Outcomes of COP26 and the Climate Finance Agenda

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G-24 virtual panel discussion on the outcomes of COP26 and the implications for developing countries

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Structure

- Key takeaways on COP26
- Delivery of the $100 billion commitment
- A forward-looking climate finance agenda

Key takeaways from COP26

- Shift in global collective goal to 1.5°C.
- Growing number of countries and share of emissions with net-zero targets, with many setting targets for 2030.
- Aggregate commitments mark significant progress from Paris but still a significant gap that has to be closed. Agreement on strengthening commitments through an annual review process.
- Encouraging engagement and commitment from the private sector, especially the Glasgow Financial Alliance on Net Zero.
- Coming together of several coalitions: on methane, forestry and coal and the “Breakthrough Coalitions” on power, road transport, steel, green hydrogen and agriculture.
- Greater focus on adaptation and resilience, and the needs of poor and vulnerable countries, as well as on nature. Some positive steps but much more needed.
- Increasing recognition of the growth story of the future offered by a low-carbon, climate-resilient, economy.

Structure

- **Key takeaways on COP26**
- **Delivery of the $100 billion commitment**
- **A forward-looking climate finance agenda**

Delivery of the $100 billion commitment

- Greater focus on the $100 billion climate finance commitment in the lead up to COP26, starting with Carbis Bay G7 Summit.
- New commitments from key donors. Strong focus on climate in IDA replenishment; GEF ambition; CIF facility.
- Canada-Germany led “Delivery Plan” to canvass donors on prospective plans.
- Confirms that the $100 billion goal not met in 2020 but should be met at latest by 2023.
- Commitment to double adaptation finance but little progress on loss and damage.
- Commitment by GFAN with assets in excess of $130 trillion to bolster climate finance for emerging markets and developing countries.
- Agreement on Article 6 and potential for debt-free finance from voluntary carbon markets.

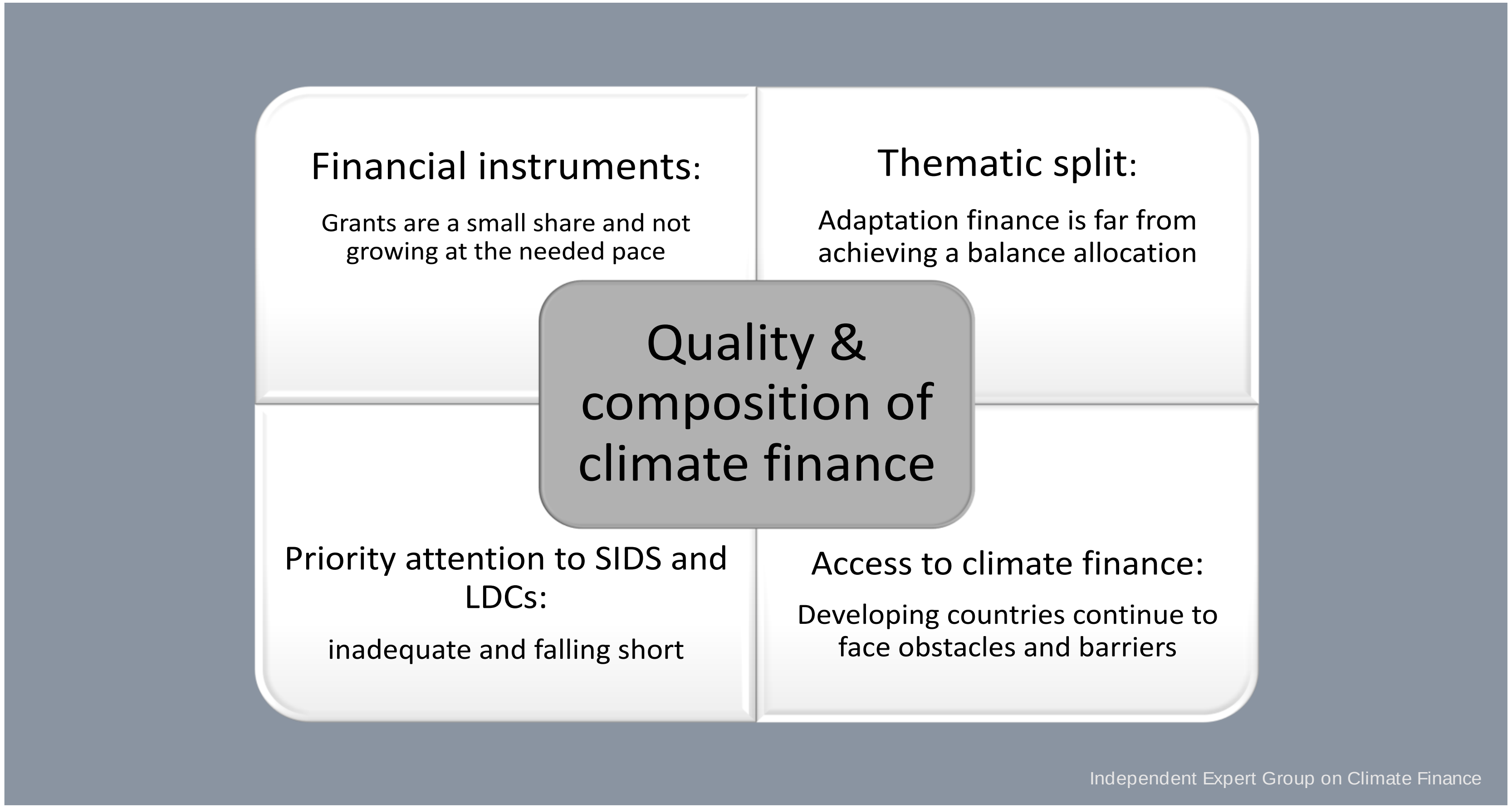
Finance mobilised by developed countries for climate action in developing countries $ billion (UNFCCC BRs and BAs; OECD)

	2013	2014	2015	2016	2017	2018	2019
Bilateral public climate finance from developed countries	22.5	23.1	25.9	28	27	32.7	28.8
Multilateral public climate finance attributed to developed countries	15.5	20.4	16.2	18.9	27.5	29.6	34.1
Officially-supported export credits from developed countries	1.6	1.6	2.5	1.5	2.1	2.1	2.6
Private climate finance mobilised by developed countries	12.8	16.7	N/A	10.1	14.5	14.5	14.0
Total	52.2	61.8	52-54	58.6	71.2	78.9	79.6

Critiques of what and how the $100 billion commitment gets counted

- Only public finance
- Grant equivalence
- Climate specificity
- “New and additional”
- Counting mobilized private finance

Shortfalls in quality and composition of climate finance



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The need to mobilize at scale

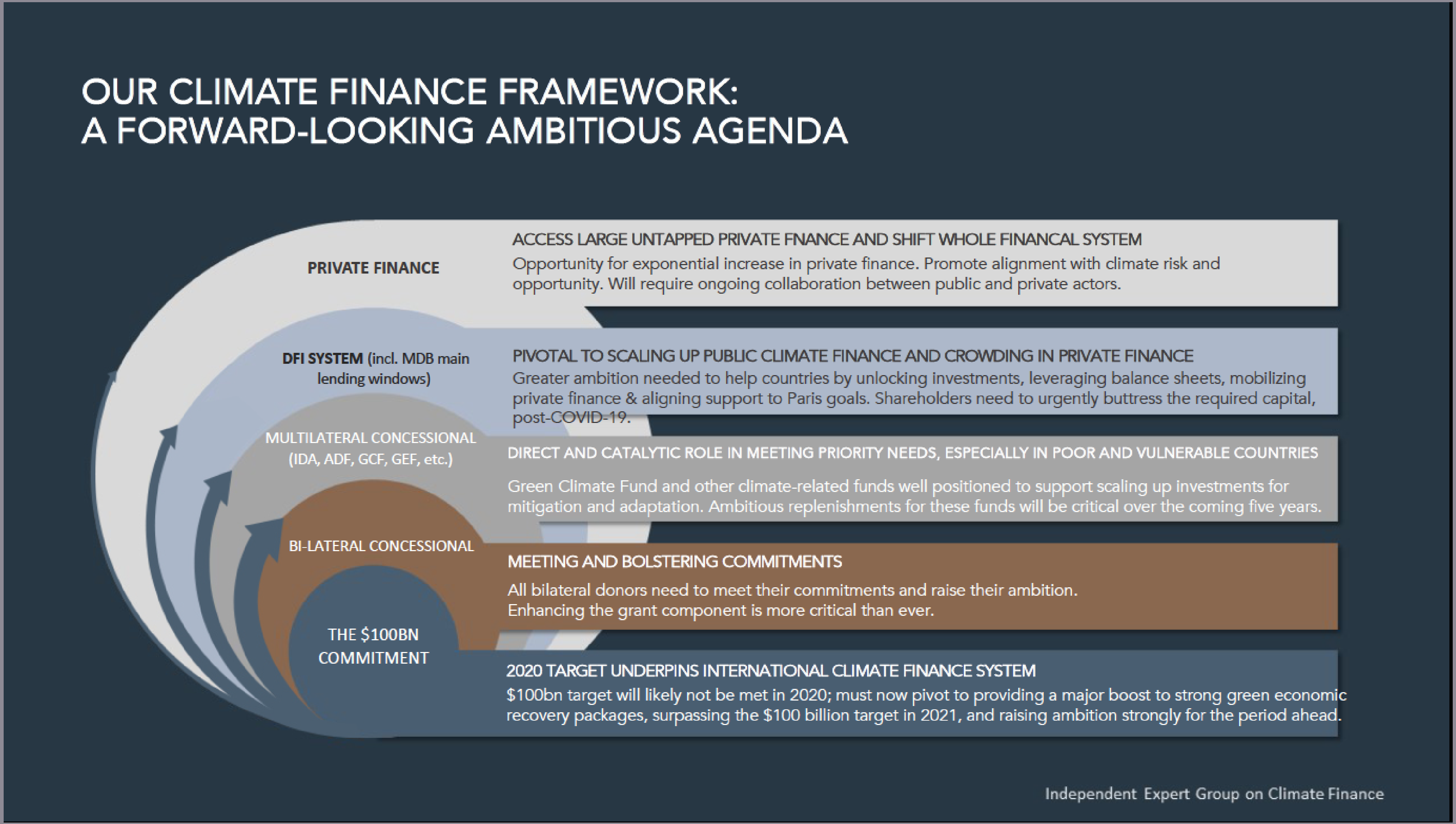
- International climate finance is critical now to help developing countries meet two urgent and overlapping needs. The first is the imperative and opportunity for a strong and sustainable recovery and to build back better from the COVID-19 pandemic. The second is sustained transformation to accelerate the transition to a net-zero and climate-resilient future.
- **Climate finance will need to be scaled up massively:**
    - ❑ To ramp up investment in sustainable infrastructure and accelerate energy transitions – to meet large and growing energy needs through renewable energy, accelerate the phase-out of coal, transform energy demand across the economy, and ensure a just transition.
    - ❑ To scale up investments in climate change adaptation and resilience, especially in low-income and vulnerable countries.
    - ❑ To invest in the restoration of natural capital (through agriculture, food and land use practices) and biodiversity.
- Altogether, emerging markets and developing countries other than China will need to invest around an additional $0.8 trillion per year by 2025 and close to $2 trillion per year by 2030 on these priorities.
- The scale and pace of investments in developing countries will determine whether the world as a whole is able to stay on course to keep global warming to within 1.5°C, build adequate resilience against climate change impacts and meet global targets on nature.

The way forward

- $100 billion target was unlikely to have been met in 2020; going forward the $100 billion commitment should be a floor not a ceiling.
- Developed countries and MDBs should expand immediate support for green recovery in 2022, thereby surpassing $100 billion target.
- Developed countries must go beyond the $100 billion in three important respects: delivering on the scale and quality of climate finance needed to ramp up ambition; utilizing the complementary strengths of the different pools of finance rather than simply focusing on the aggregate number; and creating the necessary partnerships to deliver concrete results.
- Agreement on process to take forward climate finance agenda and set new targets.

Country-led platforms to accelerate action and mobilize finance

- The starting point for a big investment push must be strong country leadership and actions.
- All countries need to set out ***well-articulated investment programs to stimulate recovery and transformation anchored in sound long-term strategies*** to deliver on development and climate goals. These programs need to be translated into concrete pipelines of projects and supported by a favorable investment climate.
- The establishment of ***country/sector platforms*** can bring together all key stakeholders in support of country-led investment programs and transition strategies.
- Focused country platforms for example on the just energy transition such as the one recently launched by South Africa can help facilitate the acceleration of investments and the mobilization of finance.
- Need for adequate, affordable and predictable finance from the international community.


OUR CLIMATE FINANCE FRAMEWORK:
A FORWARD-LOOKING AMBITIOUS AGENDA
PRIVATE FINANCE
ACCESS LARGE UNTAPPED PRIVATE FNANCE AND SHIFT WHOLE FINANCAL SYSTEM
Opportunity for exponential increase in private finance. Promote alignment with climate risk and opportunity. Will require ongoing collaboration between public and private actors.
DFI SYSTEM (incl. MDB main lending windows)
PIVOTAL TO SCALING UP PUBLIC CLIMATE FINANCE AND CROWDING IN PRIVATE FINANCE
Greater ambition needed to help countries by unlocking investments, leveraging balance sheets, mobilizing private finance & aligning support to Paris goals. Shareholders need to urgently buttress the required capital, post-COVID-19.
MULTILATERAL CONCESSIONAL (IDA, ADF, GCF, GEF, etc.)
DIRECT AND CATALYTIC ROLE IN MEETING PRIORITY NEEDS, ESPECIALLY IN POOR AND VULNERABLE COUNTRIES
Green Climate Fund and other climate-related funds well positioned to support scaling up investments for mitigation and adaptation. Ambitious replenishments for these funds will be critical over the coming five years.
BI-LATERAL CONCESSIONAL
MEETING AND BOLSTERING COMMITMENTS
All bilateral donors need to meet their commitments and raise their ambition.
Enhancing the grant component is more critical than ever.
THE $100BN COMMITMENT
2020 TARGET UNDERPINS INTERNATIONAL CLIMATE FINANCE SYSTEM
$100bn target will likely not be met in 2020; must now pivot to providing a major boost to strong green economic recovery packages, surpassing the $100 billion target in 2021, and raising ambition strongly for the period ahead.
Independent Expert Group on Climate Finance

A 5 point climate finance agenda

- Donors must **double bilateral climate finance** to $60 billion by 2025 from its 2018 level.
- Donors should **step up their financing of the multilateral concessional funds** – starting with ongoing replenishments – given their important catalytic and leveraging role.
- The **multilateral development banks (MDBs) must be prepared to triple their level of financing** by 2025 from their 2018 levels.
- The private sector and the official sector must work together to **greatly expand the mobilisation of private finance.**
- All parties should pursue **innovative solutions to scale up and leverage climate finance** (including use of SDRs, private philanthropy and voluntary carbon markets).