

HIGH LEVEL MINISTERIAL DIALOGUE ON CLIMATE FINANCE

EU

Scene setter

The outstanding event on climate finance in Marrakesh will be the biennial Ministerial dialogue that is taking place on Thursday 17 November. The agreed themes for this year's dialogue are adaptation finance, enabling environments and readiness activities.

The event will be opened by the Moroccan co-chair likely together with Mr Ban Ki Moon, Ms Segolene Royal and Ms Patricia Espinoza.

A first panel discussion, including FR Minister of Finance, will focus on the alignment of national financial and budgetary policies to accelerate the delivery of effective climate action and implementation of NTDCs as well as the role of Ministers of Finance in climate action?

A second panel discussion, including UK and SE Ministers, will focus on the leveraging of public and private climate finance for climate action to meet the USD 100 bn goal, and the mobilization of the necessary long-term finance to enable the transformation our economies towards sustainable development and climate resilience post-2020.

The role of EU Commissioner Arias Canete and Slovak Minister Sólymos is to deliver a joint 5-minute intervention in the plenary discussion around 17:30-18:00.

This general discussion, moderated by Anthony Hoble, CEO of the Carbon Tracker Initiative, is framed to focus on multi-stakeholders' approach to NDC implementation through financial support, and allow for an understanding on where Minister's would like to direct priority action (i) to ensure an effective alignments financial policies with climate action agenda, and (ii) to bridge the gap in climate finance, especially adaptation finance, by proposing and/or endorsing concrete initiatives aimed to further leverage and catalyze public and private finance.

Participants will also have the opportunity to comment and share their views on the issues discussed on previous panels. Salaheddine Mezouar, President of COP 22, will offer closing remarks at the end of the meeting.

Issue at stake

Donor countries have prepared a Roadmap for scaling up climate finance to USD 100 billion annually by 2020 in response to a decision made at COP21. The Roadmap was officially presented at the pre-COP and will remain at the centre of attention throughout the Marrakesh Conference, together with the biennial assessment of the UNFCCC Standing Committee on Finance (SCF) and OECD analyses. A ministerial statement on the Roadmap was published on 9 November.

The Roadmap signals that developed countries are on track to meet the goal of mobilising USD 100 billion per year by 2020, but that the efforts need to be still scaled up to increase the mobilisation of private financing.

The EU has welcomed the Roadmap and reported an increase of roughly 20 % in the 2015 public climate finance contribution compared to 2014 (including the Member States, EU budget and the EIB), particularly in adaptation spending. The EU contribution for 2015 amounted to 17.6 billion EUR:

Beyond the total figures, recipient countries' representatives have already in Marrakesh voiced their particular interest in the balance between mitigation and adaptation support, in the contributions from public sources, in enhancing transparency on climate finance accounting and in concrete initiatives that respond to the particular needs of their constituencies.

Public finance plays a crucial catalytic role, but it represents only a fraction of what is required globally to shift investment flows towards a low emissions, climate resilient global economy. This has also been recognised in the 2016 Biennial Assessment of the UNFCCC Standing Committee on Finance (SCF).

While there is increasing comfort in the developing world on the magnitude of climate finance being mobilised, there are growing concerns regarding the difficulty to access the resources being made available. Part of the response to this concern will be the establishment of the *NDC Partnership* at the initiative of Germany and the World Resources Institute. The EU has joined the partnership together with over 30 countries and about 10 international organisations, including the World Bank and the UNDP have already joined the Partnership.

The most sensitive finance-related issues under negotiation this year are the potential transition of the Adaptation Fund from the Kyoto Protocol to the Paris Agreement and Turkey's attempt to get its special circumstances recognised (see Section on Turkey).

In addition, the usual issue of "balance" between mitigation and adaptation will remain, with different interpretations.

EU objectives

- to encourage ambitious action by increasing confidence that donor countries will deliver on their collective climate finance pledges
- to promote the effectiveness of climate action and support through sound climate policy framework, good governance and enabling regulatory environments,
- to increase the visibility and understanding of programmes funded by the EU and its Member States,
- to ensure that the Standing Committee on Finance can play a more central role in supporting the implementation of the Paris Agreement

Part I (Commissioner Arias Canete)

- Excellences, thank you for this opportunity to briefly address this event.
- The 2020 climate finance roadmap and the ministerial statement show that donor countries are making good progress towards the target of annually mobilising 100 billion US dollars by 2020.
- The roadmap also reflects on action taken by countries to transform broader finance flows and investment patterns, consistent with the goals set out in the Paris Agreement and the 2030 Agenda for sustainable development.
- Concerning the provision of public funding from the EU, I am pleased to report that 2015 EU figures show a **significant** increase compared to 2014, particularly on adaptation finance. The EU budget, the EU Member States and the European Investment Bank together have contributed 17.6 billion EUR of public funds last year. The majority of EU funding targets mitigation (62%), but a significant share also goes to adaptation or joint mitigation/adaptation actions (38%). A major share of EU climate finance flows to Africa and small island-states. These figures clearly demonstrate EU's determination to scale up its international climate finance contribution towards our fair share of donors' collective objective.
- Moreover, OECD figures indicate that the amount of bilateral and multilateral support for adaptation is projected to at least double between 2013-14 and 2020. The EU and its Member States are determined to work with development banks and the Green Climate Fund to achieve a balance between mitigation and adaptation funding.
- The EU and its Member States remain the largest contributors to multilateral funds as well as UNFCCC and Kyoto Protocol funds that focus on adaptation. In addition, EU Member States account for about half of all pledged contribution to the Green Climate Fund. The EU supports the Green Climate Fund approach to allocate half of its resources to adaptation projects.

Part II (Minister Sólvmos)

- Excellences, there is an opportunity for pragmatic and action-oriented progress in Marrakesh on climate finance. We now have a clear climate finance roadmap to 2020. We have also recorded good progress on capacity-building. Notably, the Capacity-Building Initiative for Transparency has taken off and we have pledged resources for it from across the EU.
- The global transition to a low emission and resilient development pathway requires shifting trillions of dollars of investment. In the energy sector only, the International Energy Agency has estimated that the implementation of Nationally-Determined Contributions requires 13.5 trillion dollars of investments by 2030, including energy production, infrastructure, services and efficiency.
- Given the magnitude of funding needs, international public finance should be used strategically as seed money to mitigate risks and leverage private sector investment.
- But money itself is not sufficient. From experience, we know that our most successful partner countries are those that succeed in putting in place proper governance structures and regulatory frameworks. This creates conditions for our support to be used efficiently, for the private sector to invest and for the development of local capacities to initiate and implement successful projects.
- We also need to promote more technical work in the area of transparency on climate finance provided and received, which is subject to the UNFCCC negotiations after the Paris Agreement.
- As the 2016 assessment report of the UNFCCC Standing Committee on Finance shows, private investment in renewables and energy efficiency dominates total climate finance flows. That report estimates total climate finance flows at the scale of 741 billion dollars per year. Much of it is mobilized and deployed domestically, both in developed and developing countries.

Thank you

Background

The previous High-Level Ministerial Dialogue on Climate Finance in 2014 provided an opportunity among ministers and senior officials to engage in a dialogue on the state of mobilization of climate finance particularly as it relates to the goal of USD 100 billion per year by 2020 to address the needs of developing countries. However, the 2014 Dialogue was primarily made up of statements by ministers and was thus less dynamic than we could have hoped for. From the provisional programme for the 2016 High-Level Ministerial Dialogue on Climate Finance, it seems that the Moroccan COP22 Presidency has attempted to make the format more dynamic with a moderated discussion in an “enhanced plenary setting”. Parties are encouraged in advance to clearly identify interventions to be made to allow for the moderator to orchestrate the discussion.

COP 20 decided that the second biennial high-level ministerial dialogue on climate finance will focus on the issues related to adaptation finance, the support needs of developing country Parties, and co-operation on enhanced enabling environments and support for readiness activities.

The High-level Ministerial Dialogue on Climate Finance will also be informed by the report of the in-session workshop on long-term climate finance in 2016 focusing on adaptation finance and the second biennial assessment and overview of climate finance flows. The role of adaptation finance is of particular importance, given the Sustainable Development Goals also agreed in 2015 and their linkages to development and adaptation.

Based on the latest available data, the OECD (2016) finds that public climate finance alone will reach USD 66,8 billion by 2020. Furthermore, with the same leverage factor of public to private finance as the 2015 OECD/CPI analysis, the total amount of climate finance will reach USD 92-93 billion in 2020 - based on current available numbers and assumptions. The Roadmap outlines the key factors and pathways to reach the USD 100 billion goal, and what actions will influence progress over the remainder of this decade. It also reflects on action developed countries are taking, together with our partners, to transform broader finance flows and investment patterns, consistent with the goals set out in the Paris Agreement and the Sustainable Development Agenda.

The Ministerial Dialogue will therefore focus on providing vision and strategy on how to make further progress on the mobilization of climate finance, particularly adaptation finance, and on ways to improve the capacity of public finance to leverage and catalyse private finance for adaptation projects particularly in developing and emerging economies. In this regard, the concrete Roadmap launched on 18 October will play a central role.

Check against delivery