Canada

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Views on the Baku-to-Belém Roadmap to 1.3T

Canada welcomes the opportunity to share its views on the 'Baku to Belém Roadmap to 1.3T' and emphasizes the importance of an inclusive process, engaging with a wide range of stakeholders to gather input. Canada welcomes the decision to launch the Roadmap and sees it as an important opportunity for Parties and non-Parties, particularly institutions and actors from the private and financial sector, to come together and exchange perspectives on various approaches, challenges and opportunities in scaling up climate investments in developing countries. To maximize its effectiveness, the Roadmap process should be set up to provide policy guidance and actionable recommendations on implementation towards USD 1.3 trillion (T) as part of the agreed New Collective Quantified Goal (NCQG), rather than establishing commitments or obligations. This submission will set out Canada's suggested vision for the Roadmap, as well as views on topics and structure for the Roadmap process to inform the report of the COP29 and COP30 Presidencies.

What are your overall expectations for the "Baku to Belém Roadmap to 1.3T"?

The NCQG constitutes a necessary broadening of climate finance, maintaining Article 9, while also introducing a more expansive view of climate finance delivery. The topline of decision -/CMA6 is a call "on all actors to work together to enable the scaling up of finance to developing country Parties for climate action from all public and private sources to at least USD 1.3 trillion per year by 2035." This reflects the reality of what is needed to reach the scale of finance required.

As such, the Roadmap should engage with and capture the full set of actors in the finance landscape, particularly the private sector, philanthropies, impact investors, and international financial institutions (including Multilateral Development Banks and vertical climate funds), that are critical to shift capital towards climate investments in developing countries. Canada expects the process to be transparent, inclusive and consultative to enable meaningful engagement with non-Party actors, including private sector and civil society, and those often underrepresented in the global financial system, including Indigenous Peoples, women, and youth to ensure consideration of their needs and priorities. In practice, this requires approaches that facilitate intentional dialogues between Parties and external actors, for example roundtable discussions with experts from the private sector and financial institutions, as well as Indigenous Peoples. This also means facilitating virtual dialogues to ensure broad participation from a diverse range of actors across all regions. Regular consultations throughout the preparation of the Roadmap output will also be important to ensure the report reflects all relevant views.

In terms of substance, the Roadmap should deliver implementation-focused and solutions-oriented pathways to unlocking finance for climate action, outlining clear roles for each key actor. To adequately reflect the call to action above, it should, in consultation with Parties and stakeholders, aim to present practical actions, opportunities, and recommendations to guide efforts by all actors in the finance landscape, including providers, investors, and recipients, in enabling investments. In doing so, the Roadmap should build on and find synergies across existing initiatives and efforts underway across the

global financial system. Canada sees value in the Roadmap serving as a convener, bridging silos to bring all relevant actors, solutions, initiatives, and measures into one space for holistic and common approach to unlocking finance for developing countries and the people and communities on the frontlines of climate change.

In regard to the outcome of the Roadmap, Canada emphasizes that the CMA6 decision, paragraph 27, does not call for a negotiated outcome and instead requests the Presidencies to produce a report summarizing the work by CMA7 – this is critical to ensuring the process remains open to cooperation with external actors who are essential to reaching the USD 1.3 T investment target and secures their buy-in by including their perspective, whereas a negotiated process limits the Roadmap to UNFCCC Parties. The CMA6 decision is also clear that the Roadmap is a standalone process, ending at COP30. As such, it should be viewed as an opportunity to set up initial guidance for the global community to translate into action to reach USD 1.3 T. Canada welcomes the leadership of the COP29 and COP30 Presidencies and encourages them to set up a process that is in close collaboration with independent subject matter experts, to leverage their broad expertise and networks in the finance landscape.

Canada requests the Presidencies to produce a report which maps sources, actors and initiatives across the financial system, and outlines recommendations and concrete actions that actors, public and private, including domestic private actors, can take to address the systemic barriers to scaling up finance for climate investments in developing countries. Building on efforts such as those by the Facilitative Working Group of the Local Communities and Indigenous Peoples Platform, this mapping should also examine existing safeguards, standards and good practices related to the inclusion of Indigenous Peoples and other underrepresented groups, and assess how these are currently being applied across climate finance initiatives.

Lastly, ensuring appropriate safeguards for human rights, gender equality and the rights of Indigenous Peoples, including through the implementation of free, prior, and informed consent, is critical to ensure the integrity of climate finance (i.e., that climate finance interventions at minimum do no harm). Moreover, the people and communities on the frontlines of climate change are the best placed to represent their needs and priorities and assess opportunities and gaps in addressing them. Therefore, these typically underrepresented groups should be included in a collaborative manner throughout the process.

Which topics and thematic issues should be explored to inform the Roadmap, within the scope of the mandate?

Broadly speaking, the Roadmap should focus on the necessary actions the various actors in the global financial landscape should take to achieve USD 1.3T. Decision -/CMA6 mentions a wide range of qualitative elements and the Roadmap should consider their impact on increasing and improving finance. Canada emphasizes the importance of the following topics: accessing finance; redirecting capital to climate action; mobilizing finance from a wide variety of sources, particularly private sector; implementing IFI reform; and creating enabling environments to facilitate climate investments.

Canada views the Roadmap as a valuable space to explore both challenges and opportunities for all actors of the climate finance landscape, including bilateral and multilateral providers, the private sector and recipients. Thematic issues could be grouped under broad categories speaking to 1) the barriers and challenges faced by a cross-section of actors; 2) their role as enablers of progress along relevant dimensions of climate finance mobilization; 3) the opportunities each actor presents in terms of solutions and instruments to further deploy to scale up climate finance. Taken together and combined with a set of tailored recommendations, these overarching thematic issues provide a framework for a solutions-oriented Roadmap that effectively speaks to various actors, including financial actors, providers, and recipients, to provide a holistic view of entry points for progress across the landscape and throughout the programming cycle.

Barriers and challenges

Decision -/CMA6, paragraph 4, notes that there is sufficient global capital to close the global investment gap but there are barriers to redirecting capital to climate action. The Roadmap should map out the main barriers impeding the scaling up of traditional climate finance and the flow of private capital towards climate action, noting the need to ensure all financial flows align with climate-resilient development. For example, the Roadmap could discuss:

- For bilateral providers, existing barriers in providing and mobilizing public climate finance, including heightened fiscal pressures.
- For multilateral providers, challenges in making finance more accessible and enhancing coherence and coordination within the system, as well as barriers limiting their ability to scale up private finance mobilized, including real and perceived market barriers impeding the private sector from investing in climate action in developing countries, notably due to risk.
- For the private sector, the under tapped actors, such as philanthropies, impact investors and institutional investors, and the factors preventing their involvement, including perceived and real risks, regulatory and institutional barriers and capacity limitations, the need for sustainable project pipelines, and the challenges of returns on investments.
- For recipients, barriers to access, both procedural and linked to fiscal space challenges, as well as structural challenges limiting the creation of domestic enabling environments to attract investments would be useful.

Enablers of progress

All actors in the climate finance landscape must play a role to reach USD 1.3T to ensure the system encourages climate-positive investments. Decision -/CMA6, paragraph 25 calls on all Parties to enhance enabling environments in a nationally determined matter to increase climate finance. To address this, the Roadmap could explore the enabling policies required to:

- Unlock private sector investment, outlining opportunities for action from providers, governments and the private sector.
- Support improved access from bilateral and multilateral providers, including direct access.
- Facilitate the generation of climate-positive investments in diverse recipient countries.
- Enhance capacity-building and technical assistance, notably mapping out where bilateral providers can do better to deliver support.

Opportunities to scale-up

To reach USD 1.3T, decision -/CMA6, paragraph 15, encourages the exploration, use and scaling up of innovative sources and instruments. The Roadmap should discuss the range of instruments and sources that can be drawn upon on the path to USD 1.3T, highlighting which actors are best suited to deploy them and identifying opportunities for innovation based on actors' respective abilities. This should include:

- Existing and emerging tools that could be used by the private and financial sector to direct finance towards climate investments, taking into account lessons learned from case studies of mobilization of private finance and blended finance for climate action.
- A mapping of instruments successfully leveraged by multilateral providers to mobilize private capital and how to expand their use.
- Unpacking the role that can be played by bilateral providers to support the deployment of innovative financing tools.
- Exploring the types of domestic regulations and policies that are most successful in unlocking capital and attracting a wide variety of sources and instruments in recipient countries.

What country experiences, best practices and lessons learned can be shared related to barriers and enabling environments; innovative sources of finance; grants, concessional and non-debt creating instruments, and measures to create fiscal space?

The Roadmap's report should refer to a variety of initiatives, mechanisms, and approaches that have been undertaken over the last decade with respect to scaling up finance. Below are a few case studies.

Innovative instruments, designed to de-risk investment opportunities to mobilize capital toward climate investments, are required to fill the investment gap, and case studies can provide insight into ways to increase available capital. For example, at COP29, Canada's bilateral Development Finance Institution (DFI), FinDev Canada, in partnership with MUFG Bank, the Green Climate Fund and Climate Fund Managers, launched GAIA, which is a USD 1.48 billion blended finance platform that aims to support climate adaptation and mitigation in up to 25 emerging markets and developing economies, including Least Developed Countries and Small Island Developing States, with 70% of the portfolio allocated to adaptation. GAIA is focused on mobilizing capital to address market needs through innovative pairing of public-private risk sharing and with a blended finance structure that combines commercial, concessional, and grant capital.

Discussions on innovative instruments should also explore how green bonds and climate bonds can help raise capital specifically for climate projects, including best practices and approaches to scale them up. One recent example is the Climate Investment Funds (CIF) Capital Markets Mechanism, focused on mobilizing finance for climate action and sustainable development. Its inaugural bond raised $500 million on the back of an orderbook totaling more than $3 billion from investors around the world.

Beyond financial instruments, effective partnerships and in-country mechanisms help scale up finance. The Just Energy Transition Partnerships (JETPs), or the broader "Country Platforms" model, are positive examples of how host countries, bilateral donors, international financial institutions, development banks, and the private sector can come together to support country-led decarbonization pathways. Past JETPs demonstrate challenges, opportunities, and lessons on how to best invest in country capacity, increase coordination in mobilizing finance, enhance enabling environments, increase access to finance, better utilize the role of various actors and sources, and strengthen country-ownership. Addressing inefficiencies in capital allocation and increasing stakeholder awareness of financing options at a country level is critical to better align public and private funds and expand the pool of capital. Key actors, such as GFANZ, are positioned to advance such efforts towards practical approaches, applying insights from JETP.

In examining the broader international financial architecture, various measures are underway as part of the reforms of IFIs and MDBs, including as part of the G20 Roadmap for Better, Bigger, and More Effective MDBs and the G20 Capital Adequacy Framework (CAF) Review recommendations. The Baku to Belém Roadmap can map the various reform measures in support of scaling up resources toward climate investments in developing countries to see where progress has been made and opportunities to capitalize on further. For example, in expanding lending capacity to developing countries' Sustainable Development Goals (SDGs), the World Bank Group's hybrid capital is a promising new instrument, to which Canada pledged US$200 million, which, when leveraged will provide up to $1.6 billion in additional lending capacity over 10 years.

Canada recognizes that limited fiscal space and unsustainable debt levels continue to pose barriers for developing countries in accessing finance, particularly those most vulnerable to impacts of climate change. In recognition of this, several measures have been launched in recent years to better address these challenges. For example, Climate Resilient Debt Clauses (CRDCs) in sovereign lending can provide immediate debt relief if a borrowing country experiences a climate incident or natural disaster. Such debt clauses have been effectively used by vulnerable countries, including Small Island Developing States, and have the potential to be scaled up.

Technical assistance has also been helpful in strengthening enabling environments (e.g. governance, policies) and building broad support for and piloting climate solutions to ensure they are ready to be scaled up with larger public and private support. Through the $7 million Recycle Organics project (2017 to 2021), Canada supported Chile with organic waste legislation, strategies, projects and education to create further opportunities for investment. From this, over $25 million in investments was leveraged from public and private sources. The project's model has since been scaled up and replicated by other donors across more than 20 countries.

Canada also recognizes that technical barriers to accessing climate finance continue to be a key issue for recipients, especially those with limited capacity. Many efforts to improve capacity by providing technical assistance to support access to climate finance are already underway, including the Climate Finance Access Network (CFAN), the Commonwealth's Climate Finance Access Hub, and the NDC Partnership's Centre for Access to Climate Finance. These global efforts are on top of more general capacity development initiatives that impact access such as the GCF's Readiness and Preparatory Support Programme and its Project Preparation Facility and the Adaptation Fund's Readiness Programme, among others. In addressing systemic barriers, further efforts by multilateral institutions to improve coordination and harmonization of processes, including through their joint action plan, should also be noted.

These efforts to improve access to date have demonstrated some best practices that the Roadmap could consider such as the importance of building lasting local capacity and knowledge, establishing country ownership and linking to national climate plans that are based on needs, and understanding sources and processes for accessing finance. As the development of high-quality, bankable climate projects continues to represent a barrier to access, it will be crucial to use capacity building resources to develop national expertise in core areas of project development that drive bankability, such as financial modeling and structuring, and risk mitigation, such as seen in CFAN's climate finance training module.

Which multilateral initiatives do you see as most relevant to take into account in the Roadmap and why?

As mentioned above, the Roadmap should build on existing multilateral initiatives and mechanisms including:

- Under South Africa's presidency, the G20 Sustainable Finance Working Group (SFWG) is advancing work on fostering greater complementarity and coherence among vertical climate and environment funds (VCEFs), MDBs, national development institutions and private financial institutions, and exploring ways to scale up financing for adaptation. The G20 Environment and Climate Sustainability Working Group (ECSWG) is also looking at climate finance in the context of just transition and in particular at enhancing access and reducing the cost of capital. Mobilizing finance for energy transition, by building on lessons and experiences of country platforms such as JETPs, is also a priority area under South Africa's presidency.

- Under Brazil's presidency, the G20 Task Force on a Global Mobilization against Climate Change (TF-CLIMA) addressed issues such as attracting private capital flows to climate action, the role of MDBs and VCEFs in mobilizing climate finance, and advancing transition planning and country platforms.

- During the United Nations General Assembly (UNGA), New York Climate Week, which brings together business leaders, policymakers, and civil society to discuss climate solutions and the role of the private sector. The Roadmap should capitalize on this opportunity to hear from relevant actors on how to accelerate climate investment towards USD 1.3T.

- There are other examples of public-private coalitions to scale up private investment in sustainable development in emerging markets and developing countries, including the Hamburg

Sustainability Platform (HSP). The Platform, which is currently in development, aims to better combine public and private investments through standardized financial products as well as harmonized public strategies, thereby enhancing simplicity, replicability and efficiency to crowd in large institutional investors at scale.

- Within the UNFCCC, while the Sharm el-Sheikh Dialogue on Article 2.1c and its complementarity with Article 9 is a distinct process, and broader than the Roadmap to USD 1.3T, there remains some overlap on elements related to enabling scale up and consistency of finance toward climate goals. The Roadmap and the Dialogue should work closely to not duplicate processes while maintaining a feedback loop on complementary topics.