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

December 2022

1. Introduction

Canada is pleased to submit its 2022 Biennial Communication on indicative quantitative and qualitative information on climate finance. This communication features information on projected levels of public financial resources to be provided to developing countries in accordance with the Annex of Decision 12/CMA.1. This communication, along with additional work under Article 9, paragraph 5, of the Paris Agreement, aims to increase the clarity and predictability of the support provided by Canada for the implementation of the Paris Agreement.

Canada remains steadfast in its commitment to work with other developed countries to reach the collective goal of mobilizing US$100 billion in climate finance per year for developing countries as soon as possible and through to 2025. Although developed countries did not meet the goal in 2020, we have been steadily scaling up climate finance. According to recent estimates by the Organization for Economic Co-Operation and Development (OECD), developed countries provided and mobilized US$83.3 billion in climate finance in 2020, up from US$52.4 billion in 2013, the first year of OECD reporting, and an increase of almost US$3 billion from the year before.

Recognizing the need to increase efforts to achieve the US$100 billion goal, in 2021, Canada doubled its climate finance commitment to $5.3 billion[1] to be delivered over a five-year period beginning in April 2021.[2] Further, in an effort to build trust in their commitment, developed countries, under the leadership of Canada and Germany and at the request of the United Kingdom serving as COP26 President, prepared a Climate Finance Delivery Plan in 2021 to demonstrate how and when the US$100 billion goal will be met. Prior to COP27, Canada and Germany, with the support of the United Kingdom and in collaboration with developed countries, developed the Climate Finance Delivery Plan Progress Report, focused on demonstrating progress towards the goal through efforts on the ten collective actions featured in the 2021 Delivery Plan. Through this work, Canada helped to provide further accountability and transparency by highlighting efforts that contributors are making towards the goal, as well as areas for continued improvement.

Canada's $5.3 billion commitment builds on the successes of its previous $2.65 billion commitment over the 2015-2021 period, which was fully delivered at the end of fiscal year 2020-21 and is expected to reduce or avoid at least 228 megatonnes of greenhouse gas (GHG) emissions and increase the resilience of approximately 6.6 million people to climate change, while mobilizing $205.7 million in private climate finance as of the time of writing.[3]

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[1] All amounts in Canadian dollars unless specified otherwise.

[2] Canada accounts for and delivers its climate finance commitment by the Government of Canada's fiscal year, which starts on April 1 and ends on March 31 each year.

[3] The results of $2.65B climate finance are subject to change as actual results materialize until the end of implementation.

The policies and priorities of the $5.3 billion commitment are detailed in the next sections.

Canada's $5.3 billion climate finance commitment is currently in its second year of implementation. Preliminary data indicates that Canada disbursed $857 million as planned in fiscal year 2021-22, of which 37% ($319 million) was in grant support and 63% ($538 million) was in concessional loans.[4] This includes partial disbursements for recently announced initiatives, such as the commitment to contribute up to $1 billion to the Climate Investment Funds - Accelerating Coal Transition (CIF-ACT) program and Canada's pledge of $600 million to the Green Climate Fund (GCF).

Canada's $5.3 billion climate finance commitment requires all projects to have a "principal" climate change objective, as per the guidelines of the OECD Rio Climate Markers. In addition, Canada's public climate finance extends beyond its $5.3 billion climate finance commitment and includes support from other sources, such as international assistance with climate change component (including from other levels of government), climate-relevant investments through Export Development Canada (EDC) and Development Finance Institute Canada (FinDev Canada), and core contributions to Multilateral Development Banks (MDBs) that actively support climate action. In calendar years 2019 and 2020, support from other public sources totaled approximately $611.37 million and $546.57 million, respectively. In addition, Canada's public investments help to mobilize additional finance from the private sector for climate action in developing countries. In 2019 and 2020, Canada's public investments enabled the mobilization of approximately $15.60 million and $184.64 million in private finance respectively.[5] In total Canada contributed over $600 million in 2019 and over $700 million in 2020 to the USD100 billion goal. For detailed information on climate finance provided and mobilized by Canada, please see Canada's 8th National Communication to the UNFCCC.

Due to a number of limitations, it is not possible to report ex-ante information on climate finance support that will be provided by these other sources of Canadian climate finance.

2.1. Policies and priorities

Canada's climate finance aims to support developing countries, particularly low and middle-income countries, to combat and adapt to climate change, while striving to address biodiversity loss, by supporting their transition to sustainable, low-carbon, climate-resilient, nature-positive and inclusive development. Private finance mobilization will continue to be a key priority of Canada's public climate finance, as detailed in section 4.

Canada's $5.3 billion commitment is bolstering support for adaptation action by increasing the provision of funding towards adaptation to a minimum of 40% to help developing countries build resilience to climate change impacts. This represents a more than doubling of funding for adaptation compared to Canada's previous commitment, and represents Canada's contribution towards the COP26 Glasgow Climate Pact's urging of developed country Parties to at least double their collective provision of climate finance for adaptation to developing country Parties from 2019 levels by 2025.

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[4] Canada plans its climate finance via 'grants and contributions', which are equivalent to 'grants', and through 'unconditionally repayable contributions (URCs)', which are equivalent to 'concessional loans'.

[5] At the time of reporting, figures on climate finance from other sources for 2019 and 2020 are the most recent data available.

Canada will also support developing countries in the fight against the dual crises of climate change and biodiversity loss by allocating at least 20% of funding to projects that leverage nature-based solutions and projects that contribute biodiversity co-benefits. In line with this, close to $110M of the funding announced at COP15 in support of initiatives to help protect nature in developing countries will be delivered as climate finance.

Canada recognizes that the most marginalized groups, including women, often endure the brunt of climate change and biodiversity loss. That is why at least 80% of projects under the $5.3 billion commitment will include gender equality considerations, in line with Canada's Feminist International Assistance Policy (FIAP). At COP27, Canada announced $2 million (2023-2026) to support inclusivity within the United Nations Framework Convention on Climate Change (UNFCCC) process, by building capacity to enhance the leadership of women climate negotiators in developing countries and supporting the implementation of activities under the Local Communities and Indigenous Peoples Platform to help enhance the contributions of Indigenous Peoples to the UNFCCC.

Canada's climate finance is set to cover a broad geographic area. Canada recognizes the threats climate change poses for Small Island Developing States (SIDS) and Least Developed Countries (LDCs) and is committed to supporting their mitigation and adaptation efforts. As such, Canada's financial support aims at addressing the needs and priorities of developing countries in line with their national objectives.

This includes adaptation support to countries for the development and implementation of their National Adaptation Plans (NAPs). Under the $5.3 billion commitment, Canada will allocate up to $10 million to the National Adaptation Plan (NAP) Global Network (2021-2026), which supports developing countries in their NAP implementation process. In addition, Canada's renewed contribution to the Least Developed Countries Fund (LDCF) of up to $37.5 million (2021-2025) will continue to support the LDCF to help vulnerable countries prepare and implement their NAPs and National Adaptation Programmes of Action (NAPAs).

To help advance our climate action on adaptation, Canada also joined in 2022 the Champions Group on Adaptation Finance. The Group is seeking to accelerate adaptation finance and improve its quality and accessibility, particularly for LDCs and SIDS. At COP27, Canada endorsed the Partnership Compact for the Least Developed Countries (LDC) 2050 Vision, in support of the LDC Initiative for Effective Adaptation and Resilience (LIFE-AR), which promotes locally-led adaptation and will further Canada's action on adaptation.

Canada also recognizes the importance of locally-led solutions and the fact that leadership from those on the frontlines of climate change is important to achieve effective climate action. In February 2022, the Partnering for Climate initiative (2022-2026) was announced, allocating $315 million to fund projects from civil society, Indigenous Peoples and other organizations in Canada that will support climate change adaptation in Sub-Saharan Africa and other parts of the world. As part of this, Canada is funding the $15 million Indigenous Peoples Partnering for Climate initiative, designed by a working group including representatives from the Assembly of First Nations, the Inuit Circumpolar Council Canada (reporting to Inuit Tapiriit Kanatami), the Métis National Council, and Global Affairs Canada (GAC). A call for concept notes was launched in October 2022 and is open to Indigenous organizations in Canada and to non-Indigenous organizations in Canada with strong connections with Indigenous Peoples in Canada, and/or partnerships of the two types of organization. Indigenous leadership and knowledge are essential to address climate change, as Indigenous Peoples have unique cultures and ways of relating to people and the environment. This call emphasizes the importance of Indigenous climate leadership and seeks to foster partnerships between Indigenous Peoples in Canada with Indigenous Peoples in developing countries that build the climate resilience of Indigenous Peoples in any country eligible for Official Development Assistance. Within Partnering for Climate, GAC is also working with organizations active in climate action to create a community of practice on nature-based climate solutions and biodiversity, which will include Indigenous perspectives and foster locally-led solutions.

In addition, under Partnering for Climate, $20 million is earmarked to advance women’s rights and climate change adaptation through projects involving women’s organizations in developing countries.

Mobilizing and improving access to climate and disaster risk finance, and averting, minimizing and addressing loss and damage for vulnerable countries, such as SIDS and LDCs, are also key priorities for Canada. As such, Canada announced at COP27 a $7 million contribution to the Global Shield Financing Facility (2023), which will help make climate-vulnerable countries more resilient to disaster risk and protect the lives and livelihoods of the most vulnerable, and an additional $1.25 million (2023) to establish the Santiago Network, to help developing countries access technical assistance to avert, minimize and address loss and damage. In the coming year, Canada will also actively engage in activities to set up new loss and damage funding arrangements, including a fund, agreed to at COP27, to ensure that they are designed in a way that addresses the needs of the most vulnerable, and that they mobilize adequate resources from a wide variety of sources.

Canada also provides mitigation support to help countries achieve their Nationally Determined Contributions (NDCs). For example, Canada is working with the G7 to support partners in developing countries and emerging markets to accelerate their just transitions to clean energy through ambitious new development partnerships and accelerating access to financing, including through Just Energy Transition Partnerships (JETPs). Building on the South Africa JETP launched at COP26, two other JETPs were launched in 2022 with Indonesia and Vietnam, with others are currently being developed. Strong partnerships for global infrastructure and investment such as JETPs support country-led policy reforms, sectoral transformation, capacity building and financing in line with multilateral and national commitments and processes such as NDCs and Long-Term Strategies.

Mitigation support tailored to country priorities is also delivered bilaterally. In 2022, Canada announced a total of $24.5 million over four years (2022-2026) to support four West African countries (Ghana, Liberia, The Gambia, and Togo) and the Pacific Alliance (Chile, Colombia, Mexico, and Peru) in building the capacity to strengthen their national climate Measurement, Reporting and Verification (MRV) systems. These MRV systems are a crucial step for countries to develop effective mitigation policies and actions to implement their NDCs under the Paris Agreement. At COP27, Canada also announced $4 million over four years (2022-2026) to support four Caribbean SIDS (Belize, Grenada, Guyana, and Saint Lucia) to reduce methane emissions from the waste sector. This project will be delivered in partnership with the Global Methane Hub to help countries implement their NDCs under the Paris Agreement and meet their Global Methane Pledge commitments.

Beyond its climate finance support, Canada has demonstrated international leadership in improving and scaling up climate finance for developing countries through its work on the Climate Finance Delivery Plan and its Progress Report. Published in 2022, the Progress Report demonstrated collective progress on the $100 billion goal and highlighted four key areas where more work is needed: increasing finance for adaptation; addressing barriers in accessing climate finance; working with MDBs to increase and improve climate finance and; improving the effectiveness of mobilizing private finance.

2.2. Sector support

The implementation of the $5.3B commitment is focused around four priority thematic areas to ensure targeted programming across various sectors:

- **Clean Energy Transition and Coal Phase Out**: Programming under this theme supports developing countries in reducing GHG emissions by phasing out coal-powered emissions, promoting equitable access to reliable and cost-effective clean energy solutions, promoting energy efficient technologies, and supporting the clean energy sector enabling environment in key coal-dependant regions.
- **Climate-smart Agriculture and Food Systems**: By adopting a broader food systems approach to climate action, Canada supports programming across food production, consumption, ecosystems, natural resource and sustainable land management, and women's rights. This approach will direct Canada's climate finance to help smallholder farmers and off-farm food system actors improve their livelihoods, become better adapted to climate change, adopt lower GHG development pathways, maximize co-benefits of the sustainable use of biodiversity and reduce agricultural expansion into nature.
- **Nature-based Solutions and Biodiversity**: Nature-based solutions can address both climate change and biodiversity challenges, with many such solutions increasing carbon sequestration, mitigating the negative impacts of climate change on natural ecosystems. Programming under this theme seeks to leverage and enhance nature and ecosystem services in order to achieve adaptation and/or mitigation outcomes, while also generating biodiversity co-benefits, as well as respecting human rights and the rights and knowledge of Indigenous Peoples. This thematic area represents a newly defined priority for Canada's climate finance in recognition of the interconnected climate and biodiversity crises.
- **Climate Governance**: Effective climate governance is fundamental to the establishment of a global enabling environment for climate action. Programming under this thematic area supports climate policies and strategies, planning and decision making related to, for example, high emissions sectors or highly vulnerable communities, disaster risk reduction, greening the financial system, as well as multilateral or global governance processes related to the UNFCCC and the Paris Agreement.

Mitigation support

Canada's climate finance supports developing countries' transition to clean energy by phasing out coal-powered emissions and promoting equitable access to reliable and cost-effective clean energy solutions and energy efficient technologies. This includes Canada's commitment to contribute up to $1 billion to the CIF-ACT. In addition, Canada is providing $25 million to the World Bank's Energy Sector Management Assistance Program (ESMAP) (2022-2026) to help develop and implement clean energy alternatives, and support low- and middle-income countries in the transition to a cleaner economy. At COP27, Canada announced an additional $16 million (2022-2026) contribution to the World Bank's Partnership for Market Implementation (PMI) to help developing countries design and implement carbon pricing tools and expand the global coverage of carbon pricing in support of the Global Carbon Pricing Challenge. Canada also announced a $5 million contribution to the South East Asia Energy Transition Partnership, and a $5 million contribution to the OECD's Clean Energy Finance and Investment Mobilization program from its climate finance commitment to support mitigation efforts and energy transition in developing countries.

Canada's mitigation finance also supports sustainable forest and agricultural management, to contribute towards avoiding or reducing GHG emissions. For example, Canada is providing $9.9 million to the Amazon Business Alliance (2022-25), focused on climate change mitigation and biodiversity conservation in the Peruvian Amazon. The project aims to limit deforestation and forest degradation by restoring degraded ecosystems, while creating and strengthening bio-enterprises in the region that generate income for vulnerable populations, including women and Indigenous Peoples of the Amazon.

Adaptation support

Canada seeks to improve the adaptive capacity of vulnerable communities through its climate finance commitment, recognizing that support for climate change adaptation is critical for developing countries, in particular the poorest and most vulnerable, as they face climate shocks and other changes with profound impacts on agriculture, infrastructure and well-being. Under its $5.3 billion commitment, Canada is providing up to $57.5 million to three targeted funds dedicated to building resilience in developing countries, including $37.5 million to the Least Developed Countries Fund (2021-2025), $10 million to the Adaptation Fund (2022-2026), and $10 million to the National Adaptation Plan Global Network (2021-2026). Canada is also providing $9 million in additional support for the Ocean Risk and Resilience Action Alliance (ORRAA) (2022-2026) as well as $6 million in new funding to the Global Fund for Coral Reefs (GFCR) (2022-2026), to support these organizations' ongoing work helping SIDS and coastal developing countries increase their resilience to the impacts of climate change through nature-based solutions.

Cross-cutting support

Crosscutting climate change activities can integrate both mitigation and adaptation components and other co-benefits, such as biodiversity and gender equality, towards a sustainable pathway to development. Canada's cross-cutting climate finance support includes a $55 million contribution over three years to the Consultative Group on International Agricultural Resources' (CGIAR) Climate-Smart Agriculture and Food Systems Research, a global research partnership that aims to transform food, land, and water systems to strengthen food security, promote gender equality, create new jobs and livelihoods, and deliver climate and environmental benefits around the world.

1.3. Channels

Canada delivers its climate finance through a variety of bilateral and multilateral channels.

Multilateral institutions play a key role in delivering and scaling-up climate finance. Climate finance delivered multilaterally includes funds that are the operating entities of the UNFCCC and the Paris Agreement, such as the GCF and Global Environment Facility (GEF). In April 2022, Canada, other contributors and participants concluded a historic Eighth Replenishment of the

GEF (GEF-8) with significant advances in policy and programming informed by science, voices of the vulnerable and partners. Recognizing that the GEF is an effective, globally unique organization serving five Multilateral Environmental Agreements on climate change, biodiversity, desertification and pollution, all contributors provided the maximum possible contributions based on national circumstances. They agreed to a historic US$5.33 billion envelope (and counting) for the GEF-8 period, with over US$5 billion for programming, including the largest ever allocation of US$1.89 billion for biodiversity. Under GEF-8, Canada is committing $219 million (2022-2027), which includes $73.92 million sourced from its $5.3B climate finance commitment.

Recognizing the importance of using public resources in a way to maximize their ability to leverage and mobilize resources from the private sector, Canada pioneered innovative approaches in working closely with multilateral institutions, such as MDBs. These organizations have the program delivery capacity, scale, and technical expertise to mobilize private finance flows that align with country driven strategies. Such channels are designed to catalyze private sector investment that would not otherwise happen due to market barriers and will continue to be utilized as part of the delivery of Canada's $5.3 billion commitment.

Canada is also implementing a number of targeted bilateral initiatives, in line with partner country priorities. Bilateral initiatives also aim to establish public-private partnerships to support the implementation of national sectoral strategies through transformational change and large-scale implementation of sustainable climate projects. For example, through the Supporting the Green Economy of Ghana project (2021-2025), Canada is allocating up to $10 million to support small and medium-scale entrepreneurs in developing profitable and locally-appropriate solutions to mitigate or adapt to climate change. It also increases public awareness of the green economy, and helps to improve the policy environment to effectively contribute to Ghana's transition to a safer, healthier, more equitable and more prosperous low-carbon, green economy.

1.4. Instruments

Under the $5.3 billion commitment, Canada is increasing the proportion of grants to 40%, up from 30% previously. In absolute terms, this represents a more than doubling of grants compared to Canada's previous $2.65 billion commitment. Sixty percent (60%) of Canada's $5.3 billion climate finance will be delivered through concessional loans. These loans are provided on more generous terms (i.e. longer grace periods and lower-than-market rates), and are used to incentivize private sector investments in low-carbon activities, primarily in low- to middle- income countries.

Choosing the right instruments and delivery channels helps to ensure transformational impacts and efficient delivery of climate finance, consistent with the ambition of the Paris Agreement. Canada is using a mix of financial instruments to deliver support to developing countries. Grant-based support is used where affordable market-based financing is not viable, including for many adaptation projects in the poorest and most vulnerable countries, or for early stages of technology demonstration projects. Non-grant financing is the primary choice when a market exists and there is potential for revenue-generating activities, especially where affordable market-based financing is constrained by risk factors such as market failures, capital availability, and other perceived risks. The use of such type of financing can help to more effectively catalyze investments by absorbing risks and removing barriers to private investments in developing countries. Non-grant instruments primarily target middle-income countries and nonsovereign proponents, notably the private sector, to avoid increasing the debt burdens of lower-income countries.

1.5. Lessons learned

Canada is committed to continuously improving its climate finance for developing countries and aims to integrate lessons learned into future climate finance programming.

In summer 2020, Canada hosted a series of virtual events with representatives from domestic and international civil society, academia and the private sector to help shape the future of Canada's international climate finance for developing countries. Canada also met with Indigenous Peoples to gain their unique perspectives. The What We Heard report summarizes these consultations and has informed the policy framing and considerations of the $5.3B climate finance program.

In 2021, Canada conducted the Horizontal Evaluation of the International Climate Change Cooperation to assess and learn from our previous $2.65 billion commitment. The recommendations featured in this evaluation have informed the implementation of the current $5.3 billion commitment. In particular, in response to recommendations from the Evaluation and to improve the governance of the program, two interdepartmental committees were established to leverage whole-of-government expertise, foster information exchange and the alignment of priorities with developing countries' needs. These committees provide advice to the two Ministers responsible for the international climate finance program and support effective investment planning and implementation. The annual investment planning process was established to identify strong climate projects from partners working with the diversity of Canadian ministries and to ensure that the policy targets Canada put forward can be met.

Furthermore, as the $5.3 billion climate finance program is implemented, Canada is monitoring progress towards the program's expected outcomes and has developed specific tools to do so, including a program Logic Model and a portfolio-level Performance Measurement Framework. This Performance Measurement Framework includes indicators at all outcome levels of the program's Logic Model, structured around the program's four thematic areas, as detailed in section 2.2. Data, stories and lessons will be collected at the project level across the entire portfolio of programming and these will be rolled up to support the effective implementation and monitoring of the programming. In turn, this will support course correction where needed and inform decision making.

Evaluations of the climate finance program will complement the information obtained via monitoring activities and include periodic learning assessments to allow deep dives into specific topics or broader evaluations looking into programming delivery of the commitment. For example, in 2022, Canada conducted a learning assessment of its climate finance unconditionally repayable contributions (URC) portfolio under previous climate finance commitments, Fast Start $1.2 billion (2010-2013) and the $2.65 billion commitment (2015-2021) to review the performance of Canada's URCs in relation to gender equality and identify opportunities and challenges to help inform future programming.

Learning will stem from all of these activities, as well as from specific knowledge-sharing events. For example, Canada will hold an annual international climate finance learning event with stakeholders in February 2023. This event will allow for an exchange of knowledge and lessons learned related to Canada's programming through the $5.3 billion commitment, in particular with respect to gender transformative change. It will seek perspectives from various groups, including implementing partners, Indigenous Peoples, women's rights and civil society organizations, academia, youth, and the private sector. Lessons learned will be shared with stakeholders, internal and external, including partners to support decision-making and inform Canada's current and future policy direction, positions and programming related to climate finance.

1.6. Projecting and communicating ex-ante climate finance information

Canada provides projected levels of public finance based on multi-year commitments of new and additional climate finance support. These commitments are new and additional climate finance as they are above and beyond what was planned prior to the Copenhagen Accord. Additionally, Canada's $5.3 billion climate finance commitment requires all projects to have a "principal" climate change objective, as per the guidelines of the OECD Rio Climate Markers. Canada will continue to mainstream climate change into other international assistance.

Canada shares program-level information through two avenues. New climate finance projects are often communicated at the commitment stage through announcements featuring project details. These announcements are publicly available on Canada's climate finance website. Project-level information is also available at the disbursement stage through Environment and Climate Change Canada's (ECCC) and GAC's respective project browsers. Due to the data collection and verification process, there is a one-year lag in the availability of verified disbursements. For example, beyond the preliminary information provided in this submission, disbursements made in fiscal year 2021-22 (the first year of the $5.3 billion commitment) will become publically available at the end of fiscal year 2022-23 (after March 2023).

Nevertheless, Canada recognizes that, as it is delivering on its current climate finance programming priorities, there is a need to remain flexible in order to respond to emerging priorities. Furthermore, unlike previous programming, investments under the $5.3B commitment are developed annually. Together, these factors limit the information that can be provided on future funding.

2. Enhancing Enabling Environments

Canada's climate finance supports developing countries in making the transition to low-carbon, climate resilient and nature-positive economies by strengthening their capacity in alignment with their own, country-driven priorities. That is why Canada is working to enhance the conditions required for developing countries to effectively implement their climate action, specifically those faced with barriers to access and limited capacity.

3.1. Access to climate finance

The climate finance architecture is becoming increasingly complex, posing significant barriers for developing countries to access climate finance. LDCs and SIDS, in particular, have faced challenges due to insufficient human resources and technical capacity needed to unlock climate funding.

Access to climate finance is a priority for Canada, and was highlighted as one of the areas where more concerted action is needed in the Climate Finance Delivery Plan Progress Report. Canada is committed to continue working with other stakeholders, such as the operating entities of the Financial Mechanism of the UNFCCC and the Paris Agreement (GEF and GCF) and

MDBs, to address access bottlenecks, including by simplifying processes and addressing eligibility limitations.

Canada also partnered with the Rocky Mountain Institute to launch the Climate Finance Access Network (CFAN) in 2020. CFAN is a global network of climate finance advisors that help developing countries build their capacity to structure and secure public and private finance for their priority climate investments. Canada previously provided $9.5 million (2020) to support the launch of CFAN, notably for Pacific SIDS. Since then, CFAN has deployed advisors in eight Pacific countries and is planning for an expansion with 30 advisors in countries across the Pacific, Africa and the Caribbean by end of 2022.[6] At COP27, Canada announced an additional $5 million contribution (2023-2025) to CFAN to support the expansion of its work with climate-vulnerable countries.

3.2. Technology transfer and capacity building

Canada continues to recognize the importance of providing technology transfer and capacity building support to help developing countries make meaningful progress towards their NDCs. Capacity building provides the necessary foundation to both investments in existing technologies as well as nurturing local knowledge and innovation. Capacity building activities provide significant value for money given that contributions towards enabling policy and regulatory environments set the stage for leveraging private sector funding and investments, which are critical to accelerating the clean energy transition and pathways to net-zero.

Technology transfer and capacity building is supported through a wide range of projects and activities under Canada’s climate finance program. This includes:

- $8 million (2022-2026) for the IEA’s Clean Energy Transition Programme (CETP) to support major emerging markets to build policy and regulatory capacity to accelerate their clean energy transitions. This work will support action across three key areas, namely (i) accelerating national transitions, with a focus on priority countries and regions such as India, South-East Asia, Latin America and Africa; (ii) strengthening multilateral coordination, with a focus on international fora such as the Group of 20; and (iii) informing global energy dialogue, with a focus on supporting people-centred transitions that promote gender equality and empower vulnerable populations in emerging and developing economies.

- $5 million (2023-2025) to the Southeast Asia Energy Transition Partnership Program (SEA ETP) to coordinate and align activities across Vietnam, Indonesia and the Philippines, three major coal-intensive countries. The SEA ETP works with other programs as well as with philanthropies to coordinate and align activities across the region, particularly aimed at ending the significant investments in carbon-intensive infrastructure planned in Southeast Asia over the next two decades. This includes direct support for clean energy infrastructure improvements that catalyze private sector investment opportunities; providing technical advisory support to address policy, regulatory, and financial needs; facilitating dialogues between business and government sectors to scale-up renewable energy deployment; and supporting stakeholder capacity and skill development through workshops, learning academies, and regional dialogues.

[6] https://rmi.org/press-release/climate-finance-access-network-announces-advisors/

- $6 million (2023-2026) to support the Climate Technology Centre and Network (CTCN), the implementing arm of the UNFCCC and Paris Agreement's Technology Mechanism. The CTCN provides technical assistance and capacity development to support technology development and transfer at the request of developing countries as they seek to meet their NDC targets and Paris Agreement commitments. The CTCN delivers support in a number of ways, including technical assessments; regulatory and policy development and planning support; training on tools and methodologies; development of implementation plans, dissemination of information; and piloting of technologies. Canada's contribution will focus on providing support to developing countries for climate technologies that utilise nature-based solutions with biodiversity co-benefits.

- $24.5 million (2022-2026) to support four West African countries (Ghana, Liberia, The Gambia, and Togo) and the Pacific Alliance in building the capacity to strengthen their national climate Measurement, Reporting and Verification (MRV) systems. MRV systems are a crucial step for countries to develop effective mitigation policies and actions for the implementation of their NDCs under the Paris Agreement. The projects are expected to identify, develop and pilot essential MRV components that will enable countries to build more effective climate governance structures for priority sectors identified in their NDCs. Through stakeholder collaboration and the sharing of best practices, the project seeks to strengthen institutional arrangements, and improve domestic decision-making that will accelerate the implementation of climate initiatives.

- $5 million (2022-2024) to the Initiative for Climate Action Transparency (ICAT) in order to build capacity and enhance the ability of developing countries to measure, track and achieve their NDCs and other climate goals under the Paris Agreement. ICAT provides countries with tailored support and practical tools and methodologies to build the robust transparency frameworks needed for effective climate action in sync with national development priorities. The expected results of this project are to enhance capacity of developing countries to effectively design, measure, and implement effective climate policies and to be able to transparently account and report on their actions and progress. In turn, this will enhance developing countries' ability to meet their transparency and reporting obligations under the Paris Agreement.

3. Mobilizing Climate Finance from Various Sources

Public finance alone is not sufficient to meet the level of investments needed to achieve the objectives of the Paris Agreement. Delivering on the US$100 billion climate finance goal requires tapping into a wide variety of sources of finance and all financial instruments, including private finance.

4.1. Private finance mobilization

The private sector plays an essential role in addressing climate change and there is significant potential for further investment in climate solutions by the private sector. That is why a key priority of Canada's climate finance support, including the $5.3 billion commitment, is to mobilize private finance by partnering with MDBs to establish Canadian facilities at these institutions designed to catalyze private sector investments.

Canada collaborates with other partners aiming to leverage private finance for climate action, for example through its contribution to CIF-ACT. CIF aims to mobilize additional resources at scale to achieve rapidly and efficiently the objectives of the ACT investment program. Each investment program or project proposed for financing is expected to mobilize co-financing by MDBs and other public and/or private entities, such as governments, project sponsors, other bilateral and multilateral development partners, and philanthropic organizations. Private sector engagement will be critical to driving transformational change under the CIF-ACT. CIF's programmatic approach for private sector operations envisions MDBs working together to identify priority thematic and technology-based private sector funding opportunities in target countries deemed eligible for funding through the ACT investment program by the CTF Trust Fund Committee.

Canada is also providing $5 million to the OECD's Clean Energy Finance and Investment Mobilization Program (CEFIM) to help strengthen domestic enabling conditions to attract and mobilize private sector finance and investment in renewable energy and energy efficiency in buildings in emerging economies. CEFIM complements new and existing national efforts in Indonesia, Vietnam, Columbia, India, Thailand, Philippines, and Egypt, as well as bilateral and multilateral cooperation to accelerate the low-carbon transition and leverages the OECD's convening power and expertise to scale up clean energy investment. CEFIM is currently exploring, opportunities to grow and share expertise in other areas. In particular, CEFIM helps provide countries with policy support through the development of policy reviews and recommendations as well as policy roadmaps toward NDC goals.

4.2. Integrating climate change considerations in Canada's development support

Canada's FIAP guides the mainstreaming of environment and climate change considerations in all sectors of Canadian international assistance programming to ensure its environmental sustainability. This environmental integration process ensures not only that international assistance efforts do not harm the environment, but also that environmental degradation does not erode development gains and that opportunities to advance positive outcomes related to the environment, climate change and natural resource management are identified and seized. Projects with "significant" climate change objectives are counted as other international assistance with a climate change component under Canada's reporting of climate finance to the UNFCCC, and these are additional to the $5.3 billion commitment.[7] However, it is not possible to provide ex-ante information on planned climate finance through this source. Canada's 8th National Communication provides additional details on the climate finance provided and mobilized for "principal" and "significant" climate change objectives in calendar years 2019 and 2020 – the latest available data at the time of writing.

While not counted as part of Canada's $5.3 billion climate finance commitment, Canada is also deploying innovative climate resources, such as climate investments through EDC and FinDev Canada. EDC is contributing to the transition to a low-carbon, sustainable economy by supporting the development of clean technology in Canada and abroad through credit insurance, guarantees, bonding, knowledge services, financing, and equity. In 2021 alone, EDC helped 324 companies, facilitating $6.3B in clean technology business. In 2022, EDC set a target of $10 billion in clean technology business facilitated by 2025. EDC also manages a $443

[7] Canada uses the OECD-DAC 'Creditor Reporting System (CRS)' Rio Markers as basis for reporting on climate-relevant activities. The markers are assigned based on well-defined guidelines and technical eligibility criteria agreed within OECD-DAC. Recognizing the importance of integrating climate considerations into development assistance, Canada counts 30% of the funding to projects with a significant climate change marker as climate finance.

million fund on behalf of the Government of Canada, which supports early commercial deployments of clean technologies, of which $52 million has been disbursed to date. Canada will follow the established methodology to verify and report climate finance provided by EDC in its Biennial Transparency Report. For more information on tracking methodology, please see Canada's 8th National Communication.

FinDev Canada has the mandate to provide financial services to the private sector in developing countries with the aim of combatting poverty through economic growth. Climate action is one of FinDev Canada's three development impact goals and it plays a key role in the realization of the organisations' mandate. FinDev Canada committed to increasing its climate finance allocation to 35% of its total investments by 2025 and had signed a total of $131.7 million in multi-year climate finance commitments, as of the end of 2022. Launched in 2021, FinDev Canada's Climate Change Strategy articulates how FinDev Canada's climate change policy is implemented across its activities. As part of this strategy, FinDev Canada developed a suite of technical assistance interventions to support its portfolio clients in reducing their GHG emissions and adapting to the impacts of climate change. FinDev Canada is also working on several significant initiatives with the private sector to mobilize capital directed at climate adaptation and climate mitigation projects, which are targeted to be implemented in 2023. FinDev Canada continues to engage in the collaborative work alongside other Development Finance Institutions (DFIs) in the Adaptation and Resilience Investors Collaborative, which aims to improve collaboration and action to help overcome barriers and market failures hindering investments in climate adaptation and resilience.

In November 2022, the Government of Canada announced that it was investing an additional $750 million of capital into FinDev Canada to enable the corporation to expand its focus to include the Indo-Pacific region, in addition to its existing geographies of focus (Latin America and the Caribbean, and Sub-Saharan Africa). While not sourced from Canada's $5.3 billion climate finance commitment, the additional investments undertaken by FinDev Canada in support of climate finance activities will be counted towards Canada's total climate finance.

4. Meeting the Long-term Goals of the Paris Agreement

5.1. Actions to align financial flows with the objectives of the Paris Agreement

Article 2.1(c) of the Paris Agreement sets out the goal of "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development." Canada acknowledges the critical importance of Article 2.1(c) and its transformational potential as a necessary prerequisite to meeting the Paris Agreement's temperature target. In May 2022, Canada made a submission to the UNFCCC process' Standing Committee on Finance outlining ways to achieve Article 2.1(c), recognizing that implementation on a global scale remains inconsistent with limited accountability, alongside several other challenges. That is why Canada continues to advocate for a dedicated space to discuss Article 2.1(c) under the Conference of Parties serving as the meeting of the Parties to the Paris Agreement.

Canada, along with members of the international community, is taking action to better align financial flows with the objectives of the Paris Agreement. This includes:

- The Government of Canada launched the Sustainable Finance Action Council in May 2021 to help lead the Canadian financial sector towards integrating sustainable finance into standard industry practice. The Council's principal mandate is to make recommendations on critical market infrastructure needed to attract and scale sustainable finance in Canada, including: enhanced assessment and disclosure of climate risks and opportunities; better access to climate data and analytics; and common standards for sustainable and low-carbon investments (taxonomy). The Council has also recently been asked to develop a net-zero capital allocation plan, to better align private sector investment with the transition to net-zero.

- As a shareholder of the largest MDBs, Canada has been part of efforts to advance climate leadership and ambition in these institutions, including by advocating for the alignment of Bank operations with the Paris Agreement. The past year has seen more efforts by developed country shareholders on climate issues at MDBs. Canada has joined like-minded countries in calling for increased climate ambition at MDBs, and in addition to calling for improvements to various components of climate finance (including to increase private climate finance mobilization, adaptation finance, and access), Canada has also advocated for rapid alignment with the Paris Agreement. While MDBs are moving towards alignment, there is no joint MDB methodology on alignment with Paris Agreement goals, making it challenging to determine progress and compare results. In addition, Canada is participating in the consideration of various reform and evolution proposals of the existing multilateral development finance architecture to ensure it is fit for the challenges of today, including those related to climate change and biodiversity loss.

- In 2018, EDC became the first export credit agency to join the Task Force on Climate-related Financial Disclosures (TCFD). This requires many companies in carbon-intensive sectors to commit to publishing a TCFD-aligned disclosure as a condition of EDC support. Each year, EDC releases a public climate related disclosure to inform the public on the progress made under TCFD each year. EDC has also been issuing green bonds since 2014 and was the first Canadian financial organization to do so. Funds raised by green bonds have financed nearly 30 transactions worth more than $2B contributing to environmental protection or climate change mitigation. In 2022, EDC released a new, third-party reviewed Sustainable Bond Framework to enable greater support for initiatives that create a more equitable and sustainable world. Additionally, EDC committed in 2021 to reaching net zero emissions by 2050 across its business lines and in its own global operations.

- The Powering Past Coal Alliance (PPCA), which Canada co-chairs with the United Kingdom, with over 165 members, is the driving force behind collective efforts to accelerate the global phase-out of emissions from coal power. The PPCA is also a key mechanism delivering on the United Nations Secretary General's call for no new coal and an end to the world's "deadly addiction" to coal power. The phase out of coal-fired electricity is the most important first step public and private actors must take to meet Paris Agreement climate goals. Though PPCA is a government-led initiative, it bridges the divide between public and private actors through its PPCA Finance Principles that translate its public declaration into clear commitments for financial institutions. The PPCA also is also driving a dialogue on coal phase-out in developing countries by sharing best practices and knowledge that can help countries in the transition to clean energy sources. For example, in November 2022, the PPCA published the *Powering*

Past Coal report which included thirteen case studies illustrating the practical choices, pathways, and strategies pursued by diverse PPCA members to end emissions from coal power for good. Drawn from OECD and non-OECD members, these case studies span policy, social, technical, and financial solutions. Through its broad coalition and thought leadership, the PPCA supports developing countries in charting a path from coal to clean energy sources.

- Pricing carbon pollution is an effective way to cut emissions at low cost while also spurring clean innovation. That is why Canada is calling on all countries to adopt carbon pricing as a central part of their climate strategies, toward a collective goal of covering 60 percent of global emissions by 2030. To achieve this goal, Canada launched the Global Carbon Pricing Challenge at COP26. This partnership aims to expand the use of carbon pricing by strengthening existing systems and supporting emerging ones. The Challenge also creates a forum for dialogue and coordination to make pricing systems more effective and compatible and to support other countries in adopting carbon pricing. At COP27, Canada and partners, including Chile, New Zealand, Sweden and the United Kingdom, officially rolled out the Challenge and committed to working together to advance the use of carbon pricing around the world.

6. Conclusion

Canada remains committed to supporting developing countries in the fight against climate change and biodiversity loss, notably by contributing to collective efforts to mobilise US$100B per year in climate finance through to 2025. Furthermore, we recognize the need to align all financial flows with climate action and will continue to work with all countries and partners to accelerate this transition and achieve the Paris Agreement goals, specifically as we turn our attention towards the new collective quantified climate finance goal to be implemented from 2025.