Views on the work of the long-term finance work programme
Submission by
Australia, Canada, Japan, New Zealand and the United States of America

We are pleased to provide views on long-term finance (LTF) for consideration by the co-chairs of the 2013 LTF work programme. Recognizing the importance of international climate financing to support climate mitigation and adaptation, we believe the LTF work programme can contribute to ongoing efforts to mobilize climate finance by focusing the discussion on concrete issues that will be key to the effective deployment of resources in the long-term.

The 2012 LTF work programme was successful not only in exploring ideas and concepts for scaled-up climate finance, but also in setting a positive tone for sharing experience and knowledge with experts outside of the UNFCCC process. Continuing to allot time and space outside the negotiations to freely share ideas will enhance cooperation among key actors and contribute to the effectiveness of international climate financing.

For 2013, the programme's form and content should be guided by the scope of the mandate outlined in decision 4/CP.18, paragraph 2, which, "*Decides to extend the work programme on long-term finance for one year to the end of 2013, with the aim of informing developed country Parties in their efforts to identify pathways for mobilizing the scaling up of climate finance to USD 100 billion per year by 2020 from public, private and alternative sources in the context of meaningful mitigation actions and transparency on implementation, and informing Parties in enhancing their enabling environments and policy frameworks to facilitate the mobilization and effective deployment of climate finance in developing countries*". In this regard, the focus of the 2013 work programme should be placed on three key elements of a successful strategy to mobilize climate finance: (1) enabling environments and policy frameworks; (2) understanding how successful climate-friendly private investments are being made, and what role public finance and policy is playing in helping overcome specific barriers, and (3) looking at the role of various actors in the climate finance architecture and the specific role they are playing in helping unlock greater flows of finance. In aiming to achieve a better understanding of how real-world financial decisions are made and how to better build on existing flows and attract the large scales of finance needed, we should also ensure our deliberations are based on a good understanding of the financial landscape beyond the Financial Mechanism under the Convention, and should include international, bilateral, and national financial institutions, as well as the private sector.

Enabling environments

First, we need to discuss key features of the enabling environments and policy frameworks that can attract significant flows of investment and technology for low-carbon, climate-resilient development. Enabling environments will be a key determinant of these flows, which provide the necessary "pull" factor to attract the right kinds of investments, and which will underpin any realistic pathways for mobilizing scaled-up climate finance. Sound enabling environments will give the private sector the confidence needed to make climate-friendly investments.

The 2012 report of the LTF work programme co-chairs captures a number of issues that merit more in-depth discussion in 2013. These include developing strategic approaches to addressing initial investment risks and understanding and reducing barriers to investments; more effective long-term planning and coordination among relevant national institutions; developing creative partnerships with the private sector to more effectively leverage public sector financing; and strengthening transparency and governance practices. It would also be useful to explore how clear and transparent Nationally Appropriate Mitigation Actions (NAMAs) and commitments have been successful in stimulating scaled up private investments from domestic and international sources.

Lessons learned

Second, all Parties should also use the LTF work programme as an opportunity to continue to share experiences and lessons from the climate investments that have already been made.

Taking a case study approach on the process and initial outcomes of specific fast-start financing investments, as well as climate-friendly private investments, would allow us to identify how climate finance investments are delivering results, such as reducing greenhouse gas emissions, building climate resilience for the poorest and most vulnerable countries, and levering significant private sector financing. We need to analyse and learn lessons from these experiences with a particular focus on results from successful partnerships between countries, institutions and businesses that have allowed for effective mobilization, delivery and absorption of funds.

Key players

Third, our discussion, like climate financing itself, can’t be effective without the engagement of key players, including the private sector and development banks.

A case study approach to drawing lessons learned is also a good way to engage specific representatives from the private sector and multilateral, bilateral and national development banks, who can speak to their work in developing, implementing and financing projects.

We need to give these representatives the opportunity to voice their particular perspectives on challenges and opportunities they face when targeting climate-friendly investments, and outline the realities they confront when looking at investment choices. We also need to learn from their experiences on how we can make climate-related investments more attractive and identify gaps and opportunities for replication of successful projects and business models.

We look forward to working with all participants of the LTF work programme to further understand the issues outlined above, and we are available to assist the co-chairs in identifying speakers, contributors and case studies.

We should also ensure that our discussions always remain grounded in a current understanding of the flows of finance, the investments, and institutions beyond the Operating Entities of the Financial Mechanism, which are only one small part of the much larger evolving financial architecture available to Parties who seek and mobilize climate finance.

Finally, we would like to encourage the co-chairs of the LTF work programme to coordinate closely with the co-chairs of the Standing Committee on Finance as they design the Climate Finance Forum, in order to avoid any duplication in the aims and objectives of the Forum and the 2013 LTF work programme.