

IETA Submission to Standing Committee on Finance (SCF)

July 31, 2013

Views on Monitoring, Verification and Reporting (MRV) in the SCF work programme

The International Emissions Trading Association (IETA) is a leading business voice in promoting the role of the private sector in financing and implementing the transformational change that governments have committed themselves by reducing greenhouse gas emissions and limiting temperature rises to 2C. Providing the correct incentives for business to make necessary low-carbon investments is critical to achieving these goals in a cost-effective manner. Private finance and investment is expected to comprise 80% or more of the 100 billion USD target that the Green Climate Fund (GCF) is expected to raise annually (Climate Policy Initiative, High-Level Advisory Group on Climate Change Financing).

The forum of the Standing Committee on Finance (SCF) is an opportunity to communicate between the private sector and the international community on how best to construct the architecture that drives private capital towards clean development across the world.

IETA recognises the valuable partnership with the SCF from launching the first ever SCF Forum, "*Mobilizing Finance and Investments For Climate Action Now*", in Barcelona, Spain on May 28. IETA hopes that this is the first joint effort between the SCF and the business community, and we look forward to further engagement in the future.

We welcome the opportunity to provide IETA's input on the necessity of clear and consistent monitoring, reporting and verification (MRV) of climate finance flows and the emissions reductions they achieve. We look forward to continuing this dialogue in future with the SCF.

Ensuring Consistent Tracking of Climate Finance Flows and Investment Performance

IETA believes that further clarity is needed on the relationship between the SCF and other financial mechanisms such as the Green Climate Fund (GCF), Global Environmental Facility (GEF), Climate Investment Funds (CIFs), and the Climate Technology Centre and Network (CTCN). Coherence, and clearly defined roles, will be necessary for the private sector to appropriately channel its input on key issues such as MRV.

Tracking Climate Finance Investment:

MRV will inevitably cover a wide range of financial arrangements, including bilateral public finance, multinational lending schemes, private finance, and public-private partnerships. The MRV systems that oversee these transactions will differ from group to group. In response, IETA encourages these efforts but stresses the importance of harmonisation between different MRV frameworks. This will enable greater comparison between different financing types, as well as facilitate future integration of MRV systems to provide a more consistent measure of financial flows and performance. IETA

encourages further discussion on these matters with stakeholders, as a platform for developing harmonised MRV.

Many sources currently exist for measuring and reporting the deployments of climate finance, from the UNFCCC reporting framework to databases maintained by international organisations, such as the Organisation for Economic Cooperation and Development (OECD) and the United Nations Conference on Trade and Development (UNCTAD). IETA encourages further coordination between these existing sources to provide a more comprehensive picture of climate finance flows.

Specifically, consistent definitions are needed on financial measures, such as leverage ratios and the accounting of deployed capital. Inconsistent definitions of key indicators such as these will provide an inaccurate measure of financing.

Measuring Performance of Climate Financing:

Climate finance investments must be **results-based** and achieve **emissions reductions**. All forms of climate finance, from public, multilateral and private sources, should be evaluated for their performance, ideally with an incentive to achieve greater environmental results. There are key principles for measuring performance that must be shared among different standards for MRV.

The **experience from carbon markets** demonstrates that deploying positive incentives to reduce emissions will drive greater outcomes. IETA believes that there are invaluable lessons learned from the MRV used in carbon trading to quantify emissions reductions, which can form a basis for similar measurements in the evolving climate finance arena.

IETA believes there is potential benefit in **establishing a database** of successful and unsuccessful climate finance investments, measured using defined MRV standards. This may provide investors with more information on the environmental performance across project types for future investments. Importantly, any environmental outcome thresholds or requirements must be clearly defined prior to financing mechanisms being made available for support.

Clarifying the Scope of 'Climate Finance'

Clear and consistent definitions are needed for what is considered climate finance for both public and private sources, and the SCF is a forum for exploring and landing on this common language. Private sector flows should be counted towards climate finance targets, such as those set by the GCF. To assist in this, developed countries should encourage the reporting of investment flows funded purely by private capital to developing countries. The private sector's contribution to climate finance must go beyond the leveraging of public finance to include private flows.

There must be an incentive to report investments as climate finance, for example through access to assistance and measures and mechanisms. However, there are issues such as confidentiality provisions that make reporting difficult and must be overcome.

The Importance of Dialogue with the Private Sector

IETA believes that there must be frequent and formal communications with the private sector to address the MRV issues outlined in our comments. There will be opportunities for engagement with the private sector as the SCF progresses with its biennial assessment and the 2014 overview of climate finance flows. For example, IETA would welcome the opportunity to host or co-host a private sector roundtable on developing climate finance MRV language and definitions, or prepare and manage a survey highlighting international business views on the measurement of financial flows.

Concluding Remarks

IETA welcomes the opportunity to provide input to the Standing Committee on Finance (SCF). These issues are critical to successfully meet the challenge of mobilising climate finance. IETA looks forward to continuing the dialogue with the SCF as it continues its work plan. If you have any questions, please do not hesitate to contact myself, or IETA's Climate Finance Director Katie Sullivan (sullivan@ieta.org).

Yours sincerely,



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