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Switzerland's Updated Strategies and Approaches for Scaling Up Climate Finance from 2018 to 2020

This Submission responds to the request of the Conference of the Parties in decision 6/CP.23 para 4 for developed country Parties to submit their updated strategies and approaches for scaling up climate finance to 2020 in accordance with decision 3/CP.19 para 10.

Switzerland would like to recall article 2 para 1 of the Paris Agreement and article 2 of the Convention and its ultimate objective to stabilize greenhouse gas concentrations in the atmosphere at a level that prevents dangerous anthropogenic interference with the climate system. In addition to mitigation, adaptation is also a key priority for the Parties to the UNFCCC and the Paris Agreement and is therefore an essential of Switzerland's international support for climate action in developing countries. Any financial resources provided should have the highest possible impact in countries who need support to achieve the ultimate objective of the Convention and strengthen the global response to the threat of climate change.

This Submission builds on Switzerland's previous submissions inter alia the submission on strategies and approaches for scaling up climate finance from November 2014.

Switzerland is committed to contribute its fair share to the goal of mobilizing 100 billion USD per year by 2020 from both public and private sources in the context of meaningful mitigation actions and transparency on implementation in recipient countries. We recognize that scaling up different forms of financial support will be essential to facilitate the urgently needed transition to low-emission and climate-resilient economies and societies. Climate finance needs to be based on a partnership between different stakeholders such as public and private investors, the various levels of national governments and international development partners in order to achieve the biggest impact on the ground.

1 Current and Future Levels of Climate Finance

2016 the overall Swiss climate finance amounted to CHF 333.1 million, of which CHF 190.8 million were bilateral public climate finance, CHF 134.3 million were multilateral public climate finance and CHF 8.4 million were bilateral mobilized private climate finance. The amount of multilateral mobilized private climate finance for Switzerland could not be estimated, because no reliable disaggregated figures were published in 2016 and therefore Switzerland could not credibly estimate its attribution. Based on the figures published in the OECD-CPI report on the USD 100 billion goal from 2015, Switzerland estimated that it mobilized approximately 90 million USD through its multilateral contributions in 2014. We are assured that this number has rather increased since 2015 than decreased because the overall climate finance and mobilization figures of the multilateral institutions, supported by Switzerland, have increased over the last few years. Switzerland provided more than 50% of its bilateral and multi-bilateral public climate finance for adaptation action in developing countries. All of Switzerland's public climate finance was provided in the form of grants.

We are confident that the public climate finance will at least remain at the same level over the next years and the mitigation / adaptation balance will remain the same on a grant equivalent basis unless demand for climate mitigation and adaptation support in our partner countries changes. We aim to significantly increase our share of mobilized private finance by 2020.

2 Strategies and Approaches for Scaling Up Climate Finance

Switzerland operates on a demand driven basis and conducts regular dialogues with all its partner countries to set the priorities for collaboration for a period of approximately four years. As part of this dialogue, the partner country communicates its own priorities and defines whether it would like to focus on climate interventions as part of the partnership or not, and if yes, whether it would like to focus on mitigation and/or adaptation measures. In addition, Switzerland strives for fully climate-proof cooperation. Therefore, an increasing number of projects – particularly in the agricultural, water and infrastructure sector – does have a specific climate component. The Swiss parliament decides every four years on the overall envelope of its development cooperation and an indicative regional and partially thematic allocation. The Swiss climate finance is mainly part of this large four-year framework credit.

Switzerland works closely with its partner countries to scale up climate finance by providing support for projects and programmes which are in line with their national or sub-national development and climate priorities (incl. their NDC). The list of all our partner countries and focus regions for development cooperation are publicly published under the following link: https://www.eda.admin.ch/dam/deza/en/documents/laender/Liste-Schwerpunktlaender_EN.pdf and for economic development cooperation under the following link: https://www.seco-cooperation.admin.ch/secocoop/en/home/laender.html

Switzerland has a long-standing expertise and experience in climate related themes such as renewable energy (e.g. Hydropower), resource efficiency (e.g. energy efficiency in the building or transportation sector), support for the creation of carbon markets, clean air, disaster risk reduction measures, forestry and landscape management, urban development, natural resource management, climate resilient agriculture, disaster risk financing and insurance schemes etc.. Nevertheless, we are open to collaborations in other areas and believe in continuous innovation, which is why we also continue venturing in new areas such as e.g. the use of new technologies and approaches for climate action in developing countries jointly developed by Swiss and partner countries' leading research institutions.

Switzerland uses a variety of modes of cooperation, such as capacity-building interventions, knowledge exchange, policy dialogue, project preparation support, technical assistance, infrastructure investments, etc. for the implementation of climate action in developing countries and plans to continue with this mix of modes of cooperation. We believe this mix is essential to ensure that the best mode of cooperation is chosen for each project and programme and our specialists on the ground together with the recipient countries can assess and chose the best option on a case-by-case basis.

Switzerland has a long-standing tradition to work with non-state actors in the implementation of its projects and programs for development cooperation and also for climate support, because we are of the view that non-state actors are key service providers and players to achieve its goals in international cooperation: Switzerland builds on their often substantial knowledge, long-standing experiences, specific and complementary capacities and their networks of actors. Switzerland cooperates with local and international non-state actors at technical, operational and policy levels.

2.1 Provision of International Public Climate Finance

Switzerland has more than tripled its public climate finance since 2009 from CHF 85.8 million to CHF 333.1 million in 2016, which clearly shows that Switzerland is committed to meet its fair share of the USD 100 billion goal. Switzerland foresees to at least maintain its current level of public international climate finance.

Switzerland will continue to be engaged in mainstreaming climate change adaptation and mitigation in development cooperation and will continue to put a special emphasis on projects where co-benefits between development objectives and climate outcomes can best be achieved. Switzerland's strategies and approaches for scaling up international public climate finance are therefore closely linked to the overall strategies and approaches for providing development assistance. Climate-related bilateral and multi-bilateral support financed through ODA is tracked, measured and reported against the OECD's DAC Rio markers for climate change mitigation and adaptation, which also serve as the basis for the reporting to the UNFCCC.

Switzerland primarily used grants and plans to continue to use them in its climate finance interventions for developing country Parties, in particular in collaboration with least developed and particularly vulnerable developing country Parties.

Switzerland intends to continue to use bilateral, multi-bilateral and multilateral channels. As long as these institutions operate effectively and efficiently and focus on the most impactful interventions, we will continue to channel a part of our public climate finance through the implementing entities of the Financial Mechanism of the Convention and the Paris Agreement.

2.2 Mobilization of International Private Climate Finance

The targeted mobilization of the private sector for climate action and development cooperation at large will receive increased attention in the future. Though there remain significant challenges and barriers to mobilize additional private capital for climate action in developing countries. Partner countries are often lacking the necessary enabling environment (political stability, functioning financial markets, respective national strategies and policies, etc.) as well as human capacities, which limit private sector engagement on the ground.

To overcome these barriers, a group of experts in Switzerland is currently working on a concept for enhanced international mobilized private climate finance. As part of this concept, Switzerland is assessing and improving its policies and measures to enhance the mobilization of private climate finance.

2.3 Making Financial Flows Consistent with a Low-Emission and Climate Resilient Development Pathway

Switzerland is of the opinion that all countries strive towards making all financial flows consistent with a low-emission and climate resilient development pathway to achieve the global temperature goal.

Our entire climate finance portfolio is already fully aligned with this principle due to its targeting towards lowering emissions and/or the increase of climate resilience in developing countries in line with their domestic policies and priorities.

Further, we support Swiss institutional investors by making available and accessible internationally comparable background information and tools to motivate them to voluntarily look at climate-related risks and to align their portfolios with a low-carbon and climate resilient development pathway. In this context, all Swiss pension funds and insurance companies were invited in 2017 to test the climate compatibility of their portfolios free of charge. Around two-thirds of the Swiss pension funds and insurance industry measured in assets under management participated in the pilot. Despite these results, the Swiss financial sector on average remains insufficiently focused on climate-friendly investments, corresponding to the trend on the listed world market as a whole. But there are signs for the trend to be reversed. We are considering to carry out such tests on a regular basis to follow up on the development and continue to support our financial market to take effective action. To apply a coherent policy in this area at both the national and international levels, sustainable finance has been considered as important also in the national financial market policy. Furthermore, Switzerland is actively participating in the corresponding work of international financial bodies.

In addition, Switzerland is amongst the first countries, which put a price on carbon by introducing a CO_2 levy on fossil heating fuels. Since 2008, the levy was gradually increased from CHF 12.00 to CHF 96 per ton of CO2, because the CO2-emissions did not decrease as planned. This efficient market approach has led to enhanced domestic private sector investments in low-carbon technologies. As part of our climate policy instrument mix it is a further step to a Swiss low-emission and climate-resilient economy and society. Switzerland is eager to share its lessons learnt with other parties on the design and implementation of its CO_2 levy and is ready to engage in global discussions and initiatives for a global price on carbon.

Switzerland is looking forward to further discussions on effective climate finance at the 24th Conference of the Parties with all parties on their strategies and approaches to scale up climate finance and to further enhance its efficient use and impact to reach the ultimate objective of the Convention.