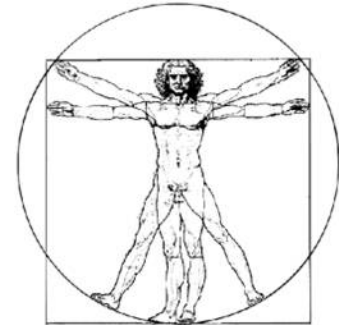


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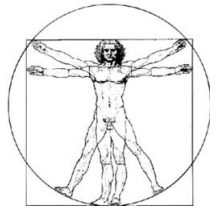
Finance Needs Assessment

Stefan Schwager

Switzerland, Federal Office for the Environment

for sustained capacity building in support of international climate change negotiations
pour un renforcement durable des capacités en appui aux négociations internationales
sur les changements climatiques

Basis and Scope of Finance Needs Assessments



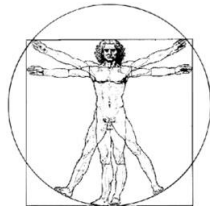
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Formal basis: UNFCCC COP mandates

- 6/CP.23, para 10: Secretariat in collaboration with the OE of the FM, UN agencies and bilateral, regional and other multilateral channels, to explore ways and means to assist developing country Parties in assessing their needs and priorities, in a country-driven manner, including technological and capacity-building needs, and in translating climate finance needs into action
- 4/CP.24, para 13: SCF to prepare every four years a report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement

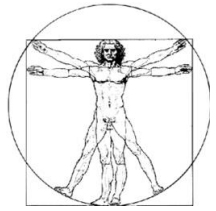
The mandates go beyond financial needs, especially

Basis and Scope of Finance Needs Assessment



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- Practical reasons: Assessing the needs and costing them is essential for prioritizing and for action on the ground
- Assessments by MDBs, international organizations, think tanks, academia, NGOs, and several countries
- Different scopes, methods, levels of effort
 - Global – regional - national
 - Infrastructure in general – energy-related infrastructure
 - Emissions reduction – climate resilience
 - Climate focus – social and economic aspects
 - Overall needs – climate change induced needs
 - Exclusive focus on costs – costs and benefits

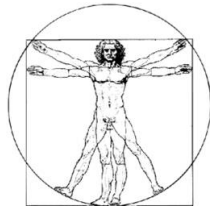


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Investment needed to implement the renewable energy components on NDCs



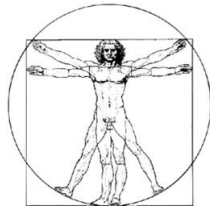
Basis and Scope of Finance Needs Assessment



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Trillions are needed – and fast

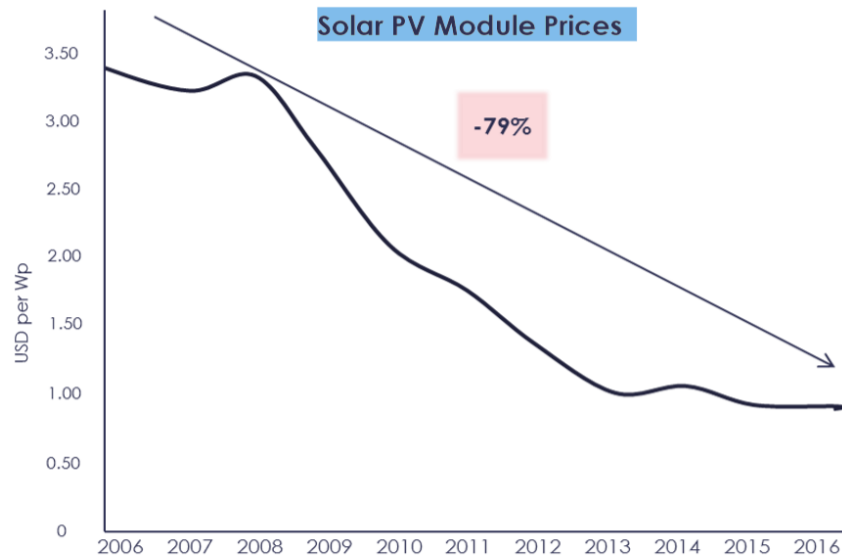
- USD 23 tn to implement Paris Agreement (WEF 2017)
- USD 12.1 tn to keep the World below 2 degrees (BNE)
- USD 44 tn for global energy supply plus 23 billion in energy efficiency through 2014 (IEA)
- More than USD 700bn until 2050 just for renewable energy in NDC (IRENA)
- USD 1.7 tn per year in developing Asia until 2030, if the region is to maintain its growth momentum, eradicate poverty, and respond to climate change. Baseline estimate for cc mitigation and adaptation costs are USD 200 bn per year, about 12% (ADB)



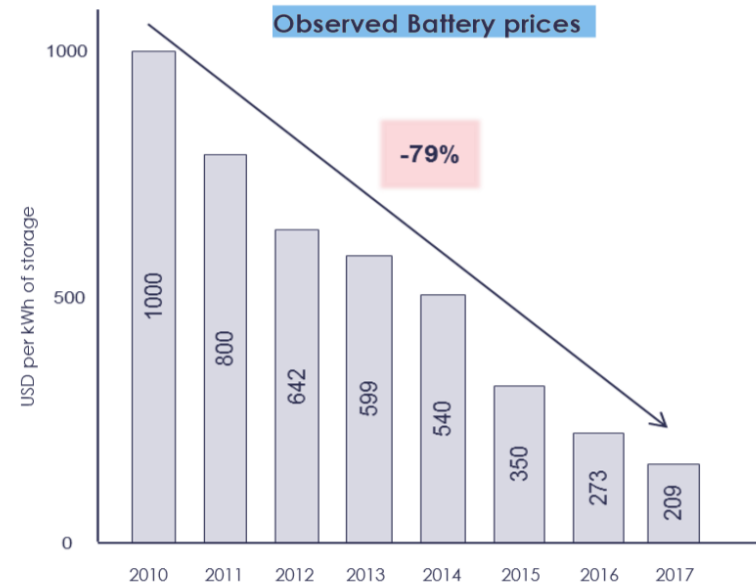
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Technology developments help

The notion of “costs of action” is being transformed by rapid technological advances

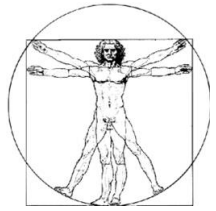


Source: EIA, 2017



Source: Bloomberg New Energy Finance, 2017

Renewables with storage now competitive in power in many parts of the world. Capital costs for renewables continue to fall much faster than those for conventional technologies.

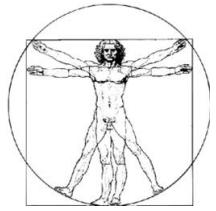


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Costs and Benefits

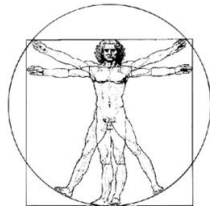
- Global Commission on Adaptation GCA: Investing USD 1.8 trillion over the next decade in measures to adapt to climate change could produce net benefits worth more than USD 7 trillion
- “Triple dividend” - avoiding future losses, generating positive economic gains through innovation, and delivering social and environmental benefits

Five main areas for investments (GCA)



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1. **Warning systems:** For the vulnerable communities in particular, early warnings about storms, very high tides, flooding and other extreme weather can save lives. → Better weather monitoring and a simple app
2. **Infrastructure:** Building better roads, buildings and bridges to suit the changing climate – and retrofitting critical ones
3. **Improving dry-land agriculture:** Switch to more drought-resistant varieties of crop, smart irrigation, smart reservoir management to improve availability of water → High potential to protect livelihoods and prevent hunger
4. **Restoring and protecting mangroves:** Mangrove protect about 18 million people from coastal flooding, but they're being wiped out by development. Restoration projects could protect vulnerable communities from storms and boost fisheries' productivity
5. **Water:** Protecting water supplies - and making sure that water's not being wasted - will be vital in a changing climate

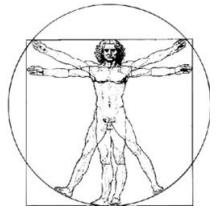


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UNFCCC work on Finance

UNFCCC work has focused on:

- Climate finance in a narrow sense («dedicated climate finance»)
- 3 Biennial Assessments, total flows of DCF
 - Public finance – mobilized private
 - Adaptation - mitigation
 - Regional distribution
 - etc.

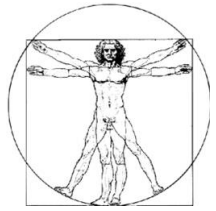


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UNFCCC work on Finance

This has led to:

- More data, finer granularity; allows to track year-to-year developments
- Better understanding, including on the side of international organizations, MDBs and countries
- Effects beyond UNFCCC
- Greater mutual trust?
- How meaningful for action / implementation?

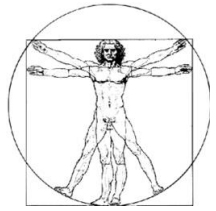


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SCF Needs Assessment

Crucial choices (personal preferences underlined):

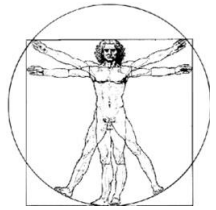
- Focus on climate change related needs or broader focus on sustainable development needs? (→ visualization like in Biennial Assessment of Finance Flows)
- Limited to finance needs or detailed assessments of other needs (after all it is the SCF)
- Just assembling existing reports (of different scope) or creating SCF own report (building on existing assessments)
- Only an analytical report or include recommendations?



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Conclusions – Processes under UNFCCC

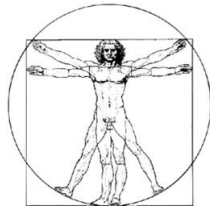
- UNFCCC has been joined by others
- UNSG Summit, G7, G20, IMF/WB meetings, UN Organizations, OECD, think tanks, academia, NGOs increasingly work on climate, including at policy level
- While positive, this is potentially diminishing the pivotal role of UNFCCC



Conclusions – Processes under UNFCCC

How can UNFCCC climate finance process stay relevant?^{ecbi}

- Focus more on the practical issues of implementation
- Let/make others assume their climate related responsibilities, e.g. article 2.1.c PA → MinFin, financial markets regulators, Central Banks, IMF (but avoid endless stories like with ICAO, IMO on a tax / levy)
- Enhance collaboration with others
- Modernize reporting (BA, NC, etc.)
- Article 2.1.c Paris → globale stocktake from 2023 on
- Greater emphasis on results



Conclusions – Financial Mechanism

How can the operating entities of the Financial Mechanism^{ecbi} stay relevant and even increase their contribution to reaching the ultimate objective of the convention?

- Move beyond financing projects/programs
- Take risks, drive/foster innovation
- Retune readiness programs
- Cooperate with partners, but selectively; avoid getting lost in countless new platforms, initiatives, dialogues, etc.
- Central role of development banks in scaling up via policies, platforms and risk management
- System needs expansion and reform