Submission by Norway on information to be provided by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement

1. Introduction

Decision 12/CMA.1 reiterates that developed country Parties shall biennially communicate indicative quantitative and qualitative information related to Article 9, paragraphs 1 and 3, of the Paris Agreement, as applicable, including, as available, projected levels of public financial resources to be provided to developing country Parties. Norway provides in this submission information in accordance with the annex to this decision. We have sought to respond to the different elements listed as paragraphs in the annex, however for ease of reading and to avoid duplication we have not followed the list chronologically. Furthermore, the response to some of the paragraphs in the list are grouped together. In order to give a full picture of our priorities, we will also address some of the broader development priorities and programs of which our climate finance is a substantial part.

Norwegian climate finance includes earmarked funds through bilateral and multilateral climate channels as well as the climate component of the core support provided to multilateral organizations. It includes climate-related official development assistance (ODA) and other official flows (OOF). The OOF support are channeled through Norfund, our national development finance institution, providing equity, loans and guarantees to companies operating in challenging markets in developing countries.

Norway welcomes this opportunity to provide ex-ante information on our climate finance and deems this as an important tool to build trust and cooperation between Parties.

1.1 Highlights

- Norway has committed to use 1% of Gross National Income (GNI) to ODA. All Norwegian ODA is given as grants. In 2019, 17% of the total ODA budget was targeting climate change objectives and the total climate finance for developing countries amounted to NOK 6.25 billion.
- The Norwegian International Climate and Forest Initiative (NICFI) is presently the largest single element in Norway's public climate finance. The Government has decided to extend the initiative to 2030. The budget allocation for 2021 to NICFI is at NOK 3.1 billion.
- Renewable Energy is one of the main priority sectors of Norwegian ODA and OOF. A new strategy for climate and energy is being finalized in 2021 outlining the two-fold objectives of access to modern clean energy and climate mitigation. Norfund reached its portfolio-goal of 50% renewable energy investments in 2019. The budget proposal for 2021 opens for allocating almost NOK 1.7 billion in new capital, opening for further climate mitigation investments in the energy sector from Norfund in the years to come.

- Norway more than doubled our contribution to The Green Climate Fund (GCF from the initial to the first replenishment from a total contribution of NOK 1.6 billion to NOK 3.2 billion.
- Norway plans to increase ODA for climate adaptation and resilience through both bilateral and multilateral channels. Details will be outlined in a strategy to be finalized in 2021.
- The Paris Agreement (PA) is well reflected in the new strategy of The Norwegian Development Agency (Norad) to be published in 2021, and processes have been initiated to secure PA alignment of the agency's portfolio.

1.2 National circumstances and limitations relevant to the provision of ex-ante information

Norwegian climate finance is an integral part of our ODA engagement for achieving the sustainable development goals. Norway has a well-established ODA target of 1% of GNI which has been fulfilled under changing governments for years. We have no plans to reduce this target, nor its overall objectives; to fight poverty, save lives and alleviate suffering, in accordance with the humanitarian imperatives.

The strong inter-linkages between climate change and development are emphasized in the Norwegian international development policies. Hence, the budget for climate change adaptation and mitigation has increased over the years. In 2019, 17% of the total ODA budget had climate as its main or significant objective, and this number is expected to grow in the years to come.

In Norway the annual budgets of the Government have to be approved by the Parliament. All public multiyear programs and projects, both planned and ongoing, can thus only be secured on an annual basis. Allocations to specific projects or programs may also be subject to change within the calendar year. Substantial changes in allocations were for example made in 2020 due to the Covid-19 crisis. While 2020 was an exceptional year, it illustrates why we report on disbursed, not planned or committed contributions, in our ex-post financial reporting to the UNFCCC.

Our ex-ante reporting of the annual budget approved for 2021 represents thus only tentative figures. Financial information beyond the annual budget allocations for 2021 covers approved plans and programs. These are usually limited to a 3-5-year time span. In addition, we have a few long-term commitments, such as the Norwegian International Climate and Forest Initiative (NICFI) and contributions for multi-year replenishments in multilateral funds, such as The Green Climate Fund (GCF) and The Global Environment Facility (GEF) and multilateral development banks.

2. Policies and priorities

2.1 Types of climate finance support

The thematic split of Norwegian climate finance in 2019 was 9% adaptation only, 82% mitigation only and 9% cross cutting. The numbers conceal the positive effect on climate adaptation and resilience of reduced deforestation and forest degradation. As NICFI started off as a mitigation initiative, this funding is reported as mitigation only, not adaptation.

However, we recognize that forest management and protection may also have significant positive contributions to climate adaptation. For more information on NICFI, see chapter 3.1 below. Our renewable energy allocation, including Norfund's investments, is the other key part of our allocation for climate mitigation, that is elaborated in chapter 3.2 below. In 2021, the Government is developing a new ODA program for energy and climate. In addition, climate mitigation and adaptation are integral parts of our Ocean initiatives, see chapter 3.3.

The GCF is our main mechanism for supporting adaptation, with their 50:50 allocation to mitigation and adaptation. Further ODA to adaptation is given through the UN, GEF, the Adaptation Fund and the Global Commission on Adaptation, as well as our support for disaster risk reduction through United Nations Office for Disaster Risk Reduction (UNDRR) and the World Bank's Global Facility for Disaster Reduction and Recovery (GFDRR) and support to climate risk reduction/climate resilience, through The World Meteorological Organization (WMO), Asian Disaster Preparedness center, Operational Satellite Applications Programme (UNOSAT) and The Norwegian Meteorological Institute.

Climate adaptation and resilience will be given high priority in Norwegian ODA in the years to come. In line with the Government's Action Plan for Sustainable Food Systems, Norway will prioritize improved nutrition, food security, climate-adapted agriculture and fisheries in developing countries. A new strategy on climate adaptation, risk reduction and combatting hunger is developed. Strengthening climate resilience in vulnerable countries and communities, including food security, are central elements in the strategy.

Transfer of technology and capacity building is included in most of our plans and programs. We experience a greater demand from countries for transfer of technology and knowledge than funds. Revitalizing and strengthening technical cooperation are therefore an important part of our forward-looking development policy.

2.2 Paris Agreement alignment and greening of ODA

The Norwegian Government has initiated a process to ensure that Norwegian development cooperation is better aligned with the goals of the Paris Agreement. This includes identifying measures to: 1) reduce the climate footprint and climate risk of Norwegian development assistance, including the negative climate impact of the administration of the development assistance, 2) increase climate co-benefits of development assistance that does not have mitigation and/or adaptation as a primary objective and, 3) increase the impact of the climate support. Measures include strengthened efforts together with partners on climate impact and risk, as well as climate mainstreaming in our development cooperation. We will also build increased capacity in the Norwegian development system to pursue these goals. The Government has also initiated a project in Norad that will collect and produce knowledge on the effects of possible future types of climate interventions within Norway's ODA portfolio. The aim is to increase our knowledge and identify knowledge gaps when it comes to different types of interventions and their effects on people, climate and nature.

In the wake of the Covid-19 pandemic, we have revisited our plans and programs to see how we can contribute to building forward better and greener and identified potentials for further alignment of efforts to halt the climate and nature crisis. As groups of indigenous peoples have been especially vulnerable to the Covid-19 pandemic, NICFI focused its attention on these vulnerable groups in 2020, including in Brazil, Peru and Colombia and expects to continue this support in 2021.

2.3 Regions and Geography

Norwegian ODA has a set of priority bilateral partner countries. In 2018 the Government decided to reduce the number of priority countries in Norwegian ODA. A selection of 16 partner countries was made: ten for long term development and six for stabilization and conflict prevention. The selection was based on established bilateral partnerships, the partner countries' own priorities and an assessment of where Norway can make the best possible contribution. Since predictability is deemed important in ODA, efforts are made to maintain the levels of allocations over several years. The partners for long-term cooperation include Ethiopia, Ghana, Malawi, Mozambique, Tanzania, Uganda, Indonesia, Myanmar, Nepal and Colombia. The level of climate finance varies in the Norwegian ODA to these countries, but is significant in the programs for Colombia, Ethiopia and Indonesia, as they in addition are partner countries of NICFI.

NICFI has bilateral agreements with the most important forest countries where there is a political will to preserve the forest. In the selection of partner countries, emphasis has also been placed on the potential for emission reductions, sustainable land management and the testing of different approaches and involvement of private sector.

Norwegian ODA for climate adaptation and disaster risk reduction also supports a wider group of developing countries and regions. Partner countries in sub-Saharan Africa will continue to be important, but SIDS and other regions, as well as global initiatives are also included. Our allocations to renewable energy will continue to have a specific focus on sub-Saharan Africa.

Norwegian ODA channeled through Norwegian and international NGOs are also covering a wider group of partner countries.

2.4 Main beneficiaries

Norwegian climate finance that is financed through ODA has to follow the overall objectives, rules and regulations of Norwegian ODA. The overall objective of Norwegian ODA is to fight poverty, save lives and alleviate suffering. Gender, human rights, anti-corruption and climate and environment are cross cutting issues that have to be taken into account in all Norwegian ODA. Women and girls, youth, minority groups and indigenous and local communities are given priority.

2.5 Addressing needs and priorities of developing countries

Implementation of the Paris Agreement and support to developing countries' National Determined Contributions (NDC) and development plans are key considerations for Norway's climate finance. Our climate finance aims to support transformative actions.

All Norwegian ODA, including climate finance, shall be demand-driven, addressing the needs and priorities of partner countries. Dialogues with the authorities, as well as with the stakeholders are important. Following a stronger focus on the SDGs, and the need to solve the climate- and nature crisis together with poverty alleviation, the countries NDCs and National Adaptation Plans (NAPs) have to be revisited together with the National Biodiversity Strategies and Action Plans (NBSAPs), development plans and sectoral strategies.

3. Specific Programs and budget allocations

3.1 Norwegian International Climate and Forest initiative (NICFI)

The overarching goal of NICFI is that reduced and reversed loss of tropical forests contributes to a stable climate, protects biodiversity and enhances sustainable development. NICFI pays for verified emission reductions from REDD+ in partner countries, finances efforts to build up global and national REDD+ frameworks, supports and creates incentives for deforestation free supply chains, invests in infrastructure for publicly available data on the forest, and supports civil society and indigenous peoples around the world.

Since NICFI was established in 2008, the initiative's main focus has been on bilateral partnerships. NICFI has, however, gradually expanded its efforts to also include the global driving forces behind deforestation. Ultimately, it is improved policies in the tropical forest countries that will make it possible to reduce deforestation. A major challenge, however, is that the global commodity markets and finance institutions are not to the degree necessary incorporating risks and costs related to deforestation and other unsustainable land use into their operations. If we manage to turn the market to demand deforestation-free products, this will make it easier for governments to improve policies related to land-use. Both significantly improved land management and a transformation of the world's food and commodity production systems are crucial in order to halt and reverse deforestation and forest degradation, and the two processes are highly interlinked.

Furthermore, support for civil society actors is a key part of Norwegian ODA, and NICFI in particular. Civil society organizations act as watchdogs, as an anchor across political divides, and as knowledge producers and communicators. In 2021, NICFI will enter into new agreements on support for civil society actors for the period 2021–2025 under their dedicated Grant Scheme for Civil Society. The focus area for the support is indigenous peoples, deforestation-free supply chains and financial markets, efforts towards forest crime and increased transparency, in addition to higher climate ambitions and forest-friendly land-use policy. In 2021, NICFI will continue to support organizations and indigenous peoples in Brazil working to protect the rainforest in the country.

Norway has pledged to pay for verified emission reductions from REDD+ in Brazil (up to NOK 1 000 million a year, depending on results), Guyana (up to NOK 1 500 million in total, all of which has been disbursed), Colombia (up to NOK 1 800 million, of which 696 million is disbursed, 324 million for emission reductions), Peru (up to NOK 1 800 million in total, of which 170 million is disbursed, not yet for emission reductions) and Ecuador (up to NOK 300 million, of which 170 million is disbursed). All disbursements depend on the size of verified emission reductions. In addition, Norway has pledged phase II REDD+ financing to Indonesia (NOK 6 000 million, of which 941 million is disbursed. 80% of the pledge is dependent on verified emission reductions), Ethiopia (up to USD 20 million a year) and Liberia (up to NOK

1 000 million, of which 409 million is disbursed, as of yet nothing for emission reductions).

To facilitate the growing interest from private companies, and to ensure that transactions in emission reductions from jurisdictional REDD+ have high environmental and social integrity, NIFCI has supported the establishment of two new institutions: The Architecture for REDD+ Transactions (ART) and the Emergent Forest Finance Accelerator. ART has developed a new, high integrity standard for REDD+ (TREES), a system for third party verification, and a register of certified credits. Emergent is a non-profit organization that has been set up to maximize environmental benefits by driving finance towards jurisdictional REDD+. Emergent acts as a middleman to connect private buyers with countries and jurisdictions selling emissions reductions from REDD+ under the TREES standard. To help catalyze a market for forest carbon, Norway intends to provide a floor price guarantee for a limited volume of ART-credits through Emergent, acting as a buyer of last resort. Going forward, NIFCI will seek to use the TREES standard and the market platform Emergent for all new results-based bilateral partnerships.

Regarding multilateral channels, Norway has pledged and disbursed NOK 690 million to Tranche 3 of the Bio Carbon Fund's Initiative for Sustainable Forest Landscapes to pay for emission reductions from the land use sector. Norway has also pledged and disbursed NOK 2 069 million to the Carbon Fund of the Forest Carbon Partnership Facility (FCPF) to pay for emission reductions from the forest sector in selected jurisdictions. The UN-REDD program has received a total of NOK 1 065 million from Norway in the period 2011-2020. Norway plans to continue supporting technical assistance to tropical forest countries through UN-REDD to qualify for payments for emissions reductions, with a specific focus on the ART/TREES standard, provided more donors join in. NICFI is also contributing to the Central African Forest Initiative (CAFI). CAFI is financing REDD+ activities in 6 Central African countries: DR Congo, Republic of Congo, Gabon, Cameroon, Equatorial-Guinea and Central African Republic. In the agreement period 2015 – 2020 Norway has contributed NOK 1 990 million to CAFI. Norway plans to continue working with CAFI.

In 2020 NIFCI entered into an agreement with Kongsberg Satellite Services (KSAT) and its partners Airbus and Planet to provide universal access to high-resolution satellite monitoring of the tropics in order to support efforts to stop the destruction of the world’s rainforests. The contract is worth up to NOK 400 million and runs until December 2021 with an option for extension until December 2023.

3.2 Renewable energy

Norway has been supporting renewable energy projects in developing countries for decades. The objective for Norway’s cooperation on renewable energy is twofold, access to modern, clean energy and reduced emissions of CO2. The funds allocated to renewable energy are used catalytic in order to mobilize private investments in renewable energy and to reduce risks to investments by supporting local bottlenecks to investments by strengthening local capacity; reforms, legislation, strengthening of institutions and increased capacity in the energy sector. Furthermore, support will be provided for building transmission and distribution systems, as well as off-grid electricity services, all aiming at access to electricity.

The 2021 budget for renewable energy is NOK 684 million. Sub-Saharan Africa will continue to be the main cooperation region, with Mozambique, Tanzania and Uganda as the main partners, but support will also be provided to selected countries in Asia, including Nepal and Myanmar. In Tanzania, Norway will fund electrification by the Rural Electrification Fund with more than NOK 100 million annually from 2019 to 2021. In Mozambique, Norway supports a multi-donor Trust Fund for electrification with NOK 165 million from 2018 to 2024. Funding will also be channeled through multilateral channels, both multilateral development banks and the UN system, as well as international organizations, initiatives and funds created for the development of renewable energy in developing countries and through the GCF. Norway's policy aims to mobilize private investment in power generation and support for supplemental guarantee schemes for this purpose will be emphasized in 2021.

In addition, the Government allocates NOK 1 678 million as the annual capital increase for 2021 to Norfund. Norfund has an obligation over time to invest half of allocated capital in renewable energy. Norfund has seen a substantial capital increase over several years. This is a consequence of the government's priority on renewable energy and private sector development in developing countries. The White paper on SDG-implementation (Meld St 24 2016/2017) has identified both private sector development and renewable energy as priorities. Norfund is the most important bilateral instrument for private sector development in developing countries. Norfund's investments in renewable energy have increased substantially over the last few years. Investments in renewable energy are a key element in Norfund's strategy 2019-2022. Norfund also launched a climate strategy during 2020.

Norfund meets its Key Performance Indicators to invest with a priority in Sub-Saharan Africa (KPI 50%) and in least developed countries (KPI 33%). By year-end 2019, close to 50% of Norfund's portfolio was in renewable energy. During the fall 2020, Norfund signed an agreement to sell off SN Power (hydro power subsidiary) to Scatec Solar. This means that the share of renewable energy in Norfund's portfolio will be reduced in the short term but increased in the medium and longer term. Norfund will be able to invest in larger renewable energy projects in Norfund's priority geographic target area as the sale of SN Power will generate a substantial income to Norfund.

3.3 Food security, fishery and agriculture

In line with the Government's Action Plan for Sustainable Food Systems, Norway will prioritize improved nutrition, food security, climate-adapted agriculture and fisheries in developing countries. The budget proposal for this target area in 2021 is NOK 1 378 million. Not all this allocation will have climate objectives or be reported ex-post as climate finance; however, the aim is to see the environment and climate footprints, infrastructures and institutions together in the food value chain. This includes food production, processing, distribution, sale and consumption, in addition to the socio-economic and environmental effect the system has on the environment. Small-scale food producers in fisheries, aquaculture and agriculture are prioritized.

The work will be followed up at country level through relevant foreign service missions and in cooperation with civil society organizations, research institutions and private business. In addition, collaboration with multilateral organizations will be important for implementation.

Multilateral channels that will be receiving funds include the UN organization for nutrition and Agriculture (FAO), The International Fund for Agricultural Development (IFAD), the Consortium for International Agricultural Research (CGIAR), World Bank Global Agricultural and Food Safety Program (GAFSP), The Global Foundation for Crop Diversity (Crop Trust) and the World Food Program (WFP).

In addition, Norway supports the sustainable development of fisheries and aquaculture sector through the knowledge program Fish for Development. An important objective for the program is to use knowledge about the marine ecosystem to improve resource management. Long time series of information relating to the marine environment and resources are crucial for understanding the effects of climate variation and change.

3.4 Sustainable oceans

This appropriation in our Budget covers measures to follow up government policy for sustainable use and protection of marine resources. Only certain parts of this effort will be reported as climate finance ex-post. Our effort in this field will emphasize the connection between good environmental conditions, comprehensive ecosystem-based management, sustainable use and value creation. Our efforts are also important for the development of policy priorities of climate adaptation, prevention and hunger control. In the field of climate change, we will support efforts to reduce climate consequences of the ocean, including green shipping in developing countries. We also highlight that Norway supports, through the knowledge programs Fish for Development and Oceans for Development, a project in FAO that will build knowledge in the field and assist partner countries in the development and implementation of climate adaptation plans for the fisheries and aquaculture sector.

In addition, the Oceans for Development program supports FAO in implementing the Bay of Bengal Large Marine Ecosystem project "Sustainable management of fisheries, marine living resources and their habitats in the Bay of Bengal region for the benefit of coastal states and communities", which is co-financed with GEF. The project will support 8 developing countries in the region and has a sub-objective, among others, to assist the countries in preparing climate adaptation plans and disaster risk reduction strategies.

Norway will also contribute NOK 637 million in the period 2017-2022 to support the EAF-Nansen Program, executed by FAO in close co-operation with the Norwegian Institute of Marine research. For more than 45 years, the Nansen Program has been providing an opportunity for coastal developing countries to assess and manage their fisheries for a sustainable use of the oceans. The Program was in 2017 extended to take account of how climate variability and change affects the ecosystem productivity and health in the scientific advice on the management of fisheries. Today 31 partner developing countries in Africa and Asia participates in the Nansen Program.

Norway will contribute NOK 1 600 million in the period 2018-2024 on a development program to combat marine litter and microplastics in our oceans. Although the program does not have clear climate objectives, our efforts will include several measures contributing to reduce climate change emissions including increased recycling of plastic waste and circular economy approach. Norway supports a project by Sintef that will pilot the use of non-recyclable plastic waste as coal substitute in local energy-intensive industry, such as cement manufacturing, with several potential benefits for the climate and environment.

3.5 Multilateral institutions and Funds

The most important partner for Norway's multilateral climate finance, is the World Bank Group, UNDP, GCF and FCPF. UN's environmental program (UNEP), Global Environment Facility (GEF) are organizations that also receive support from Norway. The NDC partnership will get Norwegian support from 2021. Norway also gives a core contribution to the UNDP, acknowledging that part of this contribution will be used for climate change activities.

Norway provides core contribution to the World Bank Group, regional development banks and funds. Core contribution is the purchase of ownership shares through capital deposits in development banks, and grants to the respective banks' funds for the poorest countries. Core support amount to nearly NOK 2 000 million in 2021.

In 2021, the appropriation covers both Norway's obligations to the bank's development fund, IDA, and participation in the capital increases in the International Bank for Reconstruction and Development, IBRD, and the International Finance Corporation, IFC. The 19th replenishment period of IDA (IDA19) runs from 2020 to 2022. Norway's participation in the capital increase in IBRD was adopted in 2018 and will be implemented in the period 2020–2023. The capital increase in the IFC will be implemented in the period 2020-25. The World Bank plays a key role in this work to achieve the UN's sustainability goals, deliver on the international climate commitments and mobilize greater funds to finance development and climate measures. The World Bank will mobilize USD 200 billion in climate-related lending in period 2021–2025. Norway will be a driving force for the bank's climate goals to be met, for its activities strongly supporting the implementation of the Paris Agreement, and for its gender equality strategy to be carried out. Norway will give special priority to the bank's new strategy for vulnerable states.

The regional development banks are among the largest and most important sources of development finance and advice to borrower countries. Regional banks are important in the work of achieving the sustainability goals, deliver on the international climate commitments and to mobilize larger funds from multiple sources to finance development and climate measures. We will highlight that The African Development Bank (AfDB) has committed to allocate 40 % of its project approvals to climate finance between 2020 and 2025, giving equal weight to adaptation and mitigation. Norway is the 9th largest donor to the African Development Fund in 2020-2022 (ADF-15). During this period, the ADF has committed to provide at least 40 % climate finance. However, the bank’s and the fund’s covid 19 pandemic crisis response, through mainly budget support operations, has taken center stage in 2020, and climate targets for 2020 will not be met. The ADF has several concrete climate related commitments for the 2020-2022 period, including on biodiversity conservation, mitigate climate shocks risks and threats to health, sustainable forest management and support to national climate-related action plans. The bank is developing a new climate change and green growth policy and strategy framework, to be approved in 2021. At the board level and in policy dialogue with the bank’s management, Norway continues to collaborate closely with the other Nordic countries in order to support mainstreaming of climate change in the bank's operations, and ensuring targeted resources towards measures that adapt and mitigate damages from climate change.

Norway is together with Denmark, Finland, Iceland and Sweden members of the Nordic Development Fund (NDF). This recapitalization of the Fund has been launched, and Norway will contribute with 105 million NOK per year in the period 2021-2030. NDF focuses on the nexus between climate change and development in lower-income countries and countries in fragile situations. NDF's financing is provided on concessionary terms in the form of grants, loans and equity. NDF engages in both the public and the private sector, and uses financial instruments flexibly, alone or in various combinations, to match the needs of the project.

4. Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development

Reaching the goal of the 2015 Paris Agreement of "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C" requires rapid and far-reaching transformations in all sectors of the economy. This, in turn, is only possible if investments and financing are aligned with this goal. Making finance flows consistent with such temperature goals, as called for in Article 2.1c of the Paris Agreement requires mobilizing investments and finance for activities that contribute to climate objectives. It also implies shifting investments and finance away from activities that undermine these objectives. A range of frameworks are being developed to initiate, implement and monitor such actions. Below we will highlight some of the approaches taken by Norway.

4.1. Mobilising private finance

Many of the efforts undertaken by Norway in the field of climate change are directed at undertaking reforms, phasing out harmful subsidies (e.g. fossil fuels), strengthening technical and institutional capacity to support private sector and commercial investments, often in cooperation with other donors or through programs or funds in multilateral development institutions. We will highlight a few examples below.

Norad has a grant scheme to support project development work in the renewable energy sector. The scheme is competitive and aims through risk-reducing/sharing grants to encourage and leverage private sector investment projects within the renewable energy sector in developing countries. Moreover, Norway takes an active part in the public-private partnership Tropical Forest Alliance 2020. In this initiative, supply chain companies, tropical forest countries, investors, development partners and civil society come together to address the gap between commitment and action to halt commodity driven deforestation. To further leverage private investments in deforestation free agriculture, Norway has supported the incorporation and capitalization of the &Green fund. &Green offers concessional loans and risk reduction for co-finance in projects that combines efficient and socially inclusive production with forest protection. Mobilizing private finance is also an important feature of projects and programs supported by the GCF, for mitigation projects. It is also a priority for the BioCarbon fund, to which Norway has contributed. A recent effort to mobilize large scale private finance for forest protection through REDD+ is the structuring of the voluntary carbon marked through the integrity criteria of the ART standard and the Emergent "market facilitator". Norway has contributed to set up both institutions and is stimulating supply of emission reduction credits by guaranteeing a floor price through Emergent.

Norfund remains, however, the key commercial investment instrument of Norway’s development policy and, by co-investing with others, Norfund leverages additional capital from industrial partners and ensures the industrial and local knowledge needed for each investment (see chapter 3.2 above).

Norad has been granted up to NOK 300 million to support international guarantee institutions and to subsidize guarantee premiums for renewable energy projects, in order to increase guarantee capacity and reduce capital cost for private sector investments. This is expected to catalyze substantial amounts of private capital into the renewable energy sector in developing countries.

The Norwegian government is considering increasing commitments to combatting climate change through increasing investments in renewable energy and energy efficiency in developing countries with a focus on phasing out coal. To that effect, a new climate/renewable energy initiative is under consideration.

The government also has a facility to foster renewable energy investments through export credits. The Norwegian Export Credit Guarantee Agency (GIEK) and Export Credit Norway, which facilitate export financing through guarantees and loans for exporters, buyers and banks, has been merged into a new institution.

4.2 Promoting carbon pricing, fossil fuel subsidy reform and market-based mechanisms

Norway is supporting the development of new market mechanisms under the Paris Agreement. Pilot initiatives can play a critical role in testing and implementing at scale new mechanisms, inform the discussions within the UNFCCC, and contribute to increased global ambition. We would specifically refer to the Transformative Carbon Asset Facility (TCAF), where Norway has committed USD 80 million. TCAF will work to assist countries in raising their ambition through implementation of economy-wide or sectoral policies and programs that create conditions for private sector investments in low-emission solutions. We also take part in a bilateral program through the Global Green Growth Institute.

Norway has supported fossil fuel subsidy reform through the Energy Sector Management Assistance Program (ESMAP) for several years and is a member of the Friends of Fossil Fuel Subsidy Reform (FFFSR). Set up in June 2010, the FFFSR is an informal group of non-G20 countries working to build political consensus on the importance of fossil fuel subsidy reform. The FFFSR advocate that elimination of fossil-fuel subsidies would make a significant contribution to the goals of the Paris Agreement. By keeping prices to consumers artificially low, fossil fuel subsidies encourage wasteful consumption, disadvantage renewable energy and drain scarce public resources that could be better spent on other sustainable developments goals. Norway has also together with New Zealand, Costa Rica, Fiji and Iceland launched an initiative for an Agreement on Climate Change, Trade and Sustainability (ACCTS). The agreement will be the first of its kind and is intended to bring together some of the interrelated elements of the climate change, trade and sustainable development agendas. Disciplines to eliminate fossil-fuel subsidies is a key part of the negotiations.

Through our participation in these initiatives above and other, Norway supports carbon pricing whereby the polluters pay and investments in low-emission technologies are incentivized. Successful carbon pricing policies are part of a suite of measures that ensure equal opportunities for low emission alternatives and interact with a broader set of climate and non-climate policies. Carbon pricing should contribute to distributing costs and benefits equitably, avoiding disproportionate burdens on vulnerable groups.

4.3 Sustainable finance

Investors and other financiers are increasingly investing in green activities and products and reducing their own financial risk associated with a tighter climate policy, technology development and physical climate change (climate risk). Several banks, pension funds, insurance companies and investors have in recent years de-invested from, and reduced their exposure to, certain types of fossil energy. The Norwegian financial industry offers already a number of green financial products, and there has been a clear increase in green product, such as green bonds, green loans and green funds.

An important part of the sustainable finance agenda is to manage risk. In its 2018 report, the Norway's Climate Risk Commission identified some general principles that can improve the way society manages climate risk. The Government intends to follow up the recommendation by the Climate Risk Commission to stress test Norway’s public finances and national wealth. One important recommendation by the Commission is that Norwegian companies should use the Task Force on Climate-related Financial Disclosures (TCFD) framework for climate-related financial disclosures. The Government will consider the Commission’s recommendation that a suitable framework should be established for disclosure of climate-related risks in the public sector and at national level.

The Norwegian government welcomes the leadership the European Commission has shown in the area of sustainable finance. We have endorsed the objectives of the original sustainable finance action plan launched in 2018. In order to contribute to a common understanding of which investments are sustainable, the EU is developing a classification system for sustainable economic activities, a so-called taxonomy. The EU Taxonomy will likely have wide ranging implications for investors and issuers working in the EU, and beyond. Common European criterion shall do it easier for investors to compare investment opportunities across countries and sectors and make it easier for investors to identify viable investments. Regulation on the classification system for sustainable economic activity was adopted in EU spring 2020. The regulation is relevant for the agreement that Norway has with the EU (EEA-agreement) and likely to become Norwegian law.

Norway takes part in a number of initiatives in this field, including the International Platform on Sustainable Finance (IPSF). Together, the 15 members of the IPSF represent 55% of greenhouse gas emissions, 50% of the world population and 50% of global GDP. The ultimate objective of the IPSF is to scale up the mobilization of private capital towards environmentally sustainable investments. Norway also takes part in an initiative launched by Switzerland and the Netherlands in 2019 on Alignment of financial Flows with the Paris Agreement. In 2021 we plan to undertake a test of our financial sector using the PACTA (Paris Agreement Capital Transition Assessment) model, which has been globally tried and tested, to assess how much progress they have made in aligning their investments and financing with the IPCC's 1.5 °C target.

5. Lesson learned and future planning

Understanding the effectiveness of Norwegian climate financing is crucial to ensure that these investments deliver the maximum impact. It is important for Norway that funds are appropriately and verifiably invested and create maximum impact. It is important for building confidence in international climate action. The Evaluation Department (Eval) of Norad commissions independent evaluations and studies around specific topics and themes relevant for Norway's climate financing. Eval is governed under a separate mandate and reports directly to the Secretary General of the Norwegian Ministry of Foreign Affairs, and the Norwegian Ministry of Climate and Environment.

In addition to Eval, units responsible for grants for climate financing undertake monitoring and decentralized reviews of Norwegian investments at the project level. Occasionally, the Office of the Auditor General of Norway has also evaluated Norwegian climate financing.

Eval has a total budget of around NOK 17 million, jointly financed by the Ministry of Foreign Affairs (MFA) and the Ministry of Climate and Environment. The Ministry of Climate and Environment contribution is around 3 million that is mainly used for evaluating NICFI initiatives. The rest comes from MFA, a part of which may finance evaluations of initiatives related to environment and climate, as needed. MFA funds also support partnerships with evaluation units of multilateral organizations receiving Norwegian climate financing, of which the ongoing trust-fund-based partnership with the Independent Evaluation Office of the GEF is of particular importance. The GEF partnership is annually budgeted at around NOK 2 million by Eval, however, the total financing under this partnership is higher as the estimate does not include the share of costs borne by the Independent Evaluation Office of the GEF. Eval funding for the evaluation of climate financing is expected to remain stable at the current level. Both the sources of funding however are subject to Norad annual budget and internal allocations in Norad.

For the period of 2020 -22 the following evaluations are relevant for climate and environment:

- Evaluation of private sector participation in Norway's International Climate and Forest Initiative
- Evaluation of Norwegian support to development of environmental safeguards in private sector investments
- Evaluation of support to civil society by Norway's international Climate and Forest Initiative
- Evaluation of Norwegian aid for renewable energy
- Evaluation of Norwegian assistance to the fishery sector

The Eval partnership with GEF has supported evaluations and studies of various GEF initiatives including GEF's engagement with the private sector, interventions addressing land degradation, support to fragile states, support to mainstreaming of biodiversity and evaluation of GEF's Global Clean tech Innovation program. Eval's partnership has also invested in the improvement and use of new evaluation methodologies, including the development of an approach to assessing additionality and use of geospatial analysis for assessing the impacts of GEF investments. Eval and the Evaluation Office of GEF are committed to the continuation of the current partnership. The focus of the partnership in the coming year is on GEF's engagement in sustainable use and protection of marine and marine resources.

The Norwegian Forest and Climate Initiative (NICFI) is the backbone of Norwegian climate financing. NICFI is a complex initiative involving novel approaches and working with a multiplicity of partners seeking to achieve positive outcomes against the backdrop of differing and difficult national circumstances. Eval has undertaken a real time evaluation (RTE) of the initiative to enable learning of the value and effectiveness of the Norwegian investments. The purpose of the real-time evaluation is to provide independent documentation of results during the implementation of the initiative. Lessons from the evaluations are continuously communicated to the stakeholders involved and the public. The RTE indicates that NICFI has been highly instrumental in pushing the REDD+ agenda forward and playing a considerable role in building momentum towards agreement on a REDD+ framework, including the anchoring of that framework in the Paris Agreement. However, NICFI's attempt to gain significant support for REDD+ was only partially materialized, given that Norway until recently was the main donor to REDD+. The situation has changed today, with increasing REDD+ financing from Germany and the UK. NICFI has also contributed significantly in engaging civil society including indigenous peoples and other forest dependent community organizations in the REDD+ process. This engagement, however, has primarily related to consultative processes, rather than in final decision-making. NICFI should, according to evaluations, also strengthen its internal risk management strategy and establish targets and indicators to guide future programming, planning implementation and monitoring of its funds and results associated with the different interventions. A recent evaluation confirms the emerging importance of private sector engagement in the NICFI portfolio.