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

December 2024

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1. Introduction

Canada is pleased to present its third Biennial Communication on indicative quantitative and qualitative information on climate finance in accordance with Article 9.5 of the Paris Agreement. This submission contains information on projected levels of Canada's international climate finance and aims to increase the clarity and predictability of Canada's climate finance for developing countries. Canada's climate finance is part of a broader, whole-of-government approach to addressing the climate crisis domestically and abroad. This submission outlines Canada's approach to providing climate finance through its $5.3 billion commitment, including priorities, channels and financial instruments; support beyond its public commitment; and ongoing efforts to align domestic financial flows in accordance with Article 2.1(c) of the Paris Agreement.

Canada is conscious of the importance of continuing to improve the transparency of its reporting and communications on climate finance. In recognition of this, Canada has taken steps to ensure that the contents of this communication reflect the requested information under the Annex of Decision 12/CMA. 1, while also addressing the areas for improvement as outlined in paragraph 13 of Decision 14/CMA. 3 and paragraph 8 of Decision 13/CMA. 5. Canada continues to report its themes, priorities, and targets as well as the channels and action plans it uses to fund projects that align with these goals.

Since 2015, Canada has placed an increased focus on the importance of climate finance in the global fight against climate change. This is reflected in the commitments made by Canada within the last nine years. From 2015 to 2021, Canada delivered its $2.65 billion commitment, and in 2021, Canada announced a doubling of its climate finance commitment to $5.3 billion to be delivered from 2021 to 2026.[1] From 2015 to 2022, Canada's climate finance from all sources totaled $8.7 billion. Disbursement of Canada's public climate finance under the $5.3 billion commitment is a shared responsibility of Global Affairs Canada (GAC) and Environment and Climate Change Canada (ECCC). As of October 2024, $3.2 billion of the $5.3 billion has been disbursed.

Canada's climate finance plays an important role in delivering on the collective US $100 billion annual climate finance goal, which was achieved and exceeded for the first time in 2022. Canada remains committed to the collective $100 billion goal through 2025 and will remain steadfast in its commitment to scaling up climate finance from all sources in the years ahead. This includes its international assistance with a climate change component (including provincial and municipal support), climate-relevant investments made through Export Development Canada (EDC) and Canada's Development Finance Institute (FinDev Canada), as well as through core contributions to Multilateral Development Banks (MDBs) that support climate-relevant initiatives, and private finance mobilized from Canada's public investments. A breakdown of Canada's climate finance by source can be found on ECCC's website.

1.1 Impact of Canada's Climate Finance

Canada's climate finance has produced a measurable impact, having reduced or avoided over 234 megatonnes of greenhouse gas (GHG) emissions, provided 10.5 million people with

[1] All financial figures in this submission are reported in CAD, unless otherwise indicated.

increased resilience to climate change, and mobilized $374,156,000 in private sector funding from relevant public investment of $411,000,000, a ratio of 0.9. Canada continues to monitor the results of its climate finance investments and publishes updates against these key performance indicators annually. Beyond this, Canada monitors other outcomes of its climate finance programming, including the number of hectares of terrestrial, inland water, coastal, and marine ecosystems under long-term active restoration and protection, and the number of people supported to implement nature-based solutions that enhance biodiversity co-benefits.

2. Canada's $5.3 Billion Climate Finance Commitment

2.1 Policies & Priorities

The Government of Canada, in consultation with Indigenous Peoples living in Canada, Provinces and Territories, civil society, and others, developed a number of policies and priorities to guide the allocation of its climate finance commitment.

2.1.1 Eligibility

Canada provides climate finance, technology, and capacity building support to help developing countries mitigate and adapt to climate change and to support those most vulnerable to its effects. All projects funded from Canada's international climate finance program must demonstrate that they meet the following eligibility criteria:

- The project must demonstrate climate change (adaptation and/or mitigation) as the project's principal objective, i.e. scoring a 'principal' score on the Organisation for Economic Co-operation and Development's Rio marker scale;
- The project must respect Official Development Assistance (ODA) country eligibility;
- The project must integrate gender equality considerations;
- In order to promote alignment with both Canadian values and developing country needs, the project must demonstrate that it contributes to a minimum of 2 of 5 of Canada's climate finance policy objectives.
- The project results must align with the Climate Finance Program Results Framework, as outlined in Canada's climate finance information page; and
- If requesting loan (or "unconditionally repayable contribution") funding, projects should demonstrate alignment with the OECD-DAC blended finance principles.

Projects funded under Canada's public climate finance commitment are selected through an investment planning process spearheaded jointly by Environment and Climate Change Canada and Global Affairs Canada. Recipients of funding adhere to ODA eligibility in accordance with Canada's Official Development Assistance Accountability Act (ODAAA). In line with the ODAAA, projects contribute to poverty reduction, consider the perspectives of the poor, and are consistent with international human rights standards.

Selected projects are subsequently assessed by environmental specialists in accordance with principles outlined in the OECD-DAC Rio Marker guidelines. Projects are required to have a "principal" climate change objective for either mitigation or adaptation to be selected for funding.

2.1.2 Targets

Canada's $5.3 billion climate finance commitment is guided by a set of policy targets to strengthen its ability to help developing countries transition to low-carbon, climate-resilient, nature-positive, and inclusive sustainable development, while concurrently seeking to fill gaps in the existing provision of international climate finance.

In recognition of the COP26 Glasgow Climate Pact's call for developed country Parties to at least double their provision of adaptation finance by 2025, Canada established a 40% adaptation finance target within its $5.3 billion commitment. Achieving this target will increase Canada's adaptation finance contribution over two-fold, relative to its 2015-2021 commitment.

Canada also recognizes the role that climate finance plays in addressing the dual crises of climate change and biodiversity loss. With this in mind, Canada has pledged to allocate at least 20% of its climate finance to projects that leverage nature-based solutions and that contribute biodiversity co-benefits.

Canada's commitment to mainstream gender equality into its international assistance through the Feminist International Assistance Policy (FIAP), also extends to its climate finance commitment. Canada has committed to ensure that at least 80% of projects funded through the 2021-2026 climate finance commitment will include gender equality considerations. This decision is in recognition of the fact that marginalized persons, including women, are disproportionately vulnerable to the effects of climate change.

Canada is proud of the significant progress that has been made towards these targets to date. As of April 2024, 85% of projects supported by Canada's $5.3 billion climate finance commitment integrated gender equality considerations, 23% of funding was provided to projects focused on nature-based solutions or that contribute to biodiversity co-benefits, and 36% of funding was allocated to projects focused on climate adaptation. These figures reflect Canada's progress at a specific point in time and are subject to change as more funding is disbursed.

2.1.3 Thematic Areas

Canada focuses its funding across four priority thematic areas to maximize the impact of its funding across sectors. These priority themes are:

- **Clean Energy Transition and Coal Phase Out:** Through this theme, Canada supports developing countries in reducing their greenhouse gas (GHG) emissions by reducing their reliance on coal-fired power generation. Programming developed under this theme promotes equitable and affordable access to reliable clean energy solutions, the deployment of energy-efficient technologies, and the creation of enabling environments for clean energy opportunities in coal-dependent regions.
- **Climate-smart Agriculture and Food Systems:** Canada has deployed a broad food systems approach to undertaking climate action, supporting programming across food production, consumption, ecosystems, natural resource and sustainable land management, and women's rights. Climate finance is directed towards smallholder farmers and off-farm food systems actors. Climate finance disbursed under this theme aims to improve these actors' livelihoods, make them more resilient to climate change, and help them

adopt practices that lower GHG emissions, maximize biodiversity co-benefits, and reduce the expansion of agriculture into nature.

- **Nature-based Solutions and Biodiversity:** Canada recognizes the value of adopting nature-based solutions (NbS) to address the dual challenges of climate change and biodiversity loss. NbS can be deployed to increase carbon sequestration and mitigate the effects of climate change on natural ecosystems.
- **Climate Governance:** Effective climate government is a necessary condition for the creation of a global enabling environment for climate action. Canada supports projects that create enabling environments for effective climate governance, from the subnational to the global level.

2.1.4 Priorities

Beyond the policy targets and thematic areas of the $5.3 billion commitment, Canada aims to channel its climate finance support towards multiple cross-cutting priorities in a manner that reflects the needs and priorities of developing countries, as well as emerging priorities within the international climate landscape.

Support for least developed countries (LDCs) and small island developing states (SIDS)
Canada recognizes the disproportionate impact of the climate crisis on Small Island Developing States (SIDS) and Least Developed Countries (LDCs). Canada is committed to supporting adaptation and mitigation efforts in SIDS and LDCs that align with their unique contexts and national priorities.

Canada's $10 million (2019-2024) in support to the Advancing National Adaptation Planning in Developing Countries project coordinated by the International Institute for Sustainable Development helped both SIDS (Dominican Republic, Marshall Islands) and LDCs (Central African Republic, Chad) integrate gender-responsiveness in their national adaptation planning processes. This project was part of a multi-donor, global initiative that aims to reduce vulnerability to climate change for women and men, by improving the quality and integration of gender equality into national adaptation planning and action (a process that facilitates the integration of climate change adaptation into relevant new and existing policies) in developing countries.

Canada prioritizes local leadership from those directly impacted by climate change in the communities Canada's funding is delivered in. To empower communities to be effective agents of climate change, Canada is providing $5 million from 2024 to 2026 to the Least Developed Countries Initiative for Effective Adaptation and Resilience (LIFE-AR). LIFE-AR aims to help LDCs achieve the LDC 2050 Vision, which was launched in 2019 by the LDC Group within the structure of United Nations climate negotiations. Central to the LDC 2050 Vision is for all LDCs to be on climate-resilient development pathways by 2030 and to deliver net-zero emissions by 2050. Through the LIFE-AR initiative, LDCs work with hundreds of experts from around the world to build resilience to climate change, with at least 70% of finance flows channeled towards local action on the ground.

Mobilizing and improving access to climate and disaster risk, as well as averting, minimizing and addressing loss and damage for vulnerable countries are key priorities that Canada seeks to address through its climate finance support. Canada was an early advocate for the need to make progress on the issue of loss and damage and contributed to the COP27 decision to set up new loss and damage funding arrangements, including a fund. As a member of the Transitional Committee, Canada worked with developed and developing countries to bring forward the recommendations on operationalizing the Fund for Responding to Loss and Damage (FRLD) that were adopted at COP28.

At COP28, Canada announced a $16 million contribution to the start-up cost of the FRLD, making Canada one of the first contributors to the Fund. This seed contribution will support the Fund as it starts to provide vulnerable countries and communities with the resources they need to respond to the worst impacts of climate change. Canada sits on the Board of the FRLD, sharing a seat with New Zealand, where it is working towards advancing the launch of the FRLD.

In addition, Canada has recognized the critical importance of supporting early warning systems (EWS) for LDCs and SIDS as part of its climate adaptation efforts, especially as climate-related disasters will only continue to grow. EWS are proven, cost-effective measures to save lives, protect livelihoods from natural hazards such as floods, heatwaves, storms and wildfires, particularly for communities in developing countries. These efforts include providing a four-year (2022-2026) $10 million grant to the Climate Risk Early Warnings Systems (CREWS) initiative, which aims to significantly increase access to early warnings and risk information in LDCs and SIDS. Canada’s support to EWS in LDCs and SIDS has been a tangible and consequential demonstration of the Government of Canada’s actions to address loss and damage in developing countries.

Supporting Indigenous climate leadership

Canada recognizes that Indigenous Peoples play a central role in climate change action planning, policy development and decision-making, and is committed to implementing the United Nations Declaration on the Rights of Indigenous Peoples. In recognition of the rights of Indigenous Peoples and the Indigenous leadership in the global fight against climate change and biodiversity loss, Canada seeks to support projects that are led by Indigenous organizations and civil society organizations with strong ties to Indigenous Peoples and their communities. That is why Canada has allocated $315 million for Partnering for Climate (P4C), 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. Of that amount, $300 million is dedicated to supporting projects that use nature-based solutions (NbS) to help countries, communities and people in Sub-Saharan Africa – a particularly climate-vulnerable region – to become more resilient to the impacts of climate change.

Through P4C, Canada is providing $16 million (2023-2025) for the Women Pro-Forests: Climate Change Adaptation in the Moyen-Bafing National Park project in Guinea. The project supports local initiatives through several funds aimed at increasing adaptation to climate change for women and young women of communities surrounding the park. These support funding for:

- Community initiatives to adapt to climate change (will carry out community climate change adaptation plans and finance at least one community action, for the benefit of the women/young women);

- Alleviating tasks (will limit the negative impacts of climate change on women/young women and reduce their workload);
- Access to water (will create and/or repair works facilitating access to water by women/young women); and
- Green entrepreneurship (for innovative green entrepreneurship projects by women, that promote climate change adaptation).

A further $15 million supports Indigenous Peoples Partnering for Climate (IPP4C), which was co-designed by First Nations, Inuit, and Métis representatives in Canada to support the partnering of Indigenous Peoples in Canada with Indigenous Peoples in developing countries around the world to achieve their climate action objectives. Projects supported under this initiative will prioritize Indigenous climate leadership and aim to improve the climate resilience of Indigenous Peoples in developing countries by utilizing Indigenous-led solutions deeply rooted in Indigenous knowledge. For example, in November 2024, Global Affairs Canada announced $12.5 million (2025-2028) for the Building Climate Resilience from Indigenous Perspectives project. This funding will build climate resilience and support Indigenous-led climate action projects in Bolivia, Colombia, Guatemala and Peru, which will be designed and implemented in partnership with First Nations, Inuit and Métis in Canada.

Canada's feminist approach to international assistance

Similarly, Canada seeks to support projects that advance women's economic and social rights through climate action and projects that are led by women's organizations. Canada is proud to contribute up to $11 million (2022-2026) for the Women Leading Climate Action (WLCA) project with the Global Alliance for Green and Gender Action (GAGGA). The project aims to address gender inequality and achieve environmental justice by strengthening the capacity of women-led community-based organizations to influence key decision-makers to take urgent action to divest from fossil fuel industries, defend critical ecosystems, and support sustainable and socially-just climate solutions.

Through Canada's partnerships with the Inter-American Development Bank (IDB) Group, the Asian Development Bank (ADB), and the World Bank, Canada is proud to support blended climate finance projects that advance women's rights. Canada has done so by, inter alia, providing training and employment opportunities for women in the science, technology, engineering and mathematics (STEM) fields, where women are under-represented, and pushing cultural shifts in the management of private sector companies to ensure a safe and more inclusive workforce.

Enhancing access to climate finance

The complexity of the global climate finance system creates barriers for developing countries to access necessary funds. These barriers are particularly significant for SIDS and LDCs, which often do not have the human resources or technical capacity needed to access climate finance. Canada has long prioritized the need to improve access to climate finance, including since the release of the Climate Finance Delivery Plan Progress Report in 2022, where access was highlighted as an area for action. The work that must be undertaken to improve access to climate finance necessitates collaboration with multiple stakeholders, as well as rightsholders to ensure Indigenous Peoples benefit from efforts to improve access.

Canada continues to engage with the operating entities of the UNFCCC and the Paris Agreement (i.e., the Global Environment Facility and Green Climate Fund) and MDBs to remove barriers like restrictive eligibility requirements and confusing application processes. Canada uses its seat on these governing bodies to advocate for simplified access procedures, greater complementarity and coherence, and to address access bottlenecks and inefficiencies. Canada has further been supportive of efforts to reform key institutions such as the World Bank, as well as the wider climate finance architecture through multilateral fora such as the G20, to ensure they are more responsive to issues of access.

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 are embedded in developing countries to help 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 eleven Pacific countries and has helped develop a pipeline of 62 climate finance projects in the region worth over US$1 billion. At COP27, Canada announced an additional $5.25 million contribution (2023-2025) to CFAN to support the expansion of its work into the Caribbean. The Caribbean cohort of advisors has already developed a pipeline of over 30 projects worth over $450 million. With increased funding from other donors, CFAN will establish an African cohort in 2025.

2.2 Type of Support in Line with the US $100 Billion Goal

Canada's climate finance supports developing countries' efforts to mitigate and adapt to climate change. This section speaks to how Canada's support fits within the USD100 billion goal and Paris Agreement framing.

2.2.1 Support for Mitigation

Canada's mitigation finance supports developing countries' transition away from high-emitting energy production. These efforts seek to reduce countries' dependence on fossil fuels, through phasing out coal power generation, while concurrently promoting access to reliable, efficient, and affordable clean energy solutions.

For example, Canada contributed $53 million (2023-2047) to the Caribbean Development Bank to establish the Supporting Renewable Green Energy Initiative in the Caribbean (SuRGE) initiative. SuRGE will support utility-scale renewable energy and energy efficiency projects in the region. This climate financing is complemented by an additional $5.5 million grant to strengthen the capacity in the Caribbean to develop and deliver renewable energy projects in a way that contributes to climate change resilience and addresses gender-based disparities in the energy sector.

In 2024, Canada finalized the negotiation of a new initiative with the Inter-American Development Bank (IDB) and IDB Invest to provide up to $510 million (years) to establish the Canadian Net Zero and Climate Resilience Accelerator (Accelerator Fund). The Accelerator Fund will work with the private sector in Latin America and the Caribbean and provide concessional financing and technical assistance to support the development of new technologies, business models, and best practices that drive climate resilience, greenhouse gas emissions reductions, and the use of nature-based solutions (NbS) to fight climate change while increasing gender equality, diversity, and inclusion in the region. The Accelerator Fund has ambitious gender, climate change adaptation, and NbS targets.

In addition, Canada provides mitigation support to help countries achieve their Nationally Determined Contributions (NDCs). Some of this support is delivered bilaterally and aims to support efforts to strengthen climate governance – both inter-ministerial and multi-level – to broaden and improve stakeholder cooperation to address emissions. Support also aims to build domestic capacity to measure, report and verify (MRV) climate data that informs decision-making and investments to implement NDCs and achieve the Paris Agreement.

At COP29, Canada announced $1.25 million in funding for the United Nations Climate Action Team (UNCAT) initiative to Secure 1.5 C aligned Nationally Determined Contributions. This funding will be delivered in 2025 and aims to develop a comprehensive political mobilizing strategy to secure 1.5 C aligned NDCs from the G20 and other significant emitters, including setting expectations on the ambition level, quality and timing of NDC submissions by key G20 nations.

Canada is also working with likeminded countries 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, three additional JETPs have been launched with Indonesia, Vietnam, and Senegal. 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.

2.2.2 Support for Adaptation

Canada’s adaptation finance seeks to improve vulnerable countries’ resilience to climate change impacts. Canada’s $5.3 billion commitment delivers a significant portion of its adaptation finance through three targeted funds, including: $37.5 million to the Least Developed Countries Fund (2021-2025), $34.2 million to the Special Climate Change Fund (2023-2026), $10 million to the Adaptation Fund (2022-2026), and $10 million to the National Adaptation Plan Global Network (2021-2026).

As noted previously, Canada has committed to scaling up its provision of adaptation finance by 2025. In keeping with research on international best practices, Canada is working to adopt the recommendations in the OECD’s “Scaling Up Adaptation Finance in Developing Countries” report to scale up its support for countries build resilience to climate change impacts.

2.2.3 Cross-Cutting Support

Cross-cutting climate finance supports activities that integrate both adaptation and mitigation components, alongside other co-benefits such as biodiversity and gender equality. For example, the Strengthening Gender-responsive Climate Financing in Commonwealth Countries project aims to strengthen the resilience of member countries that are particularly vulnerable to the adverse effects of climate change and to support sustainable development based on their national mitigation and adaptation strategies and plans.

Canada’s $4.653 million (2023-2027) contribution enables the Commonwealth Climate Finance Access Hub to assist member countries to improve the policy environment for inclusive climate action and to support the submission of project proposals to climate funds. These proposals integrate gender equality and youth inclusiveness principles, as well as health impact assessments, to ensure that they positively impact vulnerable and marginalized populations. The expected outcomes of this project include improved enabling environment for gender and youth-inclusive climate adaptation and mitigation policy making and programming at national and regional levels. They also include enhanced access to climate finance for nature-positive and gender and youth-inclusive climate change mitigation and adaptation projects at national and regional levels.

2.3 Channels

Canada’s climate finance is delivered across a variety of bilateral and multilateral channels.

Canada is the 8th largest contributing member to the Green Climate Fund (GCF), which is an operating entity of the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. The GCF is mandated to support developing countries realize their ambitions towards low-emissions and climate resilient development pathways. It is positioned as an organization that is a convener and catalyzing platform to mobilize capital at scale for climate and nature.

Through its seat on the Board, Canada supports better access to climate finance for LDCs and SIDS, including the Pacific Island Countries, through embedding access to climate finance in the programmatic priorities under the GCF's Strategic Plan 2024-2027. The GCF Strategic Plan outlines how GCF will lead a paradigm shift to low-emission, climate-resilient and sustainable pathways while supporting developing countries to reduce their emissions and adapt to a changing climate.

Canada's total contribution to the GCF is $1.05 billion. This includes $450 million to the GCF's second replenishment (2024-2027); $300 million for the first replenishment (2020 to 2023); and $300 million for the Initial Resource Mobilization Period (2015 to 2019). Canada's contribution to the second replenishment is a 50% increase over its contribution to the first replenishment.

Canada is also a contributor to the Climate Investment Funds (CIF), one of the world’s largest and most ambitious multilateral climate finance mechanisms for developing countries seeking to shift to low carbon and climate resilient development and to accelerate climate action. The CIF is made up of two main multi-donor trust fund windows: the Clean Technology Fund (CTF), and the Strategic Climate Fund (SCF). Under the $5.3 billion climate finance envelope, Canada has provided $1 billion (2022-2047) in repayable contributions to the Accelerating Coal Transition (ACT) program, which is housed under the Clean Technology Fund. Canada has also contributed $15 million (2022-2027) in grants to support the Women Led Coal Transitions (WOLCOT) Mechanism that supports gender integration into the ACT program. Canada is the only contributor to the WOLCOT program and is the second-largest donor to the ACT program.

Several bilateral initiatives have also been initiated by Canada to support developing country partner countries' priorities, including:

- $20 million over four years (2022-2026) to support four West African countries (Gambia, Ghana, Liberia and Togo) and $4.5 million over four years (2022-2026) to support the Pacific Alliance (Chile, Colombia, Ecuador, Mexico and Peru) to strengthen MRV systems, climate governance and NDC implementation.
- $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.

When possible, Canada seeks to leverage public-private partnerships through its bilateral climate initiatives to support the creation of national sectoral strategies:

- In 2023, Canada announced an increase to the project to reduce methane emissions from waste sector in four Caribbean SIDS (Belize, Grenada, Guyana and Saint Lucia) to $7.5 million to include two Pacific SIDS (Fiji and Samoa).
- In 2024, Canada announced $8 million over three years (2023-2026) to decarbonize the cement and concrete sector in Thailand.

2.4 Instruments

Canada has doubled the amount of climate finance allocated in grants in its $5.3 billion commitment, relative to those delivered under its previous $2.65 billion commitment. This amounts to 40% of all climate finance to be delivered under the current commitment, which was a response to calls from developing countries to provide more concessional funding, particularly as concerns for country indebtedness were increasing. The other 60% of funding will be provided through loans, primarily Unconditionally Repayable Contributions (URCs). URCs are akin to concessional loans, as they are provided on more generous terms (i.e., longer grace periods, below market-rates, etc.) and are designed to incentivize private sector investments in climate-relevant projects.[2]

Grants represent a significant portion of annual spending on Canada's climate finance and are not intended for repayment.[3] Civil society organizations (e.g., social enterprises, religious, diaspora, not-for-profit organizations, and universities) receive grants from the Government of Canada to advance Canada's international climate change priorities.

Canada's climate finance program uses repayable financial instruments, such as URCs, to catalyze private and public sector investment in low-carbon and more climate-resilient activities such as climate-resilient renewable energy and energy efficiency projects, primarily in middle-

[2] Unconditionally Repayable Contributions (URCs) work like concessional loans where funds must be repaid according to the specific repayment terms negotiated with the partner. They are used in situations where there is a relative certainty of repayment. These loans are extended on terms more favourable than financing available in the market and may include longer loan durations and lower interest rates than are offered commercially, as well as benefits such as grace periods on principal repayment, where no repayments are required for a certain period after the commitment date.

[3] The Government of Canada provides non-repayable funding for developing countries through grants and contributions (Gs&Cs). While both instruments are non-repayable transfers, contributions are subject to performance conditions as outlined in a funding agreement between the recipient and the Government. In this submission, "grants" refers to both grants and contributions.

income and lower-middle-income countries. In many cases, URCs are used to make private sector investment opportunities more attractive. These instruments allow Canada to absorb some of the risk of development projects so that the private sector can also invest in them.

2.5 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. Canada uses a program Logic Model and portfolio-level Performance Management Framework to monitor progress on expected outcomes of the climate finance program. Canada's Logic Model outlines outcomes and sample performance indicators across the four thematic areas outlined in Section 2.1.3. The Performance Management Framework includes indicators at all outcome levels of the program's Logic Model.

Canada conducts a Climate Finance Reporting exercise to collect quantitative and qualitative data on all of Canada's international climate finance projects as part of the $5.3 billion climate finance commitment (2021 to 2026). This exercise collects results data on indicators at different levels to measure Canada's level of progress toward the ultimate, intermediate and immediate outcomes identified in the climate finance program logic model. In addition to being essential for reporting, this data informs decision-making and conveys Canada's international contributions to climate action.

Beyond this reporting exercise, GAC generates data through the Management Summary Reports (MSR+), Annual Institutional Reports (AIRs), partner reporting, monitoring trips, and lessons learned sessions, among other exercises. GAC is currently developing a learning framework to extract key lessons learned from this data.

In 2021, Canada conducted the internal 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. At present, Canada is conducting an evaluation of its International Climate Finance program to learn from the current $5.3 billion commitment. The recommendations that will follow this evaluation will inform the implementation of future climate finance commitments.

In recognition of the important insights of partners, stakeholders and funding recipients, Canada also seeks input from external parties to assess and improve its climate finance program. In early 2024, Canada hosted a series of consultation and engagement sessions with key partners and stakeholders to help shape the future of Canada's international climate finance for developing countries. This builds upon previous work to engage partners and stakeholders on Canada's climate finance in 2020, which was summarized in a What We Heard report. Submissions for the most recent engagements were collected between May and June of 2024. During this period, representatives from GAC and ECCC met with 265 participants from 130 organizations, including the private sector, civil society, youth, National Indigenous Organizations and Indigenous representatives, provinces and territories, and developing countries.

These consultations provided valuable lessons learned with respect to the design and delivery of Canada's next Climate and Nature Finance Commitment. For instance, participants voiced suggestions to boost effectiveness, engagement and collaboration in the next commitment. This includes suggestions to ensure Canada's climate finance better protects Indigenous Peoples' rights and integrates their perspectives, voices and approaches moving forward, notably by exploring embedded participatory approaches enabling the engagement of Indigenous Peoples that are directly impacted. A What We Heard report on these engagement sessions was published on GAC's website in November 2024.

Internationally, Canada has worked in partnership with Germany on the 2021 Climate Finance Delivery Plan and subsequent Progress Report. This work has informed Canada's role on the international stage as an advocate for improved transparency in reporting, greater ambition in scaling climate finance across a broad contributor base, and for an increase of adaptation and private finance.

In line with these lessons learned, Canada acknowledges that there is more work to be done to ensure that climate finance is mobilized to the scale necessary to meet developing countries' needs. As the world looks forward at providing and mobilizing climate finance in accordance with the New Collective Quantified Goal (NCQG), drawing upon the successes and shortfalls of previous climate finance programs will be necessary to ensure that funding meets the needs of recipient countries through the post-2025 period.

2.6 Projecting and Communicating Ex-Ante Climate Finance Information

Canada provides projections of ex-ante climate finance based on multi-year commitments of new and additional climate finance. These commitments are considered new and additional as they are above and beyond what Canada committed to prior to the Copenhagen Accord.

Canada provides program-level information on its climate finance through two avenues. Most new climate finance projects are communicated at the commitment stage through announcements on Canada's climate finance website. These announcements typically feature project details. Project-level information at the disbursement stage can also be found on Environment and Climate Change Canada (ECCC) and Global Affairs Canada's (GAC) respective project browsers. There is a one-year lag in the availability of verified disbursements due to the data collection and verification process. For instance, disbursements made in fiscal year 2023-2024, will be publicly disseminated at the end of fiscal year 2024-2025 (after March 2025).

Canada's total climate finance is announced through multi-year commitments that receive approval from Parliament. Thus, reliable ex-ante information on Canada's climate finance beyond what is available within a current funding envelope is limited due to the budgetary cycle. These challenges are exacerbated by the fact that Canada's current climate finance commitment is in its sundown and the funding period for most projects are nearing their end. Canada is in the process of designing its upcoming climate finance commitment; information on the program, including selected projects and funding amounts will be available as the approach is finalized.

3. Enhancing Enabling Environments

3.1 Technology Transfer and Capacity Building

Canada recognizes the importance of technology transfer and capacity building support for developing countries, especially the poorest and most vulnerable, to make tangible progress in pursuit of NDCs and NAPs. Accessing clean, innovative and affordable technologies is essential for economic growth that does not compromise environmental integrity and exacerbate climate impacts. The right technologies will enable a transition that is sustainable, low-carbon, climate-resilient, nature-positive and inclusive.

Capacity building of the institutions and people receiving technology support is the critical foundation for ensuring the success and longevity of technology transfer, diffusion and deployment. Enhanced capacity of institutions, communities and individuals, also helps create the necessary policy and regulatory enabling environments that will attract investment and create the conditions for new technologies and systems to take hold for the long term.

To date, Canada has provided $11.2 million to the UN Climate Technology Centre & Network (CTCN). CTCN provides developing countries with technology solutions and capacity building support in pursuit of their NDCs. Canada also sits on the CTCN Advisory Board, including its Digitalization Taskforce, working on green technology databases and contributing to a workplan on the use of artificial intelligence for climate action.

Canada continues to provide support for technology transfer and capacity building through projects and activities through its climate finance commitment. Examples include:

- $25 million (2022-2026) to the World Bank's Energy Sector Management Assistance Program (ESMAP) to help develop and implement clean energy alternatives, and support low- and middle-income countries in the transition to a cleaner economy;
- $18.2 million (2016-2028) for Phases I and II of Sustainable Energy and Economic Development in Jordan to increase the employability of women and marginalized groups in the climate-smart agriculture and renewable energy sectors, including solar power technology;
- $10 million (2023-2026) to Scaling up Investments in Nature-Based Solutions to enhance the national and global knowledge of nature-based solutions. It will also provide technical and capacity building support to promote climate-resilient and gender-responsive infrastructure, as well as help public and private organizations access climate funds for adaptation; and,
- $2.2 million (2022-2025) to support the phase-down of hydrofluorocarbons (HFCs), in Colombia, Mexico, Peru and Senegal, and assist these countries phasing down their use of the potent GHGs, HFCs, to support the implementation of the Kigali Amendment of the Montreal Protocol. The projects support activities in the countries to demonstrate

low-global warming, energy efficient technologies to substitute HFC-based technologies in the refrigeration sector, as well as training and capacity-building to reduce the use and emissions of HFC refrigerants.

4. Sources of Climate Finance Beyond the $5.3 Billion Commitment

4.1 Private Finance Mobilization

Recognizing the need to scale up climate finance, Canada acknowledges the necessity of securing climate finance from sources beyond the public sector. This includes finance from the private and philanthropic sectors.

Canada has a long-term target of mobilizing $0.75 of private climate finance for every dollar of public money invested. To meet this target, Canada has adopted new ways of securing private investment on climate action in developing nations. This includes implementing the recommendations from the OECD reports "Scaling Up Adaptation Finance in Developing Countries" and "Scaling Up the Mobilisation of Private Finance for Climate Action in Developing Countries" and adhering to other international best practices.

Canada has developed facilities at multilateral development banks (MDBs) to catalyze private sector investment. By working with MDBs and bilateral partners, Canada works to remove barriers to investment in climate projects, minimizing financial and technical risks, thus mobilizing private sector investment. For example, Canada funded the two Canadian Climate Funds for the Private Sector in Asia (CFPS) I & II at the Asian Development Bank (ADB) to facilitate greater private sector engagement in climate action in Asia. The two funds provide loans with concessionary terms as well as technical assistance grants (under CFPS I) for private-sector-led climate mitigation and adaptation projects in developing Asian and Pacific countries that would not have happened without concessional finance to mitigate investment risks. Gender equality and women's empowerment are central to the Canadian Climate Funds recognizing women's central role in the fight against climate change; initiatives can help create jobs, provide training, promote gender-responsive corporate policies, as well as support local women's entrepreneurship.

The capacity and scale of MDB operations allows Canada to more effectively mobilize private finance than it could through other channels. Canada built on its partnership with the ADB to establish a third Canadian climate fund with the ADB in 2024. The Canadian Climate and Nature Fund for the Private Sector in Asia (CANPA) provides $350 million (2024-2042) in concessional lending to the ADB and is complemented by $10 million in technical assistance to support Indo-Pacific developing countries' transitions to inclusive, low-carbon and climate-resilient economies. The fund will use blended finance to mobilize private sector investments in climate action that advance gender equality in the region. The technical assistance will support the preparation and implementation of projects and improve market conditions for the private sector to invest in gender-responsive climate initiatives in the Indo-Pacific region.

Through the strategic use of their resources, development finance institutions (DFIs) have a key role to play in enabling private sector investment to and within these markets. FinDev Canada is advancing its work in support of private capital mobilization by identifying opportunities at the transaction level that can mobilize additional capital including through co-investment via debt and equity, risk sharing using insurance, and exit and/or balance sheet management strategies.

4.2 Integrating Climate Change Considerations into Canada's Development Support

Canada's Feminist International Assistance Policy (FIAP) seeks to mainstream environment and climate change considerations in all of Canada's international assistance programming. The purpose of this focus is twofold – ensuring both that international assistance projects do not harm the environment, and that environmental degradation does not weaken development gains. Canada reports international assistance projects with a "significant" climate change aspect to the UNFCCC under "other international assistance". This funding is in addition to the $5.3 billion commitment.

For example, the Investing in Women for Greener Economy in Burkina Faso project is working to enhance the economic participation and resilience of women entrepreneurs in a greener economy, mainly in climate smart agriculture. Canada is providing $7.4 million to this project, which is delivered in partnership with the Africa Enterprise Challenge Fund. The project, which began in 2022 (with funding until 2028), aims to support eight women-led small and medium-sized enterprises with grants and technical assistance. It will also support five women-led cooperatives and their 2,500 members with grants and training, namely on efficient technologies for agri-food production, processing, conservation and distribution. In addition, the project will work with two micro finance institutions in Burkina Faso to issue loans to and accompany about 2,000 women and their microbusinesses.

It is not possible to provide ex-ante information on planned climate finance through Canada's international assistance with a climate change component due to the nature of climate finance programming. Projects with civil society organizations lead to multi-year investments, which are then updated annually according to national priorities and in alignment with Canada's FIAP. At the same time, environmental specialists at Global Affairs Canada work across programs to integrate climate considerations and the "do no harm" principle, which in turn, results in additional projects being considered climate finance, although they originate outside of the climate finance program. More information on climate finance provided and mobilized for "significant" and "principal" climate change objectives in calendar years 2021 and 2022 (the latest available data at the time of writing) can be found in Canada's first Biennial Transparency Report.

4.2.1 Support from FinDev Canada

FinDev Canada's contributions to Canada's international climate finance are also counted in addition to the $5.3 billion commitment. FinDev Canada provides financing, investment, blended finance solutions, as well as technical assistance and knowledge, to promote sustainable and inclusive growth in emerging markets and developing economies, in alignment with the Sustainable Development Goals and Paris Agreement commitments. FinDev Canada seeks to produce development impacts on climate and nature action, gender equality and market development through investments in sustainable infrastructure, agribusiness and forestry value chains, and the financial industry. In 2023, FinDev Canada committed an additional US$153 million of climate finance in support of building a greener and more climate resilient world.

Additionally, at an aggregate level, FinDev Canada will develop and co-create investment vehicles and/or platforms that can mobilize private capital at scale in support of climate mitigation and adaptation. FinDev Canada, together with its partner MUFG Bank Ltd., has developed GAIA – a US$1.48 billion blended finance platform that will enhance access to finance for high impact climate adaptation and mitigation projects in up to 25 emerging markets. Its structure leverages the risk-mitigation effect of first-loss capital from the Green Climate Fund approved last year (2023) and concessional finance from FinDev Canada's new concessional finance facility, and benefits from a foreign currency hedging facility and side-car Technical Assistance Facility for last-mile project preparation. This creates a highly efficient and innovative pairing of public-private risk sharing, which mobilizes private climate finance at scale.

4.2.2 Support from Export Development Canada

EDC's work also supports climate investments in developing countries. From 2016 to 2023, EDC provided $1.7 billion in climate finance support aimed at climate change mitigation in developing countries, as part of the Government of Canada's commitment to the Paris Agreement. These funds are in addition to the $5.3 billion commitment. EDC is contributing to the transition to a low-carbon, sustainable global economy by supporting the development of clean technology in Canada and abroad through credit insurance, guarantees, bonding, knowledge services, financing, and equity. In 2022, EDC set a target of $10 billion in clean technology business facilitated by 2025. As of December 31, 2023, EDC had exceeded its target by providing more than $12 billion in financing and insurance solutions to more than 440 cleantech businesses — up from $8.8 billion and 392 companies in 2022. Since 2012, EDC has supported nearly $41-billion worth of cleantech exports and is a leading financier of Canada's cleantech industry.

5. Looking Ahead to the Long-Term Goals 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), its transformational potential as a necessary prerequisite to meeting the Paris Agreement's temperature target, and the need for transparent reporting on Parties' progress on aligning all financial flows, both domestic and international. Broader progress on alignment is a vital complement to the delivery of climate finance support to developing countries under Article 9 of the Paris Agreement.

While Canada continues to report on its progress on aligning its actions under 2.1 (c) in its third Biennial Communication, building on information shared in its previous two Biennial Communications, it 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.

The Government of Canada recognizes that sustainable finance plays a key role in accelerating the transition to a cleaner, greener economy and is committed to advancing the development of a sustainable financial market that will strengthen investor confidence, stimulate economic growth, and help combat the dual crises of climate change and biodiversity loss. Canada is taking action through a variety of initiatives domestically to better align financial flows with the objectives of the Paris Agreement.

5.1 Phasing out Fossil Fuel Subsidies

In July 2023, the Government of Canada released the Inefficient Fossil Fuel Subsidies Assessment Framework and the Inefficient Fossil Fuel Subsidies Guidelines. The Framework provides a methodology for assessing whether a measure constitutes an inefficient fossil fuel subsidy, while the Guidelines are meant to avoid the creation of any new inefficient fossil fuel subsidies. This policy applies to all federal departments and agencies and provides for a standardized methodology to ensure future government support is aligned with Canada's climate and energy priorities. The Government of Canada is the only country in the world to release a rigorous analytical framework and guidelines on inefficient fossil fuel subsidies. The framework is used to determine which tax and non-tax measures constitute an inefficient fossil fuel subsidy while the guidelines will help prevent the creation of new inefficient fossil fuel subsidies. In addition, the Government of Canada also remains committed to develop and release an implementation plan to phase out public financing of the fossil fuel sector, including by federal Crown Corporations.

5.2 Taxonomies

In October 2024, the Government of Canada announced support for the development of voluntary sustainable investment guidelines (otherwise known as a taxonomy) that would categorize investments based on scientifically determined eligibility criteria that are consistent with the goal of reaching net-zero emissions by 2050 and limiting global temperature rise to 1.5°C above pre-industrial levels. The taxonomy will help to mobilize private capital into sustainable activities by enabling investors to understand and communicate which key activities and investments will deliver a net-zero economy.

5.3 Climate-related Disclosures

Also in October 2024, the Government of Canada announced next steps to require large federally incorporated private companies to provide climate-related financial disclosures to their shareholders. These disclosures will help investors better understand how large businesses are thinking about and managing risks related to climate change, ensuring that capital allocation aligns with the realities of a net-zero economy.

In 2018, EDC became the first Canadian Crown corporation and export credit agency to declare support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Since then, EDC has strengthened how it manages climate-related risks and opportunities and increased the transparency of their disclosures for the benefit of their stakeholders. Additionally, since 2020, EDC has required that, for certain products, customers in the upstream and downstream oil and gas sectors commit to disclose corporate climate-related information in alignment with the TCFD recommendations. 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 approximately 50 transactions across a range of sectors, contributing to environmental protection or climate change mitigation. In 2024, EDC issued its sixth green bond, valued at US$1 billion. This was the first bond issued under EDC's Sustainable Bond Framework, which was released in 2022, to enable greater financial 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 operations – a goal aligned with the Government of Canada and the Paris Agreement. In 2023, EDC became a founding member of the Net Zero Export Credit Agencies Alliance (NZECA), a new initiative by the Glasgow Financial Alliance for Net Zero (GFANZ) that encourages members to reach net zero by 2050.

5.4 Carbon Pricing

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% of global emissions by 2030. To achieve this goal, Canada launched the Global Carbon Pricing Challenge (GCPC) 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 to support other countries in adopting carbon pricing.

At COP28, Canada announced the establishment of a GCPC Secretariat to facilitate coordination of the Advisory Committee and Technical Working Group and to support the GCPC's ongoing technical exchanges and workshops. As of October 2024, 16 countries have joined the GCPC as Partners and Friends, all committed to working together to advance the use of carbon pricing around the world. In 2024, the GCPC Secretariat delivered multiple technical and capacity-building workshops to foster dialogue between countries on their experiences in developing, strengthening, and implementing carbon pricing systems. Workshops were extended to GCPC member and prospective member countries and topics included: expanding carbon pricing to new sectors; effective use of carbon pricing revenues; crediting and offsetting in domestic carbon pricing instruments; and integrating GHG removals in domestic compliance carbon markets.

5.5 Caps on the Oil and Gas Sector

Canada has also committed to cap and reduce greenhouse gas emissions from the oil and gas sector at a pace and scale necessary to contribute to Canada's 2030 climate goals and to achieve net-zero GHG emissions by 2050. In 2023, Canada published a *Regulatory Framework for an Oil and Gas Sector Greenhouse Gas Emissions Cap* to engage Canadians on the design of the emissions cap. Following extensive engagement with industry, Indigenous Peoples, provinces and territories, and stakeholders, earlier this year the Government published proposed regulations to implement a national cap-and-trade system that would apply to emissions from the upstream oil and gas sector and LNG production. The proposed Regulations are designed to establish a mechanism to ensure the sector reduces GHG emissions and is on a path to net-zero in a way that allows the sector to compete in the emerging net-zero global economy.

5.6 Coal Phase-out

The Powering Past Coal Alliance (PPCA), which Canada co-chairs with the United Kingdom, with 180 members, is the driving force behind collective efforts to accelerate the global phase-out of emissions from unabated 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 public and private sectors through its Finance Principles, which guide financial institutions in supporting the Alliance's goals. These principles, which are being refreshed for 2024, align financial services with the Paris Agreement, enhance climate risk reporting, and complement the Taskforce for Climate-Related Financial Disclosure (TCFD) guidelines. This year, the PPCA also hosted a series of Solutions Dialogues to raise ambition and accelerate action on coal phase-out, sharing best practices and knowledge to help countries transition to clean energy sources, including presenting actionable solutions for mobilizing private finance for coal transition.

5.7 Green Bonds

Government of Canada green bond issuances support Canada's sustainable finance market by providing a sovereign benchmark for the rest of the market, and high-quality environmental, social, and governance (ESG) assets for investors, backed by Canada's AAA credit rating. Green bonds unlock private financing to speed up projects such as green infrastructure and nature conservation and extend financing to projects that grow Canada's economy and create more well-paying jobs across the country. In October 2024, Canada successfully re-opened its second Canadian-dollar-denominated green bond for an additional $2 billion, following an initial $4 billion issuance in February 2024. This is part of a commitment to regular green bond issuances. This latest issuance brings total amount of Canada green bonds outstanding to $11 billion. This offering is the second under Canada's updated Green Bond Framework, which allows for certain nuclear energy expenditures to be eligible for green bond proceeds. Canada is the first sovereign borrower to issue a green bond including certain nuclear expenditures, demonstrating Canada's commitment to being a global leader in clean nuclear power.

6. Conclusion

Canada remains steadfast in its commitment to supporting developing countries in the global fight against climate change and recognizes the value of providing ex-ante information in enhancing the predictability of flows. In line with this, Canada aims to provide a comprehensive overview of the main features of its climate finance delivery with each Biennial Communication, recognizing the limitations tied to budgetary planning cycles. In the coming years, Canada will continue to build on lessons learned from over a decade of delivering climate finance to channel support more effectively so that developing country needs can be better addressed. Canada also affirms the importance of advancing all the goals under the Paris Agreement, including Article 2.1(c), and will continue to report on its progress in the years to come.