ROYAL NORWEGIAN MINISTRY
OF THE ENVIRONMENT

SUBMISSION BY NORWAY ON STRATEGIES AND APPROACHES FOR MOBILIZING SCALED UP CLIMATE FINANCE

Pursuant to decision 1/CP.18, Norway appreciates this opportunity to provide information on its strategies and approaches for mobilizing scaled-up climate finance.

Key messages:

- In decision 1/CP.16 in Cancun in 2010, developed country Parties committed, in the context of meaningful mitigation actions and transparency on implementation, to jointly mobilize USD 100 billion per year by 2020, from a wide variety of sources, to address the needs of developing countries. Norway stands by this commitment.
- Scaling up climate finance towards USD 100 bn pr. year by 2020 is a means to a common end: to accelerate a transformation towards a low-emission, climate resilient future. Meeting the target of USD 100 billion is a challenge which requires that all developed countries contribute their fair share, and that developing countries undertake effective climate action and steps to improve enabling environments.
- Ensuring that substantial levels of climate finance from public sources continue to flow will be important. Norway recognizes in particular the need to assist poor and vulnerable countries in their efforts to adapt to climate change.
- While important, public funds are not sufficient to meet the challenge of staying within a two degree pathway. The 2010 report of the UN Secretary General's High Level Advisory Group on climate change financing (AGF) concluded that a ”systemic approach” combining public and private instruments will be necessary to reach the target of USD 100bn by 2020.
- Using limited public funds as a lever to shift private investment towards climate friendly solutions, working with a variety of partners outside the UNFCCC, should be a key feature of a systemic approach.
- The AGF report also delivered a strong message about the potential impact of carbon pricing. Public instruments based on carbon pricing have a doubly positive effect: they raise revenues while providing incentives for mitigation action. National auctioning of emission allowances and levy on international transportation are two promising avenues for scaling up climate finance through carbon pricing.
- Climate finance will also be scaled up more easily in a strengthened multilateral regime. Developed and developing countries should in the period up until 2020 work creatively together to put in place a solid framework of commitments and policies that will allow adequate support to flow to low-emission, climate resilient development beyond 2020.

Supporting country-driven climate action

- Climate finance flows must be linked to concrete mitigation and adaptation action so as to deliver effective results with crucial development gains. Good partnerships are needed between developed and developing countries to support development of ambitious country-owned climate strategies, building on attractive development options.
- Norway recognizes the need for technical assistance and capacity building to assist developing countries in developing and implementing such strategies. We expect the Green Climate Fund to play an important role in this. A robust replenishment of the GEF (Global Environment Facility) is also important, not least to be able to pursue innovative approaches to climate change and adaptation as part of multifocal strategies. Also, the GEF`s broader mandate allows for an increasing trend towards projects and programmes that include simultaneous global environment benefits for climate change, biodiversity and land degradation, including sustainable forest management.
- There is a positive and expanding offer of demand-driven assistance to countries interested in taking advantage of climate-friendly development opportunities. It includes i.a. the UN the Poverty and Environment Initiative (PEI) combining poverty eradication and environment at the local level, and the broad UN Partnership for Action on Green Economy (PAGE) with emphasis on macroeconomic adjustment, jobs and social policy. These initiatives create enabling conditions for climate-friendly development in each participating country.
- Norway is highly supportive of the contributions such initiatives provide. A practical approach to creating enabling conditions, fuelled by national self-interest, will stimulate increasing flows of private and public investment to a climate-friendly, low-emission and inclusive economy. It bridges UNFCCC and development processes (notably UN post-2015) while broadening the foundation for enhanced climate ambitions.
- The newly launched Global Commission on the Economy and Climate and its flagship project, The New Climate Economy, could provide important evidence of how to achieve economic prosperity and development while also combating climate change. Norway has together with Colombia, Ethiopia, Indonesia, South Korea, Sweden and the UK commissioned the study and the results will be released in September 2014.
- Solid frameworks for measuring, reporting and verifying supported climate actions remains an important enabling condition for public climate finance to rise in the midst of a period of weak economic performance globally.

Using public funds to mobilize private finance

- Norway welcomes the important work being done through the work programme on long-term finance in exploring how to use public instruments to leverage private climate finance.
- Norfund, Norway's development finance institution, has been an effective tool in mobilizing private investment for renewable energy in low- and middle income countries. The approximately 750 million USD which Norfund has invested in

renewable energy have contributed to mobilizing more than 8 times this amount from commercial investors.

- Along with the EU and Germany, Norway has also contributed to the establishment of the Global Energy Efficiency and Renewable Energy Fund (GEEREF). GEEREF invests in private equity funds that specialize in providing equity finance to small and medium-sized project developers and enterprises, helping bring secure, clean and affordable energy to the world's poorer regions.
- Along with many other countries, Norway participates in a ministerial working group devoted to improve approaches on using public sources of finance to leverage private finance. The first meeting was held in Washington D.C in April this year, with a follow-up event in Copenhagen 24.10. Norway looks forward to further exploring concrete proposals.

Mobilizing climate finance from alternative sources

- There are many possibilities for mobilizing climate finance from alternative sources. The AGF report estimated that a carbon price in the range of USD 20 -USD 25 could generate increased market flows of between USD 30 billion and USD 50 billion annually.
- Emissions trading schemes at international, regional and/or national levels are adequate measures to mitigate climate change. Norway has advocated that auctioning of allowances within such schemes could raise substantial revenue for the purpose of climate finance. Key to a success would be a sufficient level of ambition to generate reasonable prices. Parties must also be willing to set aside an amount of units for such auctions, as well as allowing the units to be used, thereby creating demand.With today's low carbon prices, we are far from unlocking this potential. Besides delaying the necessary shift to a low-emission economy, this situation has a direct negative impact on support for adaptation, since the Adaptation Fund is mainly financed through sales of CER credits.
- The best way to rectify this situation is to raise ambition globally. Countries that have not already announced mitigation pledges should do so, and those who have done so should consider raising their pledges. Markets are effective tools that allow countries to raise their ambitions, and should be used where possible.
- Carbon pricing of global aviation and maritime transportation are two promising possibilities for raising climate finance from alternative sources. Taking the circumstances of the least developed countries into account, Norway is a strong supporter of developing market-based instruments through the relevant organizations in these fields, namely the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO).
- The KP2 decision in Doha paved the way for continuation of a system based on assigned amounts allowing an international emissions trading market, as well as giving legal certainty to the continuation of the CDM. In addition, future market based mechanisms, including the New Market Mechanism (NMM), could have a role in generating revenues for climate actions.

Results-based approaches

- Norway welcomes the evolving body of experiences with results-based approaches attempting to link donor assistance to the verified achievement of particular climate related results, in particular emission reductions, rather than specific project activities or policies.

- Results-based approaches make developing country partners accountable for reaching a desired climate result in the manner they deem appropriate, thereby increasing national ownership to climate action. Developing country partners also have a higher discretion in the use of received funds, allowing recipient countries to align climate actions with national climate policies and development plans.
- However, results-based approaches to climate finance will not work unless monitoring systems are set up to document the measurable achievement of pre-agreed results. There is also a need for verification systems that can confirm that the reported achievements are accurate.
- A large share of Norway's climate finance is directed to REDD+ activities in countries like Brazil, Indonesia and Guyana. Working at a sectoral level allows both levels of support and action to be scaled up. In our experience, payments for emission reductions from REDD+ increase incentives for reducing deforestation in developing countries and may create "virtous cycles", in which payment for emission reductions can be re-invested to underpin development in a way that further reduces emissions.

The Green Climate Fund

- The Green Climate Fund has a major role in scaling up climate finance and supporting a new agreement under the Convention taking effect from 2020.
- Norway welcomes the process for resource mobilization that was decided by the GCF board in October. We call on the board to carry out its work plan as soon as possible to allow contributions to the Fund in 2014.