Switzerland, November 2014

Switzerland’s Updated Strategies and Approaches for Scaling Up Climate Finance from 2014 to 2020

This Swiss submission responds to the request of the Conference of the Parties in decision 3/CP19 para 10 for developed country parties to prepare biennial submissions on their updated strategies and approaches for scaling up climate finance from 2014 to 2020.

Switzerland would like to recall article 2 of the Convention and its ultimate objective to stabilize greenhouse gas concentrations in the atmosphere at a level that prevents dangerous anthropogenic interference with the climate system. Any financial resources provided should have the highest possible impact in countries who need support to achieve the ultimate objective of the Convention and protect the climate system for present and future generations.

This submission builds on our previous submissions inter alia our 6th National Communication, our first Biennial Report, Switzerland’s Fast-Start Finance reports and our submission on methodologies for reporting and tracking climate finance from June 2014. In this context Switzerland recognizes the high relevance of domestic and international financial flows for climate activities and recalls that private sector finance will be indispensable to achieve the ultimate objective of the Convention. Switzerland is committed to contribute its fair share to the goal of mobilizing 100 billion USD per year by 2020 from both public and private sources in the context of meaningful mitigation actions and transparency on implementation and recognizes that scaling up different forms of financial support will be essential to facilitate the urgently needed transition to low-emission and climate-resilient economies and societies.

Climate finance needs to be based on a partnership between different stakeholders such as public and private investors, the private sector and development partners in order to achieve the biggest impact on the ground.

1 Current Level of Climate Finance

In 2013 Switzerland published a study, which assessed the **annual international private sector climate finance flows mobilized by Switzerland**[1]. The independent researchers came to the conclusion that depending on the applied parameters Switzerland already mobilizes between USD 110 million and USD 2.8 billion private climate finance per year.

The annual level of **international public climate finance** as reported in Switzerland’s 6th National Communication as well as its first Biennial Report has almost doubled from USD 89 million in 2009 to USD 170 million in 2012. This increase was possible thanks to additional resources freed by a growth in Switzerland’s total ODA. However, these numbers do not include Switzerland’s multilateral core contributions to multilateral agencies such as the multilateral development banks, as it is still not possible to assess the exact share of climate finance that these multilateral organisations provide.

2 Strategies and Approaches for Scaling Up Climate Finance

Enabling environments in all countries, whether providing or receiving international climate finance, are crucial for effective investments in a low-emission, climate-resilient development. Well designed and implemented enabling environments are the key baseline element for the effective mobilization and scale up of domestic and international climate finance. Hence, Switzerland is committed to constantly optimizing its enabling environments for enhanced public and private international climate finance and urges all other parties to do the same.

[1] Stadelmann and Michaelowa 2013: Contribution of the private sector to Climate Change Long-Term-Finance: An assessment of private climate finance mobilized by Switzerland. Final report commissioned by the Swiss Federal Office for the Environment (FOEN), Bern

2.1 Mobilization of International Public Climate Finance

In February 2011, the Swiss parliament decided to increase the level of Official Development Assistance (ODA) to 0.5% of Switzerland's Gross National Income (GNI) until 2015. In line with this increase Switzerland pledged USD 100 million to the Green Climate Fund (GCF) as part of the Initial Resource Mobilization process to be disbursed over three years from 2015 to 2017.

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

The Rio marker methodology was developed as a policy instrument to mainstream environment issues into development and to identify development activities related to the Rio Conventions. However, the Rio markersdo not allow exact quantification of financial flows. To increase the transparency of international public climate finance Switzerland is actively involved in the further development of the OECD DAC Rio marker system by participating in the joint statistical and environmental task team of the OECD and is committed to apply the optimizations and adjustments of the methodology to its reporting within the Rio Conventions. Switzerland hopes that the adjustments and optimizations with regard to the Rio marker methodology will lead to increased transparency on climate investments of multilateral organizations and will add to the understanding of public climate finance flows and their impact on the ground. An additional step to increased transparency is the joint reporting of the multilateral development banks (MDBs) on climate finance which Switzerland highly commends.

2.2 Mobilization of International Private Climate Finance

Switzerland cooperates with the private sector in several crucial activities to enhance the mobilization of effective and efficient international climate finance. The examples indicated below show some of the most important strands for mobilization. Switzerland is eager to share its lessons learnt with other parties with a view to further strengthening its approaches and strategies to mobilize new and additional private climate investments.

Switzerland is actively engaged in the OECD Export Credit Group's efforts to find new ways to **reduce greenhouse gas emissions through the official export insurance and financing architecture**, such as laid out in the Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (the "Common Approaches") and the Arrangement on Export Credits. Switzerland has actively supported the 2009 Sector Understanding on Renewable Energy, Climate Change Mitigation and Adaptation, and Water Projects (CCSU) and subsequent initiatives to improve the CCSU by including Smart Grid Technology. The Swiss Export Insurance Agency (SERV) has **not been granting insurance cover for the export of coal plants** and is **committed to facilitate the export of low-carbon and clean technologies to developing countries**.

The *Swiss Investment Fund for Emerging Markets* (SIFEM) is Switzerland's development finance institution and a cornerstone of the Swiss development cooperation. SIFEM's mission is to **promote long-term, sustainable and broad-based growth to fight poverty and increase living standards in developing and emerging countries** by providing long-term finance and advisory support to the private sector. In addition, as a responsible investor, SIFEM encourages fair working conditions, environmentally friendly production standards and integrity in business practices. Through the **climate investments of SIFEM additional private sector investments can be leveraged** and increase the climate change mitigation and adaptation impact of large scale infrastructure projects on the ground. SIFEM is dedicated to investing in renewable energy generation projects and energy-efficient products and has committed since 2008 almost USD 45 million to these types of products.

Through the Swiss export platform *Cleantech Switzerland* and the public private partnership *Switzerland Global Enterprise* the federal government **supports and promotes the export and transfer of low-carbon technologies** developed by small and medium enterprises and mobilizes additional direct climate investments of the Swiss private sector in emerging markets.

Switzerland provides **seed money and technical advice for promising climate change initiatives**, during the pre-competitive phases of project development, for technology and market testing through the platform *Renewable Energy and Energy Efficiency Promotion in International Cooperation* (REPIC; www.repic.ch). The activities of REPIC promote additional private sector climate investments of small and medium enterprises. It uses and pools the know-how and technology of Swiss companies, NGOs and researchers.

The Swiss Economic Cooperation and Development supports its development partners in the establishment of framework conditions for **sustainable trade and the enhanced market access** for sustainably produced goods and services. These activities enable the **private sector to better utilise resource-efficient technologies and actively reduce greenhouse gas emissions through reduced resource consumption patterns**. Through these sustainable trade activities Switzerland supports for example the partnership for market readiness to support developing countries in the design of their enabling environments and reduction of greenhouse gas emissions using market-based mechanisms and leveraging additional climate finance.

2.3 Putting a Price on Carbon

Switzerland is amongst the first countries, which **put a price on carbon by introducing a CO_2 levy on fossil heating fuels**. This efficient market approach has led to enhanced domestic private sector investments in low-carbon technologies and is a further step to a Swiss low-emission and climate-resilient economy and society. Switzerland is eager to share its lessons learnt with other parties on the design and implementation of its CO_2 levy and is ready to engage in global discussions and initiatives for **a global price on carbon**.

2.4 Innovation and Technology Transfer

Recently the **Swiss technology fund** was created by the federal government to **promote innovative technologies that reduce greenhouse gas emissions and the consumption of resources, support the use of renewable energy and increase energy efficiency**. The fund's loan guarantees lower the hurdle for innovative Swiss companies to get the necessary financing in place. The possible losses on the issued guarantees are covered by CHF 25 million per year from the revenue of the **Swiss CO_2 levy on fossil heating fuels**. The Swiss technology fund focuses on the mobilization of domestic private climate finance, but the experience gained and lessons learned during the operations will be shared and used for the enhanced mobilization of international private sector climate investments.

To efficiently **develop and transfer knowledge of innovative low-carbon and climate smart technologies** Switzerland supports market-oriented research and development projects, the creation and development of start-up companies as well as knowledge and technology transfer. The support is coordinated and provided by the Swiss *Commission for Technology and Innovation* (CTI). Through its broad engagement CTI fosters new and innovative technologies in Switzerland and in emerging economies leading to enhanced private sector climate investments.

Switzerland is looking forward to further discussions on effective climate finance at the 20th Conference of the Parties with all parties on their strategies and approaches to scale up climate finance and to further enhance its efficient use and impact to reach the ultimate objective of the Convention.