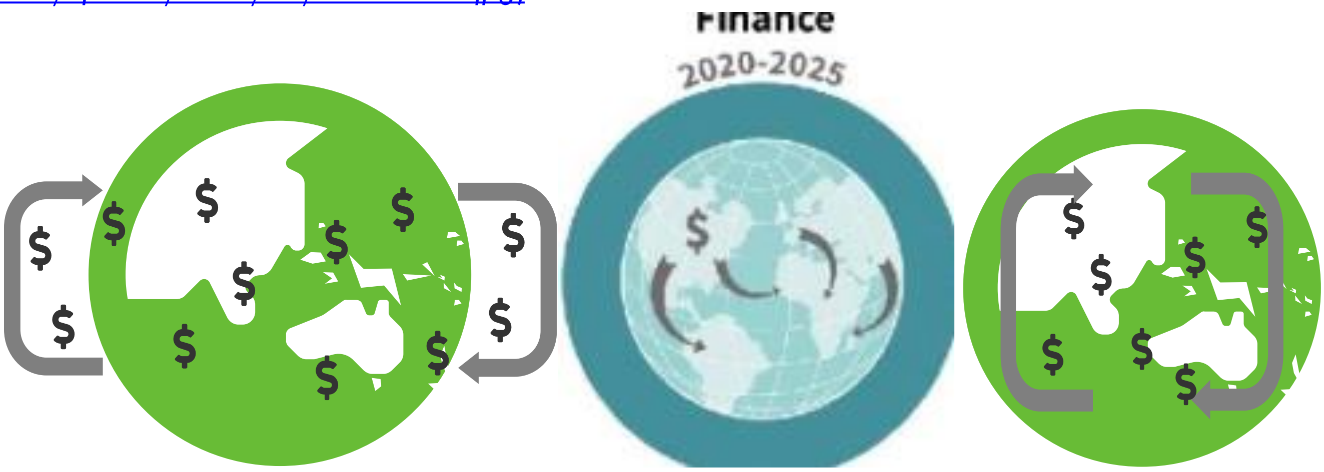
WHAT IS CLIMATE FINANCE?

Graphic to reflect international climate finance flows e.g: http://en.protothema.gr/wp-content/uploads/2015/12/KEYPOINTS.jpg)



DEFINING CLIMATE FINANCE

In recent years, financing climate change adaptation and mitigation has been a key area of focus in the international battle against climate change. In an effort to support countries to mitigate and adapt, mechanisms have been established internationally and regionally to enable financial assistance to flow between countries.

Despite this systemic and comprehensive approach to enabling climate change finance, it remains a broad and dynamic concept which is difficult to define. The United Nations Framework Convention on Climate Change (UNFCCC) Standing Committee on Finance defines climate change finance as: '*…finance that aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts.*'[1] *However this definition has not been officially adopted by the UNFCCC.*

This broad definition has evolved in reflection of the fact that climate change finance can be categorised in a variety of ways, including:

- the **source** of the finance (e.g. public or private sources)
- they **type** of finance (grants, loans, private equity or concessional finance)
- the **flow mechanism** of the finance (e.g. *nationally* at a state level, *bilaterally* from 'developed' countries to 'developing' countries, or *multilaterally* through development banks and finance entities); and
- whether the finance is **over and above** what would have been provided anyway (e.g is it 'new and additional' to current overseas aid budgeting).

THE INTERNATIONAL CLIMATE FINANCE REGIME: PATHWAY TO PARIS

Historically, the UNFCCC has been an arena in which small island developing states and other vulnerable developing countries seek to emphasise global solidarity and fairness, pressing claims for adaptation assistance and action on climate mitigation and adaptation.[2]

---

[1] UNFCCC Standing Committee on Finance (2014) *Biennial Assessment and Overview of Climate Finance Flows Report*. Available: https://unfccc.int/process/bodies/constituted-bodies/standing-committee-on-finance-scf

[2] Friedrich Soltau, Fairness in International Climate Change Law and Policy (Cambridge University Press, 2009), 6.

The concept of climate change finance can be traced to the 1992 Rio Earth Summit, where the United Nations Framework Convention on Climate Change was opened for signature, and the principle of 'common but differentiated responsibility and respective capabilities' was established. It is this principle which enables and requires 'developed country' Parties to provide financial resources to assist 'developing country' Parties in implementing the objectives of the UNFCCC.

As a result of many years of negotiation, climate change finance has evolved to become a core element of the international climate change regime, and is supported globally by sophisticated enabling mechanisms:

- **1991 Global Environment Fund** established as a pilot entity under the World Bank for environmental projects, and in 1992 confirmed as a standalone pilot fund to support all the Rio Conventions, then formalised as an operating entity of the financial mechanism of UNFCCC in 1995. It has provided funding for National Communications to the UNFCCC and climate change projects such as PACC.
- **2009 Copenhagen Accord** solidified global efforts, setting a target of mobilising 'US$100 billion a year' for developing countries by 2020.[3]
- **2010 Cancun Agreements** where the Green Climate Fund (GCF) was established as a key delivery mechanism for climate change finance and the 2020 target.[4]
- **2015 Paris Agreement** reinforced the target and required countries to effectively implement their national climate plans, as well as increase their ambition over time. It also recognised that climate change funding should be enabled from a 'wide variety of sources, instruments and channels', including the public and private sectors.[5]

You can access the UNFCCC biennial climate finance assessment here.

PACIFIC CONSIDERATIONS

NO' ONE SIZE FITS ALL'

Understanding that climate change finance is a dynamic and fluid concept, contingent on a multitude of drivers and players – it is important to remember that there is **no 'one size fits all'** approach to accessing and enabling climate change finance.

Regional analysis shows that climate change finance flows vary greatly by country in the Pacific region.[6] Differences between bilateral and multilateral flows are also often difficult to disaggregate (see attached PIFS reports). At the same time, there is also increasing interest in the region in exploring non-traditional channels for finance, including philanthropic, non-government, and remittance flows.

The dynamic nature of climate change finance in the Pacific region highlights the need for ongoing sharing of experiences and learning between Pacific island countries – a key goal for SPREP and its partner agencies in developing this Climate Finance Navigator.

---

3 UNFCCC (2009) Copenhagen Accord. FCCC/CP/2009/L.7 Available: https://unfccc.int/resource/docs/2009/cop15/eng/l07.pdf

4 UNFCCC (2010) The Cancun Agreements: Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention. FCCC/CP/2010/7/Add.1.

Available: https://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=17

5 UNFCCC (2015) Paris Agreement. Available: http://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf

6 Atteridge, A., & Canales, N. (2017). Climate finance in the Pacific: An overview of flows to the region's Small Island Developing States. Stockholm Environment Institute.

KNOWLEDGE SHARING

As climate change finance continues to grow and change, it is critical that countries share lessons and experiences of their climate change finance journeys. To that end, platforms that support knowledge sharing (such as workshops and online tools) are important in promoting a community of practice and collaborative environment in the Pacific.

Pacific island experiences with accessing climate change and disaster risk finance have been extensively documented by a number of agencies in the region. This work has included needs assessments of the enabling environment and public financial management systems at the national level, as well as assessments of the quantity of climate change finance being accessed by Pacific island countries (see attached PIFS reports).

Regional technical assistance is also available to Pacific countries as they navigate climate change finance, including:

- the Regional Technical Support Mechanism,
- the Project Support Unit at SPREP
- the Climate Change Resilience team at SPREP
- the Pacific NDC Hub for mitigation finance
- advisory services from PIFS, SPC and USP

Resources:

Buchner, B. K., Oliver, P., Wang, X., Carswell, C., Meattle, C., & Mazza, F. (2017). *Global Landscape of Climate Finance 2017*. Available: https://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2017/

Samuwai, J., & Hills, J. (2018). Assessing Climate Finance Readiness in the Asia-Pacific Region. *MDPI Sustainability, 10*. Available: http://www.mdpi.com/2071-1050/10/4/1192

Overseas Development Institute (2017) 10 Things to Know About Climate Finance in 2017. Available: https://www.odi.org/sites/odi.org.uk/files/resource-documents/12097.pdf

See attached – cant find them on the website anymore!