

Views on Long-term Finance

Submission by the Republic of Korea

I. Mobilizing long-term finance

1. Public sources

It is the view of the Republic of Korea (hereinafter “Korea”) that the early mobilization of public resources will play a very important role in achieving the goal of long-term finance to address the impacts of climate change. This is because private financing for climate change related sectors tends to be low due to the factors of relatively lower profitability and higher uncertainty. Another reason why it is so crucial is that the cost of mitigation of and adaptation to climate change would rise rapidly in the event of any delayed response.

In this context, it should be noted that the early operationalization of the Green Climate Fund (GCF) is key in securing public resources because a significant share of new multilateral funding for adaptation should flow through the Fund. Korea hopes that the GCF Board shall make every effort to finalize its deliberations on funding modalities as well as the Business Model Framework (BMF) as soon as possible. At the same time, all the discussions to be held under the work programme on long-term finance and the Standing Committee on Finance should pay special attention to the progress of the GCF.

2. Alternative sources

Korea suggests that this year’s work programme on long-term finance undertake an analysis of economic and political barriers or obstacles in mobilizing various alternative sources which were identified at last year’s workshop. The proposed analytical work should also cover ways and means to overcome such barriers or obstacles at the regional level.

3. Private sources

Korea believes that attracting private investment and building-up private sector capacity are essential to achieve the long-term finance goal, i.e., the goal of mobilizing jointly USD 100 billion per year by 2020.

To this end, there is a need to discuss ways to fully utilize the GCF as a platform for engaging the private sector. Such measures could include providing guarantees for political risks such as changing laws in the host country of investment and the non-fulfillment of contracts, preserving investment returns through interest rate subsidies, and using public funds channeled through the GCF as seed money.

Korea also proposes that the 2013 work programme include the holding of a special session bringing together private sector investors to share their technologies and investment experience, with the aim of building the capacity of private firms in climate change related investment.

4. Guidelines for the report submitted by developed country Parties

Korea suggests that the 2013 work programme discuss guidelines for reporting by developed country Parties to the COP 19 on their strategies and approaches for mobilizing scaled-up climate finance. The benefits of such guidelines would be obtaining a cross-country comparison and identifying the

types of resources such as grants or loans, etc., while avoiding any recurrence of similar problems which occurred during the process of short-term financing previously.

It is our view that the guidelines should address, among others, the following elements:

- ways to indicate an allocation scheme by developed countries Parties to different programmes including the financial mechanism of the UNFCCC,
- ways to secure a balanced allocation between mitigation and adaptation, and
- criteria for prioritizing the most vulnerable developing countries.

II. Analysing finance needs in developing countries and matching climate finance with those needs

1. Analyzing climate finance needs in developing countries

Korea suggests inviting developing countries to submit to the UNFCCC Secretariat information on their climate change related projects which may be feasible in the next three to five years. While expecting the operationalization of the GCF in 2013 and financial support channeled into developing countries in the near future, an early assessment of developing countries' needs will be important to facilitate efforts by international organizations or developed countries to respond to actual demands.

Developing countries would be asked to provide the project lists in two categories, short-term and long-term, with priority indications. And under each project the following details would need to be provided: objectives of importance, feasibility, degree of preparation, and any plan for supporting the implementation of the project by the government.

2. Matching climate finance with needs

Korea believes that it would be of value to engage in discussions on using the nationally appropriate mitigation actions (NAMAs) registry. The registry could contribute to improving the process of matching climate finance and need, and building trust between contributors and recipients as well as enhancing the transparency of information provided.

In this regard, Korea would like to suggest that this year's work programme discuss measures to improve the prototype of the registry. Developed and developing countries could share their experiences in terms of difficulties experienced and improvements achieved in using the registry. The work programme should also deal with how to collect and disseminate successful cases of matching through the registry as well as how to encourage more countries to participate in the registry. Lastly, we could consider applying the registry system to adaptation activities.

III. Tracking climate finance

As we learned from the FSF experience, there is a need to first establish criteria for recognizing climate finance and the scope of financing activities before tracking any climate finance.

To this end, we need to continue discussing a baseline of "new and additional" financial resources under this year's work programme. In particular, since Parties have different views on "additional" resources, establishing an agreed baseline should be a top priority to capture an accurate amount of climate finance committed by developed countries.

Furthermore, as for the definition or the scope of climate finance, it would be more effective to build

on or modify internationally agreed concepts or schemes such as the OECD DAC's Rio markers¹ rather than working on new ones. Special attention should be paid to defining climate finance for adaptation in which there is a very close interface with ordinary activities in the field of development assistance. The submission by the Secretariat of a list of projects accredited as mitigation and adaptation activities would be extremely useful in facilitating discussions among Parties. The WP-STAT of the OECD DAC could also support our work by providing their list of similar projects.

The tracking system should be comprehensive and compatible with other systems. To this end, we need to consider how to secure the compatibility with the CRS of the OECD-DAC and also try to establish a way to track climate finance from a developing country point of view.

In addition, there is a need to consider establishing an expert network under the Secretariat that decides on the eligibility of climate finance and monitors flows of climate finance, or to consider discussing this issue in the framework of the Standing Committee on Finance. The WP-STAT of the OECD-DAC could serve as a useful benchmark in this process. When the said expert network is established accordingly, a cooperative mechanism with the WP-STAT could be discussed with a view to sharing the know-how and experiences of the OECD-DAC.

¹ The definition, scope and qualifications of climate finance by the OECD-DAC for its use of Rio markers to assess mitigation and adaptation