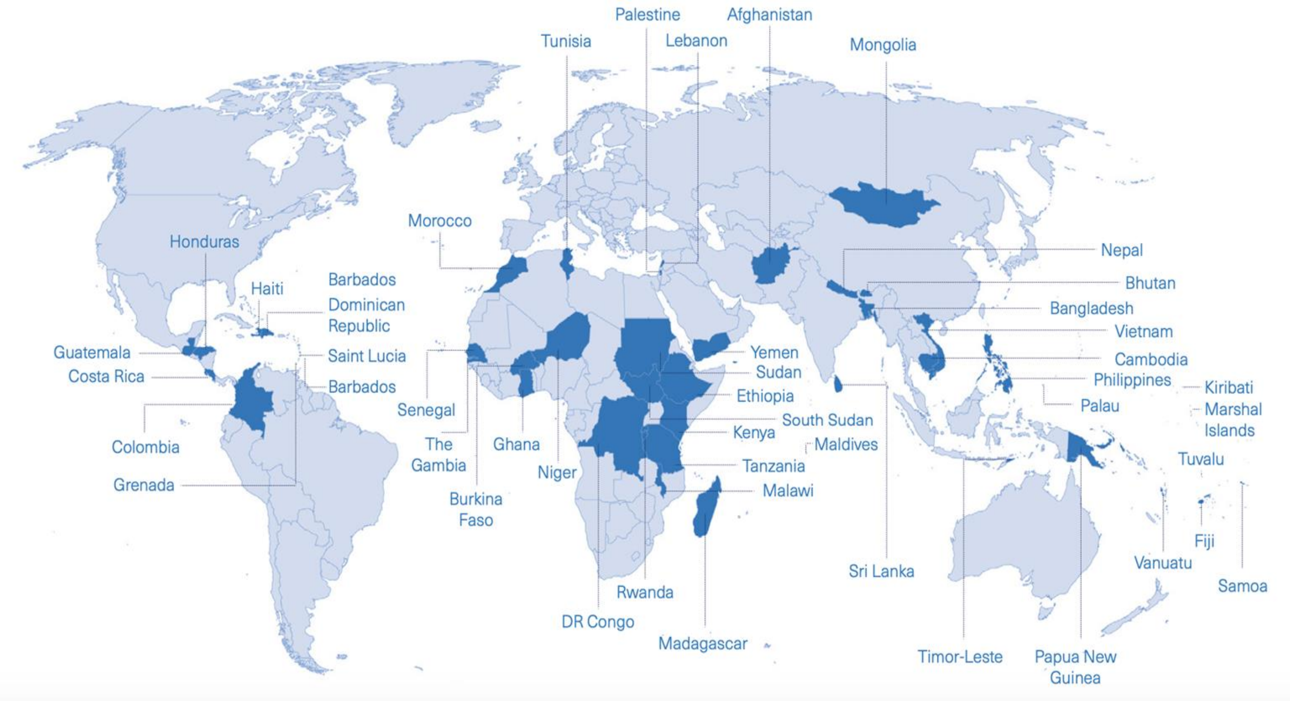
COP 26 Debrief

Sara Jane Ahmed, V20 Finance Advisor

7 December 2021

V20 was founded in 2015, under the leadership of the Philippines.



Current CVF/V20 Chair

Bangladesh
2020 to present

V20 members from 55 developing countries

V20 Priorities

01 Adaptation

02 Climate and disaster risk financing and insurance

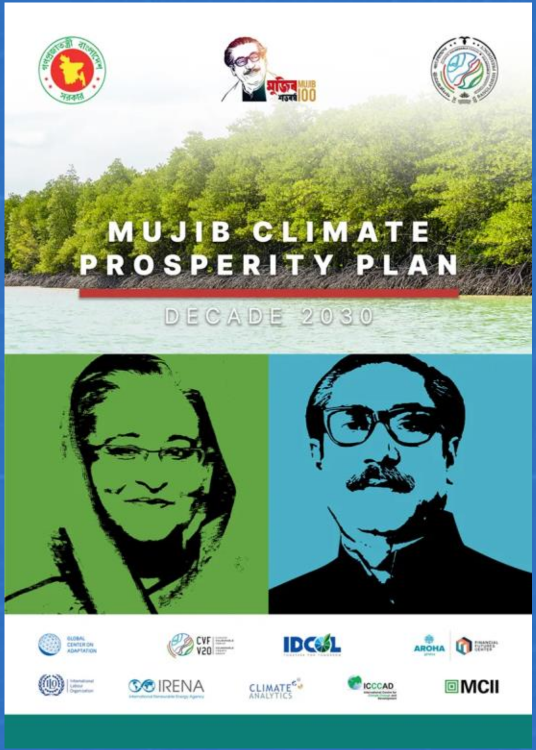
03 Debt Concerns

04 Innovative financing tools such as for de-risking/guarantees and for loss and damage

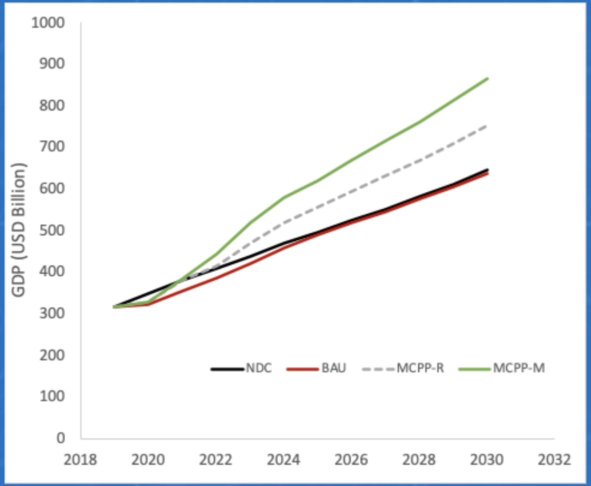
V20 COP 26 Highlights

CVF-V20 Climate Prosperity Plans

PIPELINE (36 countries):
Belize, Benin, Bhutan, Cambodia, Costa Rica, Côte d'Ivoire, Democratic Republic of Congo, Dominica, Dominican Republic, Eswatini, Ethiopia, Fiji, Ghana, Guatemala, Guinea, Haiti, Kiribati, Lebanon, Liberia, Maldives, Marshall Islands, Micronesia, Morocco, Mozambique, Nepal, Nicaragua, Palau, Palestine, Philippines, Rwanda, Samoa, Sierra Leone, Solomon Islands, Tunisia, Uganda and Vanuatu.

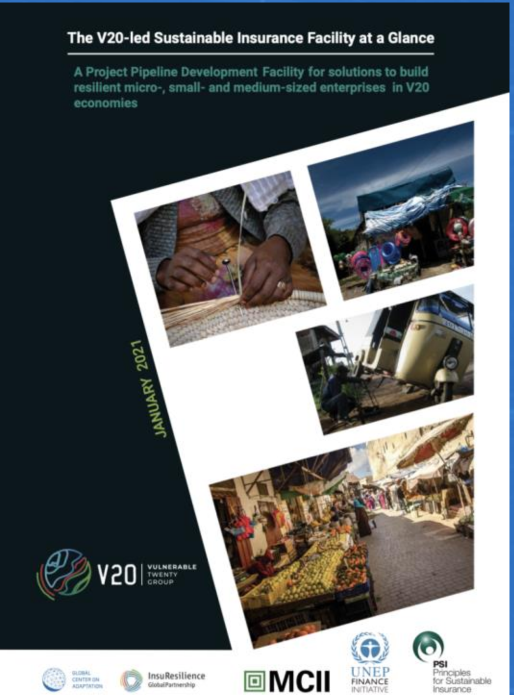


Building back stronger: An investment pathway for socio-economic development through economic programs and infrastructure projects while accelerating low-carbon growth and build greater climate resilience



Launch of the V20-led Sustainable Insurance Facility

Glasgow, 9 November 2021



V20 | VULNERABLE GROUP OF TWENTY
GRUPO DE LOS VEINTE VULNERABLES
GROUPE VULNÉRABLE DES VINGT
مجموعة المعرضين العشرين

Agreement between the V20 and Insurance Development Forum (IDF)

IDF@COP26 in partnership with BMZ Federal Ministry for Economic Cooperation and Development InsuResilience GlobalPartnership V20 UNDRR UNDP

COP26: IDF AND V20 ANNOUNCE PARTNERSHIP IN RISK UNDERSTANDING TO BUILD GLOBAL RESILIENCE TO CLIMATE RISK; IDF ANNOUNCES OTHER MULTI-PARTNER RESILIENCE ACTIONS

COP26 will see the signing of a formal partnership between the IDF and the V20 Group of Ministers of Finance and establishment of the Global Risk Modelling Alliance; the announcement of the Global Resilience Index Initiative; and a partnership with Start Network.

Glasgow, UK, 3rd November 2021: Today at COP26, the Insurance Development Forum (IDF) announces three major programmes to connect the insurance sector's world-leading risk assessment capability to the challenges of building resilience to climate change.

Global Risk Modelling Alliance (GRMA)

A **global public-private partnership programme to build risk analytics with Insurance Development Forum** capability where it is needed the most. Through the use of insurance-based methodologies, tools and experience, countries will be able to develop greater local ownership of risk analysis, which is an essential foundation for mainstreaming climate and disaster risk finance.

COP 26

DHAKA-GLASGOW DECLARATION OF THE CVF

DHAKA-GLASGOW DECLARATION OF THE CLIMATE VULNERABLE FORUM

Adopted

2 November 2021

Dhaka-Glasgow Declaration at COP26

V20 VULNERABLE GROUP OF TWENTY
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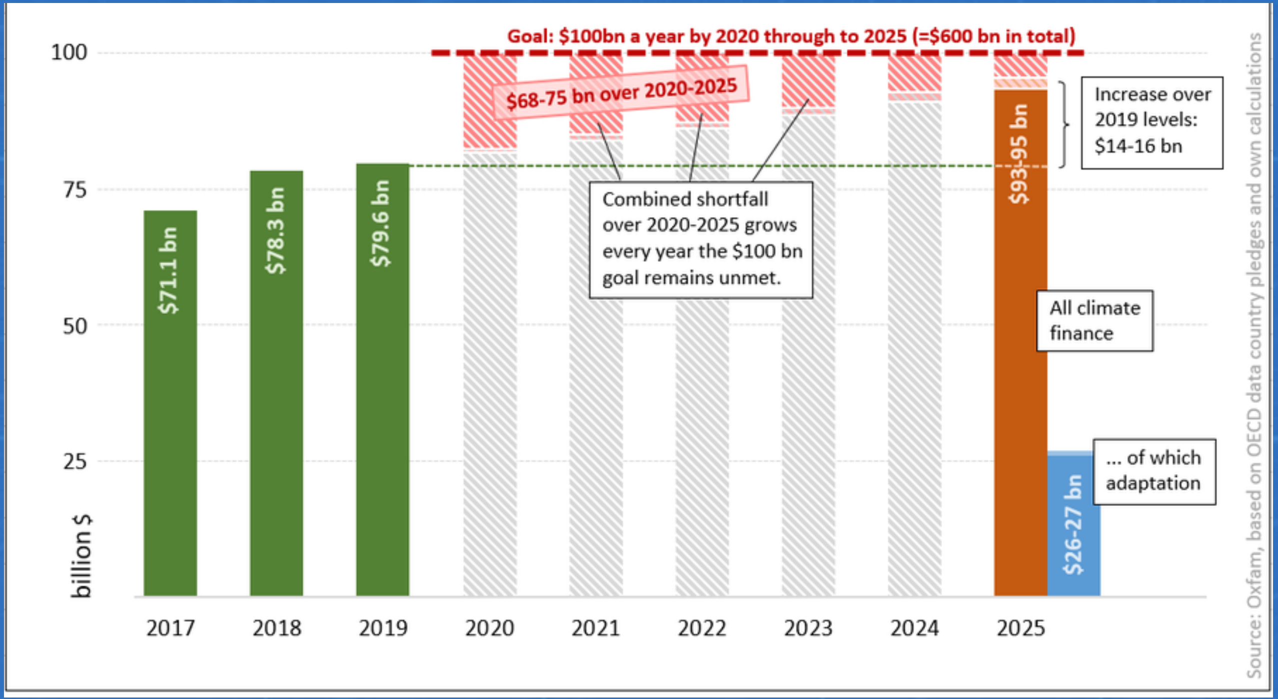
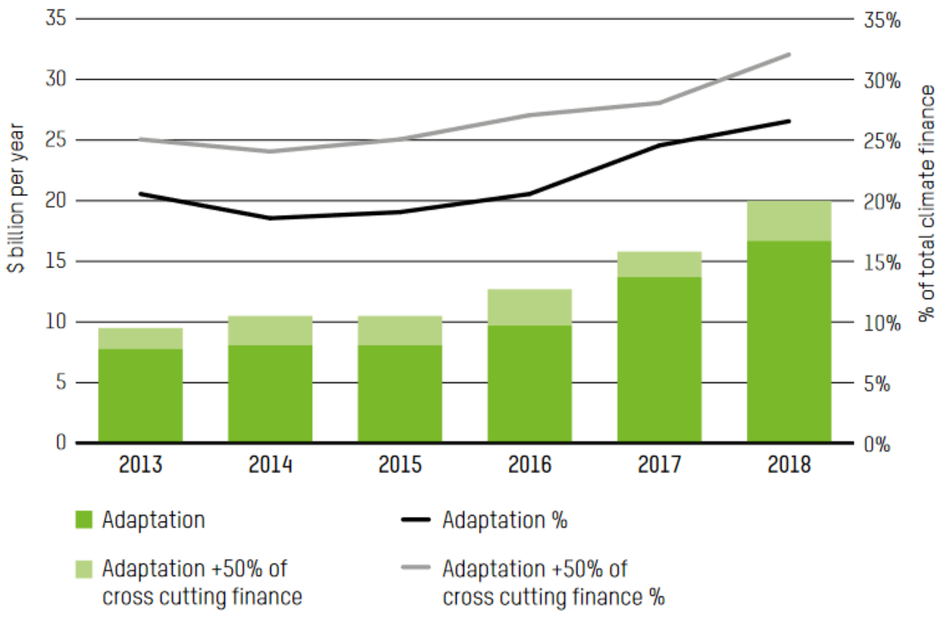
I. Climate Finance Delivery Plan called for by the V20 in July 2021

For the $100 billion per year from 2020 to 2024, equivalent to $500 billion over 5 years. This was reaffirmed at COP26 though pledge trajectory is unclear.



I. Climate Finance Delivery Plan called for by the V20 in July 2021

An increase in allocation in adaptation towards a 50:50 balance. And funding from mitigation should not be decreased. The final outcome mandates a doubling of climate finance for adaptation by 2025.



Source: 2013–16 OECD (2019b); 2017–18 OECD (2020a); Fourth Biennial Reports (2020).

II. Loss and Damage

There are multiple ways to define and therefore estimate L&D economically, e.g.:

1. As the difference between the adapted (using only country-level resources) sectoral and macroeconomic outputs and the initial baseline without climate change.

2. As the difference between the adapted (using both country-level and expected resources from financial partners) sectoral and macroeconomic outputs and the initial baseline without climate change.

3. As the difference between the optimal allocation of adaptation investments and the residual damages (beyond the optimal allocation).

Mandating work for the exploration of financing options for loss and damage.

Commitments to loss and damage:

- GBP 2 million committed by Scotland
- EUR 1 million by Wallonia region in Belgium
- USD 3 million by philanthropies
- EUR 10 million by Germany

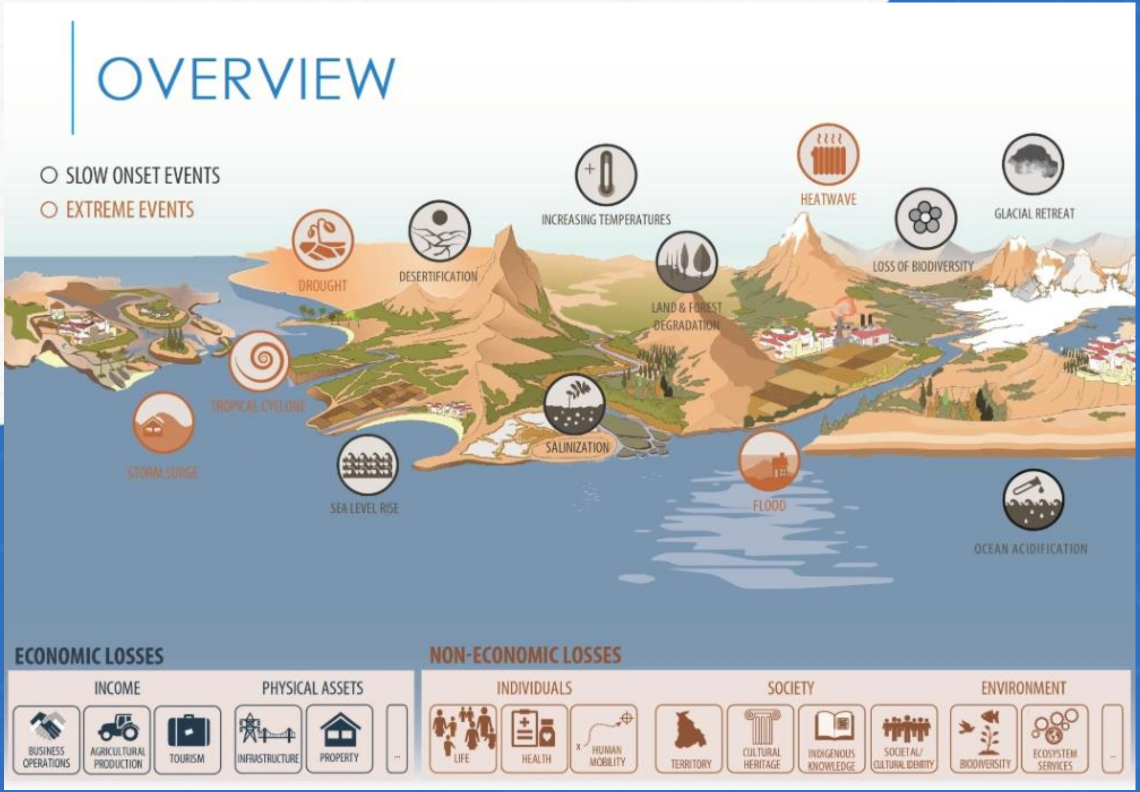
The V20 Group will continue to work on options including a financing mechanism in the Global Environment Facility.

III. Carbon Markets

To finalize robust carbon markets consistent with 1.5C; and at least 5% of the proceeds to support adaptation needs of most vulnerable nations. A tax on overall volume of transactions

At the COP26, 5% of proceeds were confirmed for adaptation efforts while the finalization of robust carbon markets will be at the next COP27.

COP 27 Priorities



1. Loss and Damage

To secure an actual loss and damage financing instrument/facility.

2. Global Adaptation and Climate Finance Goals

To develop implementation of the global goal on adaptation (of the Paris Agreement) and advance the global work on the new post-2025 quantified global climate finance goal from a floor of $100 billion/year;

3. Climate and Disaster Risk Financing and Insurance Architecture

Climate and Disaster Risk Financing and Insurance architecture to improve its effectiveness and efficiency,

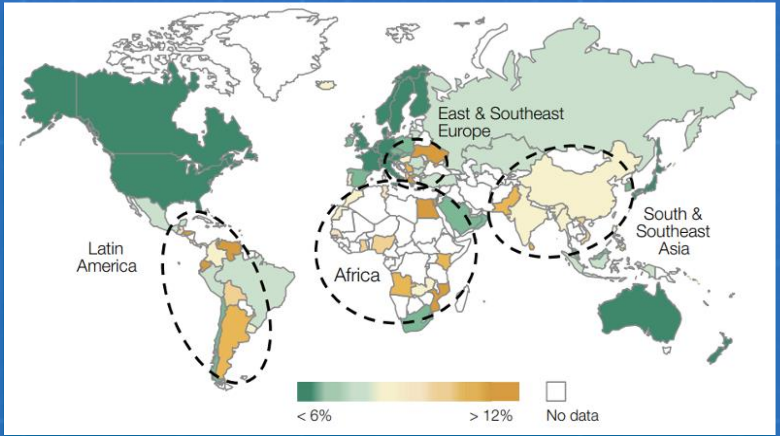
e.g. centralized management, for the systematic deployment of time-bound subsidies for insurance premiums

InsuResilience GlobalPartnership

4. Accelerated Financing Mechanism

- **High cost of capital:** Adaptation and mitigation projects suffer from high perceptions of risk, and therefore high cost of capital.
- **Slow sector growth:** High cost of capital leads to higher prices (e.g. offtake agreement or PPAs) and ultimately, projects that cannot move forward.
- **Big risk challenges:** Risk perception is high in V20 countries.
- **Risk reduction products:** Financial products that can lower the perception of risk– such as guarantees and subordinated debt – are important where new technologies or regulatory risk drive high cost of capital.

Market Risk Premium



Source: Fernandez et al. (2014); BCG analysis
Note: Market Risk Premium = difference between the expected return in a market and risk-free rate.
Survey conducted among finance and economics professors, analysts and managers of companies.

5. Sustained Diplomatic Engagement – Work together early.

Thank you

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