Submission by the Technology Executive Committee on the sixth review of the Financial Mechanism

1.Background

1. The Technology Executive Committee (TEC) welcomes the opportunity to provide its input for consideration by the Standing Committee on Finance (SCF) in preparing its expert input to the sixth review of the Financial Mechanism.

2. Regarding the expert input to the sixth review of the Financial Mechanism, the SCF has invited the TEC to provide its views to the SCF, in line with the updated guidelines,[1] to identify: (a) areas of work by the TEC that may be relevant to the preparation of expert input to the sixth review by the SCF and; (b) any other relevant materials that could inform the preparation of the expert input.

3. In preparing its input, the TEC took into account the SCF concept note on the preparation of expert inputs to the sixth review of the Financial Mechanism.[2] The TEC noted that the review framework, as contained in the concept note, makes explicit reference to two criteria on technology transfer:
   - Cluster D - Delivery and effectiveness of financial resources: Enabling environments for catalyzing investment, and the transfer of, environmentally sound technologies that mitigate greenhouse gas emissions, and for enhancing resilience to climate change;
   - Cluster E - Results and impacts achieved with the resources provided: Technology transfer.

4. In light of the mandate of the TEC, its functions and work undertaken, the input of the TEC will focus on the criteria referred to in paragraph 3 above. The TEC has undertaken a number of activities that may be relevant to the preparation of the expert input to the sixth review of the Financial Mechanism by the SCF. This includes work in the areas of climate technology financing; technology needs assessment; and innovation and research, development and demonstration. The following inputs by the TEC build upon the work undertaken by the TEC in these areas.

2. Delivery and effectiveness of financial resources: Enabling environments for catalysing investment in, and the transfer of, environmentally sound technologies that mitigate greenhouse gas emissions, and for enhancing resilience to climate change

5. According to the concept note, the assessment under this criterion will investigate the efforts being undertaken to enhance enabling environments for investment in, and the transfer of, environmentally sound technologies that mitigate greenhouse gas emissions, and enhance resilience to climate change.

[1] Decision 12/CP.22, annex.

[2] http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/scf_15th_meeting_report_final.pdf#page=10

Global Environment Facility

6. The transfer of low-carbon and climate-resilient technologies has been a cross-cutting theme for the GEF since the establishment of its funds. The GEF-6 climate change mitigation strategy promotes the timely development, demonstration and financing of low-carbon technologies and mitigation options. The GEF supports the development, adoption and implementation of policies, strategies, regulations and financial or organizational mechanisms that accelerate mitigation technology innovation and uptake.

7. As part of a mapping of climate technology development and transfer activities and initiatives under and outside the Convention relevant to the implementation of the Paris Agreement conducted by the UNFCCC secretariat, a mapping of activities undertaken by the GEF was undertaken. It was found that within the context of the relevant climate change strategies and programmes of the GEF and COP guidance to the GEF with regard to technology development and support, a number of patterns can be observed:[3]

    - The most significant development is the creation of regional- and national-level climate technology centres, facilities and networks, which form a departure from the traditional institutional architecture of climate change technology projects. Their goals are more ambitious, as they aim to finance and integrate new, less well-known and tested technologies at various operational and policy levels, including in investment and development planning at the national level, as well as to support investments.
    - Furthermore, in response to the COP request[4] for the GEF to support the operationalization of the CTCN, the GEF approved an UNIDO project entitled "Promoting accelerated transfer and scaled-up deployment of mitigation technologies through the CTCN". The project highlights how technology needs identified through the TNA process can be brought to the GEF for funding, in a manner that is consistent with GEF programing policies and procedures and country priorities. As part of the project, the CTCN will provide technical assistance to address developing country project finance requests through match-making arrangements between international financing institutions and their national commercial partners to access and avail customized financing on carefully selected projects.
    - A number of projects support endogenous mitigation technology or technology product development, or manufacturing, using different mechanisms. What many of these projects have in common is that they are facilitating greater collaboration between public and private actors that otherwise would not interact or collaborate, thereby fulfilling a crucial coordination and facilitation role in the development of technology innovation systems.
    - More projects support the earlier stages in the technology development cycle, including the prototype development and proof-of-concept stages now versus the period before the Poznan strategic programme on technology transfer began.

[3] FCCC/SBSTA/2016/INF.9

[4] FCCC/CP/2011/9/Add.1, paragraph 140.

- Demonstration projects remain one of the main approaches in the process to catalyse the adoption of new technologies. This is not surprising given the critical role of technology demonstration projects in confirming technical feasibility in new conditions and deployment costs. However, these demonstration projects have adopted a more strategic approach that simultaneously builds the necessary institutional infrastructure in order to further develop and disseminate the new technologies or technology applications.
- A number of mitigation projects support policy or regulatory instruments or innovation policies.
- The majority of projects, except for Poznan strategic programme on technology transfer pilot projects, include a financial mechanism or facilitate access to existing sources of finance, including private finance for early stage technologies, such as venture capital finance and strategic investors.
- The mapped sample of adaptation projects are more traditional in their approach when compared with the mapped mitigation projects. They combine pilot or demonstration projects in different sites with the mainstreaming of climate change risk and implications into relevant sectoral policies.

Green Climate Fund

8. At its 12th meeting, the Board of the GCF endorsed the initial strategic plan of the GCF, which sets out the GCF vision and operational priorities. "Promoting the paradigm shift towards low - emission and climate - resilient development pathways" and "supporting the implementation of the Paris Agreement within the evolving climate finance landscape" constitute the strategic vision of the GCF. The strategic plan identifies developing countries' intended nationally determined contributions under the Paris Agreement as an important reference point for GCF programming, as are NAPAs, NAPs, TNAs and NAMAs. The strategic plan outlines the intention of the GCF to provide support in terms of finance, capacity-building and technology transfer.[5]

9. COP 21 invited the Board of the GCF, in line with paragraph 38 of the Governing Instrument for the GCF, to consider ways to provide support, pursuant to the modalities of the GCF, for facilitating access to environmentally sound technologies in developing country Parties and for undertaking collaborative R&D for enabling developing country Parties to enhance their mitigation and adaptation action.[6]

10. At its 14th meeting, the Board of the GCF acknowledged that current GCF modalities enable support for technology development and transfer, including for facilitating access to environmentally sound technologies and for collaborative research and development. The Board further encouraged national designated authorities and focal points to access readiness support directly, or to collaborate with readiness delivery partners and accredited entities to submit

[5] GCF/B.13/04, available at <http://www.greenclimate.fund/boardroom/on-record/documents>.
[6] Decision 13/CP.21.

readiness requests, concept notes, funding proposals and Project Preparation Facility proposals that will facilitate access to environmentally sound technologies, consistent with a country-driven approach and will encourage the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects.[7] The Board is scheduled to consider, at its 17th meeting, options for GCF support for collaborative R&D in developing countries.

11. The TEC noted that the GEF, in its reports to the COP, provides information about financial support provided to programmes/projects at sectoral/technology level. This allows for an in-depth review of the GEF on technology transfer related matters. The TEC further noted that the GCF, in its reports to the COP, provides information about financial support provided to programmes/projects at the sectoral level (mitigation, adaptation and cross-cutting). More detailed information about financial support at technology level would support a more in-depth review of the GCF on technology transfer related matters.

3. Results and impacts achieved with the resources provided: Technology transfer

12. According to the concept note, under this criterion the impacts and results that are being achieved by the GCF and the GEF, LDCF and SCCF will be reviewed, deliberating on the effectiveness of the activities funded by the Financial Mechanism in implementing the Convention.

13. In response to decision 2/CP.14, the GEF submitted a plan for the long-term implementation of the Poznan strategic program on Technology Transfer (PSP) to COP 16. The submission included the following elements to further scale up investments in environmentally sound technologies in developing countries in accordance with the GEF climate change strategy, and to enhance technology transfer activities under the Convention:

    (a) Support for Climate Technology Centers and a Climate Technology Network;
    (b) Piloting Priority Technology Projects to Foster Innovation and Investments;
    (c) Public-Private Partnership (PPP) for Technology Transfer;
    (d) TNAs; and
    (e) GEF as a Catalytic Supporting Institution for Technology Transfer

14. In response to an invitation by the SBI, the TEC submitted an evaluation of the PSP to SBI 43 (November 2015), in which it highlighted the following key messages:[8]

    (a) The TEC recognizes that technology transfer projects are not simple transactions. They are complex processes owing to a combination of national and international factors. Changes in

[7] FCCC/CP/2016/7/Rev.1/Add.1
[8] FCCC/SBI/2015/16

political conditions and support for projects can be a risk and in some cases lead to implementation delays and changes to project scope;

(b) The TEC further recognizes the challenges in engaging the private sector in UNFCCC climate technology efforts. To effectively engage the private sector, climate technology institutions must understand its decision-making structures, needs and incentives;

(c) The PSP has contributed to raising the profile of the important role that climate technology development and transfer plays in supporting countries to meet the ultimate objective of the Convention. It has also created opportunities for a range of institutions, including the GEF and the MDBs, to support climate technology development and transfer and mainstream these considerations in their programming strategies;

(d) The Technology Mechanism and the PSP are central to advancing global climate technology efforts. In addition, the TEC recognizes that the GCF will play an important role in the future;

(e) The PSP climate technology transfer and finance centres have the potential for significant impact at the regional level. With their significant regional network and expertise in development finance, the climate technology transfer and finance centres can play an important role in technology project implementation. The continuity of these regional centre efforts when the GEF funding ends is an important issue for consideration, although several MDBs have raised additional donor finance for support to do more on climate investment;

(f) The complementary efforts of the PSP and the Technology Mechanism on TNAs have the potential to enhance the implementation of TNA results. The CTCN has the potential to play a critical role in bridging the gap between the TNA process and project implementation. The TEC will complement these efforts by providing guidance on how the results of the TNAs, in particular the TAPs, can be developed into projects that can be ultimately implemented

15. Building on its work carried out in 2016 on climate technology financing, in particular regarding its work on linkages between the Technology Mechanism and the Financial Mechanism, the TEC delivered the following key messages for COP 22:[9]

    1. The TEC has encouraged the GEF and the Climate Technology Centre (CTC) to enhance their collaboration with respect to exploring new ways of supporting climate technology related requests for technical assistance, including through the strengthening of collaboration between GEF focal points and CTCN national designated entities (NDEs).
    2. The TEC has welcomed the increased engagement between the GCF and the CTC, particularly with respect to exploring ways of utilizing the Readiness Programme and the Project Preparation Facility to respond to country-driven requests for technical assistance, and encourages the advancement of this linkage, including through the strengthening of collaboration between GCF national designated authorities and CTCN NDEs.

[9] FCCC/SB/2016/1.