Investing in a Climate Smart Future

The session commenced with Dr Karsten Sach's opening remarks, highlighting the different variables that need to be ascertained when addressing the question of climate finance and carbon pricing. He stressed on the complexity of NDC implementation, and the need to assess the diverse set of instruments and resources required for the same. Further, he also highlighted that countries needed certainty on achieving NDCs, in the form of information and requirements, in order to best facilitate international cooperation. For this purpose, it is crucial to instigate the public and private sector for investments. He then posed certain key questions that contextualised the sessions, such as, how can markets deliver additional mitigation reduction, how can the different institutions in the space best streamline their efforts, and how best can we leverage finance to meet our NDCs?

Ms Neha Mukhi then spoke about the World Bank initiative on the NDC Support Partnership Facility. She introduced the topic by speaking of interlinkages and synergies between the Paris Agreement and the Sustainable Development Goals 2030 agenda, and highlighted the need for these interlinkages to be interlaced for facilitating finance. She also posed that the scale of transitions requires a transformational change - system level changes in overall production and consumption patterns - with a trajectory till 2020, and further. She also stressed on the need for speed and urgency to meet the climate goals, and that national climate action needs to be fast, effective and ambitious. In that context, she introduced the global NDC Support Partnership Facility, with a partnership of 83 countries and 19 organizations, co-chaired by Costa Rica and the Netherlands. The World Bank initiative focuses on facilitating learning and growth across countries, to match demand and supply in technical areas, to increase political momentum, and lastly, to align nationally determined contribution (NDC) targets and sustainable development goals (SDG) towards a more transformational policy. Till date, it has implemented 26 projects across 18 countries, covering the major emitting sectors across various themes. Within the 2016-2020 period, the World Bank has focused its efforts on translating NDCs into action plans, creating financing packages for partner countries, and acting as a one-stop shop NDC platform. She then spoke of the Climate Action Peer Exchange, directed towards finance ministries in different countries, highlighting the importance of engaging such institutions from the beginning to achieve a climate smart budget planning. "The importance of engaging finance ministries from the very start to achieve climate smart budget planning is essential for an effective climate finance mobilization", she said.
At COP22, it helped in integrating climate priorities & considerations in country budget plans and financial planning cycles. She then highlighted planned and deliberated efforts by the World Bank; in supporting countries to implement and update NDCs, deepen integration of NDC priority actions, aid the development of long term strategies (2050 & beyond), and explore collaborations with NDC partnership and others.

Ms Aditi Maheshwari then spoke about the International Finance Corporation's (IFC) Climate Business, with an agenda to highlight the importance of 'crowding-in' private capital. She thereon highlighted the need to focus on creating markets and maximising impact for long term sustainable development. For this purpose, the project looks at 5 markets that incorporate energy efficiency and disruptive technology, making efforts to increase investment in a practical way tied to our NDCs. She then spoke of a case in Cote d'Ivoire, where they are helping unlock private investment of about 9 billion between now and 2030, in order to achieve its NDC targets. The institutional and political foundation of the country was found to be fairly sound, with abundant renewable energy availability and high potential for projects. However, despite these things, investments were not flowing in, making it an excellent candidate for bridging the public and private sector gap. An inclusive multi-stakeholder engagement enabled the development of the roadmap. “There is a need to do the legwork in order to avoid pushback from various stakeholders”, said Aditi.

The broad findings of their study was that there were significant data gaps, lack of clarity of policy documentation, lack of financing opportunities, there was a need for expanding tendering process across technologies in order to attract other investors and create efficient business solutions, buy-in and ownership was seen as an important outcome of the roadmap that was published, donors are able to integrate the solutions from the roadmap into their planning, there is a need for advocacy type organisation for renewable energy, and finally, the approach for the roadmap could be replicated in other countries as well for pushing the private sector in climate action.

Ms Rajasree Ray then spoke about climate finance challenges and opportunities of NDC implementation in India. She first revisited the context of the country, stating that the Indian economy is one of the fastest growing emerging economies, undergoing large-scale and rapid transformations. She further stated that India is currently the seventh largest economy, with the third largest purchasing power parity, and the environment lies in the very ethos and culture of the country. She highlighted that the opportunities lie herein, with reports suggesting that India will be one of the top economies soon. She then stated that India’s efforts towards SDGs and national climate policies were designed based on this very ethos. She then spoke about India’s achievements in climate action including the significant decrease in the emissions intensity of the economy, and the programmes in renewable energy, forestry and electric vehicles. At the global level, these policy efforts have been reinforced through the Paris Agreement, whose national level equivalent is the NDCs. She then highlighted the barriers and challenges the country faces in climate finance, such as international finance and public finance. Further, she stated that some investments may not be financially viable domestically due to the preliminary numbers in the NDC, however, the Government was in the process of looking into these numbers. She then quoted estimates from some reports, that highlighted the crucial need for mobilising finance, such as the figure for implementing conditional NDCs globally came out to USD 4.5 trillion, which included infrastructure for economic development and community building. Without sufficient climate finance, NDCs cannot be achieved, let alone enhanced. She stated that there was a greater need for investment in infrastructure, but these also have to be sustainable, and international climate finance is an enabler of climate action. She concluded by saying that the same unprecedented momentum that enforced the Paris Agreement is needed for climate finance, and that there is a need to explore the scope, scale and speed of climate finance. “Without sufficient climate finance, NDCs would not be achieved, let alone enhanced”, said Ms Ray.

Dr Venkata Putti then spoke of the role of results based finance (RBF) in climate finance mobilisation, introducing the topic by stating that India still has a substantial NDC implementation challenge, including a significant challenge in finance. RBF is one of the tools for enabling climate finance mechanisms, which addresses the need for a delivery mechanism through an ascertained source. RBF entails financing given on the basis of a pre-decided set of result indicators, eliminating the risk of project failure. He stated that this can be delivered through different financial instruments, giving an example of the Carbon Initiative for Development (Ci-Dev), a World Bank trust fund mobilising private finance for clean energy access in low income countries. He highlighted that RBF also reduces other risks, like the risk of non-delivery. He then gave certain examples where RBF was implemented successfully, such as in Ethiopia.

Mr Monty Girianna then introduced the interventions in carbon pricing from the perspective of Indonesia's Coordinating Ministry for Economic Affairs. He highlighted some of Indonesia's climate efforts, including the setting up of several carbon offset mechanisms, a green industrial standard, certificate for energy efficiency. He highlighted that there is not enough institutional backing yet, and there is a need to develop a detailed MRV process. Further he highlighted that a direct carbon tax development and application is difficult, especially since approval has to come from the parliament. He then spoke about the road ahead for market-based instruments in the country - including setting up the green industrial corroidor, including endorsing a number of government regulations on economic instruments in the environment. He concluded by saying that a carbon tax shows positive impact wherever implemented but it also has to win hearts.
Dr Kentaro Tamura then spoke of Japan's experience in mobilising carbon finance. He delineated the factors to consider for a carbon price, the first being increasing revenue, and the second being a price signal. He then spoke of Tokyo's experience in cap-and-trade.

After the presentations, the question and answer round instigated discussions on the need for knowledge dissemination, the push back from industry and subsequent strategies for their buy-in, the need for all stakeholders to be on-board, the process for evaluating the quality of green projects, and the need to empower potential actors for effective finance.