北京绿研公益发展中心
GREENOVATION:HUB

Greenovation Hub Submission on the Baku to Belém Roadmap to 1.3T

March 2025

Organization:

Beijing Greenovation Hub for Public Welfare Development (Greenovation Hub)

Overall Expectations

As a local environmental think tank tracking global governance processes on climate, nature and the high seas for over 10 years, Greenovation Hub (GHub) has been producing observation articles, co-organizing UN side events and convening informal dialogues among key stakeholders from key major economies to help bridge information gap and advance collective climate ambition and national actions. While global development finance and international cooperation see challenges this year, COP30 is a key moment for global climate governance, and the Baku to Belém Roadmap to 1.3T (henceforth Roadmap) represents an essential opportunity to scale up the climate finance to developing countries.

To effectively implement the goal of mobilizing from all public and private sources to at least \$1.3 trillion per year by 2035 towards developing countries for climate action, as agreed in the COP29 NCQG decision, GHub calls for the Roadmap to guide the structure of the \$1.3 trillion climate finance goal and enhance the transparency mechanism for the NCQG. Specifically, the Roadmap should:

- Define the range of contributors to the \$1.3 trillion goal to include developed and developing countries, multilateral development banks, philanthropic institutes, private sector stakeholders such as enterprises, etc. Exclude developing countries' domestic financing from the range of contribution.
- Specify the sources for the \$1.3 trillion goal, including bilateral finance, multilateral finance, public finance, and private finance. Identify other alternative sources and define a minimum threshold for unilateral measures, such as the EU's Carbon Border Adjustment Mechanism (CBAM) and the U.S. Inflation Reduction Act (IRA), to contribute to the goal, if they are considered part of it.
- Urge the \$1.3 trillion goal to include a balanced allocation between adaptation and mitigation, promote a just transition across sectors and thematic areas, and support existing global initiatives such as the Just Energy Transition Partnerships (JETP).
- Encourage the \$1.3 trillion goal to have a minimal allocation percentage for Least Developed Countries (LDCs) and Small Island Developing States (SIDS), ensuring that the most vulnerable countries can address the fiscal constraints and the rising costs of climate actions. Prioritize the allocations for countries facing economic and climate vulnerability, including low-income and lower-middle-income countries and those located in a high-risk but less-developed regions such as Africa, Latin America, and South and Southeast Asia.
- Affirm the urgency and necessary to ensure the high-quality delivery of the \$1.3 trillion goal:
    - Improve the transparency of climate finance flow and enhance the monitoring, reporting, and verification (MRV) process to ensure that climate finance is

"new and additional," as agreed in the Cancun Agreements at COP16, Specifically, encourage developed countries to classify the climate finance as funds that exceed the development assistance target of 0.7% of gross national income, **avoiding the double counting** of development aid as climate finance.
    - Improve the tracking and evaluation system for climate finance to prevent **overestimation** of grant values, actual benefits to recipient countries, and the proportion of funds explicitly dedicated to climate action. Specifically, apply **tagging** methods to track the sectors finance flows into and use **indicators** to assess climate finance performance, including the balanced allocation between mitigation and adaptation, gender responsiveness, and just and inclusive outcomes.
- Encourage regular (annual) disclosure of progress toward the $1.3 trillion goal, including contributors, sources, scale, quality, and accounting methodology.

Best Practices and Lessons Learned

<u>Transition Finance</u>

China has developed the world's largest green credit market and second-largest green bond market, with a wide range of green finance products. However, most funding has been directed towards "pure green" industries like clean energy and solar power, while high-carbon industries such as coal, steel, and transportation, which need to transition to low-carbon activities, have lacked sufficient financial support. Transition finance, which supports industries and enterprises to transit to a green, low-carbon, and environmentally friendly economy through innovative financial products and services, can meet the financing needs for the transformation of high-carbon industries, providing diverse sources of funding for global efforts to address climate change.

Based on the five pillars of the G20 Transition Finance Framework, national and regional actors began to develop transition-related finance instruments and designing policy measures. Drawing on domestic and international good practices of the transition finance, GHub has summarized the key steps for different entities, including the stages of planning, action, and monitoring and evaluation. More speficially:

Entity	Step	Main Activities
Government/ Monitoring Agency	Planning	•**Standards**: Create transition taxonomies for key industries •**Infrastructure**: Establish enterprise carbon accounts to facilitate tue government-banks-enterprises coordination. •**Incentive mechanism**: Introduce financial and monetary policies. •**Just transition**: Develop just transition evaluation methodology.
	Action	•**Standards**: Regularly update the transition finance taxonomy and related supportive policies.
	Monitoring & Evaluation	•**Information disclosure**: Further promote sustainable information mandatory disclosure requirements and continuously improve related standards. •**Constraint mechanism**: Establish a specialized accounting system for transition finance.
Financial Institutes	Planning	•**Financial services**: Establish internal policies or standards for transition finance, requiring enterprises to develop medium- and long-term transition plans as a

Entity	Step	Main Activities
		prerequisite.
	Action	•**Financial services**: Identify decarbonization pathways and define key performance indicators (KPIs) and sustainability performance targets (SPTs) for enterprise transition. •**Risk management**: Integrate transition factors into the full lifecycle risk management system to identify high-carbon risk exposure. •**Financial models**: Customize and innovate transition finance tools and models based on enterprise's actual conditions.
	Monitoring & Evaluation	•**Information disclosure**: Conduct emissions accounting for Scope 3 financing and investment activities and consider publishing transition finance disclosure reports.
Enterprise	Planning	•**Transition plan**: Develop medium- and long-term transition strategies, including a detailed mitigation timeline and roadmap, aligning with technological pathways.
	Action	•**Transition actions**: Implement low-carbon transition measures, monitor and manage key performance indicators (KPIs) and sustainability performance targets (SPTs) for transition projects
	Monitoring & Evaluation	•**Information disclosure**: Expand carbon accounting to include Scope 3 supply chain emissions.

Climate Adaptation

The flow of climate finance is imbalanced between mitigation and adaptation. According to UNEP's Adaptation Gap Report, the finance gap for climate adaptation is approximately US$215 to US$387 billion per year. Given the lack of short-term benefits and the public nature of adaptation measures, most adaptation finance comes from the public sector. To bridge this financing gap and support countries' adaptation priorities, mobilizing multi-stakeholder participation, especially from the private sector, is essential.

GHub has summarized several financing models for climate adaptation based on **China's domestic best practices, aiming to expand adaptation finance**. More specifically:

Stakeholders	Adaptation Measures	Models and Lessons
Multilateral Development Banks	**Sector: Agriculture** •Promote climate-smart agricultural technologies. •Establish agricultural production bases and improve the service system. •Strengthen training and capacity building.	•Multilateral financial institutions could support **less profitable** segments, such as infrastructure including farmland roads, storage and processing bases, farmland monitoring systems, etc. •**Patient capital** from multilateral banks lowers risks, expands the profit for adaptation meansures, and attracts private investment.
Governments and Financial Institutes	**Sector: Ancient Architecture** •Engage multiple departments to monitor the ancient architectural environment and strengthen early warnings. •Reduce the potential disaster risks for ancient architectures with daily maintenance and repair.	•Local policies clarify **property rights**, enabling market-based protection and development. •Financial institution develops innovative financial products **"Finance Loan of Ancient Villages"** treating heritage as ecological assets for financing. •**Government** establishes the guarantee mechanisms such as the financing risk compensation fund.
Financial	**Sector: Disaster Management**	•Catastrophe bonds **diversify risks** originally

Stakeholders	Adaptation Measures	Models and Lessons
Institutes and the Capital Market	•China Reinsurance (Group) Corporation issued catastrophe bonds in Hong Kong, raising $30 million to reduce the risk of losses caused by typhoons in the Greater Bay Area of China.	underwritten by the insurance market to the capital market through bond transactions (see figure below). •Catastrophe bonds is **high-yield and independent** from market fluctuations and political, naturally attracting private sector participation.

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