

ASEAN Climate Finance Mobilization and Access Strategy

Needs-Based Finance Project of the UNFCCC with RCC support

Inception Workshop - 30th October 2019

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**Discussion on content and process for
'ASEAN Climate Finance Mobilization and
Access Strategy'**

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Technical Annex and Project Pipeline



Benefits of a regional climate finance strategy

Include:



Access to
technologies



Signalling for
investments at scale



Achievement of
SDGs



Enhancement
of cooperation
and alignment



Inclusive
access to
institutions



Protection
for citizens

Selection of principles discussed during Inception Workshop (Oct 2019)

- ✓ Attract finance at scale
- ✓ Enable risk re-allocation – and move to less concessional finance
- ✓ Blend different sources of finance
- ✓ Support pipelines of projects on the ground
- ✓ Balance between mitigation and adaptation, and cross-cutting sectors and activities
- ✓ Support the achievement of SDGs, with focus on (UNESCAP):
 - Agriculture
 - Manufacturing
 - Cities, building and construction
- ✓ Acceleration in 5 years (ESCAP)



Strategy development – Outline



Strategy development – Goal



'to ensure that climate finance can be effectively accessed, mobilized and scaled up to contribute to achieving climate goals in the sub-region'.

(Melanesian Spearhead Group)

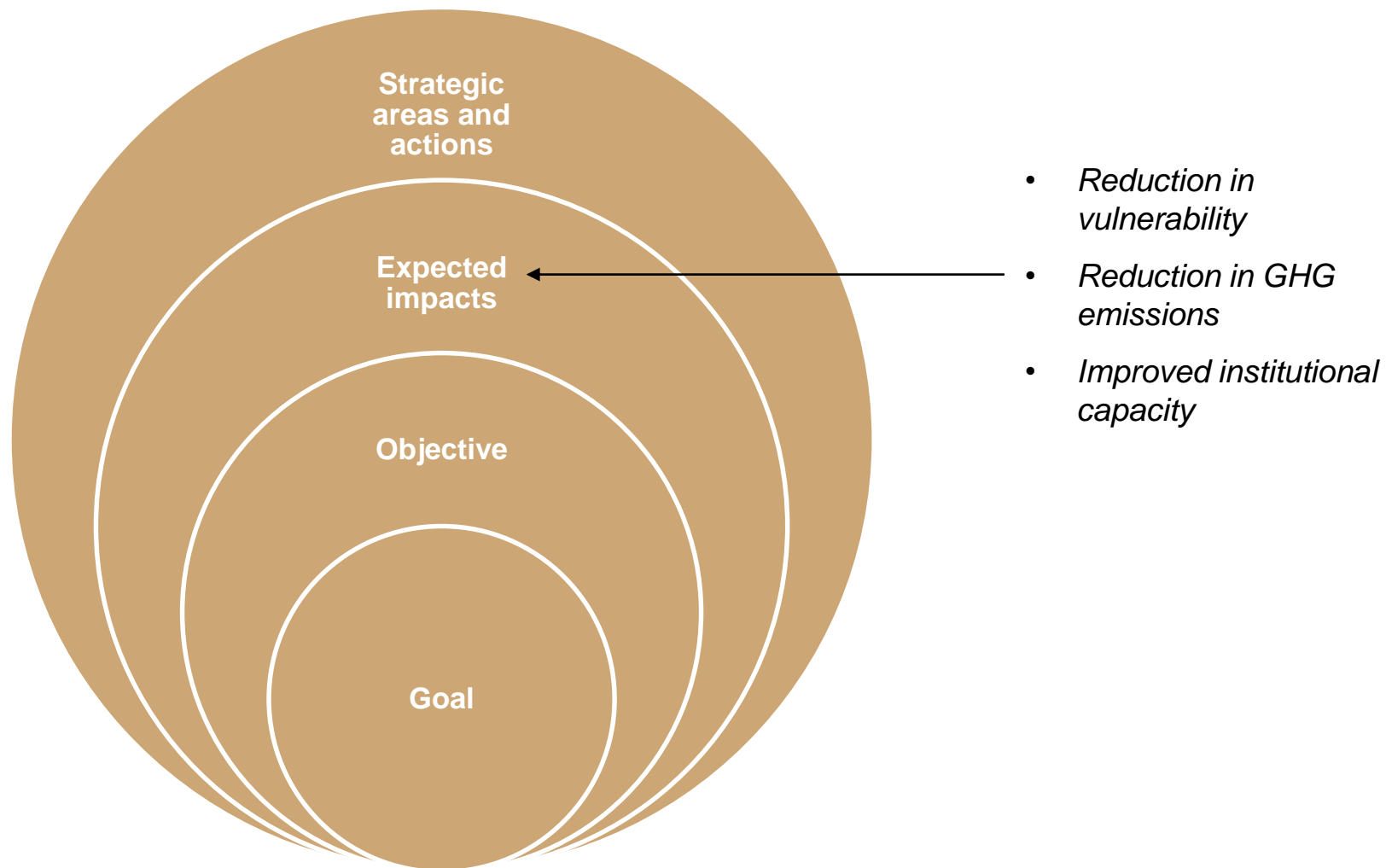
Strategy development – Objective



'to make the scaling up of climate finance predictable and clear and to provide opportunities for attracting climate-friendly investment in the sub-region'.

(Melanesian Spearhead Group)

Strategy development – Expected Impacts



Strategy development – Strategic areas and actions



1. *Governance, institutional strengthening, and capacity building eg:*
 - *NDA establishment and support*
 - *Transparency/MRV*
 - *Legislation development*
2. *Promotion of (regional) policy instruments (financial, fiscal, monetary), eg:*
 - *Blended finance*
 - *Sovereign and corporate (regional) green bonds*
 - *Carbon pricing instruments*
 - *Green banks and national funds*
 - *Harmonisation of standards*
3. *(Cross-border) Project pipeline development*
 - *Regional centre of support for development of bankable projects*
4. *Focus sectors*
5. *Technology transfer*
6. *...?*

Overview of Technical Annex and Project Pipeline

Technical Annex

- ✓ Methodology
- ✓ Domestic and international climate
finance flows
- ✓ Climate finance priorities and needs
- ✓ Climate finance access

Project Pipeline

✓ ?



Policy areas to consider

Policy Area	Policy	Instruments	Examples
Fiscal Policy Tools	Carbon pricing, regulations	National carbon taxes, cap-and-trade (CaT) and emissions trading systems (ETS), emission or energy efficiency standards	Sweden carbon tax, California CaT, EU ETS, national feebates, EU regulations
	Public spending and investment	Public investment, social spending, lower labor or capital taxes	EU Infrastructure Investment Plan
	Public-private partnerships	Partnership between private sector, government, development bank, long-term institutional investor	China Development Bank-Urban Development Investment Corporation
	Public guarantees	Loan commitments, credit or cash flow guarantees, multi-sovereign guarantees	World Bank Multilateral Investment Guarantee Agency (MIGA), European Investment Fund guarantee schemes
Financial Policy Tools	Redressing underpricing and lack of transparency of climate risks	Gathering climate-related financial data, climate-related risk disclosures, taxonomy of green assets, climate-related stress tests, macroprudential tools	Bank of England Supervisory Statement on Climate Change, France Article 173 of Energy Transition Law, Banco Central do Brasil, China mandatory disclosures
	Reducing short-term bias and improving governance frameworks of financial institutions	Prudential reforms, corporate governance reforms	Promotion of ESG criteria
	Supporting the development of green financial securities	Standardized taxonomy of green assets, low-carbon indices, platforms and active issuance by authorities	PBoC national-level green bond taxonomy
	Actively promoting climate finance using financial regulatory tools	Green supporting and brown penalizing factors in capital requirements, international requirements of min. amount of green assets on balance sheets, notional carbon prices	PBoC macroprudential policy framework, Banque du Liban reserve requirements
Monetary Policy Tools	Integrating climate risk analytics into collateral frameworks, central bank portfolio management, and QE	Developing own risk assessments, ensuring climate risks appropriately reflected in central bank asset portfolios	Bank of England, Bank of Japan, EIB bonds, Bangladesh Bank, DNB, Norges Bank
	Green QE and collateral frameworks	Better access to central bank funding schemes for banks that invest in low-carbon projects, central bank purchases of low-carbon bonds issued by development banks	
	Credit allocation policies	Central bank credit allocation operations, adapting monetary policy frameworks	PBoC, Res. Bank of India, Bangladesh Bank



= Examples provided in Inception Workshop Oct 19

Source: IMF (2019)

Discussion prompts

Building principles and shared objectives

- What are common climate change and finance issues in the region?
- What are common needs?
- What are shared objectives?
- How to account for and complement domestic and regional work already underway (e.g. UK ASEAN capital market, Southeast Asia Energy Transition Partnership etc.)?

Developing and implementing the strategy

- What scope (geographical, sectoral, timeframe, linkage to national plans, etc)?
- What data exists for the strategy formulation (finance needs, sources, gaps, etc)?
- What data and knowledge gaps are there?
- How will the strategy be implemented and by whom?
- How will the strategy be monitored?
- How can project pipelines be developed?

Enabling buy-in

- What stakeholders are needed for its development and buy-in, and what responsibilities would they have?
- Who needs to approve it at the highest level, and how (ASEAN or other)?
- What timeline is envisaged for approval?



Thank you!

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