

# New Zealand's Fast-Start Finance



Final report | September 2013

New Zealand has delivered on its fast-start commitment. This commitment has assisted developing countries to adapt to and mitigate the effects of climate change. As part of the global effort, New Zealand provided its fair share of fast-start financing of up to NZ\$30 million per annum over the three-year period 2010-2012.

*Solar panels in Tokelau*

## Highlights

- New Zealand's fast-start finance was used to increase water security, energy security and disaster resilience for communities and infrastructure, with a focus on the Pacific region.
- Total fast-start spend to 30 June 2013 was NZ\$90.34 million (Table 1), delivered primarily as grant-based bilateral assistance through the New Zealand Aid Programme.
- The majority (53 percent) of New Zealand's support was delivered to small island developing states and least-developed countries in the Pacific.
- Most of New Zealand's bilateral and regional fast-start finance was focused on delivering climate change outcomes in the Asia-Pacific region (Table 2).
- New Zealand's fast-start finance reflects a growing emphasis on supporting clean, efficient and affordable energy (Figure 1).
- Nearly 40 percent of New Zealand's fast-start finance was delivered to support adaptation activities (Figure 2).



*New roading in the Solomon Islands*

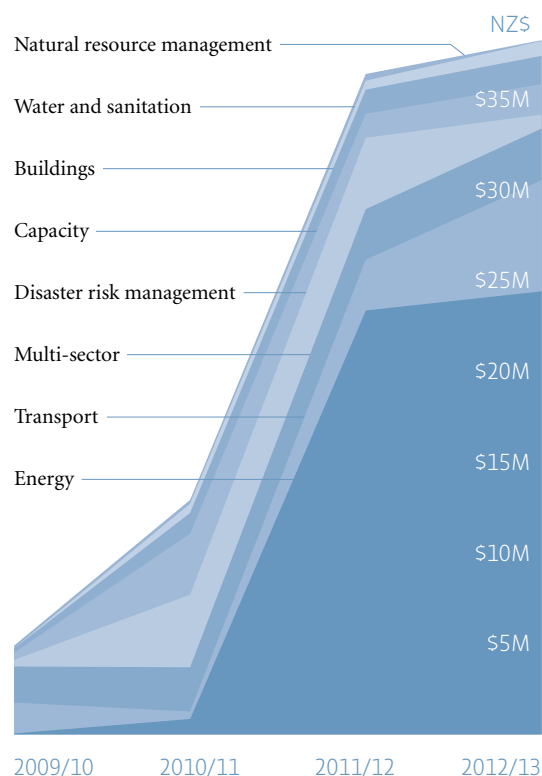
**Table 1:**

Annual expenditure of fast-start finance **by sector** (NZ\$ million), July-June financial year reporting

Sector	2009 /2010	2010 /2011	2011 /2012	2012 /2013	TOTAL	
Energy	0.04	0.82	22.82	23.85	<b>47.53</b>	<b>53%</b>
Transport	1.67	0.41	2.74	5.99	<b>10.82</b>	<b>12%</b>
Multi-sector	1.94	2.38	2.72	2.78	<b>9.82</b>	<b>11%</b>
Disaster risk management	0.36	3.91	3.85	0.76	<b>8.87</b>	<b>10%</b>
Capacity	0.39	3.28	1.29	1.64	<b>6.60</b>	<b>7%</b>
Buildings	0.23	1.12	1.30	1.52	<b>4.17</b>	<b>5%</b>
Water and sanitation	0.00	0.50	0.48	0.80	<b>1.79</b>	<b>2%</b>
Natural resource management	0.15	0.20	0.36	0.04	<b>0.75</b>	<b>1%</b>
<b>TOTAL</b>	<b>4.77</b>	<b>12.63</b>	<b>35.55</b>	<b>37.40</b>	<b>90.34</b>	<b>100%</b>

**Figure 1:**

Annual expenditure of fast-start finance **by sector** (NZ\$ million)



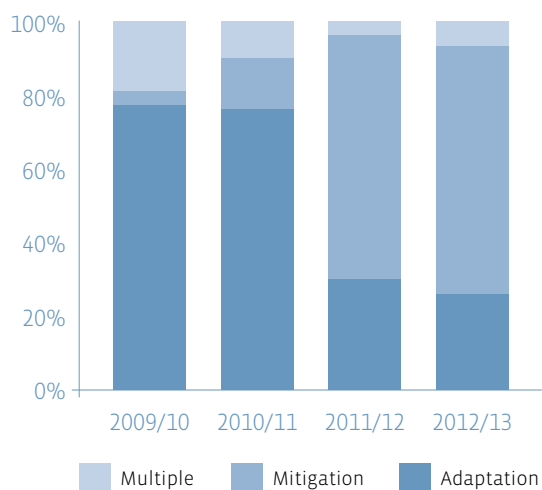
**Table 2:**

Annual expenditure of fast-start finance **by region** (NZ\$ million)

Sector	2009 /2010	2010 /2011	2011 /2012	2012 /2013	TOTAL	
Pacific	2.96	5.90	23.22	15.84	<b>47.92</b>	<b>53%</b>
Asia	0.04	3.86	10.39	17.69	<b>31.98</b>	<b>35%</b>
International/ Multilateral	1.69	2.74	1.72	3.86	<b>10.01</b>	<b>11%</b>
South America	0.08	0.12	0.22	0.00	<b>0.43</b>	<b>0%</b>
<b>TOTAL</b>	<b>4.77</b>	<b>12.63</b>	<b>35.55</b>	<b>37.40</b>	<b>90.34</b>	<b>100%</b>

**Figure 2:**

Allocation of fast-start finance for projects relating to mitigation, adaptation, and multiple activities



# What we do

New Zealand's prime concern has been the delivery of effective results and benefits that address the sustainable development and climate change priorities of developing countries.

The majority of New Zealand's fast-start finance has been delivered as bilateral assistance through the New Zealand Aid Programme, in programmes and projects designed to complement and further strengthen the aid programme's core focus on sustainable economic development. New Zealand has delivered fast-start support where climate change objectives are a co-benefit to sustainable development objectives. This approach is in line with international best practice.

Some of New Zealand's fast-start has been delivered through multilateral climate change funds and programmes, and on agriculture and climate change research and development.

For example, New Zealand established the Global Research Alliance on Agricultural Greenhouse Gases in December 2009. The Alliance is focused on research, development and extension of technologies and practices that will help deliver ways to grow more food, and as part of more climate-resilient agricultural systems, without increasing greenhouse gas emissions. The New Zealand Government has committed NZ\$45 million (out to June 2016) to support the Alliance, some of which has been delivered as part of New Zealand's fast-start commitment.

New Zealand also provides considerable support to Pacific regional agencies that implement significant climate change programmes on the ground in Pacific island countries. This support includes such initiatives as the 'Island Climate Update' (ICU) – a monthly weather forecasting bulletin for all countries in the Pacific.



# A focus on the Pacific

Consistent with the New Zealand aid policy's core focus on the Pacific, fast-start finance has a strong emphasis on the small island developing states in the Pacific. This is a region where the needs for climate change assistance are great and where New Zealand has the relationships and experience to make a difference. Support has focused on assisting our developing country partners become more resilient to the adverse impacts of climate change, climate variability, and natural disasters, and to support clean, efficient and affordable energy and low carbon development.

Small island developing states in the Pacific are especially vulnerable to the physical effects of climate change and extreme weather. Impacts in critical areas such as health, water resources and food supply will exacerbate existing development challenges, particularly for atoll nations such as Kiribati, Tuvalu and Tokelau. Our climate change adaptation assistance therefore includes a focus on improving resilience to extreme weather and other hazards by investing in infrastructure that can better withstand climate change impacts, and through other practical measures to strengthen disaster preparedness.

# What we support

The fast-start commitment was a one-off, voluntary contribution that developed countries agreed to as part of a broader commitment to provide climate finance. New Zealand decided its fair share would be delivered through grant support to:

- bilateral projects where climate change outcomes represent a co-benefit from meeting development objectives, and
- specific contributions to multilateral climate change funds and programmes such as the Global Environment Facility (GEF).

# Finance for adaptation

Adaptation aims to reduce the vulnerability of human or natural systems to the impacts of climate change and climate variability by increasing resilience and adaptive capacity.

Adaptation and disaster risk management are closely related processes, with both aiming to reduce risk to short-term acute environmental hazards, such as earthquakes and cyclones, and to longer-term chronic environmental hazards due to sea level rise and changing rainfall.



## Water supply management in Tuvalu and Tokelau

New Zealand responded to requests for assistance from Tuvalu and Tokelau to manage drought conditions in both countries during October 2011. Following low rainfall due to record La Nina conditions, New Zealand deployed desalination units and personnel to Funafuti, Tuvalu to help remedy water shortages and build a supply buffer against future shortages.

In Tokelau, a joint operation with other donors saw the provision of New Zealand Government supplies including 500 collapsible water containers, 12 one-ton water cubes, and a water engineer and other personnel to assist with managing drought conditions.

## Flood resilience in Fiji

Following devastating floods in Fiji in January 2012, New Zealand provided a FJ\$500,000 relief package to support 14,000 people. A further FJ\$2.2 million was provided for Fiji's National Disaster Management Office to better prepare communities for managing and responding to natural disasters. Assistance for home repairs, provision of supplies and disaster preparedness and health education was also provided.

## Building resilience in South Viet Nam

New Zealand is helping communities and local authorities in the Mekong Delta adapt to climate change and improve their disaster resilience, benefitting over 100,000 local people. Another 300,000 people are likely to indirectly benefit from the project's emergency preparedness and livelihood adaptation activities. This project is a joint initiative with Oxfam GB in the southern province of Ben Tre, Viet Nam and due to be completed in April 2017.

# Finance for mitigation

Mitigation aims to reduce greenhouse gas concentrations in the atmosphere through measures such as switching from oil-fired generators to solar panels, increasing energy efficiency, and enhancing carbon sequestration by expanding forest stocks. Mitigation measures can bring additional and important co-benefits, such as increasing energy security, reducing reliance on costly oil imports, and encouraging growth in emerging 'green' industries.

The majority of New Zealand's finance for mitigation has focussed on the energy and agriculture sectors. New Zealand's support for climate change mitigation is primarily designed to increase access to clean, efficient and affordable energy through measures such as switching from oil-fired generators to solar panels.



## Maama Mai Solar facility, Tonga

Development of this solar facility in Tonga was the result of a unique partnership between the New Zealand and Tongan Governments, and state-owned enterprises Tonga Power Limited and New Zealand's Meridian Energy. The Maama Mai (which translates into English as "let there be light") is helping reduce Tonga's reliance on expensive imported fossil fuels and reduce the cost of power for all energy consumers in Tonga. The system generates 1,880 MW per year, is reducing annual diesel consumption and decreasing annual carbon dioxide emissions by over 2000 tonnes. Tonga Power is responsible for operating and maintaining the facility and Meridian Energy is providing asset management and maintenance advice to Tonga Power over the next five years.

## Renewable energy in Bamyán, Afghanistan

In 2012 New Zealand agreed to build a solar/diesel hybrid energy system for the people of Bamyán. When completed the 1MW photovoltaic-based system will be the largest of its kind in Afghanistan and will be a reliable and sustainable source of electricity for approximately 2,500 homes, businesses and government offices in Bamyán Centre. The substantial construction of this energy system is expected to be completed by the end of 2013.

## Agriculture

New Zealand initiated the Global Research Alliance on Agricultural Greenhouse Gases (the "Alliance") in late 2009. This major initiative, involving the collaboration of 38 developed and developing member countries, is finding ways to reduce agricultural greenhouse gas emissions intensity without compromising food security. The Alliance focuses on agricultural greenhouse gas mitigation research, knowledge sharing, collaborative projects and the extension of technologies and practices.

New Zealand has committed NZ\$45 million in funding to activities that support the Alliance until June 2016. The majority of this funding is allocated to international collaborative research funds, targeted research projects, capability building workshops and fellowships and the establishment of global science networks.

# What we fund: how we define and identify climate finance

New Zealand is committed to regular and transparent reporting of its climate change finance, and to find ways to further improve the tracking of its climate change related financial flows. For fast-start finance delivered through official development assistance, the New Zealand Aid Programme's Climate Change Operational Policy details how climate change support is delivered and describes how that support is recorded and quantified.



Flooded road, Fiji 2012



Damage from Cyclone Evan, Samoa 2010



Upgraded cyclone centre, Tauhunu, Cook Islands

Table 3:

Financial information recorded in the New Zealand Aid Programme's Climate Change Inventory

Classification	Where addressing climate change is...	Finance information recorded
Principal	... one of the main outcomes of the activity Addressing climate change risks or opportunities is fundamental to the design of the Activity. The Activity includes climate change as an important outcome. Climate change is explicitly addressed through specific outputs.	100% of the activity value for the financial year
Significant	...one of the outcomes of the activity Addressing climate change risks or opportunities is an important but not the principal reason for undertaking the activity. Climate change is explicitly addressed as part of outputs in the activity design – these do more than simply avoid a potential negative impact.	30% of the activity value for the financial year unless: <ul style="list-style-type: none"> <li>• A more accurate figure is known or</li> <li>• A different default figure is specified for the particular activity type</li> </ul>
Not targeted	... not an outcome of the activity Climate change opportunities and risks have been assessed but will not be significantly addressed through any of the outputs in the Results Framework.	0% of the activity value for the financial year

The New Zealand Aid Programme's Climate Change Operational Policy requires that activities must be assessed for climate change risks and opportunities to support adaptation to and mitigation of climate change be explored. Where climate change risks or opportunities have been identified, activity designs include one or more outcomes that address these issues.

Expenditure on climate change activities is recorded in the New Zealand Aid Programme's reporting systems according to the following criteria (Table 3). New Zealand has implemented the OECD Development Assistance Committee (DAC) 'Rio' markers for tracking climate change adaptation and mitigation

related development assistance. While the Rio markers capture the policy objectives of the funded activity, they do not attempt to quantify expenditure towards these objectives. New Zealand has therefore initiated a system to standardise the quantification of climate change related expenditure based on the DAC Rio markers. This information is recorded in the Aid Programme's Climate Change Inventory.

In addition, certain activities are assigned different weightings and Table 4 provides further guidance on the application of the climate change markers for those.



Tivalu Port



Roading upgrade, Solomon Islands



New water facilities in Memo, Timor-Leste. Credit Sigit Pramono

Table 4:

Additional information recorded in the Climate Change Inventory for particular activities

Activity	Description	Marker and classification	Weighting
Disaster risk reduction and management	The activity is driven by a prime concern for extreme weather events.	Adaptation: Principal	100%
	The activity is driven by a prime concern for seismic events (earthquakes, tsunamis) but where extreme weather events occur.	Adaptation: Significant	50%
Renewable energy and energy efficiency	Any activity dealing with renewable energy and/or energy efficiency whether the prime concern is energy security, economic growth, climate change, or any combination.	Mitigation: Principal	100%
Energy upgrading	Energy upgrading activities where the outcome of the activity is safer access to energy supplies in the presence of extreme weather events can potentially be marked significant.	Adaptation: Significant	30%

# Looking ahead

New Zealand will continue to deliver practical and effective support that realises positive benefits to the challenges of climate change for developing countries. Our objective is to support the sustainable development of climate resilient communities and infrastructure with a particular focus on the Pacific, and to fulfil New Zealand’s commitment to the goal of mobilising jointly US\$100 billion a year by 2020 to address the needs of developing countries. Although most of New Zealand’s climate finance will continue to be delivered through bilateral development assistance, New Zealand supports efforts to mobilise finance from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance.



*Pacific Investment Showcase during the Pacific Energy Summit, 2013*

The Pacific Energy Summit (Auckland, 24-26 March 2013) is a practical example of New Zealand’s approach. The Summit was the first of its kind in the Pacific and was designed to fast-track solutions to the Pacific’s pressing energy needs. The Summit was co-hosted by New Zealand and the European Union and secured donor commitments of NZ\$635 million to advance renewable energy and energy efficiency projects across the Pacific. This was made up of \$255 million in grant funding and \$380 million in concessional loans. Key contributions included a contribution from New Zealand of \$65 million in grants, and from the European Union of \$52 million which includes \$37 million in grants and \$15 million in concessional loans.

New Zealand’s Pacific Energy Summit commitment of \$65 million will assist Pacific island countries to realise their renewable energy and energy efficiency plans. This funding is being delivered in stages over the next three years. New Zealand is currently planning the resources required to implement the Pacific Energy Summit outcomes with our partners. The rate of implementation will depend on the readiness of partner countries, projects, funding partners and availability of funding.

Drawing on our experience, New Zealand is working closely with our international partners to deliver effective climate change finance through the international climate change negotiations. We are working to improve Pacific access to climate finance, including from the private sector. That will help deliver real benefits to small island developing states in the Pacific.