COP Work Programme on Results-Based Finance

Workshop 1 – Bonn, June 2013

Australian Presentation

Why are we here today?

I'd like to invite you all to think about why we're here today.

Questions:

What are the requirements for scaling up and ensuring predictable finance and investments?

What do developing countries need to have in place?

We all know that public finance is limited – there is currently $134 billion of ODA. This is only a fraction of private sector and direct investment financial flows which total over $1.6 trillion dollars.

We need to use the limited pool of public finance available to attract private finance.

What is it that is our responsibility?

We – all of us here in this room – need to make REDD+ an attractive investment opportunity – for all, national governments, institutions like the GCF, development banks and the broader private sector?

How do we do this?

We need to create the right enabling environment and

We need to reduce the risk of investment

What do we mean by results-based finance?

- Different understanding and expectation of what this means
- For Australia, it is payment in return for delivery of a product – in this case, emissions reductions produced through REDD+ activities.

How do we establish results-based finance models that will deliver emissions reductions?

- The right enabling environment means having the capacity to set up and respond to a results-based payment incentive mechanism for implementing countries and for investors respectively.
- The implementer needs access to sufficient capital to actually produce emissions reductions
- We need a system that allows us to see the results.

We reduce risk in many ways

One way of doing this, is by transferring the risk from the investor to the developer – this means there is a greater incentive on the part of the developer to make sure emissions are actually reduced – which is the objective.

There are also a range of other things that need to be considered:

- How do we ensure reductions are real and permanent
- Are whole of government policies consistent to avoid competing interests and perverse incentives?
- Who manages the finance?
- Should funds first go to nationally designated entities like the Treasury or Finance depts.
- This leads us to a factor that is significant for REDD+ is the need to consider the disbursement of funds in country.
    - How are funds channelled back to the entities responsible for changed behaviour – which is fundamental to permanence?

But how much of this is for the UNFCCC and how much is a sovereign issue?

- Different countries will have different approaches to accessing finance, and we've agreed these previously - multilateral, bilateral, development partner led.
- The GCF governing instrument has indicated it will explore RBF
    - So are the development banks
- Some parties may look to sell units on the open market

What decisions should we make in the UNFCCC?

Any system we establish needs to be flexible to account for differences in national circumstances and allow countries to decide what works best for them.

We have the opportunity here to explore the variety of potential approaches - we are in the business of being inclusive, not exclusive.

We want to maximise the finance to be channelled to REDD+ and that finance should be accessible to all - this can only be achieved if we allow for flexibility and are not overly prescriptive.

In conclusion the key messages are:

- We need to continue to invest in the institutional capacity to implement a RBF system
- The RBF arrangements need to allow emissions to be reduced from REDD+ activities in such a way that it attracts both public and private investment
- Monitoring and verifying results will be part of the RBF and be part of the risk mitigation process