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In-session workshop on long-term climate finance in 2019

Summary report by the secretariat

Summary

This report provides a summary of the in-session workshop on long-term climate finance in 2019, held in conjunction with the fiftieth sessions of the subsidiary bodies and organized by the secretariat at the request of the Conference of the Parties. In line with decision 3/CP.24, the workshop focused on the effectiveness of climate finance, including the results and impacts of finance provided and mobilized, and the provision of financial and technical support to developing country Parties for their adaptation and mitigation actions in relation to holding the increase in the global average temperature to well below 2 ºC above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 ºC above pre-industrial levels. This report will inform the fourth biennial high-level ministerial dialogue on climate finance to be convened in 2020.

Contents

Abbreviations and acronyms

COP	Conference of the Parties
MDB	multilateral development bank
NDC	nationally determined contribution
REDD-plus	reducing emissions from deforestation; reducing emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks (decision 1/CP.16, para. 70)
SDG	Sustainable Development Goal

I. Introduction

A. Mandate

1. The COP requested the secretariat to organize annual in-session workshops on long-term climate finance through to 2020 and to prepare a summary report on each workshop for annual consideration by the COP and at the biennial high-level ministerial dialogue on climate finance.[1]

2. The in-session workshops on long-term climate finance in 2019 and 2020 were mandated to focus on:

(a) The effectiveness of climate finance, including the results and impacts of finance provided and mobilized;

(b) The provision of financial and technical support to developing country Parties for their adaptation and mitigation actions in relation to holding the increase in the global average temperature to well below 2 ºC above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 ºC above pre-industrial levels.[2]

3. To inform the workshop,[3] the secretariat prepared a compilation and synthesis[4] of developed countries' biennial submissions on their updated strategies and approaches for scaling up climate finance from 2014 to 2020 (hereinafter referred to as the biennial submissions).

B. Scope of the report

4. Chapter II presents the key findings that emerged from the 2019 in-session workshop on long-term climate finance (hereinafter referred to as the workshop) and chapter III provides a summary of the discussions held during the workshop.

C. Preparatory activities and proceedings

1. Preparatory activities

5. Under the guidance of the workshop co-facilitators, Zaheer Fakir (South Africa) and Mattias Frumerie (Sweden), informal consultations were held with groups of Parties prior to the workshop to gauge the potential scope of the discussions on the two mandated topics.

6. As part of the consultation process, an open webinar took place on 17 May 2019 under the guidance of the co-facilitators to obtain views on the design of the workshop programme from a range of stakeholders. The webinar was open to all Parties and observers and conducted twice to accommodate some 50 participants across different time zones. A recording of the webinar and the presentation slides are available on the dedicated workshop web page on the UNFCCC website.[5]

7. From these activities it became evident that the two mandated topics are closely interlinked in the broader context of climate finance for mitigation and adaptation, and many technical issues are interwoven between them. The consultations also showed that Parties' understanding of the topics and expected scope of the discussions varied. On that basis and under the guidance of the workshop co-facilitators, the workshop programme[6] was designed with a view to:

[1] Decision 5/CP.20, para. 12.
[2] Decision 3/CP.24, para. 9.
[3] As requested in decision 3/CP.24, para. 6.
[4] FCCC/CP/2019/INF.1.
[5] https://unfccc.int/topics/climate-finance/events-meetings/ltf-meetings/long-term-climate-finance-events-in-2019.
[6] A provisional workshop programme was published on 1 June 2019. The final programme is available on the dedicated workshop web page.

(a) Exploring the two mandated topics to identify underpinning issues and how they are intertwined;

(b) Facilitating technical discussion on the issues by sharing experience and insights, challenges and possible solutions;

(c) Developing a shared understanding of the issues, and identifying key findings, recommendations for various climate finance actors, and any points of deliberation or action for consideration by the COP.

8. Furthermore, on the basis of the mandate and the document referred to in paragraph 3 above, a segment on the biennial submissions was included in the workshop programme with the aim of facilitating an exchange between developed and developing countries on how the biennial submissions have provided useful information for developing countries, and identifying areas for improvement to inform developed countries in preparing biennial communications after 2020.

2. Proceedings

9. The workshop was held on 24 June 2019 in Bonn in conjunction with the fiftieth sessions of the subsidiary bodies and was open to all Parties and observers attending the sessions.

10. A representative of the secretariat delivered opening remarks on behalf of UNFCCC Executive Secretary, Patricia Espinosa, and the co-facilitators gave a short introduction to the workshop.

11. Two scene-setting presentations provided insights into climate finance for mitigation and adaptation. A panel of experts was then invited to share their views on the two mandated topics and on the biennial submissions as a tool for ensuring predictability of climate finance. After the panel discussion, the workshop participants engaged in breakout group discussions facilitated by discussion leaders, on the following topics: (1) effectiveness of climate finance, (2) provision of financial and technical support, (3) facilitating enhanced access to climate finance and (4) developed countries' biennial submissions on their strategies and approaches. The discussion leaders then reported back to the plenary, which provided an opportunity for further expert input and reflection on the key issues.

12. The workshop programme, presentation slides and video recordings are available on the dedicated workshop web page.

II. Key findings

13. A wide range of stakeholders, including representatives of Parties, United Nations agencies, international organizations, think tanks and civil society, engaged in fruitful discussions at the workshop. They exchanged views and insights on various aspects of the two mandated topics. This chapter presents the key findings that emerged from the plenary and breakout group discussions.

14. The scene-setting presentations highlighted key issues that are particularly relevant to the two mandated topics in the broader context of climate finance for mitigation and adaptation, and generated the following findings:

(a) The pace of change required in scaling up investment in low-carbon solutions, as much as in downscaling investment in carbon-intensive solutions, presents a challenge in transforming the energy sector towards meeting the temperature goals;

(b) Closer collaboration is needed between climate change economic and scientific modelling communities and the investment community in the work on decarbonization pathways to highlight and translate the pathways into finance-related risks;

(c) There continues to be an imbalance in international climate finance between adaptation and mitigation. While mitigation finance often accounts for the total cost of action, adaptation finance often accounts for incremental costs only and is therefore difficult to track in terms of volume. In addition, cross-cutting climate finance for action that contributes to both mitigation and adaptation has increased in recent years, which reflects how climate action is being integrated into and mainstreamed in development action on the ground;

(d) Greater engagement of finance and planning ministries in climate action has been noted in recent years, although more work is needed to fully integrate climate action into national budgetary processes.

15. **On effectiveness of climate finance**:

(a) Enhancing the effectiveness of climate finance requires a systemic approach to building a more effective climate finance ecosystem comprised of closely intertwined elements such as enhanced country ownership, capacity-building and technical assistance, and measuring and enhancing the impacts of climate finance;

(b) The complex and fragmented climate finance architecture undermines effective use of the different climate finance sources, channels and instruments for financing climate action. In this context, countries that provide climate finance, as well as multilateral and bilateral agencies, should strive for a more coordinated and complementary approach to providing climate finance;

(c) Forming partnerships and coalitions can enhance the effectiveness of climate finance by fostering collaboration, alignment and synergies among climate finance actors. Several bilateral country partnerships for specific sectors and solutions that respond to recipient country needs were highlighted. Broader coalitions to engage finance ministries, finance regulators and the private sector were also highlighted as a means to improve climate finance effectiveness;

(d) There has been significant progress in enhancing the monitoring and evaluation of the impacts of climate projects but challenges remain, including harmonizing methodologies across financing institutions and agencies; enhancing engagement of local expertise in monitoring and evaluation; and ensuring compatibility of monitoring and evaluation approaches at all levels.

16. **On provision of financial and technical support**:

(a) A holistic approach of working across the national economy, including the financial sector, is required for identifying developing countries' needs for financial and technical support and developing national climate finance strategies to help countries translate needs into action;

(b) Financial and technical support for adaptation must be scaled up in the context of meeting the long-term global temperature goals under the Paris Agreement, for example by setting targets for the provision of financial and technical support for adaptation by multilateral and bilateral agencies and using key performance indicators for adaptation investments;

(c) Barriers to determining adaptation support needs include lack of understanding of adaptation, use of different costing methodologies in assessing adaptation support needs and difficulty accessing data for vulnerability assessment. These challenges are also faced by developing country institutions in accessing climate finance for adaptation;

(d) Given the urgency of meeting the temperature goals, developments in international climate policy processes and implementation of national climate policies must take place in tandem so as to promote consistency in the policies and strengthen the effectiveness of financial and technical support.

17. **On facilitating enhanced access to climate finance**:

(a) Owing to capacity-building support and technical assistance, there has been a significant increase in the number of developing country institutions meeting the fiduciary and environmental and social safeguard requirements for accessing climate finance through multilateral climate funds;

(b) Accreditation processes remain complicated, time-consuming and unharmonized, and access policies often do not reflect the realities faced by developing countries in preparing funding proposals;

(c) Difficulty differentiating adaptation from development and lack of clarity of what constitutes incremental costs of adaptation pose a challenge to developing countries, in particular countries with limited technical capacity, in preparing project proposals that can be approved for funding by multilateral climate funds, such as the Green Climate Fund;

(d) Enhancing engagement with local communities in preparing and implementing climate projects, especially for adaptation, to reflect their needs and priorities helps to direct climate finance to where it is most needed and enhances the effectiveness of the projects. While national governing systems and country ownership are important, local communities require better access to international climate finance.

18. **On developed countries' biennial submissions on their updated strategies and approaches for scaling up climate finance from 2014 to 2020:**

(a) Having more granular information in the biennial submissions is useful but such granularity needs to be consistent across the different submissions, so that the information can be compared;

(b) The biennial submissions could be oriented towards demonstrating how developing country needs are being addressed, taking account of their NDCs, national action plans and strategies, and the developed country expertise that could be employed to address those needs;

(c) Future submissions could include further information on partnership schemes with recipient countries and the private sector for scaling up finance.

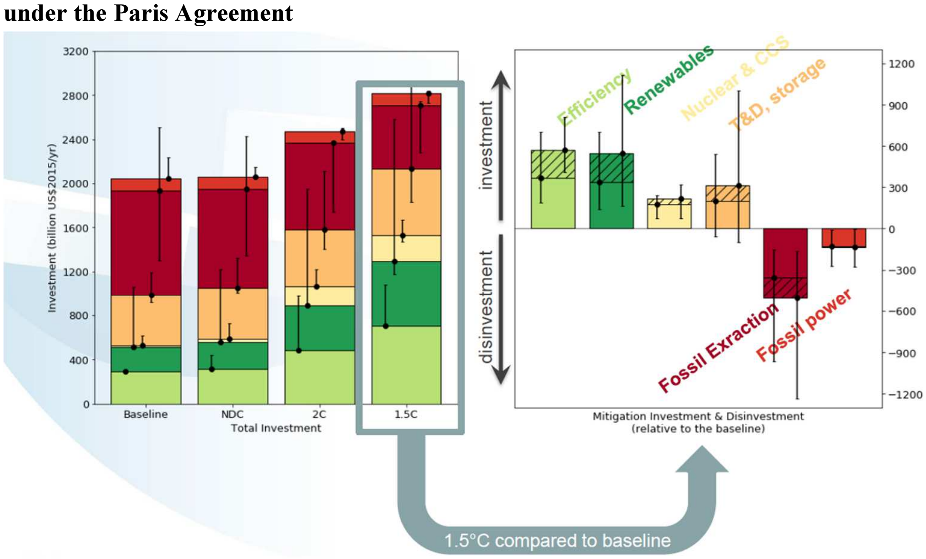
III. Summary of the discussion

19. This chapter summarizes the discussions held during the workshop, including key issues raised during the scene-setting presentations. The remainder of this chapter summarizes the discussions held in the four breakout groups and the panel interventions relevant to each group's discussion topic.

20. **A scene-setting presentation providing insights into finance for mitigation action** was delivered by a representative of the International Institute for Applied Systems Analysis. The presentation focused on the global investment needed in the energy sector to meet the temperature goals under the Paris Agreement, and the investment shifts required for achieving the SDGs.

21. Global average annual investment in the energy sector from 2010 to 2050 needs to increase to USD 2.8 trillion, or by about 0.8 per cent of global gross domestic product, in order to meet the temperature goals. By approximately 2030, 70–80 per cent of that investment needs to be channelled into clean and low-carbon activities, such as renewable energy, energy efficiency and battery storage. The figure below illustrates the global investment required to meet the different temperature goals.

Global investment portfolios towards meeting the 1.5 °C and 2 °C temperature goals under the Paris Agreement



Source: McCollum DL, Zhou W, Bertram C, et al. 2018. Energy investment needs for fulfilling the Paris Agreement and achieving the Sustainable Development Goals. *Nature Energy*. 3(7): pp.589–599.

22. More work is needed to reflect the scale and pace of transformation inherent to the climate mitigation pathways in sectoral investment risk assessments. In this context, the need for closer collaboration between the climate mitigation community and finance community was highlighted. An example of a scientific working group was shared in this regard, where mitigation modelling experts and finance experts collaborate in determining the mitigation models that may be used to provide inputs to climate-related financial risk scenarios, as well as how the mitigation pathways may be improved in terms of data to respond to the requirements of the investment community.

23. **The second scene-setting presentation on the current landscape of public concessional adaptation finance and the effectiveness of climate finance**, including measuring results and impacts, was delivered by a representative of the Overseas Development Institute.

24. An overview was provided of the landscape of public concessional adaptation finance based on the findings of the 2018 Biennial Assessment and Overview of Climate Finance Flows of the Standing Committee on Finance. There is an imbalance between the provision of finance for adaptation and for mitigation via different channels (see the table below), bearing in mind however that mitigation finance often accounts for the total cost of action, while adaptation finance often accounts for incremental costs only. Cross-cutting public climate finance flows for action that contributes to both mitigation and adaptation have increased in recent years however, reflecting how climate action is being integrated into and mainstreamed in development action on the ground.

Characteristics of international public climate finance flows in 2015–2016

		Area of support				*Financial instrument*		
Annual average USD billion		*Adaptation*	*Mitigation*	*REDD-plus*	*Cross-cutting*	*Grants*	*Concessional loans*	*Other*
Multilateral climate funds	1.9	25%	53%	5%	17%	51%	44%	5%
Bilateral finance	31.7	29%	50%	-	21%	47%	52%	<1%
MDB climate finance	24.4	21%	79%	-	-	9%	74%	17%

Note: All values based on approvals and commitments.

Source: UNFCCC Standing Committee on Finance. 2018. *2018 Biennial Assessment and Overview of Climate Finance Flows. Technical Report*. Bonn: UNFCCC. Available at https://unfccc.int/topics/climate-finance/resources/biennial-assessment-of-climate-finance.

25. There are gaps in the data on adaptation finance from domestic public and private sources, but adaptation finance nevertheless needs to be scaled up to enhance the climate resilience of developing countries in the face of more intense and frequent climate change impacts.

26. Three central elements of effective climate finance were highlighted:

(a) Enhanced country ownership will ensure consistency of climate planning and action with national priorities, use of national systems for channelling finance, and engagement of a wide range of stakeholders. Although ministries of finance and planning have shown more commitment to addressing climate issues, climate finance remains to be fully integrated into national budgetary planning;

(b) Direct access to climate funding for developing countries. Even though the majority of finance from the Financial Mechanism is still channelled through multilateral entities, there has been a significant increase in the number of developing country institutions meeting the fiduciary and environmental and social safeguard requirements for accessing finance thanks to capacity-building support and technical assistance;

(c) Impactful adaptation projects and programmes that address the needs of developing countries, particularly the most vulnerable. While there has been significant progress in enhancing the monitoring and evaluation of the impacts of adaptation projects, lack of conformity of methodologies is a hindrance to measuring and comparing adaptation outcomes across different sources of funding.

27. Finally, recent developments in financial policy and regulation on climate-related risk disclosure that will play a role in financial flows becoming commensurate with mitigation and adaptation ambition were highlighted.

A. Effectiveness of climate finance

28. Participants discussed various aspects of climate finance effectiveness, including the effectiveness of using and managing climate finance (finance effectiveness) and of measuring and evaluating the results and impacts of climate projects (climate effectiveness).

29. There was broad agreement on the importance of climate finance effectiveness for all countries and that enhancing it requires a systemic approach to building a more effective climate finance ecosystem. Country ownership, capacity-building and technical assistance, partnerships, and measuring and enhancing the impacts of climate finance were identified as closely intertwined elements of climate finance effectiveness.

30. National efforts to enhance the effectiveness of climate finance include:

(a) Mainstreaming climate action and climate finance in long-term national development plans and strategies;

(b) Tracking national climate expenditure systematically and assessing projects with climate elements across ministries;

(c) Establishing national climate funds dedicated to supporting climate-related projects and action;

(d) Enhancing collaboration between ministries on climate-related activities and projects.

31. International partnerships and coalitions were seen as key to enhancing the effectiveness of climate finance by fostering collaboration and synergy among climate finance actors. One panellist provided the example of a partnership that supports the implementation of developing country partners' NDCs. The Coalition of Finance Ministers for Climate Action, with its Helsinki Principles, was also mentioned as an example of a collaborative initiative that can contribute to enhancing the effectiveness of climate finance by establishing common principles to be followed by finance ministries in fighting climate change.

32. The fragmentation of climate finance and lack of coordination at the international and national level can undermine its effectiveness. At the international level, developing countries find it challenging to navigate the complex architecture of climate finance sources, channels and instruments, and to identify the right source for addressing their national or local needs. In this context, countries that provide climate finance and multilateral and bilateral agencies were encouraged to strive to adopt a more coordinated and complementary approach to providing support. At the national level, governments find it difficult to obtain an overview of the sources of climate finance being used by stakeholders in the country to support climate action, making it challenging to ensure coordination among actors and implement coherent national climate policies and action.

33. There was broad agreement that monitoring and evaluating their results and impacts is an important step in assessing the effectiveness of long-term climate projects and programmes, as well as on the usefulness of setting milestones for tracking progress of action. Several developing country participants were of the view that there should be greater engagement of local expertise in monitoring and evaluation to ensure that action is locally embedded and the results and impacts address local needs. However, the lack of standardized monitoring and evaluation approaches across different financing institutions and agencies, and the incompatibility of internationally used approaches with national or local measurement and evaluation systems, was highlighted.

B. Provision of financial and technical support

34. In the context of meeting the temperature goals under the Paris Agreement, the urgency of scaling up financial support by using public, private and innovative sources; identifying developing countries' support needs and formulating national climate finance strategies; scaling up support for adaptation; and national and international policy were discussed.

35. Recognizing the urgency and challenge of meeting the temperature goals, participants broadly agreed that current climate finance levels need to be significantly scaled up. They also agreed that the goals can be only met by implementing equally urgent strategic policy responses and providing financial and technical support to developing countries.

36. Some panellists, while noting the importance of scaling up the provision of financial and technical support from public sources, highlighted that public finance alone cannot meet developing countries' needs for implementing their NDCs. In this context, they underlined the importance of providing financial and technical support for creating an adequate enabling environment and policy frameworks for scaling up private sector engagement.

37. In addition, some panellists pointed out the need to harness the potential of innovative financial instruments to scale up the mobilization of climate finance for both mitigation and adaptation. One panellist shared an example of initiatives for mobilizing finance from green bonds and catastrophe bonds to enhance the resilience of local communities to the inevitable consequences of climate change.

38. The importance of identifying developing countries' financial and technical support needs and formulating national climate finance strategies to help them identify how different sources of finance can complement and address their needs was underlined. It was noted that both activities require a holistic approach of working across the national economy, including the financial sector, to reach the scale of transformation required, which entails, inter alia:

(a) Framing climate goals in the process of national planning and reflecting synergies with sustainable development targets, such as the SDGs and those under the Addis Ababa Action Agenda, to harness co-benefits;

(b) Undertaking economy-wide cost–benefit analysis, which could help to strengthen the political will to take urgent action and increase ambition;

(c) Coordinating national planning and action, not just across different ministries (horizontally) but also across different levels of government (vertically), from federal to regional, city and community level, and with non-State actors, including the private sector. Vertical integration not only enhances the subnational and non-governmental actors' understanding of how national policies could influence their investment priorities but also facilitates the alignment of climate action with national climate goals;

(d) Enhancing the transparency of national and international climate finance flows, which will have the economy-wide effect of promoting country ownership and accountability in the process and fostering certainty and stability in securing finance in the mid- to long term;

(e) Better understanding the aggregate cost of actions identified in NDCs and national adaptation plans.

39. In the context of determining support needs for adaptation, a lack of understanding of adaptation, use of different costing methodologies in assessing adaptation support needs, and difficulty in accessing data for vulnerability assessment were identified as challenges.

40. There was broad agreement for the need to scale up financial and technical support for adaptation in the context of meeting the temperature goals under the Paris Agreement. One panellist mentioned that setting targets for the provision of financial support for adaptation by international financial institutions and introducing private sector key performance indicators for assessing investments in adaptation may help achieve the goal of increasing both public financial support and private sector involvement in adaptation.

41. Ongoing national and international efforts need to dovetail in order to promote consistency in climate policy and strengthen the effectiveness of financial and technical support. International policy processes support countries in setting the overall direction towards meeting the temperature goals under the Paris Agreement and sustaining momentum in tackling climate change. In this context, adopting different goals for finance and technical support, for example related to adaptation or divestment, was suggested as a top-down approach that could enable ambitious climate action towards meeting the objectives of the Paris Agreement. The urgency and challenge of keeping national policies and climate finance activities consistent with any new developments in international policy processes was also acknowledged.

C. Facilitating enhanced access to climate finance

42. Facilitating developing countries' access to climate finance was broadly seen as a cross-cutting and indispensable element of enhancing the effectiveness of climate finance and of providing financial and technical support. The access requirements of multilateral and bilateral climate finance agencies, the role of communities in the delivery of climate finance, and finance for loss and damage were discussed.

43. Procedures for accessing climate finance remain generally complicated and lengthy across bilateral and multilateral channels. While direct access modalities under some multilateral climate funds have led to enhanced country ownership of the process and access capacities of national implementing entities, accreditation procedures are still found to be time-consuming and cumbersome.

44. Furthermore, since requirements for accessing international climate finance often do not reflect the realities faced by developing countries at the national level, it can prove challenging to adhere to those requirements and prepare funding proposals for climate projects and programmes. It was noted for example that multilateral and bilateral funding agencies' policies on adaptation projects are sometimes unclear and not harmonized across different agencies.

45. Lack of clarity of what constitutes the incremental cost of adaptation projects is another challenge faced by developing countries, particularly the least developed countries, with limited capacity to formulate funding proposals, sometimes resulting in funding proposals not being considered for approval by the Board of the Green Climate Fund.

46. Many developing country institutions have built stronger institutional capacities over the years to meet the requirements for accessing and absorbing climate finance. Building capacity over the long term is extremely important for developing countries to be able to prepare and implement climate project proposals that fully reflect and address their needs, but retaining that capacity remains a challenge.

47. To overcome the barriers to access, it was suggested that:

(a) Multilateral and bilateral funding agencies enhance efforts to harmonize access requirements;

(b) Capacity-building for strengthening developing countries' access capabilities be undertaken in a sustained manner with a long-term perspective;

(c) A holistic approach to preparing climate project proposals be taken to align the proposals with other global sustainable development targets, such as the SDGs and those under the Addis Ababa Action Agenda.

48. It was stated that communities need to be closely engaged in developing climate finance plans and strategies, and finance must flow down to the local community level to benefit the most vulnerable. Working with civil society and community groups, particularly when designing adaptation projects, generally results in more successful projects that are aligned with the needs and priorities of communities. There is a need for increased efforts by multilateral and bilateral agencies to enhance local communities' access to climate finance, while respecting national governing systems and country ownership.

D. Developed countries' biennial submissions on their updated strategies and approaches for scaling up climate finance from 2014 to 2020

49. Participants exchanged insights and feedback on the biennial submissions, including how the level of detail and type of information provided can be improved, and discussed more generally how public and private climate finance can be made more predictable.

50. The biennial submissions and ex ante communications are considered useful tools that provide predictability of climate finance to varying degrees. In particular, they help to anchor climate finance as a long-term priority for successive developed country governments to build on. One panellist noted that the biennial submissions can highlight emerging new sources of climate finance, such as the establishment of new bilateral development finance institutions with climate finance as a priority.

51. Some noted the usefulness of providing more granular information in the biennial submissions, including for example information on detailed sector-level approaches undertaken in specific countries; however, it was also noted that this level of detail reduces comparability of information across submissions, as not all countries may be covered or not all submissions may be as detailed.

52. Another challenge identified was reflecting individual country commitments presented in biennial submissions against the collective goals and commitments of developed countries. Some participants noted that commitments made by individual Parties should be viewed in respect of whether they are achieved by the individual Party, and collective commitments should be viewed in respect of whether they are achieved by the group. Other participants pointed out that information in the biennial submissions on commitments does not warrant their achievement, individual or collective, and stressed the need to further strengthen the predictability of climate finance.

53. Furthermore, several participants pointed out that the information provided in the biennial submissions should be oriented towards demonstrating how the needs and priorities of developing countries are being addressed. This can be achieved by using existing dialogue channels and taking account of the NDCs, national action plans and strategies of developing countries in preparing the biennial submissions. The submissions could also demonstrate where developed countries' expertise may be employed to meet those needs.

54. Future biennial submissions could include further information on partnership schemes with recipient countries and the private sector for scaling up finance.