Climate Finance Tracking: Joint MDB Approach

Esmyra Javier

27 June 2017

Why track or count climate finance?

- To address this finance gap, developed countries committed under the Copenhagen Accord (December 2009) and the Cancun Agreements (December 2010) to provide new and additional resources for climate action in developing countries.
- For the period of 2010–12 this reached approximately US$ 30 billion (Fast-Start-Finance).
- By 2020, developed countries have committed to mobilize US$ 100 billion per year.
- This is supposed to originate from different sources, including public and private, bilateral and multilateral, and alternative sources.

COP15
COPENHAGEN
UN CLIMATE CHANGE CONFERENCE 2009

COP16
CMP6 México2010

Why track or count climate finance?

- MDBs recognizes the need to **work together to avert dangerous climate change** by mobilizing public, private, bilateral, multilateral and alternative finance sources
- It is necessary **to track and report financial flows to build trust, accountability and to monitor trends and progress**
- In 2012, MDBs worked together to develop methodologies for tracking their mitigation and adaptation finance flows in a **consistent, comparable, and transparent manner.**

Joint MDB Working Group on Climate Finance

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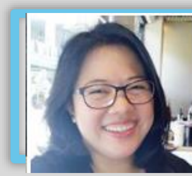

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Climate Finance: Definition

The amount of financial resources that contributes to climate change mitigation and/or adaptation activities, *as defined by the Joint Reports on MDB’s Climate Finance*.

Common Principles

- **Mitigation Finance** – set of common Definitions and Guidelines including a precise list of mitigation activities, building on approaches developed over the past 5 years

- **Adaptation Finance** – follows a 3-step approach: context- and location-specific, conservative, and granular

Reports through the Years

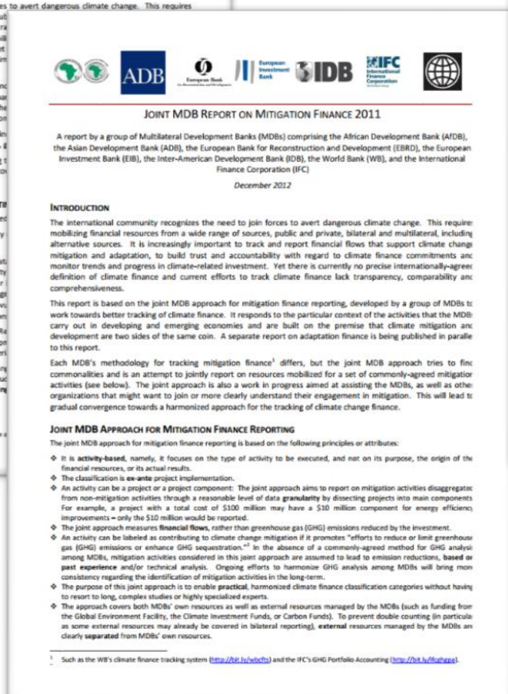
- Reporting started in 2011 and done annually
- MDBs take turns in leading/coordinating activities of the mitigation and adaptation groups as well as preparing the Joint MDB Report on Climate Finance. **ADB took the lead for the 2015 report.**

JOINT MDB REPORT ON ADAPTATION FINANCE 2011

A report by a group of Multilateral Development Banks (MDBs) comprising the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IDB), the World Bank (WB), and the International Finance Corporation (IFC)

December 2012

INTRODUCTION



JOINT MDB REPORT ON MITIGATION FINANCE 2011

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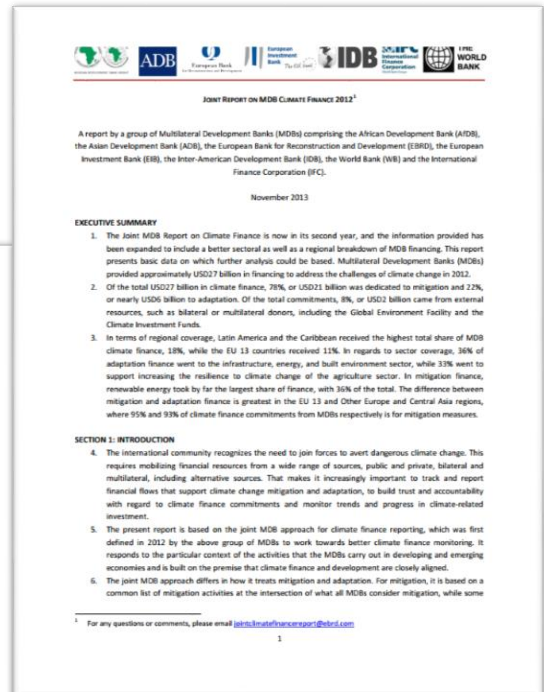
December 2012

INTRODUCTION

JOINT MDB APPROACH FOR MITIGATION FINANCE REPORTING

December 2012



JOINT REPORT ON MDB CLIMATE FINANCE 2012

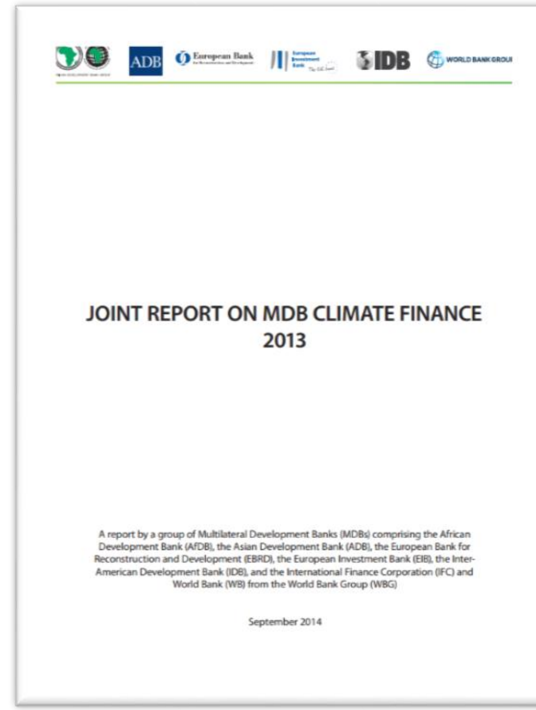
A report by a group of Multilateral Development Banks (MDBs) comprising the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IDB), the World Bank (WB) and the International Finance Corporation (IFC).

November 2013

EXECUTIVE SUMMARY

SECTION 1: INTRODUCTION

November 2013



JOINT REPORT ON MDB CLIMATE FINANCE 2013

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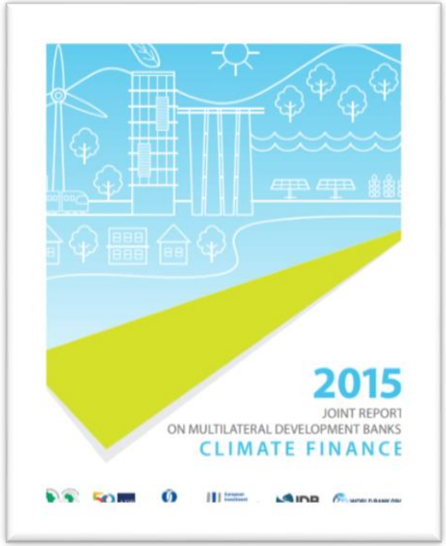
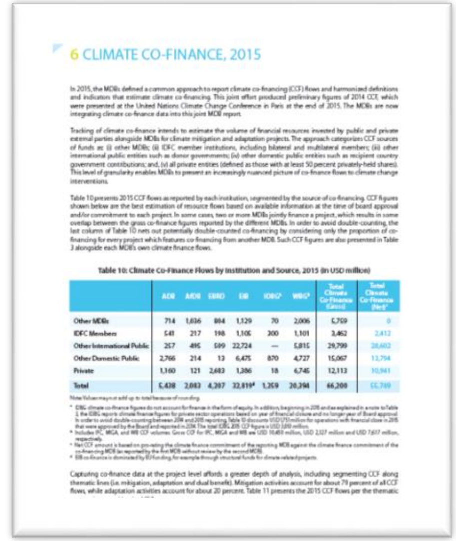
September 2014

September 2014

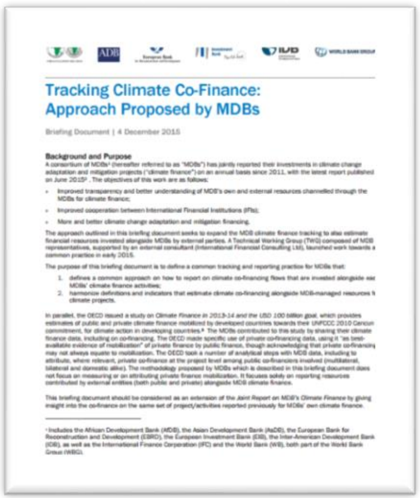
Reports through the Years

June 2015





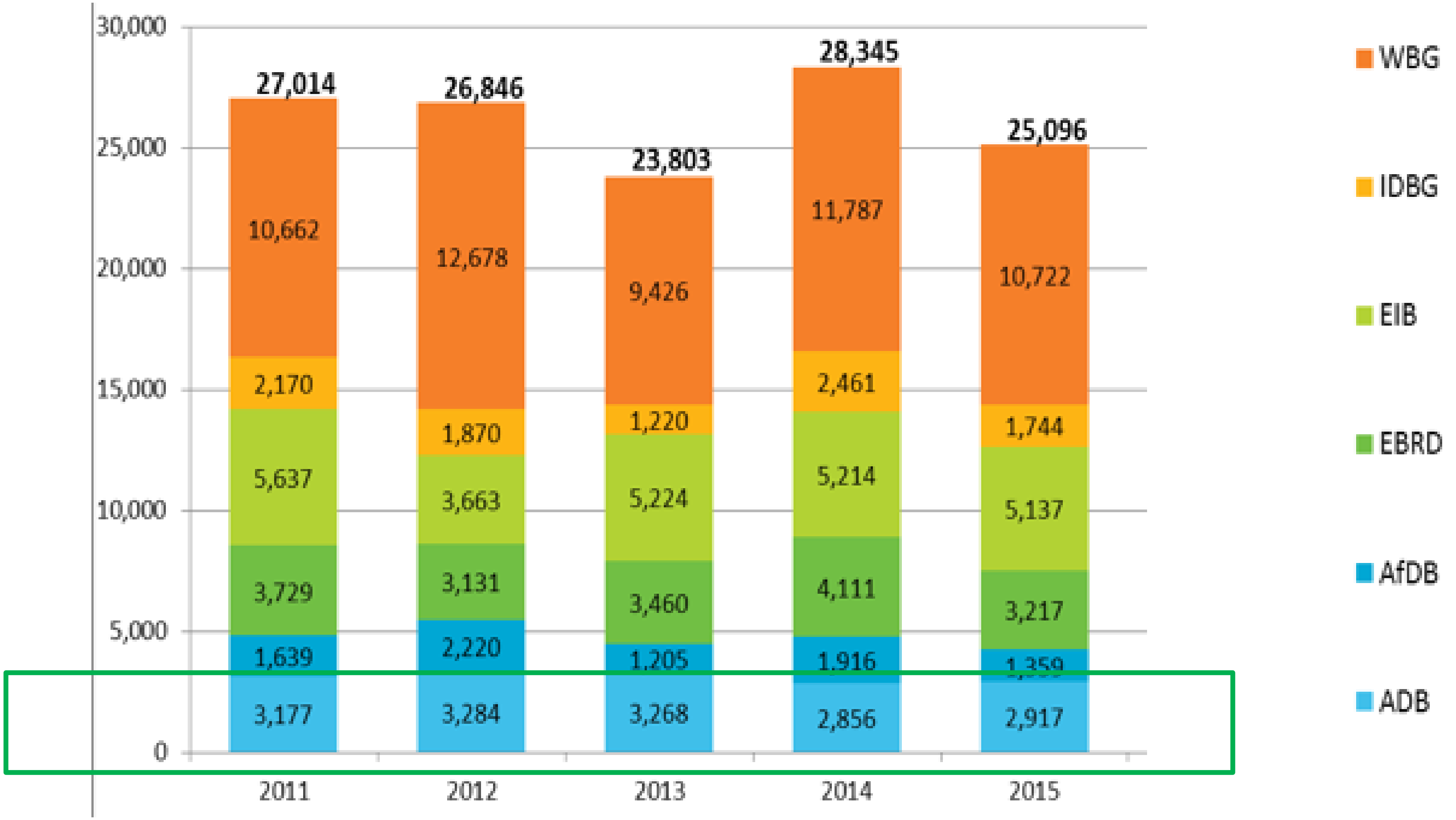
August 2016



December 2015

Climate Co-Finance (CCF) is defined as the amount of financial resources contributed by external entities alongside climate finance invested by MDBs:

Reported MDB Climate Finance Commitments 2011-2015, (in USD million)



ADB Climate Finance ($ millions)

Year	Mitigation			Adaptation			Total		
	ADB resources	External	Subtotal	ADB resources	External	Subtotal	ADB resources	External	Total
2011	2,196	224	2,420	585	172	757	2,781	396	3,177
2012	2,001	386	2,388	821	75	896	2,822	462	3,284
2013	1,948	333	2,280	880	108	988	2,828	441	3,268
2014	1,711	426	2,137	665	54	719	2,376	480	2,856
2015	2,372	188	2,561	283	73	356	2,656	261	2,917
2016	2,655	595	3,250	1,081	106	1,187	3,736	701	4,437

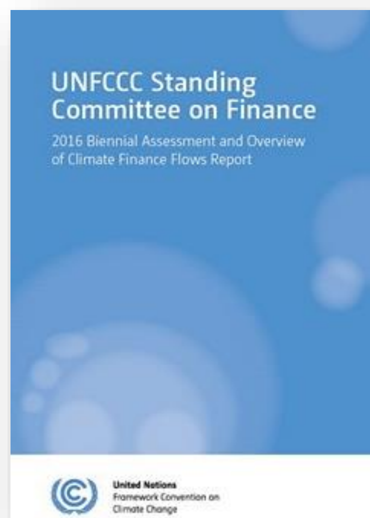
Source: Joint MDB Reports (2011-2016), In $ millions.

Working Together

IDFC international development finance club

CLIMATE POLICY INITIATIVE

OECD



United Nations
Framework Convention on Climate Change

50 YEARS ADB

Mitigation Finance

David Elzinga
Senior Energy Specialist, SDSC-ENE

Mitigation Finance: Definition

An activity is classified as related to climate change mitigation if it promotes "efforts to reduce or limit GHG emissions or enhance GHG sequestration."

Mitigation Finance Reporting: Attributes

- **Conservativeness**- where data is unavailable, take the conservative approach.
- **Granularity**- only mitigation activities that are to be disaggregated from non-mitigation activities are covered.

    - Ex: a project with a total cost of $100 m may have a $10 million component for energy efficiency improvement; only $10 million will be reported as mitigation finance.

- **Eligibility**- is determined based on the basic definition of mitigation activities and the typology of mitigation activities defined by the Joint Multilateral Development Banks.

Mitigation Finance Reporting: Attributes

- **Additionality** – activity-based, focused on the type of activity to be executed.
- **Avoid double counting** – Where the same project, sub-project or project element contributes to mitigation and adaptation, then the MDB's individual processes will determine what proportion is counted as mitigation or as adaptation, so that the actual financing will not be recorded more than once.
- **Exclusions** **–** care will be taken to identify cases when projects do not mitigate emissions due to specific circumstances
- **Scope** – mitigation activities can be stand alone projects or component of a stand alone project.
- **Timeline**- mitigation finance figures at board approval date.

Mitigation Finance Reporting: Typology

1. Renewable energy
2. Lower-Carbon and Efficient Energy Generation
3. Energy Efficiency
4. Agriculture, Forestry and Land-Use
5. Non-Energy GHG Reductions
6. Waste and Wastewater
7. Transport
8. Low-Carbon Technologies
9. Cross-Cutting Issues
   - i.e.: policies, planning, action plans for mitigation; education; GHG monitoring systems
10. Miscellaneous
    - Activity that mitigates GHG and doesn't lead to lock-in

Ineligible Projects

- **Greenfield investments in FF based facilities:** power plants, district heating, district cooling, exploration and processing facilities, fuel storage, transport/transmission and distribution facilities).
- **Coal:** Brownfield investments to retrofit, rehabilitate or replace existing coal-based facilities without switching to cleaner fuel.
- **Eligible Activities that do not lead to net GHG emission reduction:** hydro plant with high methane production from reservoir, geothermal with high CO2 fluid.
- **Lease to increased emission somewhere else:** Investor sells old boiler after replacing with new efficient one.

Mitigation Finance Reporting: Steps

1. Identify ADB projects that fit the typology of mitigation activities.
2. Identify in those projects the mitigation sub-project or component funded by ADB (loans, grants, equities, guarantees, ADB-administered climate funds)
3. Estimate the cost of the mitigation component funded by ADB (base cost, financial charges, contingencies, etc.)

Mitigation Finance Reporting: Example

PROJECT AT A GLANCE

1. Basic Data				**Project Number:** 46453-002
Project Name	Renewable Energy Sector Project		**Department /Division**	PARD/PATE
Country	Cook Islands		**Executing Agency**	Ministry of Finance & Economic Management
Borrower	Cook Islands			
2. Sector	**Subsector(s)**			**ADB Financing ($ million)**
✓ **Energy**	Renewable energy generation - solar			11.19
			Total	**11.19**
3. Strategic Agenda	**Subcomponents**		**Climate Change Information**	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded		Mitigation ($ million)	11.19
Environmentally sustainable growth (ESG)	Eco-efficiency		CO_2 reduction (tons per annum)	2,930
	Global and regional transboundary environmental concerns		Climate Change impact on the Project	Medium
4. Drivers of Change	**Components**		**Gender Equity and Mainstreaming**	
Governance and capacity development (GCD)	Institutional development		No gender elements (NGE)	✓
Knowledge solutions (KNS)	Knowledge sharing activities			
Partnerships (PAR)	Bilateral institutions (not client government)			
	Official cofinancing			
Private sector development (PSD)	Public sector goods and services essential for private sector development			
5. Poverty Targeting			**Location Impact**	
Project directly targets poverty	No		Rural	Medium
			Urban	Medium
6. Risk Categorization:	Low			
7. Safeguard Categorization	**Environment:** B	**Involuntary Resettlement:** B	**Indigenous Peoples:** C	
8. Financing				

Modality and Sources	Amount ($ million)
ADB	**11.19**
Sovereign Project loan: Ordinary capital resources	11.19
Cofinancing	**7.26**
European Union	7.26
Counterpart	**5.83**
Government	5.83
Total	**24.28**

Mitigation finance from ADB-own resource

GHG reduction

ADB-own resource

ADB-administered resource

Adaptation Finance

Charles Rodgers
Senior Climate Change Adaptation Advisor
(Consultant), SDCD

Adaptation Finance: Definition

Climate adaptation finance is the cost of activities undertaken to lower the current and expected risks to or vulnerabilities of the project posed by climate change.

Adaptation Finance: Key Elements

An activity is considered adaptation if the following key elements can be demonstrated:

1. Setting out the climate vulnerability context of the project;

2. Making an explicit statement of intent to address climate vulnerability as part of the project;

3. Articulating a clear and direct link between the climate vulnerability context and the specific project activities

Adaptation Finance Reporting: Guiding Principles

- Adaptation finance is limited *solely* to project activities aimed at reducing project's climate change vulnerability
- Granular, context- and location-specific
- Evidence base
- Ex-ante
- Conservative approach

Adaptation and Development Spectrum

Addressing Drivers of Vulnerability

Enabling human development: actions that reduce poverty and vulnerability; increase capability and coping capacity:

- Livelihood diversification
- Literacy and education
- Women's rights
- Community health
- Food security
- Water supply, sanitation

Building Response Capacity

Robust systems for problem solving: actions that build institutional, technical and planning capacity:

- Natural resources management
- Weather data collection, forecasting
- Disaster early warning systems
- Communications systems

Managing Climate Risks

Climate risk management: actions that incorporate climate information into decision-making to reduce risks:

- Climate proofing projects
- Disaster response planning
- Drought-resistant crops; cropping systems
- Robust, adaptive technologies

Confronting Climate Change

Addressing climate change impacts: actions that target specific, anticipated impacts outside of historical experience:

- Relocation due to sea level rise (SLR)
- Coastal defenses from SLR
- Managing Glacial Lake Outburst Floods (GLOF)
- Extra storage to capture glacial melt

Adaptation Finance Reporting: Steps

- Assess and articulate likely climate change impacts and the project's vulnerability to these impacts
- Identify project adaptation measures to mitigate or manage project vulnerability
- Identify/estimate likely costs of adaptation interventions
- Report estimated adaptation expenditures

Examples of Eligible Adaptation Activities

Adaptation activities can include:

- Modifications in project location and/or scale
- Modifications in engineering materials and designs
- Alternative technology choices
- Biophysical- and Ecosystem-based measures
- Community-based adaptation
- Policy and Social options (institutional re-design)
- Training and Capacity Development

Adaptation Finance Reporting: Example

Project Classification Information Status: Complete

PROJECT AT A GLANCE

1. Basic Data				**Project Number:** 44328-013
Project Name	Uplands Irrigation and Water Resources Management Sector Project		**Department /Division**	SERD/SEER
Country	Cambodia		**Executing Agency**	Ministry of Water Resources and Meteorology
Borrower	Government of Cambodia			
2. Sector	**Subsector(s)**			**ADB Financing ($ million)**
✓ **Agriculture, natural resources and rural development**	Irrigation			50.00
	Water-based natural resources management			10.00
			Total	**60.00**
3. Strategic Agenda	**Subcomponents**		**Climate Change Information**	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive		Adaptation ($ million)	2.40
Environmentally sustainable growth (ESG)	Global and regional transboundary environmental concerns		Climate Change impact on the Project	Medium
	Natural resources conservation			
4. Drivers of Change	**Components**		**Gender Equity and Mainstreaming**	
Governance and capacity development (GCD)	Institutional development		Effective gender mainstreaming (EGM)	✓
5. Poverty Targeting			**Location Impact**	
Project directly targets poverty	No		Rural	High
6. Risk Categorization:	Low			
7. Safeguard Categorization	**Environment:** B	**Involuntary Resettlement:** B	**Indigenous Peoples:** C	
8. Financing				

Modality and Sources	**Amount ($ million)**
ADB	**60.00**
Sovereign Sector loan: Asian Development Fund	60.00
Cofinancing	**0.00**
None	0.00
Counterpart	**6.12**
Government	6.12
Total	**66.12**

9. Effective Development Cooperation	
Use of country procurement systems	Yes
Use of country public financial management systems	Yes

Adaptation finance from ADB-own resource

Adaptation Finance as a % of Total Finance

(Millions Current $)

Component	2011	2012	2013	2014	2015	2016
OCR Total	11,307	10,017	10,335	10,399	13,113	14,389
ADF Total	2,552	2,850	3,851	3,091	2,867	3,074
TA	139	142	148	152	141	169
Other Funds	25	13	14	7	7	9
Total Internal Resources	14,023	13,022	14,348	13,649	16,128	17,641
Adaptation Internal Resources	585	821	879	665	283	1,081
As % of Total ADB Resources	4.2%	6.3%	6.1%	4.9%	1.8%	6.1%

Sources: Statement of the Asian Development Bank's Operations; Joint Report on the Multilateral Development Banks' Climate Finance, various years

Thank you.