saw as recurring threads: the need for mainstreaming climate related activities into the economy; the need for further transparency; the need for a balance between adaptation and mitigation finance; and the need to make it clear that private finance cannot replace public finance.

After the break for lunch, **Lord Stern** reopened the Dialogue by saying that government induced policy risk is the biggest deterrent to investment. He said there is no need for private investment to undermine an increase in ODA. Noting that the question of additionality is difficult, Lord Stern said that we should instead ask if ODA is going up.

In the first of three ice-breakers, **Norway's** representative said that scaled up financial support is necessary to enhance action. Norway, understands developing country calls for predictability, and so has pledged to finance for REDD-plus at current levels to 2020. It noted the need to shift global investment and claimed that staying within 2 degree C of warming was only possible with private sector involvement. Developing countries need to improve enabling environments.

The UK Secretary of State for Energy, Ed Davey, said that the UK has put forth £3.6 billion over the period 2011-2016, and was aiming at 50% being for adaptation. Under the second bidding round of the joint UK-German nationally appropriate mitigation action (NAMA) facility, they have mobilized £25 million. Mr Davey also said the UK had mobilized £140 million through an unspecified "adaptation programme." The UK has pledged £50 million to LDCF and £75 million for REDD-plus through a biocarbon initiative. He stated that when it comes to finance, Parties need collective efforts to reach their goals. That requires clarity on what counts as climate finance. My Davey emphasised the critical nature of private finance, saying that the private sector has an interest in adaptation. He called for a substantial pledging round for the GCF next year.

In the final ice-breaker intervention, the representative from **Mexico** said that each country needs to set the right conditions for public and private investment. Mexico has made a national strategy on climate change and is working on a domestic green fund, having introduced a carbon tax, which can be paid with emissions credits. In addition, Mexico is reducing subsidies on fuels and will for the first time ever allow private investment in energy.

After the "ice-breaker" interventions, the floor was opened. **Namibia** called for those responsible for climate change to deal with the problem by providing adequate and predictable finance, which should be periodically reviewed and balanced between adaptation and mitigation. Additionally, REDD-plus should be well financed to maintain sound ecosystem balance.

India noted that negotiations are struggling because of a lack of means of implementation. It said that the 2015 outcome was uncertain without immediate progress on finance. To this end, it is important to have mid-term targets. India asked why there were such discrepancies with FSF. India joined the long list of countries calling for balance between adaptation and mitigation finance, and added that it is already spending a lot of its own money on climate actions, so a lack of enabling environments could not be used as an excuse by developed countries to not transfer finance.

Malawi, on behalf of the LDCs, said that it has already developed a national adaptation plan which needs $100 million to implement. It called for $60 billion in public money by 2016 for the LDCs, but that LDCs could not wait until Paris to see commitments. **Colombia** reiterated that developing countries want a political commitment to a credible pathway for scaling up with mid-term objectives providing clarity on finance, and a political process to evaluate adequacy.

Fiji, speaking on behalf of the G77, said that climate finance does not flow in isolation; it requires action at national, regional, and global levels. Developing countries are demonstrating an immense effort at the regional level; many have set up renewable energy schemes and have mainstreamed climate activity, reduced risk for investors, and are providing signals to markets. It noted that most finance has been for mitigation, but the developing countries need adaptation. It recommended specific milestones to be put in place.

A representative of the **World Bank** took the floor to say that the development community has learned how to track adaptation co-benefits. She noted that disaster risk resilience is investable. The Bank has lent $27 billion for adaptation and mitigation: $21 billion for mitigation, $6 billion for adaptation. She said there was a need to measure how much $1 investment can mitigate.

Kenya spoke about the need to provide finance across all pillars of the Bali Action Plan, but added that loss and damage needs finance too. It noted that developing countries need support to access the funds more easily, and called for coherence across all financial institutions so resources can be pooled.

The Netherlands said that it had committed to mobilize Euro 100 million a year for FSF, and Euro 200 million per year afterwards, scaling up to Euro 300 million in 2014. **Canada** said that climate friendly business is good business.

The Republic of Korea asked for more contributions to the GCF in order to build trust between developing and developed countries. It supported the call for a climate finance working group to be in charge of climate finance and focus on political discussions instead of technical ones.

El Salvador called for strengthening South-South cooperation. **Ecuador** noted that initiatives have not mobilized funds quickly enough, and that many commitments already made have not been followed up. It stressed that capacity of countries to act depended on the means of implementation, and so developing countries need to know what their baseline funding is.

Japan said that it would be extending financial aid and technological cooperation, prioritising mitigation and adaptation. It claimed to have mobilized $3.5 billion for disaster risk reduction, water, and agriculture projects, and reminded Parties that it had announced a new commitment of $16 billion for mitigation and adaptation. Japan called for public finance to be used to leverage public finance and better enabling environments for business activities.

Bolivia asked how developing countries can receive sufficient, predictable, adequate, and sustainable finance from the private sector. Pointing out that obligations rest with governments, and not the private sector, Bolivia went on to add that the market is not a reliable source of climate finance as the global economic system is unstable. It asked what happens when the next recession hits?

Sweden said that public finance will be important to leverage private finance. Sweden gives 1% of its Gross National Income to ODA and has given 8 billion Swedish krona to the Adaptation Fund. It promised to continue to provide funds in various channels, and pledged to give 300 million krona to the GCF in 2014 as long as the Fund was operational. Sweden highlighted the importance of transparency and said Parties needed to agree on reporting on finance to generate comparability and consistency.

Thailand said that best way to deploy finance is through close collaboration between recipients and donors, and called on Annex-1 countries to continue mobilizing financial support which is more accessible. Additionally, Parties should develop comprehensive guidelines on good governance and sustainable use of finance.

The **Democratic Republic of Congo** said that it is necessary to clarify the FSF, and there needs to be more clarity on the strategy to reach $100 billion in long-term finance. Related to that, it called for interim financing of $50 billion in 2015 and $60 billion in 2016 to measure progress. It also pointed out that the Adaptation Fund is in a critical state due to the failure of the Clean Development Mechanism, and therefore required $100 million immediately.

New Zealand told Parties how it had hosted a Pacific energy forum and leveraged $0.5 billion, and would give $80 million over the next three years to climate finance. It insisted on the need to send the right signals to the markets in order to incentivise private flows. New Zealand worried that public finance may crowd out private finance, and called for a non-binding outcome on finance.

Benin described how it has set up a national climate fund that focused heavily on forest management. It urged Parties not to forget the polluter pays principle at both national and international level.

Switzerland hoped that the GCF can become operational in the near future. In response to the intervention by China, which spoke about finance after 2020, Switzerland asked which other countries would be prepared to come on as donors.

Finland said that it will give Euro 110 million this year, including Euro 5 million for the Adaptation Fund, and Euro 93 million next year. It also pointed out that Finland had made a decision to end public financing of fossil fuel.

To summarise, co-facilitator Lidegaard drew on areas of convergence around the need to mobilize more finance through existing funds. He praised a few Parties for announcing contributions.