Adaptation Committee

Workshop on the means of implementation for enhanced adaptation action

Enhancing adaptation action – what has worked and what is needed in adaptation finance

Reporting back > Session 5 - Group 1: The role of the private sector – how can private finance incentivize resilience building?

Bonn, Germany, 2-4 March 2015

Alexis Robert, Rapporteur

Reporting back – Session 5, group 1: Role of the private sector

❖ ***Guiding questions***

- What **enabling environment** is needed to facilitate private sector investment in adaptation/climate resilience?
- How is the private sector responding to incentives for adaptation?
- How can/is the private sector in developing countries assessing and adjusting for climate risks in their investments? How is it finding the resources to do so?

Reporting back – Session 5, group 1: Role of the private sector

❖ ***Key over-arching points***

- Importance of role of the private sector is evident
- Distinction needs to be made between different types of private sector actors, who respond to different incentives
    - ✓ International investors – seeking diversified portfolio, may avoid climate-vulnerable areas
    - ✓ Domestic business owners – grounded in a location and must manage, rather than avoid, climate risk

Reporting back – Session 5, group 1: Role of the private sector

❖ **What enabling environment is needed to facilitate private sector investment in adaptation/climate resilience?**

- ➢ Combination of regulation and incentives is needed, e.g. tax incentives for climate-friendly investments
- ➢ Need for consistency at policy level – attributing more importance to the preventive aspect (e.g. to encourage building back better after disaster)
- ➢ Robust evidence is needed to incentivize private sector (e.g. requiring corporates to identify risks along the supply chain, requiring or encouraging reporting of climate risks)
- ➢ Shift language away from adaptation to instead focus on risk management – adaptation sounds like something new. Talk about opportunities to increase competitiveness, rather than costs.
- ➢ Make information relevant to shorter private sector planning cycles

Reporting back – Session 5, group 1: Role of the private sector

❖ **How is the private sector responding to incentives for adaptation?**

- Pilot projects are important to demonstrate that the integration of climate risk into planning makes economic sense (leaders could include MDBs)
- Combine regulation with tax incentives
- Financial instruments for using adaptation technologies (e.g. low-interest loans or mortgages)
- Loan guarantees and blended finance to leverage private sector investment
- Long-term goals can provide incentives for private sector action.

Reporting back – Session 5, group 1: Role of the private sector

- **How can private sector be incorporated into adaptation finance frameworks?**
  - Create funds for technology transfer
  - Need to clarify the role of the GCF private sector facility: Catalyst for leveraging private sector funding? Or means to support and involve the domestic private sector in developing countries?
  - Use Lima-Paris process Workstream 2 about increasing 2020 ambition to talk about adaptation and private sector engagement.
  - Strong commitments and strong signals from the public sector
  - Address potential fears of private sector over-involvement.