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Paris, le 1<sup>er</sup> août 2016

## Road map for global climate action Answer to the High-level Champions call for submissions

In response to the invitation from their Excellences the High-level Champions, please find below Caisse des Dépôts' contribution focused on the climate finance agenda.

Caisse des Dépôts is a member of the main global climate coalitions and initiatives in the financial sector: Montréal Pledge, Portfolio Decarbonisation Coalition, Five principles for mainstreaming climate action within financial institutions etc.

As the French promotional bank and major institutional investor, Caisse des Dépôts took strong commitments in 2015 to reduce the carbon footprint of its portfolios, to increase its direct investment in green infrastructure and assets and to divest from the coal sector. Those commitments are the first steps of an ongoing process of a "2°C road map". Within this roadmap, Caisse des Dépôts will take new commitments by the end of 2016.

Alongside its strategic sustainable branch, Caisse des Dépôts dedicates a team to the climate action agenda, comprising

- Pierre Ducret, Special advisor for Climate Change
- Maria Scolan, project manager.

This team organized last year:

- the Climate finance Day in Paris on 22 May 2015 in partnership with EIB and Europlace,
- the Private finance focus of the LPAA during COP21 on 4 December 2015, on behalf of the COP21 French presidency.

In 2016, we are member of the scientific committee and partner of the Climate Finance Day that will take place in Casablanca on 4th November.

We also work with Caisse des Dépôts et de Gestion of Morocco, AFD and other financial networks globally to keep on mobilizing financial sector in favor of climate action.

Pierre Ducret is also, on a personal basis and still unofficially, French co-chair of the "Affordable Finance at Scale" program, one of the two programs launched last spring by the Solar Alliance.

This response is based on our knowledge, our experience, our networking and our current work.

### 1) The current situation:

*Is this general presentation an accurate description of the current state of play? If not, what can we do more?*

This general presentation is accurate. Pre-2020 action must be sustained to ease the implementation of the Paris agreement.

**Remark:** Last year, the finance action agenda was focused on private finance because it was the priority to create a new dynamic around climate finance in the private sector and also because it was necessary to separate completely this agenda from the "100 Billions" one. We believe that this

focus is still relevant as a priority but that it should be mitigated. As far as climate finance doesn't advance at the needed pace due to perceived risks and various hurdles, acceleration of its mainstreaming process will be, for a large part, the result of blended public and private finance and enabling finance regulation and incentives. Therefore, we would suggest that climate finance action agenda also cover public finance as a mean to leverage and de-risk private finance. Coalitions and initiatives on climate finance can be market driven but in dialogue with policy makers and public finance providers, domestic promotional banks, DFIs and MDBs. Some of the finance initiatives already mix public and private actors eg "Five principles for mainstreaming climate action", "investors coalition for infrastructure"...

## **2) The role of the high-level champions:**

*Is this an accurate description of the role the high-level climate champions should play with regard to the mobilization of non-state actors? Is there anything else they should do, or are there things mentioned here that they should not do?*

In our view, the HL Champions should overview the MRV process for the 2018 first stocktaking deadline to stimulate and evaluate the Action agenda but not pilot it directly. It should be the responsibility of each initiative which should report to the HL Champions on the kind of assessment and MRV they set up.

Supporting new initiatives is also very important to keep momentum and accompany progress among actors. Some very interesting initiatives were launched at COP21 and Action Agenda might encourage them (see list in annex).

Climate finance action agenda can be envisioned as a more and more demanding process but acceptable by the financial sector. For instance, among investors, carbon footprinting is a first stage of commitment that can be followed by reducing carbon footprint. Aligning portfolios with a 2°C target could be a next step that most of the financial actors aren't able to reach yet.

We agree on the need to focus on adaptation for developing countries but this has to take into account that:

- Investment in infrastructure for instance often serves both mitigation and adaptation aims. We would prefer "to add adaptation in all climate related decisions".
- Adaptation is not the issue for developing countries only. Development is the issue. So, focusing on "low carbon and resilient development" would be more precise, especially in line with SDGs.

Finally the high level champions should have a role to precise the actions that are critical for the Action agenda, to analyze what is already done, to assess the seriousness of the initiatives reporting and MRV methods and to warn about the rhythm of action.

## **3) Transparency and tracking:**

*How do we assess the initiatives? What would be the ideal set of criteria? Who would assess them? What should be the role of the Non-State Actor Zone for Climate Action (NAZCA)?*

According to our experience in the financial sector there are different sorts of initiatives and coalitions. Schematically:

- Assessing and reducing carbon risks of portfolios (assets or loans) which should include divesting from high emitting sectors or firms, or engaging dialogue with them,
- providing finance to green assets, often with a need for blending public and private finance, which can be sectorial and regional action such as finance to energy efficiency or finance for renewable in Africa...),

- financing NDCs projects (project finance for infrastructure projects) by construction in dialogue with national policy makers,
- insuring against climate physical risks,
- mainstreaming climate action in decision process from strategy to operations, which implies transformation of the finance business (capacity, knowledge sharing...), and creating new financial actors networks where climate action is not organized yet eg African investors or green financial markets places etc.
- creating new financial tools to de-risk and lower the cost of capital eg TCX covering currency risk for renewable projects in developing countries launched at COP21 "Affordable Finance at Scale" program of the Solar Alliance.

Some initiatives and coalitions have quantitative goals (numbers of signatories, amount of assets covered, even emissions reduced...) easy to track, others needs more qualitative approaches.

Therefore, we believe that criteria of progress and success should be chosen by the initiatives and coalitions themselves. We don't believe that aligning initiatives targets to the Paris agreement goal is currently relevant because the process is emerging. The High level champions would have an important role to play to dialogue with professional networks and help them choose targets and criteria both ambitious and realistic.

A good coalition is one that:

- sets a standard of action for financial actors (market driven and replicable at large scale)
- helps signatories reach their commitments, (networking, research, knowledge sharing, capacity building...)
- rewards their commitments (events, transparency, but also understanding of their professional constraints).

#### **Remarks on Nazca:**

1 The website is more and more user friendly but progress is still needed. If it is useful for observers such as NGOs, we doubt that it fits for sound analysis of the Action Agenda. To be relevant, it should also provide reporting information on commitments by links to existing reporting systems from coalitions or individual websites.

2 On Nazca, the taxonomy of action within the financial sector is not clear and do not correspond to the typology of financial actors and services. On Nazca, the big category "Investors" is divided in "banks", "diversified financials", "real estate", "Insurance", "others". It is not a professional taxonomy.

We suggest that financial actors should be divided in categories that reflect their operations so that their climate action would be more clear and comparable.

A category "Finance" should cover the following sub-categories:

- Investors (covering asset owners and asset managers)
- Banks (providing loans and financial products services)
- Insurance (physical risks coverage)
- Financial service providers (eg: rating agencies, exchanges, indices providers...)

#### **4) High-level event:**

*What do Parties and non-Party stakeholders expect from the high-level event at COP 22?*

*To have a real impact at COP 24 in 2018, the Climate Action Summit showcasing the results of non-state actor initiatives would need to take place sufficiently in advance. Should it be organized in the summer of 2018?*

The high level event should have two main aims:

- Showcasing progress or warning about the gap between level of action and climate goals,
- Launching new ideas and initiatives.

From our experience of the LPAA process during COP21, we tend to think that a “one day” high level event won’t be enough to cover non state action.

It could be prepared during the year by thematic and regional events. Events are already scheduled, some on a regular basis, but could be embarked as part of the yearly action agenda.

**Climate action Summit in 2018:** we have balanced opinion on when it ought to take place.

Pro COP: it would benefit from the big gathering of climate actors, negotiators, states representatives, observers and international organizations. COPs last 10 days and are also meant to be big meetings with all stakeholders. Moreover, LPAA was a big success of COP21.

Against COP: a specific organization team for the Climate Action Summit would be more efficient and would (hopefully) avoid conflicts between meetings.

We would advise to closely associate if not delegate the organization to real finance professionals and not only to the usual institutions such as UNFCCC, SG NU, MDBs. We also think that despite the prominent and positive role of the main business NGO’s such as WEF, Global Compact, WBCSD etc. , the climate finance agenda needs a specific stewardship, which is still to be imagined and among which UNEP Fi, IIGCC, PRI should have a large part of leadership.

## 5) The role of the TEMS

*Do you share the belief that the format of the TEMs should evolve in the light of the Global Climate Action Agenda? How could we ensure that the TEMs are more solution-oriented?*

We never attended the TEMS so it is difficult to answer. Nevertheless it would be very useful to have milestones meetings towards the Climate Action Summit to orientate, take stock and meet different stakeholders.

**To conclude,** we would like to precise that the Action Agenda in the financial sector will go on accelerating its mainstreaming process and deliver powerful outcomes if commitments are rewarded by business opportunities and if the compliance cost is not too high. Therefore all that will be perceived like a compulsory, top down, administrative and bureaucratic process will prevent them to commit and could slow down the current dynamic.

## **Annex : Overview of Climate Finance coalitions and initiatives**

### **1 July 2016**

Climate initiatives and coalitions in the financial sector may be organized in three aims:

- transforming finance to take climate into account (disclosure, reducing risks...) ex : Montreal pledge, PDC, FSB-TCFD, Mainstreaming principles
- financing low carbon projects or resilience solutions: 5:5:5 Micro-insurance Strategy,
- helping NDCs implementation: GIIC, CTF-LTIIA

Some of them have been launched prior to 2015 and results disclosed at COP21. Others were launched at COP21 and therefore are not supported by the LPPA.

Quantitative tracking and disclosing will be easy for some of the initiatives: Montreal pledge, PDC, 5:5.5. Others, like Mainstreaming or GIIC for instance, will need a more qualitative approach.

#### **► Montreal Carbon Pledge - investors**

**Objective:** measure and annually disclose their carbon footprint

**Pilot:** PRI

Launched Sept 2014.

**Result at COP21:** signed by nearly 120 investors representing more than USD 10 trillion in assets

**Next step/ deliverable for COP22:** a report to be published in September 2016

#### **► Portfolio Decarbonisation Coalition - investors**

**Objective:** reduce carbon footprint

**Pilot:** UNEP FI

Launched sept 2014

**Result at COP21:** mobilized 23 investors worldwide with USD 600 billion of assets under current and future decarbonization schemes

**Next step/ deliverable for COP22:** annual report by COP22

#### **► Statement by Financial Institutions on Energy Efficiency Finance**

**Objective:** scaling up energy efficiency financing, tracking finance to EE,

**Pilots:** UNEP FI and EBRD

**Result at COP21:** more than 100 banks had signed the Declaration representing 42 countries, mostly in Central, Eastern and Western Europe, Central Asia, as well as in Asia, Africa and Latin America.

**Next steps:** still open to new signatures.

#### **► Insurance**

At the UN Climate Change Summit in Sept 2014 ICMIF and IIS set targets to:

1. Double the \$42 billion investment in green finance to \$84 billion by end of 2015 (exceeded)
2. Increase this by tenfold to \$420 billion by 2020
3. Redefine 'green finance' as 'smart risk investing' for all asset classes-> high level advisory panel (under way)

#### **► Climate Task Force, Long-term Infrastructure Investors Association (LTIIA)**

**Objective:** to provide implementation support to volunteering countries with regard to investments in particular for infrastructure projects which are part of their INDCs. Senegal is already a pilot partner and the program will initially include six countries.

Members: Private investors willing to invest in infrastructure

**Pilot:** LTIIA

**Next step/ deliverable for COP22:** work began with 3 countries, two more approached.

► **Green Infrastructure Investment Coalition (GIIC):**

**Objective:** Mobilize institutional capital to 'green infrastructure' investments globally – linked to INDCs and national infrastructure plans

**Public/private:** UNPRI, UNEP Inquiry and ICMIF. Founding members include IIGCC, L&G, EIB, IDBI and private FIs

**Pilot:** Climate Bond Initiative

**Next step/ deliverable for COP22:** The first investor forum was held in London on June 30. Also working with government agencies in Mexico, Brazil and Colombia to have INDC green investment plans developed that serve as a framework for green infrastructure investment drives, with support of green bond working groups. Governments are looking to hold side-events at COP22 to present their work.

► **FSB–Taskforce on Climate-Related Financial Disclosures (FSB-TCFD)**

**Objective:** Produce voluntary disclosure principles by firms by the end of 2016.

**Public/Private:** led by FSB market driven propositions

**Pilot:** FSB task Force. M. Bloomberg

**Next step/ deliverable for COP22:** last report and recommendations to states to be made at the end of 2016.

► **Green Bank Network**

**Objective:** Share best practice; foster more GBs to leverage private capital

**Pilot:** Six national Green Banks

**Next step/ deliverable for COP22 to be precised**

► **5:5:5 Micro-insurance Strategy**

**Objective:** insure 25 million more people in the poorest areas by 2020

**Private**

**Pilot:** International Cooperative Mutual Insurance Federation, ICMIF,

**Next step/ deliverable for COP22:** to be precised

► **Five principles for mainstreaming climate action within financial institutions**

**Objective:** adopt best practice by following those principles; knowledge sharing.

**Public/private:** MDBs, DFIs, national banks, private banks.

**Pilot:** WB, EBRD, AFD...

**Next step/ deliverable for COP22:** governance under construction. Workstream and long term vision established.

► **Breakthrough Energy Coalition**

**Objective:** invest extraordinary levels of private capital in clean energy

**Public/private:** Coupled with Mission innovation. Led by Bill Gates, 28 investors from 10 countries

**Pilot:** ?