UNFCCC Standing Committee on Finance
Inputs to the Operational Definition of Climate Finance
Philippines

BACKGROUND

There are enough decisions aside from the provisions of the UNFCCC and its Protocol that guarantee financial support for developing country Parties for their obligations under the Convention such as on reporting particularly the National Communications and those finances that are earmarked for investments for both their mitigation and adaptation needs that are still considered grossly insufficient.

In addition, the finance that comes in the form of investments (such as loans) is oftentimes *contested* noting that Climate Finance is generally considered as a responsibility of developed country Parties because damages and lost opportunities due climate change impacts must be compensated, although indirectly labeled as support.

The Philippines concurs with the United Nations Framework Convention on Climate Change (UNFCCC) definition in its Introduction to Climate Finance, as follows:

> ...local, national or transnational financing, which may be drawn from public, private and alternative sources of financing. Climate finance is critical to both <u>reduce</u> emissions and allow countries to adapt to the adverse effects and <u>reduce</u> [sic] the impacts of climate change.[1]

The Philippines further advocates for the inclusion of "avoidance reduction" and/or "emissions avoidance" given that the country is not considered as one of the significant emitters of greenhouse gasses and since the beneficiaries of climate finance are developing countries.

Likewise, while the term "adapt" reflects the general adaptation objectives towards climate resilience, it is further suggested that the terms, "avert, minimize and address loss and damage brought about by impacts of climate change" be included in the definition of climate finance to align with the

[1] United Nations Framework Convention on Climate Change (UNFCCC). (n.d.). *Introduction to Climate Finance*. UNFCCC. https://unfccc.int/topics/climate-finance/the-big-picture/introduction-to-climate-finance

target outcomes of the Warsaw International Mechanism for Loss and Damage, as well as the new global goal on adaptation.

Regardless, climate finance must consist of initiatives relating to climate change mitigation (i.e., efforts to reduce emissions and enhance sinks[2]) and climate change adaptation (i.e., adjustments in ecological, social, or economic systems in response to actual or expected climatic stimuli and their effects or impacts[3]). It must also consider disaster risk reduction and management financing, especially those that are climate-induced or influenced. This is to demonstrate the synergies of doing climate change adaptation[4] and mitigation[5]

The UNFCCC as reiterated by its Kyoto Protocol and Paris Agreement has set the criteria on the eligibility of Climate Finance (Article 4.3 of the UNFCCC), to wit*:*

> *"The developed country Parties and other developed Parties included in Annex II shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations under Article 12, paragraph 1. They shall also provide such financial resources, including for the transfer of technology, needed by the developing country Parties to meet the agreed full incremental costs of implementing measures that are covered by paragraph 1 of this Article and that are agreed between a developing country Party and the international entity or entities[6] referred to in Article 11, in accordance with that Article."*

In succeeding COP decisions (6/CP.23) on Long Term Finance, needs-based was added to the set of criteria for Climate Finance, to be established through individual and regional assessment of needs by developing country Parties in a country driven manner.

INPUTS FOR THE DEFINITION OF CLIMATE FINANCE

Taking note of the agreed criteria in the relevant main provisions and decisions of the UNFCCC and its Protocols, funding from whatever source can only be

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[2] United Nations Framework Convention on Climate Change (UNFCCC). (n.d.). *Introduction to Mitigation*. UNFCCC. https://unfccc.int/topics/mitigation/the-big-picture/introduction-to-mitigation

[3] United Nations Framework Convention on Climate Change (UNFCCC). (n.d.). *What do adaptation to climate change and climate resilience mean?* UNFCCC. https://unfccc.int/topics/adaptation-and-resilience/the-big-picture/what-do-adaptation-to-climate-change-and-climate-resilience-mean

[4] pp 21.D.3.1 (2018) IPCC Special Report: Global Warming of 1.5°C

[5] pp 21.D.3.4 (2018) IPCC Special Report: Global Warming of 1.5°C

[6] Operating Entities of the Financial Mechanism like the Global Environment Facility (GEF), Green Climate Fund, Adaptation Fund, Least Developed Countries Fund (LDCF), Special Climate Change Fund (SCCF), and bilateral, regional and other international intermediaries (Executing Entities) that Annex 1 country Parties may prefer to use.

considered as Climate Finance by developing country Parties, including the Philippines, if they are **new and additional resources over and above the Overseas Development Assistance (ODA)**; and they **correspond to the needs of developing countries** to meet their agreed full costs for their obligations under the UNFCCC and its Protocols (reporting, GHG inventory, and capacity building) and agreed full incremental costs of implementing mitigation and adaptation measures that would enable them to shift as soon as possible to a climate-benign technological base and adapt to climate change impacts in an anticipatory manner, to progressively lessen losses and damages from climate hazards.

Moreover, in accordance with climate justice and the principle of common but differentiated responsibilities and respective capabilities (CBDR-RC), the Philippines advocates for Climate Finance as may be sourced from a blended approach of grants, investments, and subsidies; recognizing in the same manner the state of the present climate emergency and its threat to the daily lives of Filipinos.

- **<u>Grants:</u>** to improve the capacity of local communities in climate-vulnerable areas to undertake mitigation and adaptation measures; these take the form of educational or technical assistance programs to help people conceive of and execute localized projects, and/or philanthropic financing (i.e., voluntary donations from households or corporate bodies to promote charitable causes, projects, and organizations.)
- **<u>Investments:</u>** bankable and high-yield returns focused on adaptation and mitigation programs, projects, and activities; e.g., investments in solar power to unlock more business opportunities – creating new jobs and leading to energy self-reliance in the long-run, and/or risk insurance/financing as a means of protection from financial losses caused by extreme climate events (i.e., forms of risk management like those of payouts made from the catastrophe bonds issued by the Bureau of the Treasury and triggering the parametric insurance of the World Bank).
- **<u>Subsidies:</u>** to support initiatives leading to the transition to a climate-resilient economy addressing the financial costs and risks of this adjustment; e.g., providing financial aid to communities during their gradual shift to renewable energy sources replacing power plants that use fossil fuels.

Furthermore, Climate Finance may be channeled through multilateral development banks (MDBs) since these have extensive monitoring and vetting processes that would provide the “seal of good housekeeping”, which can encourage private sector participation. MDBs can also be tapped to work with the Conference of Parties (COP) for a harmonized set of guidelines; these can determine the viability and sustainability of climate projects as well as set transparency and accountability standards.

Said transparency in Climate Finance flows and the projects/programmes that they fund must consider the needs of developing countries. Thus, in accordance with climate justice and CBDR-RC, the design and delivery of climate finance options, including the nature, type, and sectors covered, must be driven by the needs and priorities identified by developing countries. Additionally, access to climate finance must be granted without undue burden to Parties receiving support. Developing countries must also receive support for climate finance readiness assessments and climate finance project pipeline development and management.

Meanwhile, all Parties must be prepared administratively to mobilize funds. The main objective should be to implement concrete and tangible projects/programmes on the ground that are beyond mere technical assistance. Consequently, these projects/programmes can direct actual solutions to the most vulnerable sectors and highly at-risk areas of our societies.