

# Climate Finance Ministerial Meeting , Lima Oct. 9<sup>th</sup>

## *Co-Chairs' Conclusions*

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On October 9<sup>th</sup>, on the occasion of the 2015 Annual Meetings of the World Bank Group and the International Monetary Fund, more than 50 ministers and 20 heads of international financial institutions discussed current progress and perspectives regarding climate finance. The meeting aimed to provide the climate change negotiations with useful insights and momentum, while respecting the UNFCCC as the only legitimate forum for negotiations on climate finance.

### **Enhanced transparency on the USD 100 billion mobilization**

The necessity of meeting the USD 100 billion commitment by 2020 was reaffirmed. The report produced by the OECD at the request of the Peruvian and French governments was regarded as a very useful input to enhance transparency on this important question. Based on the latest available data and methodological developments, the OECD estimated that USD 62 billion had been mobilized in 2014 (and an average of USD 57 billion mobilized for 2013-2014). Participants recognized that building a common understanding on accounting and reporting methods would be important. To go a step further in that collective analytical effort, it is now essential that all stakeholders can reflect upon the content of the OECD report as it raised an interest for further discussions on the methodology and assumptions made. In that regard, this report could usefully inform the ongoing work of the Standing Committee on Finance of the UNFCCC. Finally, the discussion also illustrated the need for the Paris Agreement to substantially strengthen the transparency provisions for reporting climate finance.

### **Perspectives of increased climate finance by 2020**

During the meeting, prominent announcements were made by a number of countries and international institutions. Taken together, these announcements provided encouraging perspectives for the scaling up of climate finance by 2020. Nevertheless, further work is still needed in order to precisely assess to which extent they will contribute to meet the USD 100 billion commitment. The urgent need to raise the levels of public and private finance for adaptation, in particular for the most vulnerable countries, was widely stressed.

Innovative sources of finance, such as the potential revenue from carbon tax or taxation of bunker fuels, were also mentioned.

Several concrete initiatives were welcomed by the participants. In particular the G7 initiative for climate risk insurance and early warning systems, and the Initiative for Renewable Energy in Africa, recently endorsed by the African Union, were highlighted as promising developments. The critical role of the Green Climate Fund in promoting a paradigm-shift towards low-emission and climate-resilient development pathways was also emphasized, along with the need to strengthen it over time.

### **Transitioning to a low-carbon and climate-resilient development**

A massive shift of capital will be required to transition towards a low-carbon and climate-resilient economy, in which the private sector must play a crucial role. The UNSG's assessment of the mobilization taking place among the finance community, in particular since the September 2014 Summit, outlined how the finance community's response to climate change had reached clear inflection points, while also stressing the need to develop appropriate strategies for sustaining and enhancing this trend. The Chairman of the Financial Stability Board emphasized that climate change can jeopardize financial stability, and announced that his institution would elaborate proposals for the G-20 to evaluate how to disclose climate risks.

The discussion highlighted that both developed and developing countries governments have a crucial role in designing policies that encourage the private sector to invest in low-carbon resilient growth. Among others, the importance of carbon pricing, elimination of fossil fuel subsidies, green bonds and clear investment strategies were stressed.

### **National strategies and international cooperation to support low-carbon and climate-resilient growth**

Many developing countries highlighted their national strategies, evoking in particular their INDCs, and their effort to mobilize domestic resources, access international support, and attract private investments. The profound interlinkages between climate change mitigation and adaptation, poverty reduction and sustainable development in general were clearly highlighted.

In that context, the need for continued international support was also stressed. While support from both developed and developing countries was recognized as important, it was recalled that developed countries should continue taking the lead in these endeavors.

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Overall, this unprecedented meeting demonstrated a strong involvement of Ministers of Finance of both developed and developing countries in climate finance discussions, and signaled a collective commitment and momentum for further mobilization and transparency of climate finance.

As co-Chairs, we are confident that these positive discussions will contribute to paving the way towards a successful outcome in Paris, and beyond, towards the realization of long-term sustainable development.

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The Peruvian and French Governments express their warm thanks to the World Bank Group for their logistical support in organizing this meeting.

## *Annex: financial announcements*

The following information is a transcript of the announcements made during the meeting:

- *France* confirmed that it would, by 2020, increase its annual climate finance effort from €3bn currently to more than €5bn through: (i) €4bn more loans by *Agence Française de Développement*, of which 50% have climate cobenefits, and (ii) €370million more grants, mainly for adaptation.
- *Germany* recalled that it aimed at doubling its international climate finance by 2020 compared to 2014;
- *World Bank* announced that it would, provided support of its Governors, grow climate finance by a third, from 21% to 28% of annual commitments by 2020. If financial capacity maintained at today's level in real terms, this means reaching \$16 bn/year public finance. With the intent to continue to leverage private co-financing at current levels, this would mean an additional \$13 bn/year mobilized private finance.
- *United Kingdom* recalled that it would double annual climate finance between 2014 and 2020; this will represent £5,8bn over 2016-2021.
- In the context of South-South cooperation, *China* highlighted that it would make available \$3,1 bn through the Climate Cooperation Fund, to support developing countries including capacity-building.
- *AsDB* announced that it would more than double its annual climate financing, up to \$6 bn/year in 2020. \$4 bn will be for mitigation, \$2 bn for adaptation.
- *EBRD* indicated that it would increase the share of environment/climate financing from 25% to 40% of annual commitments by 2020; this will provide \$20 bn over the next 5 years, vs \$20 bn over the last ten.
- *AfDB* announced that it would triple its climate financing to reach nearly \$5 bn annually by 2020.
- *IaDB* announced its aim to double the volume of its climate finance by 2020; this would mean increasing from an average of 14 % of annual commitments over the last three years to 25-30% average commitment by 2020.
- *European Commission* announced its intention to more than double climate finance grants from EU budget up to 2020, reaching €2 bn/year on average.
- *Sweden* announced its intention to nearly double bilateral climate support in 2016 compared to 2015.
- *Netherlands* announced that it would increase its climate finance effort by €100 million in 2015 (to €440 million) and by €100 million more in 2016 (to €540 million).
- *EIB* announced that it would aim to increase from 25% to 35% of annual commitments for climate change.
- *Luxembourg* reiterated that its climate finance contribution would reach the cumulative amount of €120 million over 2014-2020 period.