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## Conference of the Parties

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Item X of the provisional agenda

### **Third biennial high-level ministerial dialogue on climate finance: translating climate finance needs into action**

#### **Note by the President**

##### *Summary*

This document, prepared by the President of the Conference of the Parties (COP) with the support of the secretariat, contains a summary of the third biennial high-level ministerial dialogue on climate finance held during COP 24 in Katowice, which, in accordance with decision 7/CP.22, paragraph 15, was informed by the reports on the in-session workshops on long-term climate finance and the 2018 Biennial Assessment and Overview of Climate Finance Flows, and, in accordance with decision 6/CP.23, paragraph 17, focused on the topic of access to climate finance.

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## Abbreviations and acronyms

BA	Biennial Assessment and Overview of Climate Finance Flows
CHF	Swiss franc
COP	Conference of the Parties
GBP	British pound sterling
GCF	Green Climate Fund
HLMD	high-level ministerial dialogue
MDB	multilateral development bank
NDC	nationally determined contribution
NZD	New Zealand dollar
SB	sessions of the subsidiary bodies

## **I. Introduction**

### **A. Mandate**

1. COP 19 decided to convene an HLMD starting in 2014 and ending in 2020.<sup>1</sup> The COP, in the same decision, requested the Presidency of the COP to summarize the deliberations of the dialogue. The first HLMD was held during COP 20 in Lima,<sup>2</sup> and the second HLMD was convened during COP 22 in Marrakech.<sup>3</sup>

2. COP 22 decided that the dialogue should be informed by the reports of the in-session workshops on long-term climate finance that took place on 15 May 2017 and 7 May 2018 in Bonn, in conjunction with SB 46<sup>4</sup> and 48<sup>5</sup>, and by the 2018 BA.<sup>6</sup> By the same decision, the COP requested the Presidency, with the support of the secretariat, to prepare a summary of the third HLMD, which was held in Katowice during COP 24, for consideration at COP 25 (December 2019).<sup>7</sup> COP 23 invited the Presidency, in organizing the third HLMD, to consider a focus on the topic of access to climate finance.<sup>8</sup>

### **B. Scope of the note**

3. After the key messages emerging from the dialogue are presented (chapter II), information on the preparatory activities and proceedings of the third HLMD is provided (chapter III). The note concludes with a summary of the outcome of the discussions that took place during the dialogue (chapter IV).

### **C. Possible action by the Conference of the Parties**

4. The COP may wish to consider this summary as an input to the long-term climate finance deliberations.

## **II. Key messages**

5. Reported public finance provided and mobilized through bilateral and multilateral channels has been increasing. While this trend is positive, climate finance needs to be scaled up to support climate action in developing countries.

6. Government funding on its own will not meet the investment needs of developing countries. A combination of enabling policies, incentives and increased access to funds is important to mobilize private finance. Fulfilling climate finance commitments made by developed country Parties is a key factor in building mutual trust and contributes to greater predictability and clarity, which can facilitate informed planning and enhanced climate action of developing countries.

7. Taking a whole-government approach is critical to producing a compelling and integrated vision for addressing climate change. Providing space for collective engagement on climate action by ministries of finance, planning and economy together with ministries of environment can facilitate understanding of the good practices in climate action and identify

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<sup>1</sup> Decision 3/CP.19, para. 13.

<sup>2</sup> The summary report is available at [http://unfccc.int/files/cooperation\\_support/financial\\_mechanism/long-term\\_finance/application/pdf/hldm\\_summary.pdf](http://unfccc.int/files/cooperation_support/financial_mechanism/long-term_finance/application/pdf/hldm_summary.pdf).

<sup>3</sup> The summary report is available at <https://unfccc.int/documents/28210>.

<sup>4</sup> FCCC/CP/2017/4.

<sup>5</sup> FCCC/CP/2018/4.

<sup>6</sup> Decision 7/CP.22, para. 15.

<sup>7</sup> Decision 7/CP.22, para. 16.

<sup>8</sup> Decision 6/CP.23, para. 17.

opportunities for upscaling action, including through country-driven budgetary and fiscal policies related to climate change that are aligned with climate change targets.

8. Finance for adaptation needs to be increased significantly and urgently to address the increasing impact of extreme weather events spurred by climate change. Providing further clarity on requirements for accessing adaptation support is indispensable for developing adaptation funding proposals.

9. Developing countries continue to face barriers in accessing climate finance. These barriers can be addressed through, inter alia, simplified access modalities of climate funds, favourable regulatory and policy environments, and provision of capacity-building and technical support.

### **III. Proceedings**

#### **A. Preparatory activities**

10. The third HLMD was convened by the President of the COP, Michał Kurtyka. The Presidency of the COP, with the support of the secretariat, invited high-level panellists, including ministers and representatives of national and regional governments, officials of the United Nations, representatives of the operating entities of the Financial Mechanism of the Convention, senior representatives of MDBs, and climate finance experts from civil society, academia and the private sector, to moderate and participate in the sessions.

11. The dialogue focused on concrete efforts and initiatives related to mobilizing finance and investment so as to translate climate finance needs into action and enhancing developing countries' access to climate finance. In line with the invitation of the COP, the dialogue paid particular attention to the issue of access to climate finance.

#### **B. Opening**

12. The third HLMD was held on 10 December 2018 in conjunction with COP 24. The event was open to all Parties and observers attending the sessions. The programme and other documents are available on the UNFCCC website.<sup>9</sup>

13. The first session was opened by the moderator of the third HLMD, Manuel Pulgar-Vidal, leader of Climate and Energy Practice at WWF International and President of COP 20. Opening remarks were delivered by Mr. Kurtyka, who, after briefly reflecting on the outcomes of the first and second HLMD, underlined the urgency of speeding up the mobilization of climate finance. Noting that the capacity to act on climate change and cope with its consequences varies across countries, he recalled Article 9 of the Paris Agreement, which contains provisions on financial support. Mr. Kurtyka emphasized that ensuring further progress on the goal of jointly mobilizing USD 100 billion annually for climate finance by 2020 remains critical. Furthermore, he reminded the audience of the noteworthy conclusions of the 2018 in-session workshop on long-term climate finance that focused on the topics of articulating and translating needs identified in country-driven processes into projects and programmes, the roles of policies and enabling environments for mitigation and adaptation finance, and facilitating enhanced access.

14. The opening remarks by Mr. Kurtyka were followed by a keynote presentation by Nicholas Stern, Professor of Economics and Government, London School of Economics and Political Science, and Chair of the Grantham Research Institute on Climate Change and the Environment. Focusing on policy and finance for inclusive growth in the 21<sup>st</sup> century and citing the 2018 report of the Global Commission on the Economy and Climate,<sup>10</sup> Mr. Stern highlighted that the next two decades will be critical as choices made on infrastructure and capital now will either lock societies into high emissions or set them on a low-carbon growth

<sup>9</sup> Available at <https://unfccc.int/event/3rd-high-level-ministerial-dialogue-on-climate-finance-translating-climate-finance-needs-into-action>.

<sup>10</sup> Available at <https://newclimateeconomyreport/2018>.

path that can be sustainable and inclusive. Globally, emissions need to be cut by 30 to 35 per cent in the next 20 years, and countries need to act well and swiftly against the backdrop of a global economy that is expected to double in the coming decades.

15. Mr. Stern noted that sustainable infrastructure is at the core of the Paris Agreement and the sustainable development agenda and that actions in innovation, transport and the key sectors of energy, cities, food and land use, water, and industry can unlock investment, growth and sustainable development. Through the right set of actions, over 65 million additional low-carbon jobs can be generated, USD 2.8 trillion can be made available through pricing carbon and removing fossil fuel subsidies, and 700,000 premature deaths from air pollution can be avoided. Noting that the quality and quantity of investment required will be determined by sound policy and government direction, Mr. Stern highlighted that government-induced policy risk is the biggest deterrent to investment worldwide. Policies must be credible over time with predictable flexibility.

16. Given the scale of investment requirements for sustainable infrastructure, a significant scaling up of financing is needed from all sources—domestic public, international, private—and the links between them need to be made stronger. While progress towards reaching the USD 100 billion goal has been slow, MDBs are now moving more swiftly. Pointing to the need to shift the focus to the larger task of mobilizing the trillions that will be needed for developing and implementing sustainable infrastructure, and development more generally, Mr. Stern called for an enhanced partnership based on a new understanding of climate action. Sustainability requires investment in physical, human, natural and social capital, and climate funds are a core element.

17. In concluding his presentation, Mr. Stern stated that how the zero-carbon transition is managed will be central to building the consensus for strong, sustainable action. A just transition is about more than managing a zero-carbon transition. Other large changes in economic structure, including the shift to services, labour-saving technologies and globalization, must be managed together. Offering education and training to support lifelong learning; supporting new skills and entrepreneurship through finance; supporting collaboration between local government, universities and businesses; locating public services and activities in affected areas to boost local economies; and boosting social protection will be essential.

18. The opening session concluded with a presentation on the findings from the 2018 BA of the Standing Committee on Finance. Seyni Nafo, a member of the Committee, noted that, on a comparable basis, global climate finance flows increased by 17 per cent in 2015–2016 compared with 2013–2014. Climate-specific finance provided to Parties not included in Annex I to the Convention reported in the third biennial reports submitted by Parties included in Annex II to the Convention increased by 24 per cent in 2015 (totalling USD 33 billion in that year) and by 14 per cent in 2016 (totalling USD 38 billion in that year). Climate finance channelled through UNFCCC funds and other multilateral climate funds amounted to USD 1.4 billion in 2015 and USD 2.4 billion in 2016. This significant increase was a result of the GCF ramping up operations.

19. Climate finance channelled by MDBs to eligible recipient countries from their own resources was reported as USD 23.4 billion in 2015 and USD 25.5 billion in 2016. Private finance mobilized as reported by the MDBs amounted to USD 10.9 billion in 2015 and USD 15.7 billion in 2016. The Organisation for Economic Co-operation and Development estimated that bilateral and multilateral institutions mobilized USD 21.7 billion in climate-related private finance in 2012–2015.

20. The 2018 BA also provides insight into the recipients of climate finance. In 2015 and 2016, national and local governments received 51 per cent and 61 per cent, respectively, of the bilateral finance reported to the Development Assistance Committee of the Organisation for Economic Co-operation and Development. Of the total climate finance committed by MDBs from their own resources, 72 and 74 per cent were channelled to public sector recipients in 2015 and 2016, respectively. However, a lack of data and incomplete reporting pose a challenge in identifying recipient institutions.

21. With regard to methods and metrics, there remain significant data gaps on domestic climate-related finance and private investment in transport, buildings, industry, agriculture,

forestry, water and waste management. Going forward, work on impact metrics for climate finance, particularly with regard to adaptation and climate resilience, will be important for enhancing the understanding of climate finance flows in the broader context of economic development.

22. While the current climate-related financial flows at a level of USD 680 billion are significant, they remain small in the context of wider trends in global flows and investments. Climate finance flows must be scaled up while ensuring the consistency of flows, as provided in Article 2, paragraph 1(c), of the Paris Agreement. The mapping of the data sets on flows and stock showed that the integration of climate change considerations into wider decision-making processes is still nascent.

23. The opening session was followed by high-level multi-stakeholder panel discussions, taking place in two distinct sessions, and a final session. The final session consisted of an open discussion in plenary where ministers, State representatives and high-level representatives of observer organizations were invited to provide their views on the topics addressed by the different panel discussions and, as appropriate, to inform the audience of any actions or initiatives relevant to the focus area of the event.<sup>11</sup> The video recording of the third HLMD is available on the UNFCCC website.<sup>12</sup>

#### **IV. Outcomes of the discussions**

24. The third HLMD was informed by rich discussions on the topic of translating climate finance needs into action. In total, 46 ministers, senior officials and heads of organizations intervened and took part in the discussions. The following subchapters summarize the outcomes of the discussions held during the dialogue.

##### **A. Mobilizing finance and investment to translate climate finance needs into action**

25. Based on the information provided in the 2018 BA, ministers reflected on the state of climate finance flows. There was broad recognition of an overall increase in the reported public finance mobilized and provided through bilateral and multilateral channels by 17 per cent in 2015–2016 compared with 2013–2014. It was noted that adaptation finance continues to represent a small share of climate finance overall.

26. Some ministers called for coherent discourses, pointing to the need to fulfil climate finance commitments made at COP 21 as a critical factor for building mutual trust. In this regard, some ministers discussed the importance of having countries fulfil their climate finance pledges – in particular those made to the GCF – to ensure the USD 100 billion goal is achieved by 2020. Several ministers from developed countries showcased how their climate finance commitments have increased in recent years and announced commitments to facilitate the mobilization of climate finance (see chapter IV.C below).

27. Participants focused on identifying resource mobilization measures that can help to increase the annual levels of climate finance. In this regard, ministers concurred that government funding on its own will not suffice and highlighted the role the private sector can play in mobilizing climate finance. While the role of governments was highlighted in leveraging private sector participation through enabling policies that mitigate investment risk, such as providing incentives to low-carbon projects, increasing access to attractive financial instruments such as grants, and implementing clear and long-term plans, the role of the private sector in leading the mobilization of climate finance was equally highlighted.

28. Other measures pointed out by participants included phasing out fossil fuel subsidies and incentivizing renewable energy projects that have received considerably smaller

<sup>11</sup> All statements received in writing are available at <https://unfccc.int/event/3rd-hlmd-on-climate-finance>.

<sup>12</sup> Available at <https://unfccc-cop24.streamworld.de/webcast/3rd-high-level-ministerial-dialogue-on-climate-fin>.

subsidies comparatively. Carbon pricing was also denoted as an instrument that can provide significant climate resources and cost-effective emission reductions. One minister mentioned the importance of intensifying MDB lending – under favourable market conditions – as a valuable risk-reduction instrument for fostering low-carbon investments.

29. Ministers underscored the need for upfront information to enhance predictability and clarity on the availability of climate finance. Upfront information will inform developing countries in planning and implementing climate actions, particularly in implementing the actions put forward in their NDCs. One minister noted the need for a detailed and long-term outlook on the sources and volumes of climate finance to be dedicated to developing countries for improved planning and coordinated action. Accordingly, this would be an essential aspect of trust-building among Parties.

30. Due to the cross-cutting nature of climate change, ministers underscored the importance of a whole-government approach by bringing together ministries of finance and planning with ministries of environment to produce a compelling and integrated vision on climate change. Providing dedicated space to share experience and lessons learned from specific implementation activities could help climate stakeholders understand good practices of climate action and identify opportunities for scaling up.

31. The role of ministers of finance has been highlighted as particularly important for promoting scaled-up mobilization of climate finance and in transitioning to low-carbon and climate-resilient economies, including through country-driven budgetary and fiscal policies aligned with climate change targets. In this regard, the Coalition of Finance Ministers for Climate Action, coordinated by the finance ministers of Chile and Finland and supported by the World Bank, was highlighted as a positive example of facilitating the contribution of finance ministers in the collective engagement on climate action.

32. Other ministers highlighted the importance of taking a holistic approach by aligning the financial system with the goals of the Paris Agreement and the Convention on Biological Diversity, and the Sustainable Development Goals. Ministers emphasized the importance of including all sectors in the fight against climate change. Examples given were the maritime and aviation sectors, which have a considerable environmental footprint and with respect to which emission reduction targets and financial commitments should be strengthened.

## **B. Enhancing access to climate finance**

33. The third HLMD also identified key factors that may contribute to enhancing access to climate finance. Clarity on the requirements of climate funds is a prerequisite for developing countries to access climate finance, particularly for adaptation. In considering some of the major barriers to accessing climate finance, some ministers highlighted the importance of the clarity and harmonization of investment criteria, eligibility requirements and funding conditions. One minister stated that developing countries are currently confronted with a complex and highly fragmented climate finance landscape whereby each fund has its own assessment procedures, priorities and scope, which hampers access to finance.

34. While efforts to facilitate access to climate finance were highlighted as positive trends, such as the simplified approval process of the GCF, participants underscored that key finance actors such as climate funds, MDBs and bilateral finance institutions need to better coordinate with one another and be guided by host country governments and their national goals to facilitate access to climate finance.

35. Lack of clarity and lack of guidance further aggravate access to adaptation finance. For example, developing countries are unclear as to what constitutes adaptation finance and thus have difficulties finding common ground on how to enhance adaptation activities. The replenishment process of the GCF, coupled with its efforts to address current policy gaps, was highlighted as an opportunity to provide further clarity and guidance to developing countries, for example by highlighting strategic and programming priorities.

36. Ministers highlighted that building trust and ensuring country ownership are elementary in developing and implementing robust climate projects and contribute to long-

term and sustainable projects given that activities are planned with a high level of local engagement and broad community participation. The direct access modalities under the Adaptation Fund and the GCF were highlighted as successful examples of modalities for enhancing country ownership.

37. Ministers noted that simplifying access to climate finance is only one part of enhancing access. Favourable regulatory and policy environments coupled with technical and capacity-building support are equally important. Examples were shared of existing initiatives that provide technical assistance with and capacity-building for project development and access to climate finance.

### **C. Initiatives for leveraging and catalysing public and private finance**

38. Participants agreed that mobilizing additional resources is a significant for achieving the Paris Agreement goals. In this respect, participants emphasized that higher levels of climate finance are needed to adequately mitigate global emissions and safely adapt to climate change. The following announcements were made on mobilizing climate finance and investment and facilitating capacity-building and technical support:

(a) The representative of the Government of France reaffirmed its commitment to meet its climate finance target of EUR 5 billion per year starting in 2020, as announced during COP 21. She further announced specific contributions of EUR 12 million, EUR 20 million and EUR 15 million to the GCF, the Least Developed Countries Fund and the Adaptation Fund, respectively;

(b) The special representative for climate change of the Government of the United Kingdom of Great Britain and Northern Ireland stated it had committed GBP 5.8 billion for climate change activities and that it would pursue an equally ambitious path going forward. Building on the experience of the United Kingdom, he announced GBP 350 million initiatives for sustainable infrastructure, the provision of technical assistance, the Climate Finance Accelerator Programme whereby finance experts from the United Kingdom support developing countries in developing climate projects, and the market accelerator for green construction, which is a GBP 106 million investment that intends to leverage GBP 2 billion;

(c) Sweden's Minister for the Environment stated that the country is the largest donor of climate finance per capita and that it will remain fully committed to raising its part of the USD 100 billion goal. In this regard, the minister pledged to contribute USD 5.5 million each to the Adaptation Fund and the Least Developed Countries Fund;

(d) The Minister of Climate Change for New Zealand announced New Zealand will contribute NZD 3 million to the Adaptation Fund and NZD 1.5 million for the next three years towards establishing a Pacific regional NDC hub to support Pacific island States in achieving the objectives of their NDCs. Furthermore, he highlighted the importance of providing technical support and capacity-building and announced New Zealand's support for establishing the Pacific Climate Change Centre in Samoa, which aims to support Pacific countries in developing funding proposals to the GCF;

(e) The State Secretary of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety of Germany reaffirmed the pledge announced prior to COP 24 of doubling its contribution to the GCF replenishment, to EUR 1.5 billion. In addition, he announced Germany's intention to make a contribution to the Adaptation Fund amounting to, as he confirmed later in the Conference, EUR 70 million;

(f) The representative of the Government of Switzerland announced commitments of USD 120 million for new public climate finance in 2018, including for bilateral climate projects and programmes, of which 75 per cent will be disbursed for adaptation action and 25 per cent for mitigation action; over USD 12 million to the International Fund for Agricultural Development for targeted climate action; USD 9 million to the Climate Risks Early Warning Systems Partnership; and USD 10 million to the Bio-Carbon Fund. In addition, he announced Switzerland's intention to contribute over USD 13 million to the Least Developed Countries Fund and the Special Climate Change Fund jointly over the next

four years, as well as CHF 118 million to the sixth replenishment period of the Global Environment Facility, subject to parliamentary approval;

(g) The representative of the European Commission announced that it would contribute EUR 10 million to the Adaptation Fund in addition to the individual commitments made by its member States;

(h) The representative of the World Bank reaffirmed its announcement made prior to COP 24 to double lending to USD 200 billion from 2021 to 2025, to provide technical assistance to developing countries and to support the Coalition of Finance Ministers for Climate Action.

39. The ministers thanked the Presidency of the COP for convening the third HLMD and expressed their support to the Presidency in taking forward the ideas that emerged from the dialogue.

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