

Invitation to submit views on work stream I: Scope, guiding principles, and cross-cutting issues

Suggested questions for the first technical workshop of the Transitional Committee on issues related to work stream I

Decision 1/CP.16 provides overarching guiding principles for the long-term finance under the Convention, including for the GCF¹. 1/CP.16 also states that the GCF will “manage large scale of financial resources from a number of sources”². In addition, on scope, the Cancun Agreements provide that the GCF should channel a significant share of new multilateral funding for adaptation,³ as well as have multiple thematic funding windows.⁴ There are other relevant articles from the Convention, in particular Article 11, that guide this work stream.

Work under this stream will include, *inter alia*:

Objectives and principles:

Suggested questions/issues

1. How should/could this Fund be different from existing climate funds?
2. Some broad objectives and guiding principles of the GCF have been agreed in the decision 1/CP.16, Cancun Agreements (see annex below) How can these be further developed, enhanced and operationalized?

The GCF should put a much stronger focus on actual investment in those technologies which can effectively, in the short and in the long term contribute to climate change mitigation. Such technologies are primarily renewable energy technologies, which harvest the various forms of renewable energy such as solar radiation, wind, biomass, geothermal energy, hydropower and marine energies.

The impact of the GCF should be measurable in terms of emission-free energy output. For this purpose, it will be important that the fund will be spent on an output basis, in order to ensure efficiency and effectiveness.

The GCF should be easily accessible for all non-Annex I countries – and primarily for the least developing countries.

Thematic scope:

Suggested questions/issues:

3. How many and what thematic funding windows should be adopted? What activities should be covered by each thematic window?

¹ 1/CP.16, Paragraph 97

² 1/CP.16, Annex 3, Para 1(c) and 1/CP.16 Paragraph 99

³ 1/CP.16, Paragraph 100

⁴ 1/CP.16 Paragraph 102

4. Should the number of thematic windows be determined by the founding size and design of the fund or should more be added by the Board as the Fund's capital grows in size or/and new needs are identified?

There should be a very strong focus on investment in all forms of renewable energy technologies in the mitigation measures.

In order to support investment in grid-connected renewable energy technologies, a global feed-in tariff programme should be established out of the fund.

For decentralized offgrid applications, the fund should subsidise large-scaled microcredit programmes.

For other renewable energy applications, additional funding schemes should be established, whenever possible output based.

5. The Cancun Agreements refer to "balance" between mitigation and adaptation. How do we define and achieve "balanced allocation" between adaptation and mitigation?

More priority should be given to preemptive mitigation measures as they will reduce the need for adaptation measures in the longer term.

Size and scalability;

Suggested questions/issues

6. What is the foreseen size of the GCF compared to other existing funds?
7. What is meant by "large scale" in terms of the expected volume of the GCF, and should a minimum and maximum volume be considered?
8. Should the GCF design be scalable over time, or should the GCF design immediately match the volume goal?

It will be of crucial importance, even more important than the absolute size of the GCF, that the funding provided by the GCF is predictable and reliable. This is important especially in order to raise confidence of private sector investors and in order to mobilize the necessary large amounts of private capital.

Regarding the proposed scheme (output based incentives for investment in renewable energy) it seems logic that during the first years, the total amount of available funds will have to be increased. It can be expected that due to generally decreasing prices for renewable energy equipment the total size can become stable after a couples of years.

Country-led and results-based approaches;

Suggested questions/issues

9. How could the GCF encourage the application of the country led principle?
10. What is needed to ensuring the country led principle alongside the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management?
11. How could the GCF encourage results based approaches among different thematic areas? What are the options for implementing result based approaches? Is there a need for taking different approaches for each thematic area?

The GCF should provide funds for actual investment by private sector, but primarily through national governments. Through this, it can be ensured that funds are spent in an effective and efficient way, taking into account the specific local conditions, including local costs.

Deutsche Bank has worked out a quite detailed study (Get FIT) on how a global feed-in tariff programme could look like and especially how political, currency and other risks can be tackled.

Complementarity and value added;

Suggested questions/issues

12. What should be the value-added of the design and operations of the green Fund?
13. What role should the GCF play among climate finance entities?
14. How will the GCF ensure complementarity between the Fund's activities and those of other bilateral, regional and multilateral funding mechanisms and institutions?

The value-added should be the clear focus on investment which directly contributes to a low-emission economy, based on renewable energy. It should distribute funds in a more efficient, more effective and more equal way than existing funds and should focus on output based incentives for investment in renewable energy technologies.

While access to other climate change mechanisms such as CDM is today practically (not legally) limited to few countries and technologies, the GCF should provide funds especially also to those countries that do not benefit sufficiently from other funds and mechanisms.

Annex. Table on purpose, principles and scope

	The Green Climate Fund
Purpose	<i>Para 102 of the decision 1/CP.16</i> “an operating entity of the financial mechanism of the Convention under Article 11” ... “it is accountable to and functions under the guidance of the Conference of the Parties”
Principles	<p><i>Para 100 of the decision 1/CP.16</i> “Decides that a significant share of new multilateral funding for adaptation should flow through the Green Climate Fund”</p> <p>1c) Appendix III “manage the large scale of financial resources from a number of sources and deliver through a variety of financial instruments, funding windows and access modalities, including direct access, with the objective of achieving a balanced allocation between adaptation and mitigation”</p> <p>1e) Appendix III “complementarity between the Fund’s activities and those of other bilateral, regional and multilateral funding mechanisms and institutions”</p> <p>1g) Appendix III “periodic independent evaluation of the Fund’s performance”</p> <p>1h) Appendix III “financial accountability and evaluation of the performance of activities supported by the Fund, in order to ensure the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management to the Fund’s activities”</p> <p>1 i) Appendix III “appropriate expert and technical advice, including from relevant thematic bodies established under the Convention”</p> <p>1 j) Appendix III “stakeholder input and participation”</p>
Objectives/Scope	<p><i>Para 102 of decision 1/CP.16</i> “to support projects, programmes, policies and other activities in developing country Parties using thematic funding windows”</p> <p>1c) Appendix III “balanced allocation between adaptation and mitigation”</p>