°CICERO
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CICERO Input to UNFCCC Standing Committee on Finance

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CICERO welcomes the opportunity to provide input to the biennial assessment of climate finance flows of the UNFCCC Standing Committee on Finance. The biennial assessment has the potential to provide useful and timely information to both providers and receivers of climate finance. Below are CICERO's comments on the draft outline of the report, contributions to the overview section, and suggestions for assessment criteria.

Comments on the draft outline of the report

The distinction of public versus private finance flows is tricky. Not only can binary classifications be misleading, they can also be politically sensitive. As noted in Climate Policy Initiative's Global Landscape of Climate Finance 2013, public finance underpins much of the private sector's contributions. To avoid misleading conclusions about the roles of public and private finance in the biennial assessment, we recommend categorizing financial flows along a continuum from private to public, and carefully disclosing the potential for complicated public and private sector involvement across all flows.[1]

To illustrate the uncertainty of climate finance estimates, we also recommend using ranges of numbers to indicate the estimated size of financial flows. Particularly in regards to private sector flows included in the biennial assessment, uncertainty is likely to be significant. For a discussion of uncertainties in private sector climate finance data, see e.g. Clapp (2012).[2]

Contributions for the overview section of the report

CICERO's position as a leading provider of environmental opinions on green bond investment frameworks, coupled with strong interdisciplinary research capabilities, allows for unique insights into the green bond market that can inform the broader context of climate finance. We are planning research projects on the following topics (subject to funding):

- Which risk-mitigation activities can governments use to incentivize private sector financing?
- How can the Green Climate Fund take advantage of the growing green bond market to mobilize private sector finance?
- How can governments direct more finance towards adaptation projects, and can green bonds play a role?
- What are the implied definitions of climate finance used in the green bond market, and how do they compare to other private finance markets?

[1] For a discussion of the categories and interactions of public and private finance, see Clapp, C., J. Ellis, J. Benn and J. Corfee-Morlot (2012), "Tracking Climate Finance: What and How?", OECD/IEA Publishing, May 2012, http://www.oecd.org/env/climatechange/50293494.pdf

[2] For a discussion of uncertainties in private sector climate finance data, see Clapp, C. (2012), "Climate Change Finance: If You Can't Measure It, You Can't Manage It", FNI Climate Policy Perspectives 7, Fridtjof Nansen Institute, http://www.fni.no/doc&pdf/FNI-Climate-Policy-Perspectives-7.pdf

<u>Suggestions for criteria for assessment</u>

In addition to the example criteria already listed in the report outline, we suggest adding the following:

- Enablement of longer-term sustainable financial flows (e.g. by creating of financial markets in less-developed countries)
- Development co-benefits (e.g. reduced local air pollution, local job creation, etc.)

Comparing climate finance flows in specific regions with financial flows that contribute to greenhouse gas-emissions could also provide insights as to which regions should be targeted.