



# Australian Government

## Australia's submission on strategies and approaches for climate finance from 2015 to 2020 November 2018

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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 Strategies and Approaches Submission (2016), Australia's Third Biennial Report (2017)<sup>1</sup> and Australia's Seventh National Communication on Climate Change (2017).<sup>2</sup>

The Paris Agreement secured a solid action agenda and the focus must now be on implementation. Australia is committed to working through the UNFCCC, other multilateral and regional fora, and with our bilateral partners to help achieve the Paris Agreement objectives.

Australia is taking strong action domestically and is on track to meet and beat 2020 emission reduction targets. We remain committed to playing our part in achieving the goal of mobilising US\$100 billion a year for developing countries' mitigation and adaptation efforts by 2020. Australia is providing at least AU\$1 billion in climate finance over five years (2015/16 to 2019/20) through our aid program to assist countries in our region, and to leverage additional private sector finance.

To provide confidence, Australia has led work with the United Kingdom and the OECD in 2016 demonstrating that donors are on track to meet the US\$100 billion goal by 2020, including further work with the OECD this year to provide further reassurance.

Australia delivers climate finance through bilateral programs, contributions to multilateral funds, working with countries to support access to 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.

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<sup>1</sup> [https://unfccc.int/sites/default/files/resource/0512739\\_Australia-NC7-BR3-3-Aus%20NC7%20BR3.pdf](https://unfccc.int/sites/default/files/resource/0512739_Australia-NC7-BR3-3-Aus%20NC7%20BR3.pdf)

<sup>2</sup> [http://unfccc.int/files/national\\_reports/national\\_communications\\_and\\_biennial\\_reports/application/pdf/024851\\_australia-nc7-br3-1-aus\\_natcom\\_7\\_br\\_3\\_final.pdf](http://unfccc.int/files/national_reports/national_communications_and_biennial_reports/application/pdf/024851_australia-nc7-br3-1-aus_natcom_7_br_3_final.pdf)

## **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 (2015/16 to 2019/20), to assist vulnerable nations to build resilience and reduce vulnerability to climate change, and support low emissions transition. As part of this commitment, at the September 2016 Pacific Islands Forum, Australia announced a Pacific climate change and disaster support package of AU\$300 million over four years. Australia has already invested half of this Au\$1 billion commitment within the first two years of the commitment period, and is on track to meet our commitment. **(See Attachment A - detail on climate expenditure and projections).**

Australia continues 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 aim to do the following, as appropriate, according to the needs, requests and systems of recipient countries:

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

Australia is committed to supporting countries in our region to build their climate resilience and we believe we can deliver effective results for our region by working with our neighbours and with effective partners.

Australia has to date had a significant focus on adaptation in our region and will continue to do so, 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. We will continue to work with effective innovators of climate finance, such as the *Global Innovation lab for Climate Finance*, which focuses on proving-up new approaches and developing investments at scale.

## II. Integrating climate change considerations in Official Development Assistance

Climate change amplifies development and economic growth challenges. It will increasingly affect all aid policy and investment decisions, and influence long-term planning and risk management. 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. Australia acknowledges that ignoring our changing climate and the potential impact on communities will result in suboptimal outcomes for our aid interventions.

Australia's 2017 Foreign Policy White Paper<sup>3</sup> articulates the challenges climate change presents, for both Australia and our region. It notes that responding to climate change will continue to be a priority for Australia's development assistance. Australia's aid policy, *Australian aid: Promoting prosperity, reducing poverty, enhancing stability*<sup>4</sup> 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, including supporting regional initiatives, investing in large-scale resilient infrastructure projects and community level adaptation projects.

Australia is supporting climate change action in the Pacific, partnering with Pacific island countries and regional organisations to integrate climate and disaster resilience across sectors. We are also integrating gender and socially inclusive approaches into all Australian climate change investments. Further information on Australia's efforts to integrate climate change in the Pacific is explored in Case Study 1.

The Department of Foreign Affairs and Trade (DFAT) takes a twin-track approach to integrating climate action and disaster resilience in the aid program, ensuring a long-term and comprehensive approach:

1. **mainstreaming within existing development priorities:** Australia considers and assesses 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 helping our partners reduce emissions and build resilience in line with the Paris Agreement goals.

Improving investment outcomes, quality, effectiveness and targeting of our climate assistance is critical for Australia. DFAT's Office of Development Effectiveness' independent evaluation of Australia's climate change assistance reviewed 26 investments (commencing between 2006 and 2014), representing a total value of \$641.2 million, providing valuable analysis and insights to directly inform more effective climate change action through the aid program. Among its recommendations was the need for DFAT to introduce an overarching strategy and implementation plan to inform its future climate change investments. The forthcoming *Climate Change Action Strategy*, guided by the Foreign Policy White Paper, will provide further guidance on DFAT's climate change investments.

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<sup>3</sup> <https://www.fpwhitepaper.gov.au/foreign-policy-white-paper>

<sup>4</sup> <https://dfat.gov.au/about-us/publications/Documents/australian-aid-development-policy.pdf>

### ***Case study 1: Australian efforts to Integrate Climate Change across Sectors***

#### **Pacific Adaptation**

Adaptation is the key focus of Australia's climate action in the Pacific region. Investments include:

- Ensuring the best available information about environmental conditions (such as sea level rise, rainfall and droughts) is collected, analysed and able to be used by Pacific governments and communities to inform decision-making and planning.
- Building resilience in public infrastructure (such as schools, health facilities, roads, bridges) to disasters and changes in climatic conditions
- Using climate and disaster analysis to inform fisheries, health and education programs
- Working with regional organisations, local communities and vulnerable groups including women to increase their resilience to climate change.

In the **Solomon Islands**, Australia is taking a proactive, evidence-based approach to managing the risks posed by climate change in construction industries. Australia is funding the construction of the Gizo Market to improve economic activity for small vendors (primarily women) and enhance Gizo Town's appeal as an international tourism destination. The design includes a sea wall to protect the market and reinforced beams to withstand wind speeds associated with Category 5 cyclones.

In **Vanuatu**, Australia is helping the Ministry of Education and Training build the skills ni-Vanuatu need to adapt to climate change and move towards clean, affordable low carbon growth in tourism, agribusiness, handicraft and construction sectors. Women and men attending training through the Ministry's Skills Centres are learning about climate change and how it affects livelihoods and businesses in these sectors, so they can help to develop local solutions in their lives and businesses.

### **III. Australian contribution to multilateral funds**

Australia provides climate finance through Official Development Assistance (ODA) contributions to multilateral funds and programs, including the Global Environment Facility (GEF), the World Bank Group, Asian Development Bank, and regional and bilateral initiatives. Some examples include:

Australia has contributed AU\$200m (2014-2018) to the GCF, and it is important this funding is managed appropriately, ensures value for money and maximises positive impact. While Australia remains committed to supporting countries in our region to build their climate resilience, we will not participate in the next replenishment round for the GCF. It is our assessment that significant challenges with the GCF's governance and operational model are impacting its effectiveness. Australia believes we can deliver more effective results by working with our neighbours and with effective partners.

In June 2018, Australia continued its support to GEF with a pledge of AU\$76.67 million to the seventh 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 GEF is the largest funder of projects to assist developing countries address environmental challenges and make efficient use of natural resources.

Australia supports the World Bank Group’s Forest Carbon Partnership Facility, which is a global partnership of government, business, civil society and indigenous peoples focused on piloting a market mechanism for reducing emissions from deforestation and forest degradation. Australia has invested US\$42 million, including US\$24 million to the Facility’s Readiness Fund, which supports capacity development, and US\$18 million to its Carbon Fund, which supports countries that reduce their forest sector emissions below baseline levels.

Australia is also supporting the Global Green Growth Institute (GGGI) with a contribution of USD\$15 million over three years (2017-2019). As part of its work to support countries to achieve the Sustainable Development Goals (SDGs) and their national green growth targets, GGGI works to address climate change by supporting member and partner countries to translate climate commitments into concrete climate action and thereby accelerate the implementation of their Nationally Determined Contributions (NDCs) under the Paris Agreement.

#### **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-emission, 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 know that by sharing assets, networks and expertise with business we increase the impact of Australia’s development assistance.

##### ***Case study 2: Private Financing Advisory Network (PFAN)***

PFAN matches private financing with innovative low carbon, climate resilient projects in developing countries. 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. It uses a small amount of public finance to leverage much larger amounts of private finance. For every US\$1 of donor funds, around US\$80-100 of private investment is leveraged.

PFAN began as a pilot in 2006 stemming from UNFCCC processes, since then it has mobilised over USD 1.24 billion in financing, which is being used to build and operate a total of 802 megawatts of clean energy capacity and around 3.3 million tonnes of CO2 mitigation per year. Australia was pleased to be the first donor to commit to PFAN’s scale up and its second phase. With Australia’s support, PFAN is expanding its activities in the Indo-Pacific region.

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), 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 opportunities to crowd-in private climate finance.

DFAT is working with other partners in developing new innovative investments to leverage private sector finance for climate action. DFAT is undertaking a feasibility study into using a broader range of

development financing instruments, this includes instruments that leverage and catalyse more multilateral development banks, domestic resources and private sector finance to bridge the financing gap for development in our region.

On 8 November 2018, Australia announced it would establish a \$2 billion Australian Infrastructure Financing Facility for the Pacific (AIFFP). The Facility will provide loans to fund economic infrastructure projects in the Pacific region and will have the capacity to lend to Pacific Island Countries (and Timor Leste) and the private sector. The Facility will provide non-concessional loans worth up to \$1.5 billion, supported by ODA grants of up to \$500 million.

Climate Change will be a consideration of the new facility. The Australian Prime Minister has made clear that Australia will work more closely than ever with Pacific states on issues of greatest concern, including climate and disaster resilience, and we will keep the international commitments we have made in these areas. Priorities of the financing facility include the energy, water and transport sectors which are key areas in meeting the challenges of climate change. Achieving best practice means aid investments are climate smart and climate proofed – for example when building a new port we must factor in the impact of rising seas or storm surge from extreme weather events.

#### **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, Geoscience Australia, non-government organisations (NGOs), charities and universities.

In the Pacific, we are working with women to increase the influence they have in driving solutions to climate change, detailed in Case Study 4. We have also provided negotiations training to Indonesia to enable them to more strongly advocate their interests in UNFCCC climate finance negotiations.

We are also working to support partner countries, especially in the Pacific, to access climate finance resources, including the multilateral funds. Working in partnership with the GIZ, we have provided A\$2.25 million to the Climate Finance Readiness for the Pacific project (2016-2019). The project is supporting five Pacific island countries (Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu) to develop costed and prioritised national plans that address climate and disaster risks, and strengthen public financial management processes and systems needed to access and manage climate finance.

Australia has provided financial support for the NDC Partnership and served on its Steering Committee from 2016-18. The Partnership supports countries in defining processes, policies and plans to advance NDC implementation and to help better understand and address constraints so countries can access bilateral international support programs. Australia has used its role of the Steering Committee to ensure the Partnership takes into consideration the needs of countries in the Indo-Pacific.

### **Case study 3: MRV and Blue Carbon Ecosystems**

Coastal ecosystems are globally significant carbon sinks that protect coastlines, support biodiversity and underpin sustainable livelihoods. However, the degradation of mangroves, tidal marshes and seagrasses currently contributes 10 per cent of emissions from global deforestation.

The *2013 Supplement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories: Wetlands* (the *Wetlands Supplement*) provides technical advice for measuring, reporting, and verifying (MRV) greenhouse gas emissions from coastal wetlands. While reporting under the *Wetlands Supplement* is voluntary, improved management of coastal wetlands can contribute to countries' efforts to reduce emissions under the UNFCCC Paris Agreement.

Australia was one of the first countries in the world to start reporting on these ecosystems in our greenhouse gas inventory. As the co-ordinator for the International Partnership for Blue Carbon, Australia supported an international exchange on 'Incorporating Coastal Wetlands into Inventories' in Brisbane in July 2018. The event aimed to better understand challenges in adopting the guidance, share knowledge and experience from countries that have made progress in implementing the guidance, and identify ways to facilitate use of the *Wetlands Supplement*.

Delegates from Cambodia, Fiji, Malaysia, Mexico, Papua New Guinea, Thailand, United Arab Emirates and the United States joined scientists and NGOs to share their knowledge and experiences. Lessons learnt from the workshop have been shared, including recommendations for ongoing peer-to-peer exchange. Participants continue to progress discussions.

Measuring emissions and valuing carbon in blue carbon ecosystems is a fundamental precursor to possible climate finance through markets or payments for verified emissions reductions.

### **Case study 4: Women Negotiators**

Australia is committed to increasing the influence of women in driving solutions to climate change, including through strengthening their participation in UNFCCC processes and empowering women to play a leading role in their communities' response. Australia is providing over A\$2 million (2015-2020) to bolster the capacity of women in the region through a series of training initiatives and travel support to UNFCCC meetings. Since 2015, Australia has supported climate negotiations training workshops for female delegates from Pacific Countries and one in South-East Asia with the aim of strengthening delegates' capacity to effectively participate in the negotiating process. The program now has over a hundred alumni who have gone on to represent their countries in regional and international fora.

Australia is also an inaugural funder of the Pacific Regional NDC Hub, which was announced at COP23 in 2017. The hub will assist Pacific Island countries to put in place the institutions and policies necessary to enhance and implement their NDCs and achieve low carbon development.

In April 2018 Australia signed a joint climate change action plan with the government of Papua New Guinea, committing to further collaboration and support on climate change. This includes embedding an Australian official in the PNG Government to advise on climate policy, and on ways Papua New Guinea can better attract climate finance.

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 currently partnering with China, Indonesia and Thailand on this work which is critical for implementing the Paris Agreement.

***Case study 5: MRV to support Thailand's Greenhouse Gas Emissions Inventory System (TGEIS)***

The Australian Government is supporting Thailand's efforts to implement the UNFCCC Paris Agreement through the design and development of the Thailand Greenhouse Gas Emissions Information System, known as TGEIS. Modelled on the Australian Greenhouse Emissions Information System (AGEIS), TGEIS will centralise Thailand's greenhouse gas emissions estimations, national account compilation, and international reporting into a single IT system.

Through its production of timely, high quality and transparent greenhouse gas emissions data, TGEIS will be a critical input into Thailand's climate action. It will support the design and implementation of effective domestic emission reduction measures and fulfilment of Thailand's international reporting obligations. TGEIS was officially 'launched' in July 2018 and will play a significant role in the development and production of Thailand's third Biennial Update Report.

Thai officials have highlighted that Australia's assistance will enable Thailand to move to apply the same emissions estimation guidelines as developed countries.

Over and above the technical and environmental benefits it will deliver, TGEIS is further being promoted as advancing Thailand's economic transformation agenda, "Thailand 4.0". Thailand's Minister for Natural Resources and Environment, General Surasak Karnjanarat has stated that TGEIS is an important innovation to improving the quality of Thailand's inventory to drive efficiencies in climate change reporting and policy development.

Australia has extensive and world-leading expertise in monitoring forests using satellite technology. We share this expertise internationally through our leadership of Global Forest Observations Initiative (GFOI), along with the Governments of Norway, UK and US, as well as the UN Food and Agriculture Organization (FAO), the Committee on Earth Observation Satellites, the European Space Agency and the World Bank. Australia's contribution to the GFOI is part of a \$10 million investment established through the Australian Aid Program in 2013, and continues to be managed by the Department of Environment and Energy. Again, the measurement, reporting and verification of land-based emissions is fundamental to potential climate finance flows to developing countries.

We are committed to continue to support countries to build MRV capacity and share our experience and expertise in country including to implement requirements under the Paris Agreement's enhanced transparency framework.

## **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, our three Biennial Reports and the independently-led Evaluation of Australia's Climate Change Assistance.<sup>5</sup> To continue to improve our tracking and evaluation, and in line with the enhanced transparency requirements under the Paris Agreement, Australia will strengthen the alignment of performance data captured using its whole-of-aid performance monitoring and reporting systems to enable more effective and accurate tracking of climate change outcomes. This will allow for enhanced information on our climate finance expenditure and allow us to further mainstream climate change issues across the Australian aid program. **(See attachment C for detail on our climate finance reporting methodology).**

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, including seeking opportunities to enhance effectiveness, quality and outcomes reporting.

## **VII. Transformational change in support of Paris Agreement objectives**

The transformation to a low greenhouse gas emission and climate resilient global economy continues to 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 by 2020 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 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, 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 from 2015 to 2020 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.

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<sup>5</sup> <https://dfat.gov.au/aid/how-we-measure-performance/ode/strategic-evaluations/Pages/climate-change-evaluation.aspx>

## **Attachment A - Climate Finance Breakdown and Examples**

### **Multilateral Investments**

- Half of Australia's climate finance in 2016-17 [\$115 million] comprised the climate components of our core contributions to multilateral organisations such as the World Bank and Asian Development Bank.
- For example, the Climate Risk Early Warning Systems (CREWS; \$5 million Australian contribution, 2016-20) with the World Bank and World Meteorological Organisation is leveraging donor and multilateral funds to protect lives, livelihoods and property in Least-Developed Countries and Small Island Developing States by developing ways to communicate early warnings about events such as floods and cyclones.

### **Pacific**

- Australia provided \$95 million in climate change assistance to the Pacific in 2016-17 focused on reducing emissions, improving governance and building climate resilience.
- For example, the Pacific Risk Resilience Program (\$17 million, 2012-18) is working with Fiji, Solomon Islands, Tonga and Vanuatu to strengthen climate and disaster risk governance across key sectors including finance and planning, education and food security.

### **South East Asia**

- Australia provided \$20 million in climate change assistance to South East Asia in 2016-17 through dedicated climate investments and mainstreaming climate change in infrastructure, water and agriculture programs.
- For example, the Integrated Coastal Management Program (\$16.5 million, 2011-18) is supporting the Government of Vietnam to strengthen planning, technical and financial capacities to foster climate-resilient development of the Mekong Delta.

### **South West Asia**

- Australia provided \$7.4 million in climate change assistance to South West Asia in 2016-17, focused on climate action in the energy, water and agriculture sectors.
- For example, the Sustainable Development Investment Portfolio (\$42 million; 2016-20) is promoting integrated management of water, energy and food in three major Himalayan river basins, with a particular focus on addressing climate change risks in these areas.

### **Global Programs**

- Australia provided \$11.6 million in climate change assistance via global programs in 2016-17. These programs operate across multiple countries or regions including to Africa, and include scholarships, NGOs programs, and multi-donor trust funds.
- For example: In 2016, Australia Awards Pacific Scholarships supported several Tuvalu scholars complete tertiary studies in resilience-building areas of law, climate change and waste management.

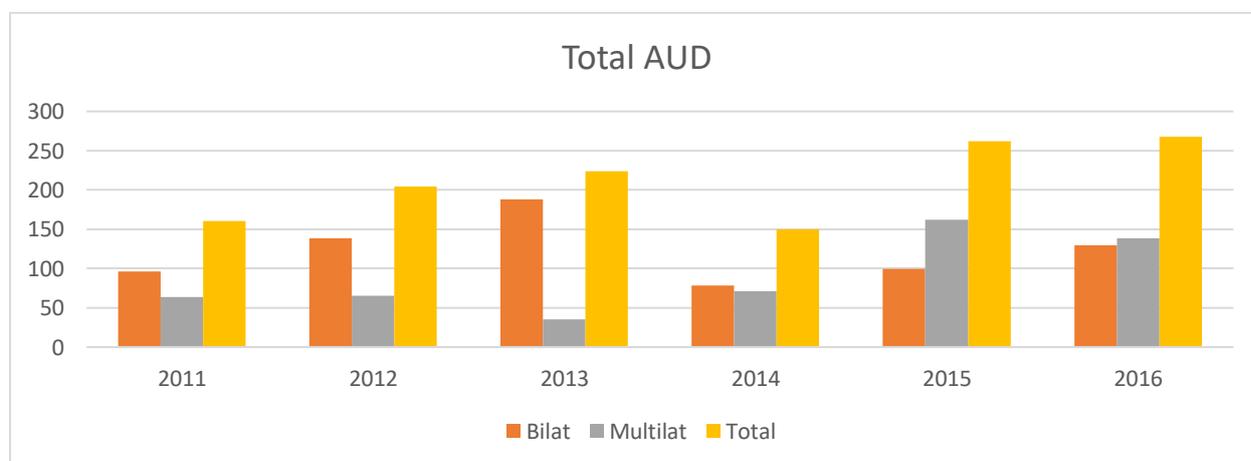
## Australia's climate financing commitments — regional allocations

Climate Finance by Region	Climate Finance ODA (AUD million) – as reported in DFAT's Official Sector Statistical Summary	
	2015-16	2016-17
Recipient country/region		
Pacific Islands bilateral and regional (includes Papua New Guinea)	36.58	95.05
East Asia	24.99	20.22
South and West Asia	5.32	7.40
Sub-Saharan Africa	-	0.87
North Africa and the Middle-East, and Latin America and the Caribbean	-	-
Green Climate Fund	60.00	35.00
Global programs (incl. multi-regional) and core contributions to multilateral organisations	122.58	90.43
<b>TOTAL</b>	<b>249.47</b>	<b>248.97</b>

**Table 1 – Actual/projected climate finance to meet the \$1billion commitment over five years 2015-16 to 2019-20**

FY Year	Total	Breakdown	Comments
2015-16	\$249.47m Actual	\$182.58m - Multilaterals \$66.89m - Global/regional/bilateral	Reported in DFAT Aid Expenditure 2015-16.
2016-17	\$248.97m Actual	\$125.43m - Multilaterals \$123.54m - Global/regional/bilateral	Reported in DFAT Aid Expenditure 2016-17.
2017-18	\$200.00m Estimated	\$100.00m - Multilaterals \$100.00m - Global/regional/bilateral	As reported in DFAT Budget Book. Projections based on historical average since 2010-11. Actuals currently being calculated and quality checked.
2018-19	\$200.00m Estimated	\$100.00m - Multilaterals \$100.00m - Global/regional/bilateral	As reported in DFAT Budget Book. Projections based on historical average since 2010-11.
2019-20	\$200.00m Estimated	\$100.00m - Multilaterals \$100.00m - Global/regional/bilateral	Projections based on historical average since 2010-11.
<b>Total</b>	<b>\$1.098billion</b>	<b>\$608.01m - Multilaterals</b> <b>\$490.43m - Global/regional/bilateral</b>	<b>Projected total</b>

## Australian Increasing Climate Expenditure from 2011 to 2016



## **Attachment B – DFAT’s Progress and Plans for Integrating Climate Action Across the Aid Program.**

Building on work over several years, and following Australia’s \$1 billion announcement in 2015, (including \$300 million for the Pacific announced in 2016), DFAT strengthened the process of integrating climate change into Australia’s aid policy including in the;

- Foreign Policy White Paper 2017
- Humanitarian strategy 2017
- Senate enquiry into climate change and national security 2017
- Australia’s response to the Sustainable Development Goals – SDG 13 on climate change and integration of climate change across most of the SDGs. Recently reported in Australia’s SDG voluntary national review.
- Development of cross cutting climate change papers with aid sectors including infrastructure, DRR, Water, Food Security and Agriculture, and coming papers on Health, Governance, Gender, Human Rights
- Raising the profile of our climate change commitments in the “Australian Aid Budget Summary” (Orange Book) 2016-17, 2017-18 and 2018-19, and reported in “Australia’s International Development Assistance: Official Sector Statistical Summary” reports.

At an aid programming level, DFAT will continue to strengthen aid guidance and systems to support integration: DFAT has in place and will build upon:

- Internal guidance for integrating climate action across the aid policy and program outlining: our international commitments; approaches to integrating climate action; and high-level principles to guide integration.
- Advice to aid policy and program managers to improve climate change integration throughout various stages of the aid management cycle – from policy development and planning, scoping investment concepts, through to detailed designs, and reviewing and reporting performance, outlined in the climate change action strategy toolkit.
- Technical guidance notes to help aid investment managers incorporate climate action in priority sectors, including disaster resilience, infrastructure, water and agriculture.
- Updated ‘Environmental and Social Safeguard Policy’, and supporting ‘Screening Tool’, which requires mandatory consideration of the potential impacts of climate change and disaster risk on new investments.
- A dedicated external support unit providing technical advice to our Pacific aid programs, given Australia’s substantial support for climate change action in the Pacific and the importance the region places on the issue. Consideration for expanding technical capacity more globally will be considered in 2019.
- The AIDWORKS aid investment management system’s new policy markers, climate guiding questions, and budget tables, together with an email notification system to alert the Sustainability and Climate Change Branch to assist program managers better capture climate change action.
- A robust and transparent methodology for tracking climate finance, based on OECD Development Assistance Committee principles and consistent with agreed UNFCCC principles.
- Updated aid quality and reporting mechanisms to incorporate climate change considerations into DFAT’s annual process for assessing performance of aid investments. We will analyse results and provide feedback across the department to drive ongoing work.

## Going Forward

- DFAT's Office of Development Effectiveness evaluation of climate change effectiveness in the aid program, has identified opportunities for further improvement. The evaluation was requested by the Sustainability and Climate Change Branch at the beginning of 2017 to assist in improving the effectiveness of Australia's climate change investments, and to inform the process of integration of climate action throughout the aid program.
- The Evaluation provides valuable analysis and insights that can directly inform more effective climate change action through the aid program. It identifies the key characteristics of investments that effectively achieve climate change outcomes, such as working on longer time frames, and those that are less effective. It underlines the value that whole-of-government partners and technical expertise bring to delivering effective and sustainable climate change action. The Evaluation proposes some practical steps for improving the integration of climate change across the aid program. <https://dfat.gov.au/aid/how-we-measure-performance/ode/strategic-evaluations/Pages/climate-change-evaluation.aspx>. These are being adopted by DFAT.
- The forthcoming *Climate Change Action Strategy* will provide guidance on DFAT's climate change investments. The strategy is guided by the *Foreign Policy White Paper*, which clearly articulates the challenges climate change presents, for both Australia and our region. It notes that responding to climate change will continue to be a priority for Australia's development assistance.
- The strategy implementation is supported by a toolkit for DFAT staff, which is under further development and expected to be completed early 2019.
- We are strengthening DFAT climate change aid management and technical capability across the department through developing the toolkit, guidance notes, e-learning, and face to face training. We will strengthen DFAT's Sustainability and Climate Change Branch to reinforce the provision of technical advice to program areas.

## Attachment C: Climate Finance Accounting Methodology and Reporting

### ***Tracking ODA expenditure for bilateral, regional, global and multilateral programs***

We track our ODA expenditure primarily through our **Aidworks** aid program management system, in conjunction with specific databases for our Australia Awards, Volunteers and NGO Cooperation programs. This data is used to calculate our climate finance as per below.

For **bilateral, regional and global programs**, Australia assesses each activity to determine if it has an explicit climate change objective (based on OECD DAC guidance) and, if so whether:

- this is a primary or secondary objective; and
- it contributes to adaptation, mitigation, or both.

Where climate change is the primary objective, 100% of the activity value is counted as climate finance. Where climate change is a secondary objective, an estimate is made of the amount spent on delivering climate results. If a dollar value cannot be calculated, a figure of 30% of the activity value is used. This represents a conservative average across the portfolio. This constitutes current international best practice in climate finance accounting.

For contributions to **multilateral organisations**, Australia counts:

- 100% of our contributions to climate-specific funds:
  - the Green Climate Fund, Global Green Growth Institute, Multilateral Fund for the Implementation of the Montreal Protocol, and the UNFCCC
- a portion of our **core** contributions to non-climate specific funds, according to imputed shares calculated by the OECD DAC Secretariat
  - World Bank [*around 20%*], Asian Development Bank [*around 20%*], and the Global Environment Facility [*around 60%*].

### ***UNFCCC climate finance reporting requirements***

**UNFCCC reporting requirements** for climate finance are specified in the UNFCCC's guidelines on reporting and review plus various COP decisions. The requirements include:

- a commitment to regular biennial reporting via National Communications and Biennial Review reports, according to the agreed structure and including all mandatory content; and
- provision of consistent, transparent, comparable, accurate and complete information.

Our approach to reporting is shaped by discussions in the UNFCCC negotiations. We aim to produce climate finance figures which:

- are credible and defensible (and therefore we use conservative figures)
- avoid double counting; and
- reflect actual expenditure on activities with a specific climate change focus (not simply broader development).