



Australian Government

Australia's submission on strategies and approaches for scaling up climate finance

Australia is pleased to make this submission on our strategies and approaches for scaling up climate finance, in response to Decision 3/CP.19. This submission builds on previous submissions from Australia including Australia's Final Fast-Start Finance Report¹ and Australia's Second Biennial Report.²

The Paris Agreement was a global success and a turning point for climate action. The agreement secured a solid action agenda and the focus must now be on implementation. Australia is committed to working through the UNFCCC, other multi-lateral and regional fora, and with our bilateral partners to help achieve the Paris Agreement objectives.

We are taking strong action domestically and are on track to meet and beat our emission reduction targets. We are also committed to play our part in achieving the goal of mobilising US\$100 billion a year for developing countries' mitigation and adaptation efforts by 2020. Australia will provide AU\$1 billion in climate finance over five years through our aid program to assist countries in our region, and to leverage additional private sector finance.

Our climate finance will be delivered through bilateral programs, contributions to multi-lateral funds, working with countries to support access and development of climate-friendly technologies, technical support and capacity building, and partnerships with business and other actors. Australia will continue to support countries to develop and implement ambitious national mitigation contributions and national adaptation plans, to access funds and attract investment from a range of sources.

This submission outlines Australia's efforts to provide and mobilise support for climate change action in developing countries, through:

- I. Australia's climate finance pledge to 2020
- II. Integrating climate change assistance into Australia's development program
- III. Contributions to multilateral funds
- IV. Mobilising private finance
- V. Building capacity and enhancing access to climate finance
- VI. Improving tracking and transparency and
- VII. Transformational change in support of Paris Agreement objectives.

¹ <http://dfat.gov.au/international-relations/themes/climate-change/Documents/australias-fast-start-climate-finance-2010-13.pdf>

² <https://www.environment.gov.au/climate-change/publications/australias-second-biennial-report>

I. Australia's climate finance pledge to 2020 and plans to mobilise additional funds

At the 21st Conference of the Parties, Australia committed to provide at least AU\$1 billion in climate finance, over a period of five years, to assist vulnerable nations build resilience and reduce vulnerability to climate change. Australia will maintain AU\$200 million annual floor in our public climate finance spend through our aid program to assist countries in our region, particularly the Pacific, and to leverage further investment from the private sector. At the September 2016 Pacific Island Forum, Australia committed to provide AU\$300 million over four years to Pacific Island countries, including AU\$75 million for disaster preparedness. This figure is a lift of AU\$80 million on current levels of support and comprises part of Australia's AU\$1 billion climate finance commitment.

Australia will continue to focus on delivering tangible results that are responsive to developing country needs as reflected in their Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs) and development plans, and underpin effective domestic actions, while leveraging greater investments through innovation and cooperation.

Australia's investments will aim to do the following, as appropriate, according to the needs and systems of recipient countries:

- VIII. Address climate mitigation, lower carbon alternatives and adaptation – from policy development to practical support – in line with demand from partner country governments
- IX. Build resilience to climate shocks, with a particular focus on the Indo-Pacific region
- X. Incorporate climate change and disasters into risk management best practice
- XI. Enhance cooperation on technology development and transfer with developing countries
- XII. Remove barriers to investment and explore innovative ways to promote private sector engagement and growth
- XIII. Support efforts to promote gender equality and the active participation of women, disabled and age groups in our climate programming
- XIV. Increase transparency and results through mutual accountability and
- XV. Ensure effectiveness through results focused investments and close collaboration with investment partners.

Australia has to date had a significant focus on adaptation in our region and will continue to do so provided this is consistent with country demand. Australia recognises adaptation is an area where private sector finance has been less available and we are committed to helping mobilise funds in this area. As part of this commitment we will focus on strengthening enabling environments to assist innovative approaches to mobilising private finance for adaptation. We will also continue working with countries to ensure NDCs and NAPs are developed in line with our partner governments' broader development strategies – to promote coherence, buy-in and synergies.

II. Integrating climate change considerations in Official Development Assistance

Climate change amplifies development and economic growth challenges. Integrating climate change action into our development assistance and economic diplomacy optimises and protects our investments and builds long-term resilience to negative climate impacts. Doing so enhances our development

objectives and also prevents the creation of new risks and exacerbation of existing risks. The benefits of integration are explored in Case Study 1, below.

The Department of Foreign Affairs and Trade (DFAT) is currently developing a twin-track approach to integrating climate action and disaster resilience in the aid program:

1. **mainstreaming within existing development priorities:** Australia will consider and assess climate and disaster risks and opportunities at both the strategic and investment level.
2. **specific programming:** Australia is focusing on targeted investments, by providing opportunities for new investments that are specifically targeted at climate-related disaster resilience.

Australia's aid policy, *Australian aid: Promoting prosperity, reducing poverty, enhancing stability* strengthens our focus on the Indo-Pacific region and highlights opportunities for private sector collaboration in building resilience to climate-related shocks. Australia will continue to invest heavily in climate-related resilience building projects throughout the Indo-Pacific, from climate proofing large-scale infrastructure projects through to community level village adaptation projects.

III. Australian contribution to multilateral funds

Australia will continue to provide climate finance through Official Development Assistance (ODA) contributions to multilateral funds and programs, including the Green Climate Fund (GCF), the Global Environment Facility (GEF), the World Bank Group and regional and bilateral initiatives.

Australia expects the GCF will be a key channel for supporting climate change mitigation and adaptation in developing countries – helping to implement the Paris Agreement goals by funding high impact, transformational projects, and catalysing climate finance from other sources. At COP20, Australia announced it would provide AU\$200 million to the GCF for its initial resource mobilisation from 2015 to 2018, of which we have already paid AU\$130 million. We will consider future replenishments of the GCF in light of the Fund's performance through the first phase of our investment.

Australia is ten months into our second term as the Co-Chair of the GCF Board. Australia has been working with Co-Chair South Africa to reinvigorate the Board's working style and set a clearer direction for the Fund. The GCF has made considerable progress in support of practical climate change initiatives and the Board aims to meet its aspirational goal of approving US\$2.5 billion in funding by the end of 2016. Australia is also working to ensure the GCF can invest in transformational projects in partnership with the private sector, through the Fund's dedicated Private Sector Finance Facility.

In May 2014, Australia committed AU\$93 million to the sixth replenishment of the GEF. The GEF plays an important role as a catalyst in establishing a global approach to sustainable development, particularly addressing the drivers of environmental degradation and climate change. Australia is a strong advocate for the Indo-Pacific region in the GEF, having achieved increased allocations and improved access to finance for the region, the development of large-scale regional programs and support for regional implementing agencies. The GEF is the largest funder of projects to improve the global environment, supporting natural resource and environmental management activities in developing countries.

Australia strongly supports the World Bank Group's prominent focus on climate change in IDA18, including its commitment that 28 per cent of its portfolio will be spent on climate change activities.

Case study 1: Community-based Climate Change Action Grants (CBCCAG) - integrating climate change in Vietnam, the Philippines, Timor-Leste, Vanuatu, Tonga, Kiribati, Solomon Islands, Marshall Islands and Papua New Guinea (2013-16).

Australia's \$34 million investment in CBCCAG provided an opportunity to test a suite of options in a range of settings and build an evidence base for further action. In the three-year timeframe, implementing NGO partners took the opportunity to continue the process of integrating the risks of climate change in their work with communities to improve livelihoods and build resilience. The below examples provide a snapshot of some of the benefits integrating climate change can bring to vulnerable communities.

In **Vietnam**, agriculture projects focused on implementing adaptive livelihood options; raised awareness of climate impacts and disaster risk reduction (DRR); and integrating DRR and climate change issues into Socio-Economic Development Plans. The project increased understanding of climate change impacts among children and their communities. As a result, project participants engaged in adaptation actions, such as crop diversification, adaptive agriculture techniques and a reduction of water usage.

In the **Philippines**, climate change was integrated into child-centred education programs. This increased understanding of climate change through integrating climate risk information and adaptation opportunities into existing educational and awareness raising materials targeting elementary and high schools, in addition to out of school children and youth and the wider community. Children were equipped with knowledge and able to influence local climate change planning and action in their families, schools and communities through participation in local planning processes.

In **PNG**, climate smart techniques were integrated into small-scale agriculture and infrastructure projects. Farmer groups increased yields and reduced post-harvest losses; diversified crops and adopted conservation farming projects. For example, in Manus Province coastal communities traditionally rely on fisheries for food security. Through training, and the introduction of a variety of drought resistant crops, these communities quickly adapted and increased food security and income levels. Households also improved water access, management practices and sanitation. Communities were also trained in building sea stone walls to reduce the impact of sea level rises and high tides.

By adding a climate lens to agriculture, education, infrastructure and water projects, communities increased resilience and decreased vulnerability to climate impacts. Across the investment, communities also explored how gender, age, disability and environmental stressors impact climate change and disaster vulnerabilities and access to resources.

IV. Mobilising Private Finance

Finance provided by national governments will continue to be important, especially for those projects and sectors where private capital is not readily available. To meet the Paris Agreements goal of transitioning to a low-emissions, climate resilient world, it is also critical to use public finance and policy interventions to mobilise private finance. Australia is committed to continue to improve its efforts working with business and other actors as well as our developing country partners, to deliver results on the ground.

We recognise that developing countries can experience challenges in attracting and gaining access to private finance for climate action. Australia is also helping to develop the pipeline of investment-ready projects to facilitate increased private finance, including by bridging the gap between project proponents and financiers. For example, Australia is funding the Private Financing Advisory Network (see case study below), the Business Partnerships Platform and the Private Infrastructure Development Group. We will continue to explore innovative ways to improve enabling environments, to work to identify and address barriers to climate finance, and pursue further options for mobilisation.

We are also facilitating networks and partnerships that will help accelerate mobilisation of climate finance. In 2016, Australia has funded a roundtable series to bring together actors from the private sector, government and non-government organisations to share expertise, establish critical relationships, and promote new initiatives and better ways of working together. Through the Asia Pacific Rainforest Partnership, a dedicated Private Sector Roundtable is also considering the approaches to private sector investment in forest projects.

Case study 2: CTI Private Financing Advisory Network (PFAN)

PFAN is scaling up its operations and transitioning to new governance and hosting arrangement with UNIDO and the Renewable Energy and Energy Efficiency Partnership. Australia was pleased to be the first donor to commit to the scale up and second phase of PFAN, which aims to scale up by a factor of 2 to 5.

PFAN began as a pilot in 2006 stemming from UNFCCC processes, since then the PFAN has mobilised over US\$1 billion in private financing for clean energy projects in developing countries for 87 projects, representing 701 MW of clean generation capacity and at least 2.6 million tonnes of CO2 mitigation per year.

PFAN bridges the gap between investments and clean energy businesses. It operates by identifying high potential clean energy projects, and providing them with project development, investment advisory and financing facilitation support via a network of independent experts. PFAN is a multi-lateral public private partnership¹ that uses a small amount of public finance to leverage much larger amounts of private finance. It has a leverage ratio of US\$80-100 for every US\$1 of donor funds.

V. Building capacity and enhancing access to climate finance

Australia has a strong record on providing capacity building and technical collaboration and we will continue to work closely with our partner countries to share expertise and promote development of in-country resources. In particular, we are committed to supporting countries to build capacity to refine and implement their NDCs and NAPs, translating them into policies and strategies that are aligned with national development objectives.

Australia takes a whole of government approach to providing support and building the capacity of partner governments. This involves efforts from a range of government agencies and non-government partners which provide specialist expertise, including DFAT, the Department of the Environment and Energy, the Department of Industry, Innovation and Science, the Bureau of Meteorology, the Commonwealth Scientific and Industrial Research Organisation, non-government organisations (NGOs), charities and universities.

We are also working to support partner countries, especially in the Pacific, to access climate finance resources, including the multi-lateral funds. In 2016, Australia co-sponsored a GCF Pacific Regional Meeting in Fiji, to help Pacific Island countries build their internal capacity to access GCF funding. The outcome of the meeting was a GCF Pacific Roadmap, which outlines a pipeline of country-driven ideas and concepts to develop into concrete funding proposals for GCF support.

We have also been using our position on the GCF Board, and role as Co-Chair, to help make the GCF's processes and procedures streamlined and simplified and to make funds more accessible to developing countries. The GCF's Project Preparation Facility will also help accredited entities to develop high quality GCF funding proposals. The GCF's Enhanced Direct Access pilot programme is designed to enhance access

by sub-national, national and regional public and private entities to the Fund to allow greater involvement and input from stakeholders.

Australia has a particular focus on sharing our expertise on the measurement, reporting and verification (MRV) of greenhouse gas emissions. Robust domestic systems for data collection and reporting are critical to improve transparency, to identify the most cost-effective mitigation policies, to track the effectiveness of policies, and facilitate engagement in market mechanisms. We are committed to continue to support countries to build their MRV capacity in country including to implement their requirements under the Paris Agreement's enhanced transparency framework. We welcome the establishment at COP21 of the Capacity Building Initiative for Transparency and look forward to its prompt operationalization.

Case study 3: Global Forest Observations Initiative (GFOI) – enabling the measurement, reporting and verification (MRV) of greenhouse gas (GHG) emissions from the land sector.

The Australian Government is a founding member of the Global Forest Observations Initiative (GFOI) together with the governments of Norway and the United States, the Food and Agriculture Organization (FAO) of the United Nations and the Committee on Earth Observation Satellites (CEOS).

Australia has led the development of GFOI guidance material specifically tailored for developing countries to ensure they develop MRV systems that align with international reporting requirements under the United Nations Framework Convention on Climate Change (UNFCCC). This guidance material focuses on emissions and removals associated with REDD+ activities (i.e. deforestation, degradation, sustainable forest management, conservation and enhancement of forest carbon stocks).

The guidance material has recently been transformed into a user-friendly online system named REDDcompass (www.gfoi.org/reddcompass) which is now being utilised by many developing countries as it provides a simple approach to guide countries through the otherwise complex process of developing forest monitoring and MRV systems. REDDcompass has already been demonstrated to participants from over 20 countries in a series of joint workshops with the World Bank and UNREDD in Bangkok, Peru and Ethiopia.

REDDcompass provides and interprets direct links between UNFCCC decisions and reporting requirements with the good practice climate science guidance provided by the Intergovernmental Panel on Climate Change. This allows countries to tailor particular MRV approaches to their needs, without prescribing any particular method or approach.

Case study 4: Measurement, Reporting and Verification support to Indonesia

Since 2009, Australia has supported Indonesia to develop a forest monitoring system which will enable Indonesia to develop policies to achieve their domestic and international forest commitments. It has been used to generate estimates of national GHG emissions and removals from key REDD+ activities across all of Indonesia's forests and peatlands, including emissions from peat biological oxidation and fire. These national results were released at the 2015 Global Landscapes Forum in Paris.

Australia will provide up to AU\$ 500,000 in 2016-17 to further build and maintain capacity for Measurement, Reporting and Verification of the land sector in Indonesia, and to share experience and lessons learned with other developing countries in the region.

VI. Improving tracking and transparency of support

Australia strongly advocates transparency across all aspects of climate action, including finance and other support. Transparency, through reporting on support provided, mobilised, and received, helps promote trust among Parties. It also promotes effectiveness of climate finance by institutionalising monitoring and evaluation practices which helps countries to identify and share successful projects and areas for improvement. On a macro-scale, transparency provides important insights into where and how finance is being delivered, allowing potential gaps to be addressed. Robust reporting will be an important input to the Global Stocktake under the Paris Agreement.

Australia has a strong track record of reporting on our climate finance activities, including through our Fast Start Finance Report, and our first and second Biennial Reports. To continue to improve our tracking and evaluation, and in line with the enhanced transparency requirements under the Paris Agreement, Australia is currently undergoing major upgrade of tracking tools for climate finance in the Australian Aid program. This new tool will allow for enhanced information on our climate finance expenditure and allow us to further mainstream climate change issues across the Australian aid program.

Just as important as robust domestic systems is an international framework which promotes transparency while avoiding excessive burden on participating countries. The existing UNFCCC framework is a good foundation for international reporting. Australia looks forward to working with all Parties in the UNFCCC on modalities for the accounting of climate finance, and to deliver an enhanced framework for transparency of action and support. We are also working in other fora to continue to improve methodologies for tracking climate finance, including the OECD/DAC Research Collaborative on Tracking Private Climate Finance.

VII. Transformational change in support of Paris Agreement objectives

The transformation to a low greenhouse gas emission and climate resilient global economy will require strong efforts from all actors. Governments, international organisations, sub-national actors including cities, NGOs, Civil Society Organisations, and the private sector must play their part. On the pathway to the meet the US\$100 billion goal it is critical to ensure finance flows are consistent with low greenhouse gas emission and climate resilient development.

Australia is committed to working at home and with our developing countries to help achieve this transformation, and implementing the Paris Agreement and other international agreements including the Sustainable Development Goals. We are taking strong domestic action, and will review our domestic climate change settings in 2017 to ensure they are geared towards our 2030 target and the Paris Agreement.

Innovation will be critical to making the transition. Australia has pledged to double its investment in clean energy innovation over the next five years under Mission Innovation. We will continue to work with the private sector to mobilise capital for low emissions and climate-resilient investment domestically and in our partner countries. And we are also working through the G20's Green Finance Study Group to identify options to address institutional and market barriers to bringing green finance into mainstream.

Australia's strategies and approaches for delivering climate finance will continue to draw from our experience in delivering the aid program. We will continue to focus on innovation, and a continued pursuit of effectiveness, to ensure our investments produce tangible results and value for money. Our AU\$1 billion target is not just a target. Through our goal to reach this spend we want to ensure value for money and effective, sustainable climate investments focused on lasting results. Australia is committed to strengthening development outcomes, particularly poverty reduction and increase disaster resilience, reduction and preparedness.