



New Zealand Submission to the Conference of the Parties

Strategies and approaches for mobilising scaled-up climate finance

October 2013

1. This submission responds to the invitation to developed country Parties to submit, by the nineteenth session of the Conference of the Parties, information on their strategies and approaches for mobilising scaled-up climate finance to USD 100 billion per year by 2020 in the context of meaningful mitigation actions and transparency on implementation (1/CP.18 paragraph 67).

Context

2. Mobilising climate finance to scale-up and reach the US\$ 100 billion goal will require a range of strategies and approaches: no single approach will achieve the goal. A key part of our collective response will involve mobilising the considerable resource of the private sector. Creating the right environment to mobilise even a small fraction of the more than US\$1.3 trillion of global foreign direct investment, and directing that towards low-carbon investment, will be critical to taking advantage of the opportunities to respond to the climate challenge, and to keep the world on a 2 °C pathway.

3. In order to reach the US\$100 bn goal we need to make sure that climate finance is an effective three-way partnership among partner countries, donors, and private-sector finance providers. By drawing on experience from fast-start finance, New Zealand is of the view that the COP can offer some guidance on how climate finance can be made more effective. That would assist Parties, the private sector, and other finance partners (such as the Green Climate Fund), in ensuring that climate finance is delivering good value and effective climate change outcomes.

Scaling up: lessons from fast-start finance

4. New Zealand has a strong focus on targeting climate support to the Pacific. More than half of New Zealand's [fast-start finance](#) (i.e. NZ\$47.9 million out of NZ\$90.34 million) was directed to small island developing states and least developed countries in the Pacific. Nearly 40% of total fast-start finance was directed to supporting adaptation activities.

5. The New Zealand government has [recently announced](#) that the Pacific focus will continue. New Zealand's total climate-related support to the Pacific will be more than NZ\$80 million over the next three years, including the NZ\$65 million for clean energy initiatives announced at the Pacific Energy Summit in March. New Zealand and the European Union co-hosted the [Pacific Energy Summit](#) in Auckland in March 2013, which brought together partners, donors, governments and the private sector to help accelerate the Pacific's uptake

of clean, efficient and affordable energy. Building on the commitment of Pacific leaders, articulated at the 2011 Pacific Island Forum, the Summit gave effect to a regional commitment to reduce dependency on fossil fuels for electricity generation through the development of indigenous renewable energy sources, improve access to electricity, and develop credible whole-of-energy-sector strategic plans. The Summit leveraged donor commitments of \$NZ 635 million – nearly ten-times larger than the direct New Zealand contribution – to scale up investment in Pacific renewable energy and energy efficiency. Approximately 10 per cent of the Pacific’s GDP is spent on imported petroleum, accounting for roughly 25 per cent of total imports. Many Pacific island countries depend almost entirely on diesel for electricity generation. Lifting that burden would help Pacific nations focus on other development priorities.

6. Listening to the experience of our Pacific partners, and other Parties during the Work Programme on Long Term Finance, has helped identify opportunities for improving and leveraging climate finance flows. We have heard that climate finance can often be driven by the requirements of finance providers rather than the priorities of recipients. While reporting, monitoring and evaluation is essential for tracking climate finance and its outcomes, burdensome reporting and application procedures can deter uptake of dedicated climate finance. The total quantum of climate finance is not always the main problem; rather, the challenge is overcoming barriers to direct and unlock financial flows to achieve good climate outcomes

7. Improving enabling environments within recipient countries – including enhancing capacity, regulatory frameworks, and national priority setting and alignment to build absorptive capacity – will help scale-up finance to achieve meaningful mitigation action and adaptation.

8. But there are also things that finance providers can do to help make finance more accessible, more effective, and help ensure climate finance delivers good value and effective climate change outcomes.

A Warsaw Platform for Effective Climate Finance

9. New Zealand considers strategies and approaches for mobilising scaled-up climate finance could include guidance from the COP that could help ensure finance from all sources, public and private, is:

- Getting to the right place - where the need is greatest and/or where outcomes have the greatest impact
- Achieving the right outcomes, that are durable and future-proofed
- Achieving maximum outcome at minimum cost, including finance from multiple sources that leverages significant contributions from the private sector
- Minimising market distortions

10. New Zealand is proposing a *Warsaw Platform for Effective Climate Finance* that would incorporate a number of mutually supporting principles-based elements that, taken together, would help make sure that climate finance from all sources, public and private, is delivering good value and effective climate change outcomes.

11. A first element for the Platform would **encourage and support Parties to set their own strategies and priorities** for responding to the challenge of climate change. For developing countries, the process of planning and priority setting is absolutely fundamental to getting enabling environments right, and for putting developing countries in the driver's seat of their own response to climate change. That is important not just for climate finance provided by donor governments, but also for helping to give the private sector the confidence and policy certainty it needs to invest in climate change projects. A planned and coordinated approach that assesses and prioritises options can help identify a 'pipeline' of projects for investors.

12. We should also recognise that some developed countries will have their own priorities for delivering climate finance. Some may prefer to deliver support only through multilateral funds, such as the Green Climate Fund. Others might prefer a more focused bilateral approach, working with their development partners to support climate change outcomes that are closely integrated and mainstreamed within other development objectives. By allowing all Parties – including donors – to set their own strategies and approaches, a Warsaw Platform would recognise and allow for these different approaches.

13. A second element would ensure that **finance is aligned behind the priorities that developing countries have identified for themselves**. If partner countries have set their own strategies and priorities for sustainable, low-carbon and climate resilient development, it makes sense that finance providers align behind those. It will also help achieve an effective balance between finance for mitigation and adaptation: alignment behind national strategies that prioritise adaptation will help build sustainable, climate resilient communities.

14. Following from that, a third element would help ensure that **finance is delivered in a coordinated way, under the recipient countries' own leadership, and using country systems** where that is appropriate. That should help make processes simpler, avoid duplication, ensure efficiency and transparency, and help tackle the problem of corruption. This element is something that is very important for small governments, including in the Pacific, where capacity to absorb and deliver funding is limited. Coordination and cooperation among partners, donors and other finance providers can significantly improve the effective delivery of climate finance.

15. Coordination and cooperation will also be fundamentally important in-country too, and will be a key part of creating the right enabling environment for effective climate finance. In many countries, climate policy is driven by dedicated environment or climate change ministries. They need to coordinate effectively with a range of other agencies, including treasuries and finance ministries to effectively track and report on finance flow, delivery

agencies including disaster risk management, and rural and urban development to ensure climate finance is getting to the right place and achieving the outcomes intended for it.

16. A **focus on outcomes** might comprise a fourth element, which could help to ensure climate finance is focused on delivering mitigation and adaptation results that are able to be tracked and reported. This brings the emphasis back to the specific purpose for which finance is being mobilised; to achieve climate mitigation and adaptation outcomes. An outcome-focused approach will deliver greater certainty to donor governments, as well as reassuring the private sector that their investments are part of a results-focused environment.

17. Finally, a fifth element would ensure **that climate finance provided by governments does not displace private-sector investment** that would have taken place on commercial terms. While there is a clear need for grant-based and concessional finance (e.g. to reduce risk, or where revenue streams to repay loans are uncertain or inappropriate), there will be circumstances where investments for climate-change outcomes can take place without subsidy (e.g. energy infrastructure in major emerging economies). Using non-market finance in those circumstances may encourage perverse outcomes, and create market-distorting disincentives for private-sector climate finance.

18. These elements are not about creating additional hurdles for finance and investment. Nor are they about creating additional conditions on finance provided for climate outcomes. Rather, a non-binding Warsaw Platform on Effective Climate Finance of the kind New Zealand is promoting aims to streamline finance flows by better coordinating inputs from a range of sources, and would help to ensure finance is aligned behind country-driven priorities to achieve effective climate change outcomes. That will also help to 'mainstream' climate outcomes into planning processes and finance flows, including finance delivered through official development assistance. Providing clear and consistent priorities will encourage private sector investment by increasing policy certainty and enhancing enabling environments.

19. New Zealand looks forward to discussion on establishing a Warsaw Platform on Effective Climate Finance at the 19th Conference of the Parties, and how it can form part of strategies and approaches to mobilise and scale-up climate finance.