

SCF INFORMAL WEBINAR

MAPPING INFORMATION RELATED TO ARTICLE 2, PARAGRAPH 1(C) OF THE PARIS AGREEMENT

*Making finance flows
consistent with a pathway
towards low greenhouse gas
emissions and climate-resilient
development.*

6 November 2020

1400 – 1530 CET



AGENDA

1. Introduction – Seyni Nafo and Vicky Noens

2. Overview of Fourth Biennial Assessment and areas for input – Chantal Naidoo

3. Discussants

- Aram Rodriguez de los Santos, National Institute of Ecology and Climate Change, Mexico
- Caroline Wellemans, DG FISMA, European Commission
- Paola Alvarez, Department of Finance, Philippines
- Daisy Streatfield, Institutional Investors Group on Climate Change
- Raphael Jachnik, Environment Directorate, OECD
- Damien Navizet, Agence Française de Développement

4. Open Discussion – All participants

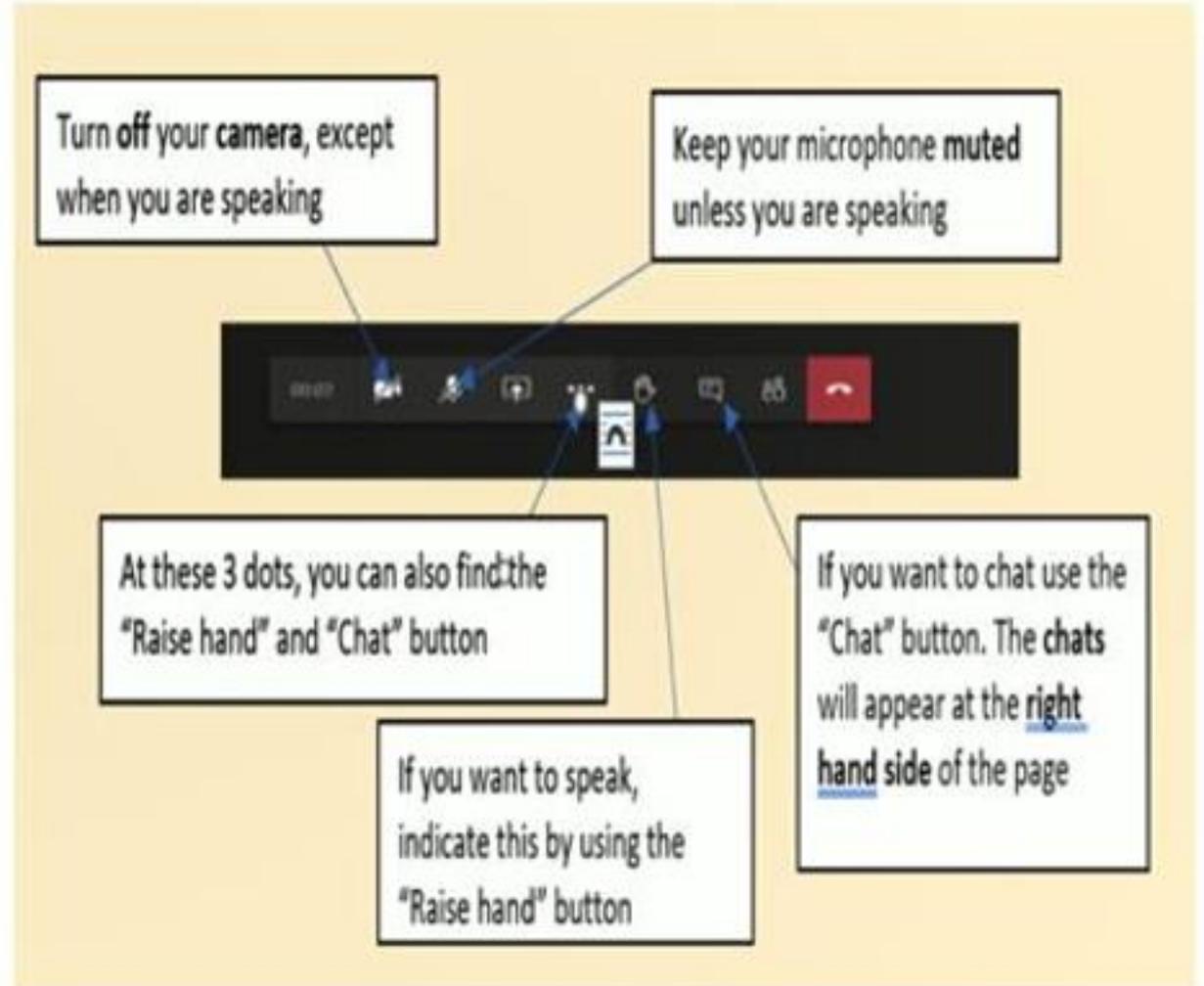


Housekeeping matters

HOUSE KEEPING RULES for this session

Use a **headset** if possible to limit the background noise

Do not forget to use the **raise hand** to ask for the floor, **lower the hand** once the question is taken



Home

SB 52

Process and meetings

Topics

Calendar

Climate action ▾

Documents and decisions ▾

About us ▾

Process and meetings ... Bodies ... Constituted Bodies

Standing Committee on Finance (SCF)



2019 Report to the Conference of the Parties

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Credit: UNFCCC



Summary and Recommendations prepared by the SCF



Technical Report of the Biennial Assessment prepared by experts under guidance of SCF

Chapter I: Methodological Issues

- MRV systems in and outside the UNFCCC
- Operational definitions of climate finance in use
- Measuring outcomes

Chapter II: Overview of Climate Finance Flows

- Global climate finance estimates and trends
- Climate finance from developed to developing countries
- Recipient perspective

Chapter III: Assessment of Climate Finance

- Thematic, geographic distribution
- Effectiveness: access, ownership, needs, additionality
- Global climate finance in context

Chapter IV: Mapping information relevant to Article 2.1c

- Ongoing activities and approaches relevant to article 2.1c
- Impact on the real economy



Call for evidence

New! Calls for evidence

The Standing Committee on Finance has launched Calls for Evidence to support the preparation of two key technical reports that will feed into deliberations at COP26:

 [Fourth Biennial Assessment and Overview of Climate Finance Flows](#)

 [First report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement](#)

Background

At the sixteenth session of the Conference of Parties (COP), Parties decided to establish a Standing Committee on Finance to assist the COP in exercising its functions in relation to the Financial Mechanism of the Convention. This involves:

Compilation of all COP and CMP decisions related to climate finance (now searchable)

LINKS

Climate Finance-related links

-  [SCF Flyer](#)
-  [SCF Forum report](#)
- [Climate Finance Data Portal](#)
- [Long-term climate finance](#)
- [Methodologies for reporting financial information by Parties included in Annex I to the Convention](#)

Financial Institutions

UNFCCC Constituted Bodies



Chantal Naidoo

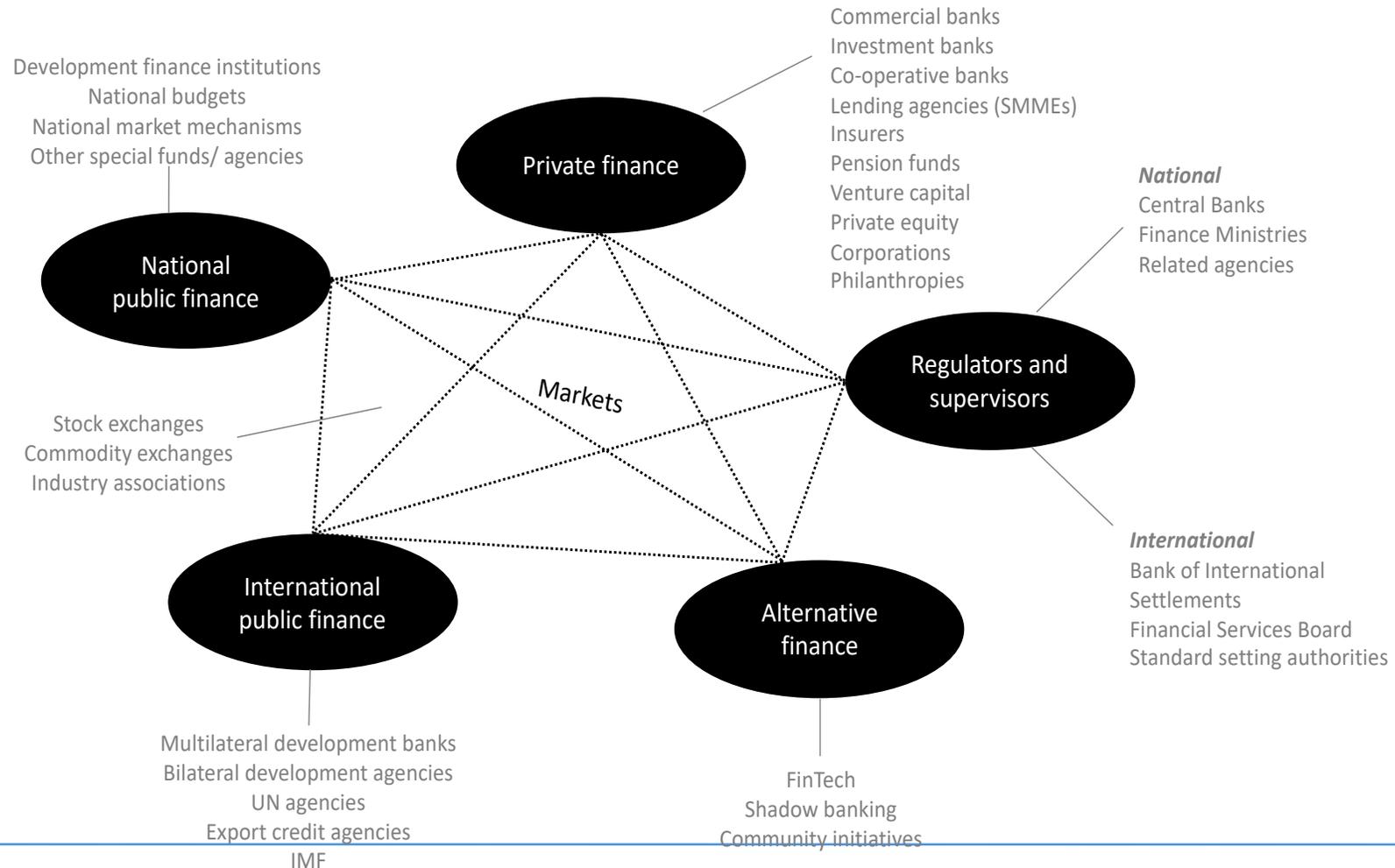


Rationale for approach

- Limited guidance from member states on approaches to Article 2.1c
- However, public and private finance initiatives responding to Paris Agreement growing exponentially
- Hence – approach is scoping of initiatives by “financial actors”
- Framing of these initiatives largely framed as “alignment” with Paris Agreement
- Scoping initiatives offers insights to depth and breadth of response by financial sector especially:
 - Actions – voluntary and mandatory
 - Different interpretations of finance flows, consistency
 - Responses in relation to low GHG and climate resilient development
- Research methodology: scoping review
- Data sources: Published research, surveys, announcements, submissions, country examples

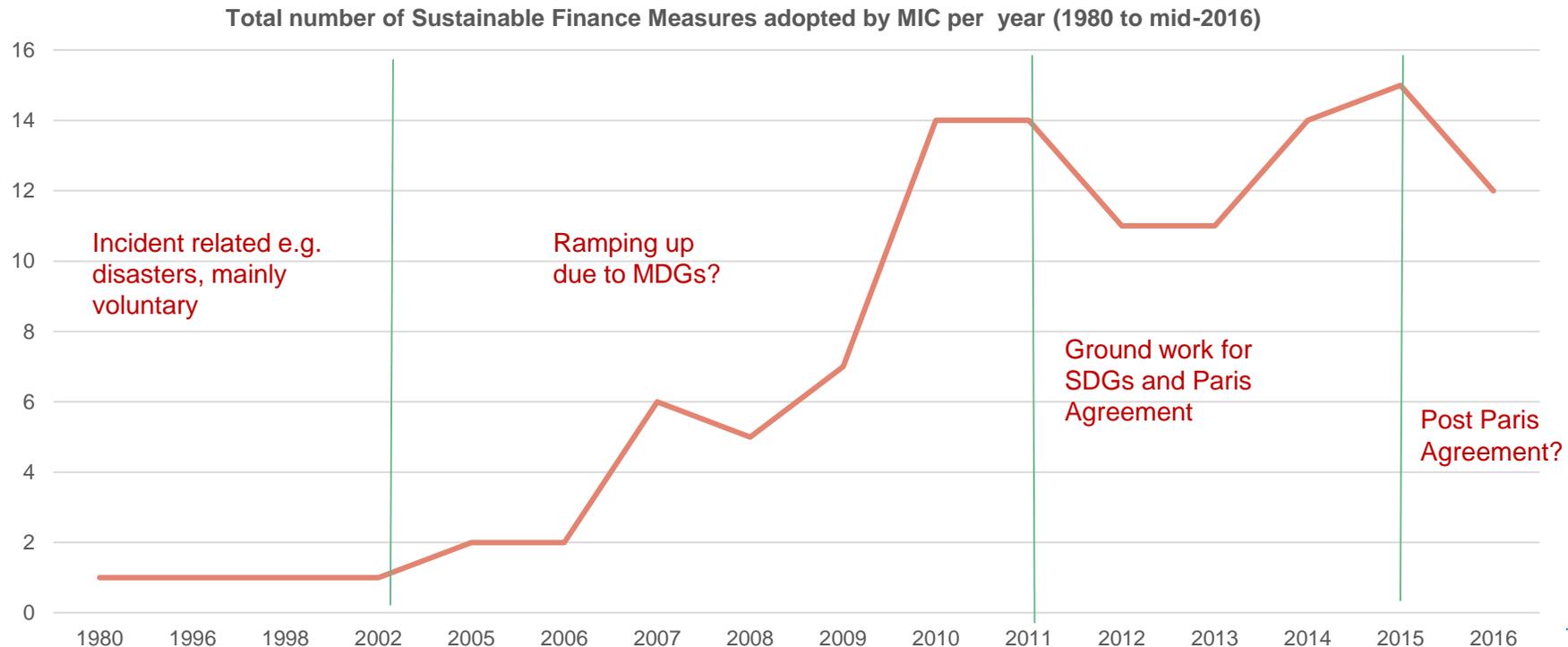


What do we mean by “financial actors”



Growth in sustainable and climate-related finance measures by financial actors in developed & developing countries

296 sustainable finance measures that have been implemented or proposed since 1980. Among these are 45 developing and developed countries including Indonesia, China, Brazil, Colombia, South Africa, Philippines, Nigeria plus South Korea. All have introduced environmental, social and governance factors into the national finance system (either voluntary or mandatory).



Source: Adapted by author from UNEP Inquiry into Design of a Sustainable Finance System - database (June 2016)

Aram Rodriguez de los Santos

Deputy Director Climate Change Adaptation Planning
Instruments, National Institute of Ecology and Climate Change
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Caroline Wellemans

Deputy Head of Unit, DG FISMA, European Commission



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Raphael Jachnik

Policy Analyst Climate Finance, Environment Directorate,
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MEASURING THE CLIMATE CONSISTENCY OF FINANCE

Raphaël JACHNIK

Climate, Biodiversity and Water Division
OECD Environment Directorate



UNFCCC webinar

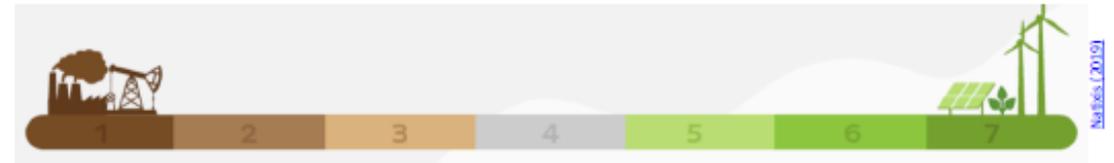
Mapping information related to Article 2, paragraph 1(c) of the Paris Agreement

6 November 2020

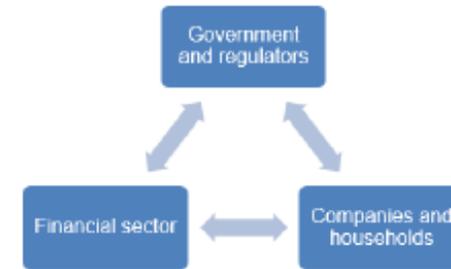


Measuring consistency/alignment of finance requires...

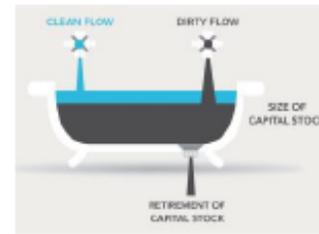
'Reference points' that help assess not only **alignment** but also **misalignment**



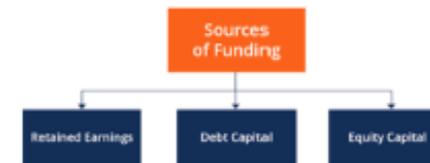
An **economy wide perspective** of both the **financial sector** and the **real economy**



Coverage of **different aspects** of investments and financing activities



RMI (2018)





Research Collaborative work on measuring climate alignment

- **Connect** relevant actors and initiatives
 - **Conduct own research** on climate consistency of **real economy investments** ~ ‘Gross Fixed Capital Formation’
 - Test data availability
 - Explore different ‘reference points’ for evaluating the consistency with climate objectives
 - Identify next steps for scaling up such analyses
- **Three country- and sector-level pilot studies in 2019-2020**

[Latest workshop took place on 7 October 2020](#)



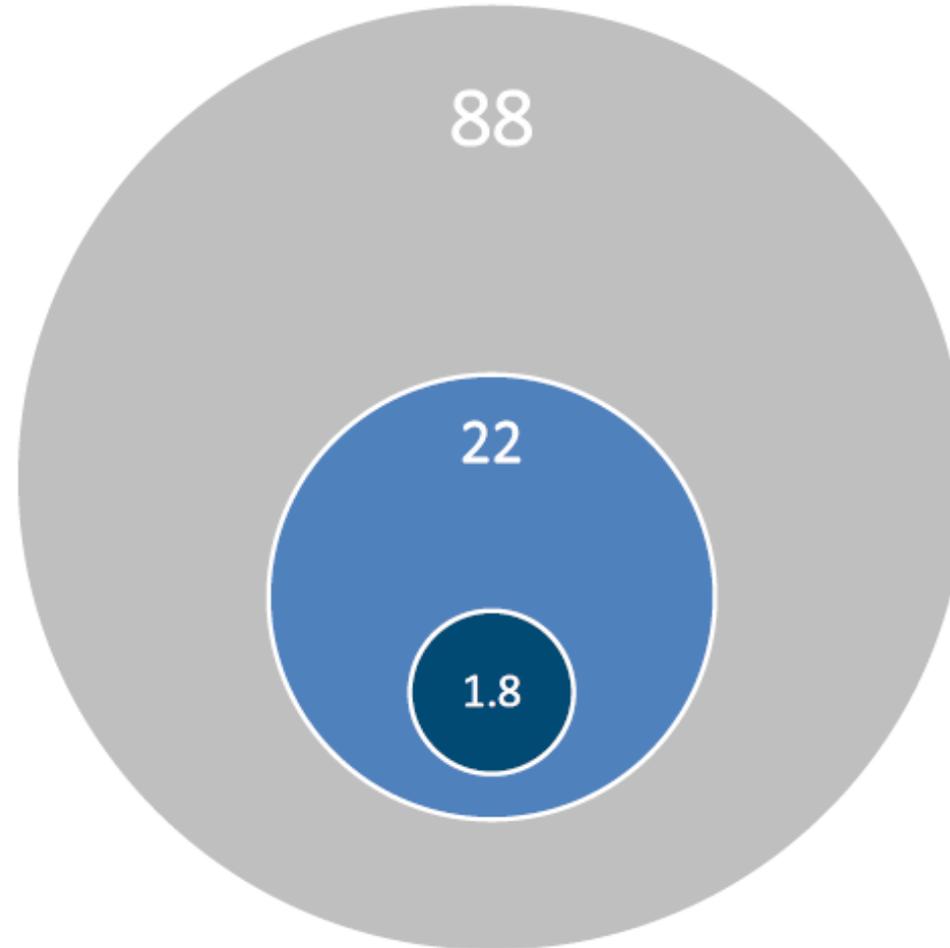


Real economy flows: global orders of magnitude (USD trillion)

Gross Domestic Product
(IMF, 2019)

**Gross Fixed
Capital Formation**
(World Bank, 2018)

**World Energy
Investments**
(IEA, 2019)



**2020
expectations?**

GDP down by 5%
(IMF)

Energy
Investments down
by 20% (IEA)



A winding road towards comprehensive analysis



Collect granular investment data

- Investment volumes from national statistics, company reports, and household surveys
- Primary data collection to complement existing data sources, which rarely distinguish climate-relevant categories

Collect granular climate performance data

- GHG emissions from national inventories, administrative databases and company reports
- Asset-level data where available

Choose and refine suitable 'reference points'

- Trade-off between **granularity** (evaluate individual investments) and **aggregation** (connect to carbon budgets, policy objectives, Paris alignment)
- May require efforts to refine **scenario projections, taxonomies, performance thresholds, targets, etc.**

Collaborative progress towards measuring the climate alignment of real economy investments



Potential directions for future work

Further develop methods for measuring climate alignment

- Explore different countries and sectors through further case studies
- Analysing a sector across countries including e.g. carbon leakage effects
- Incorporate simpler, more timely and less resource intensive indicators



Explore economic benefits of climate-aligned investments and financing

- Connect alignment to reduction of climate risks in the financial system and in the real economy
- Ensure eligibility of investments for green financing instruments

Institutionalise consistency analysis at country level and internationally

- Inform finance-related elements of the 2023 UNFCCC Global Stocktake
- Complement existing climate-related indicators e.g. in OECD green growth indicators





Publications to date

OECD Publishing

Please cite this paper as:
Jachnik, R., M. Mirabile and A. Dobrinevski (2019), "Tracking finance flows towards assessing their consistency with climate objectives: Proposed scope, knowns and unknowns", OECD Environment Working Papers, No. 146, OECD Publishing, Paris. <http://dx.doi.org/10.1787/82cc3a4c-en>

 OECD Environment Working Papers
No. 146

Tracking finance flows towards assessing their consistency with climate objectives

PROPOSED SCOPE, KNOWN AND UNKNOWN

Raphaël Jachnik, Mariana Mirabile,
Alexander Dobrinevski

 **Research Collaborative**
Tracking Private Climate Finance

JEL Classification: E01, E22, G21, G23, H64, Q54,
Q56

 OECD

<https://doi.org/10.1787/82cc3a4c-en>

OECD Environment Working Papers No. 159

Exploring options to measure the climate consistency of real economy investments:
The manufacturing industries in Norway

Alexander Dobrinevski
and Raphaël Jachnik

<https://dx.doi.org/10.1787/1012bd81-en>

 OECD  **Research Collaborative**
Tracking Finance for Climate Action

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MEASURING THE CLIMATE CONSISTENCY OF FINANCE

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Experience from AFD and IDFC on Article 2.1.c

November 2020

OUTLINE

1/ The Paris agreement and Public Development

Banks financeincommon.org



2/ AFD's experience

www.afd.fr

3/ IDFC's approach

www.idfc.org



1/ Paris Agreement & Public Development banks

Important references in the Agreement

- **Article 2**

1. This Agreement, in enhancing the implementation of the Convention, including its objective, aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by: [.../...]

c. Making finance flows consistent with a pathway towards low GHG emissions & climate-resilient development.

- **Article 9**

4. The provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies...

- **Multiple references to long term (goals, strategies etc.)**

2/ AFD's Experience

2017 - New climate & development strategy to implement the PA.

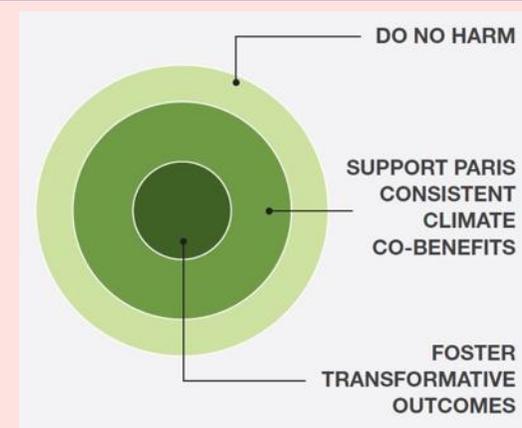
1. Increase Climate Finance
2. Make our activity 100% Compatible with the Paris Agreement
3. Contribute to redirect finance and investment flows
4. Help develop solutions/practices/standards

Paris compatibility = at least do no harm:

- Policy alignment incl. NDC & LTS
- Avoid emissions lock-in in the long run
- Avoid climate physical risks in the long run

➔ Specific project analysis and country analysis

<https://www.afd.fr/en/ressources/sustainable-development-analysis>



2020 – Mid Term Review of the strategy – raising ambition

- From climate finance to « Paris aligned finance ».
- Bottom up (projects) & top-down (portfolio)
- Align « financial flows » & « financial institutions ».
- Wider context of SDGs and COVID recovery.

3/ IDFC's Approach

Art 2.1.c



What does it mean?



How to align?

Dec 2017
One Planet Summit

IDFC and MDBs commit to align financial flows

Dec 2018
COP24

IDFC position paper.
6 elements

- Climate finance
- Adaptation
- Mitigation
- Public Policy
- Private sector
- Internal transform

Sept 2019
UN Action Summit

New climate commitments

IDFC Study on alignment.

- Scope
- Time Frame
- Impact
- Strategy
- Operations
- Policy

Nov 2020
Finance in Common

IDFC reports and launches framework to operationalize alignment: what operational tools, principles & approaches

Thank you

Discussion

- What is the role of governments in supporting the achievement of the goal expressed in Article 2, paragraph 1(c) of the Paris Agreement?
- What are the best examples of ongoing initiatives and activities that are relevant to the goal expressed in Article 2, paragraph 1(c) of the Paris Agreement?
- What are common approaches to consider for different public and private sector stakeholders in responding to the goal expressed in the Paris Agreement?



Thank you



Paris Agreement, Article 2, paragraph 1 (c)

1. This Agreement, in enhancing the implementation of the Convention, including its objective, aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by:
 - a) Holding the increase in the global average temperature to well below 2° C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5° C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;
 - b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and
 - c) **Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.**
2. This Agreement will be implemented to reflect equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances.

