



Securing Financial Resources for Achieving NDCs

Climate Change Regional Policy Dialogue: Learning from the COVID-19 Pandemic
Tokyo, Japan, 19 June 2020

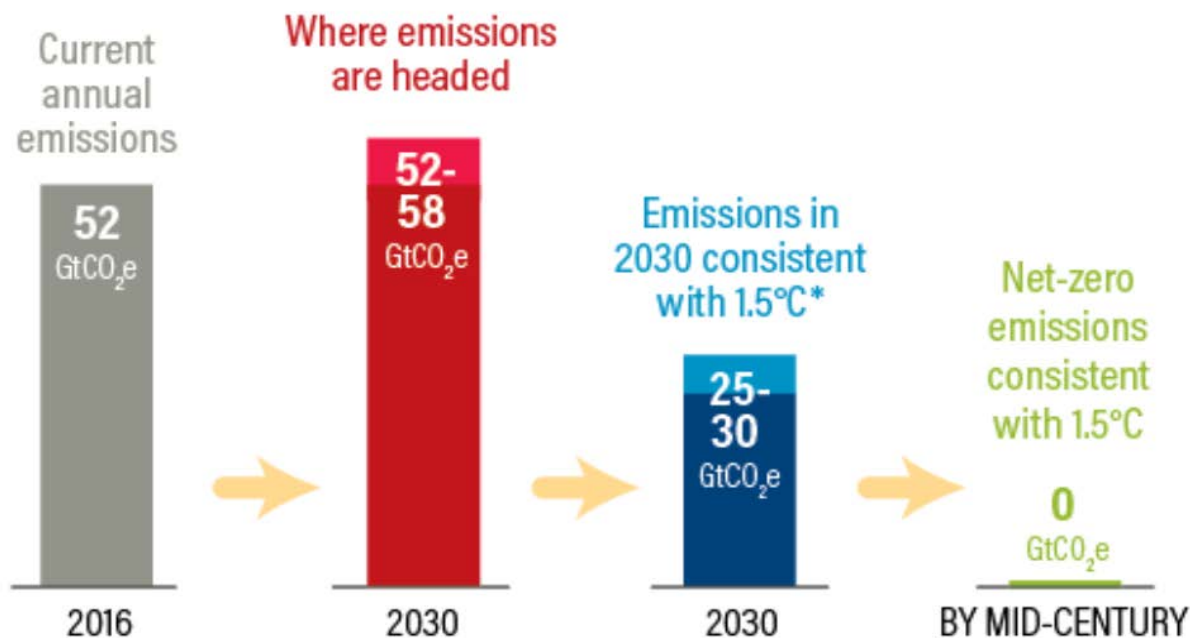
Frederic Asseline, Principal Climate Finance Specialist, Asian Development Bank



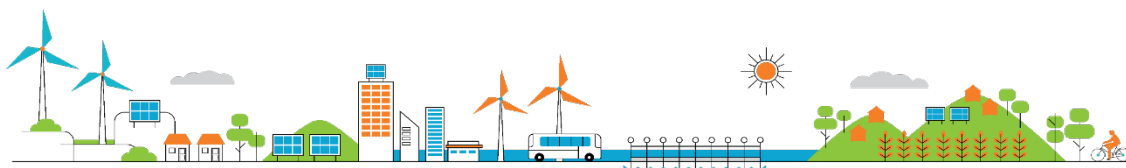
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The Alarming Gap

The World is **not** on Track to Limit Temperature Rise to 1.5°C



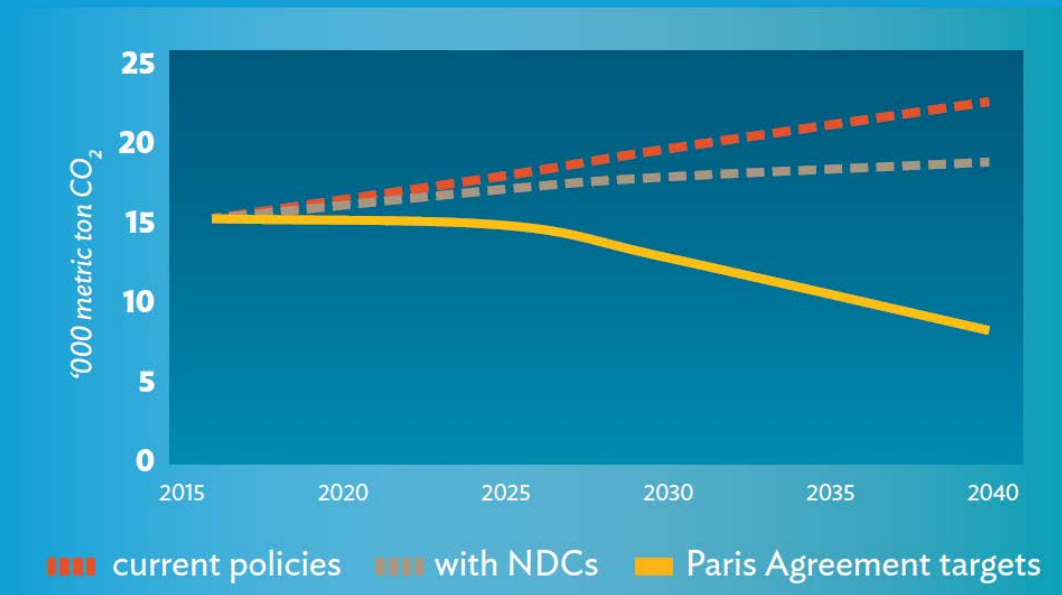
Notes: *on average, no or low overshoot.



The battle against climate change will be won or lost in Asia and the Pacific

THE EMISSIONS GAP IN ASIA AND THE PACIFIC*

Outlook vs Paris Agreement Target



* CO₂ emissions from fossil fuel combustion for Asia Pacific³ for scenarios (Current Policies, New Policies, and Sustainable Development) in World Energy Outlook 2018

- The incremental scaling-up of climate commitments through Nationally Determined Contributions (NDCs) has created the need for significantly more financing to fund the low-carbon transition.
- This is coupled with a growing sense of urgency – especially from the emerging and developing economies most vulnerable to global warming.
- The sense of urgency is reinforced by the impacts of the covid-19 pandemic.

Slowing the effects of climate change can be achieved by mobilizing both public and private finance to fund the transition to a low-carbon economy, across all regions.

Three key financing vehicles:

1. Expanding the **green bond market**
2. Diversification of the **green finance market**
3. Develop **blended finance** – a combination of capital from public, national development bank, and private sources.





ADB's Climate Finance Target by 2020

ADB

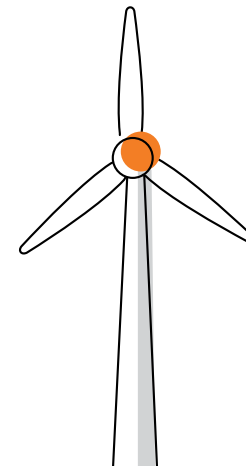
Target under the Corporate Results Framework:

ADB-assisted projects that support climate mitigation and/or adaptation: **45% for ADB, 35% for ADF**

 Funding for tackling climate change will rise to **around 30%** of its overall financing

 ADB will double its annual climate financing to

**\$6
billion**



OUT OF THE \$6 BILLION

**\$4
billion**

will be dedicated to **mitigation** through scaling up support for renewable energy, energy efficiency, sustainable transport, and building smart cities.

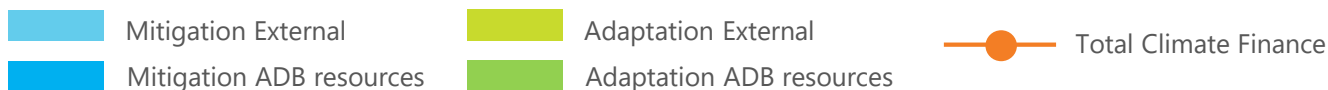
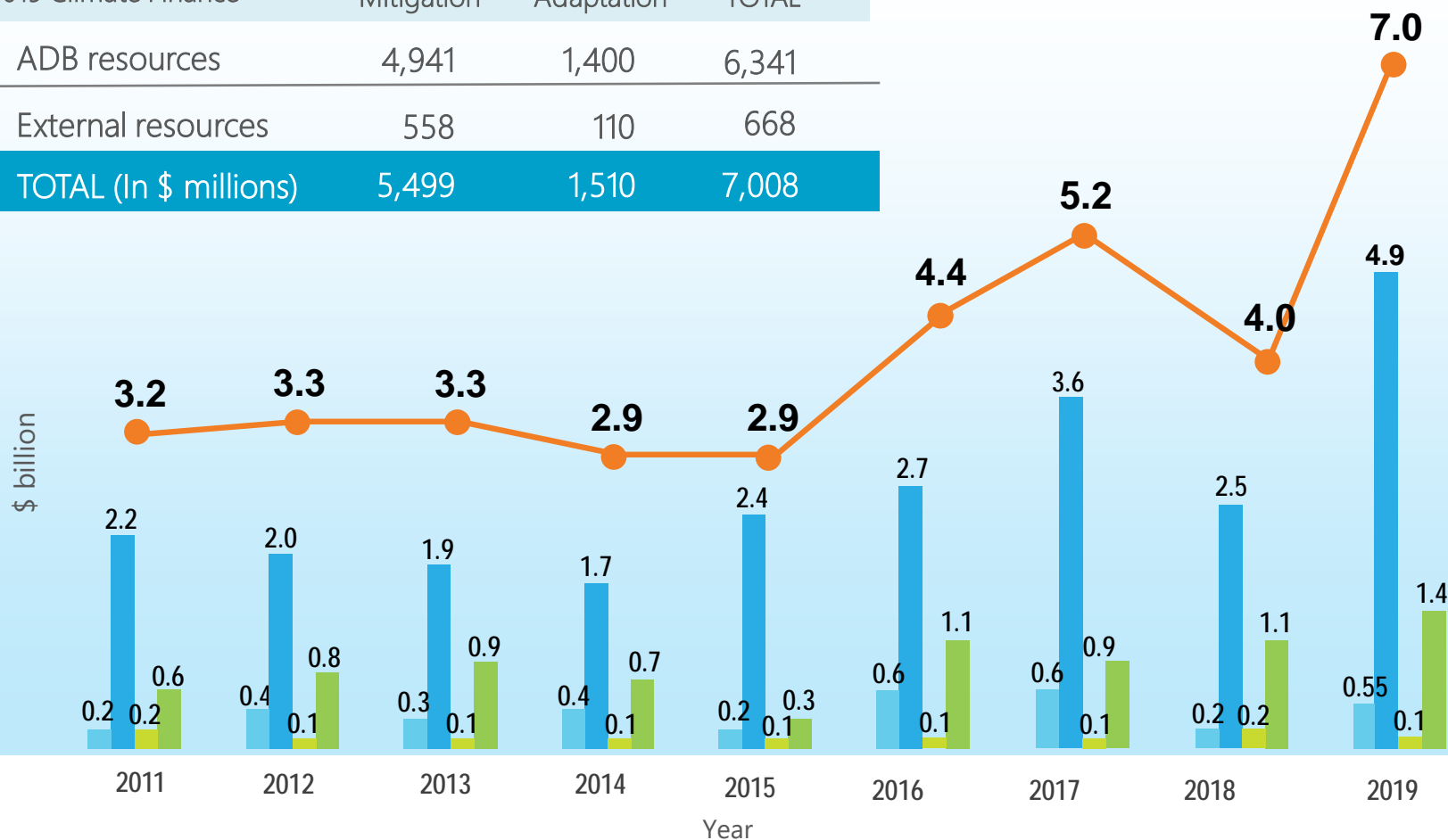
**\$2
billion**

will be **adaptation** through more resilient infrastructure, climate-smart agriculture, and better preparation for climate-related disasters.



ADB Climate Finance Approvals

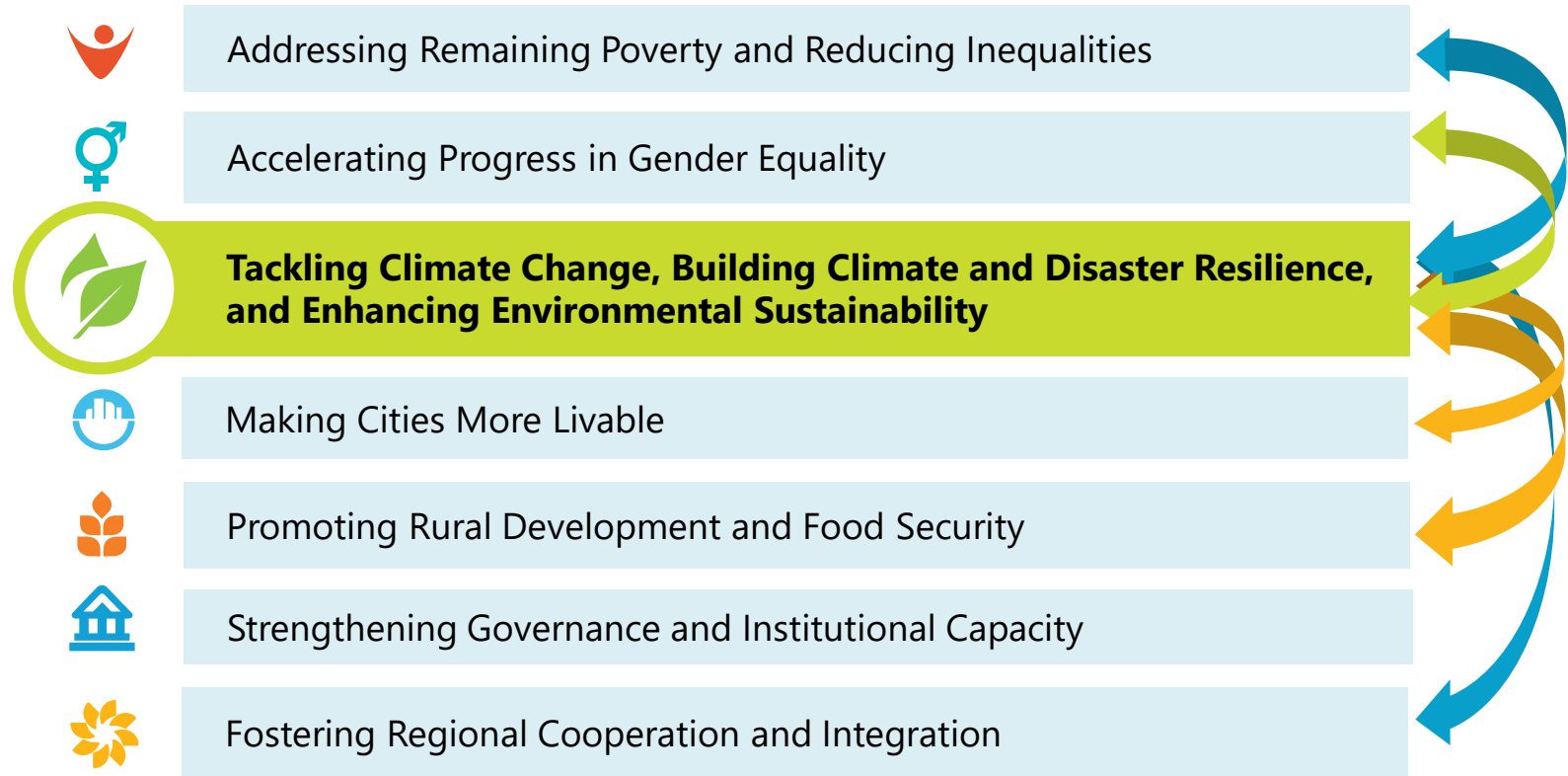
2019 Climate Finance	Mitigation	Adaptation	TOTAL
ADB resources	4,941	1,400	6,341
External resources	558	110	668
TOTAL (In \$ millions)	5,499	1,510	7,008



ADB Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific



Seven Operational Priorities



Target 75% of ADB's of the number of committed operations
(on a 3-year rolling average) will support climate mitigation and adaptation by 2030



Target Climate finance from ADB's own resources reach \$80 billion (2019-2030)

ADB Approach to Climate Finance Mobilization

Deploying concessional resources

Internally managed resources (ADB donor trust funds and special funds)

- Climate Change Fund (CCF)
- Clean Energy Financing Partnership Facility (CEFPF)
- Urban Climate Change Resilience Trust Fund (UCCRTF)
- **Asia-Pacific Climate Finance Fund (ACliFF)**
- **High Level Technology Fund (HLTF)**
- Others with bilaterals

Multilateral funds

- Climate Investment Funds (CIF)
- Global Environment Facility (GEF)
- Green Climate Fund (GCF)

Maximizing market mechanisms

• Upfront carbon finance

- Asia Pacific Carbon Fund
- Future Carbon Fund

• Carbon Market Technical Support Facility

- Clean Development Mechanism support
- domestic emissions trading

• Japan Fund for the Joint Crediting Mechanism

• Green and Climate Bonds

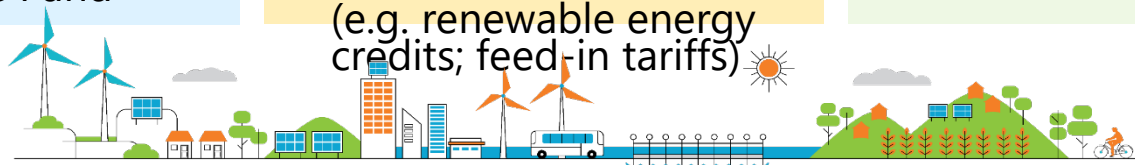
- Supporting **other market mechanisms** (e.g. renewable energy credits; feed-in tariffs)

Catalyzing private capital

• Direct project finance

(lending, guarantees, syndications), and equity investment

- **Public private partnerships:** (PPPs) working with client DMCs across stages of PPPs



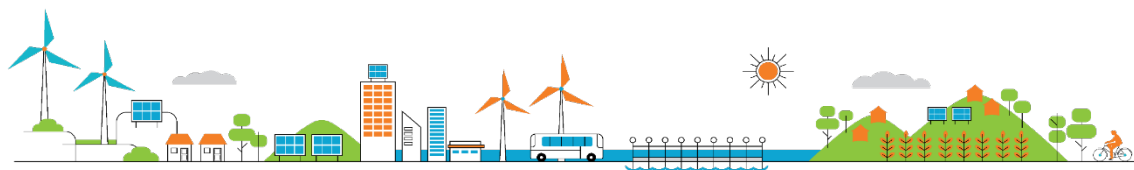
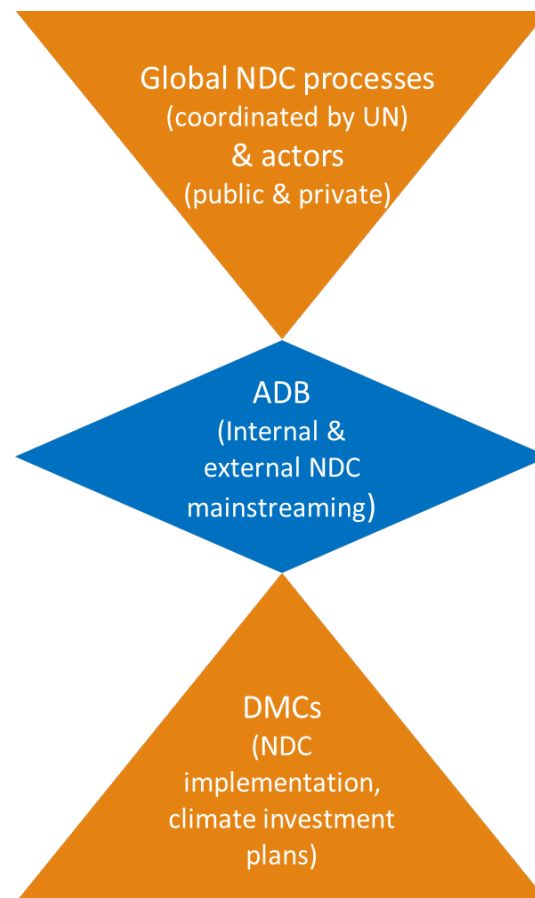


Vision

- To serve as ADB's principal mechanism for external NDC support, while contributing to internal NDC mainstreaming.

Objectives

- Support DMCs in the implementation of their NDCs, including through development of climate investment plans and identification and direct support to priority projects
- Support mainstreaming of NDCs into ADB country programming, plans, strategies, projects, and knowledge work.



ADB and Financing NDCs – NDC Advance

Key activities

- Assisting selected DMCs in refining and translating NDCs into **climate investment plans**;
- Facilitating improved DMC access to **external public and private climate finance**, including support for innovative financing mechanisms; and
- Developing methods and approaches in establishing baselines and **monitoring tools for indicators** under the CCOF2030 results framework to measure and gauge DMC progress on climate actions and ADB's contribution to their actions.

Key objectives

- Implementation of NDC support for selected DMCs
- Financial mechanisms enhanced to develop climate actions of DMCs
- Mechanisms established to measure, monitor, and report on commitments made under Paris Agreement

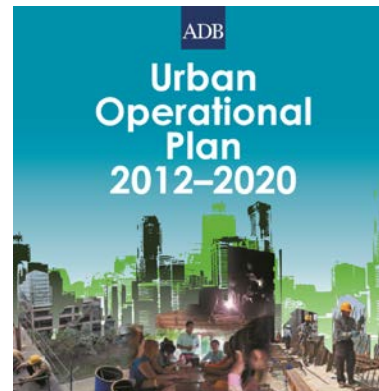


Platform for Climate Resilient and Low-Carbon Urban Development

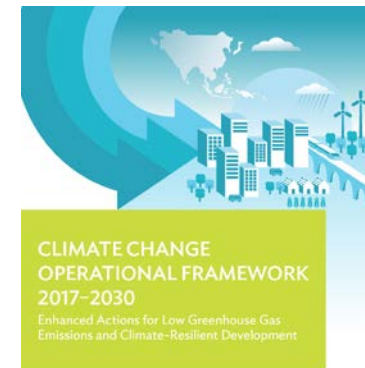
1. Actions at National Level – Governance and institutional support for urban climate resilience and low-carbon development are improved
1. Actions at City Level – Access to finance, climate resilience and low-carbon planning are improved
2. Knowledge-sharing and city partnerships are enhanced



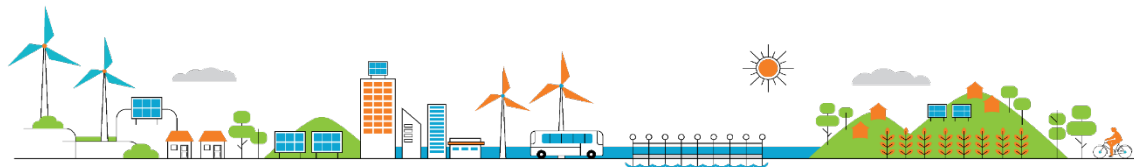
ASIAN DEVELOPMENT BANK



Asian Development Bank



ASIAN DEVELOPMENT BANK



Example - PRC: Shandong Green Development Fund Project (SGDF)



Innovative Financing

TOTAL FINANCING: \$ 200 million (w/o cofinancing)

- \$100 million (OCR)
- \$100 million
Green Climate Fund (concessional loan)
- \$ 84.53 million
Agence Francaise de Developpement
(Not ADB Administered)
- \$113.69 million
KfW Bankengruppe
(Not ADB Administered)

DATE APPROVED 25 September 2019

TOTAL CLIMATE FINANCE: \$200 million

TOTAL ADAPTATION FINANCE

\$25 million (OCR)

\$25 million (GCF)

TOTAL MITIGATION FINANCE

\$75 million (OCR)

\$75 million (GCF)

East Asia Department

CONTEXT

PRC plays a pivotal role in managing the climate change challenge in Asia and the Pacific. Given the country's current level of greenhouse gas (GHG) emissions and climate vulnerability, there is a vast need for climate-related investments going beyond business as usual to underpin its development targets. With high reliance on coal power and heavy industry, Shandong Province is initiating systemic interventions to build climate resilience and decarbonize its economy.

DESCRIPTION

The project will create a "fund" to catalyze private, institutional and commercial (PIC) capital for the development of climate positive infrastructure and business in Shandong Province and will support a portfolio of mitigation and adaptation subprojects assessed against both climate and financial eligibility criteria. It will also enhance knowledge and skills of local governments, civil society, and private sector to prepare climate-positive subprojects

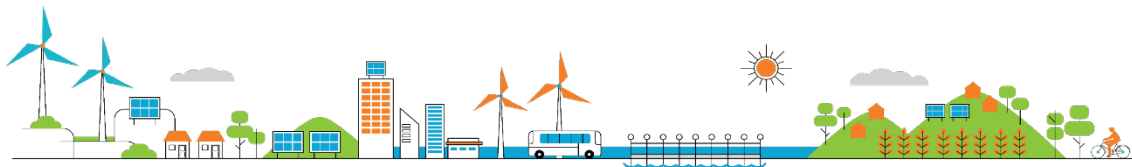
UNIQUE FEATURE

The project will have a leveraging effect with SGDF financing and will be time bound and targeted. It will incentivize subprojects to adopt green procurement standards, as greening a subproject's supply chain such that it shifts from "good practices" to "advanced benefits" will enable access to better financing terms and conditions from the SGDF. The project will also adopt SOURCE, a multilateral digital platform to fast-track the delivery of quality infrastructure projects.

Lessons from the Covid 19 Pandemic: Build Back Better



- The COVID-19 pandemic is a major global crisis that requires national, regional, and global intervention.
- The immediate response by developing member countries (DMCs) of the Asian Development Bank (ADB) has been focused on the public health emergency, and accompanying rescue measures, i.e. social protection and business support. ADB has been supporting DMCs in their responses with a **\$20 billion response package**.
- Moving forward, DMCs will need to move to a recovery phase. This is likely to include stimulus packages, possibly wider reforms, and for many DMCs large international rescue packages.
- DMCs have an opportunity to use the COVID-19 recovery to re-orient their economy towards a more strategic low-carbon trajectory while simultaneously addressing underlying vulnerabilities and improving the climate and disaster resilience of communities and sectors.

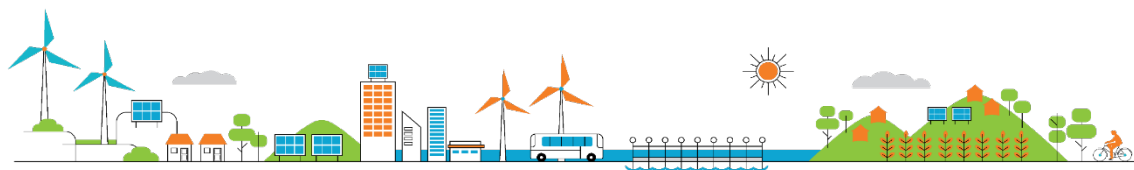


Lessons from the Covid 19 Pandemic: Build Back

Better



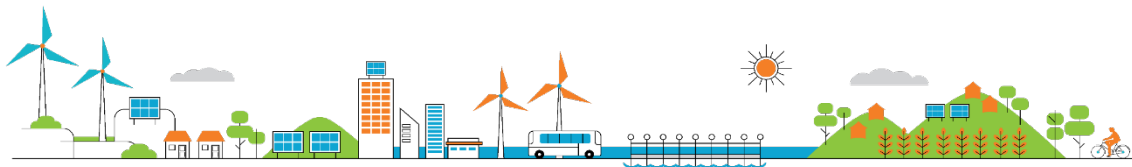
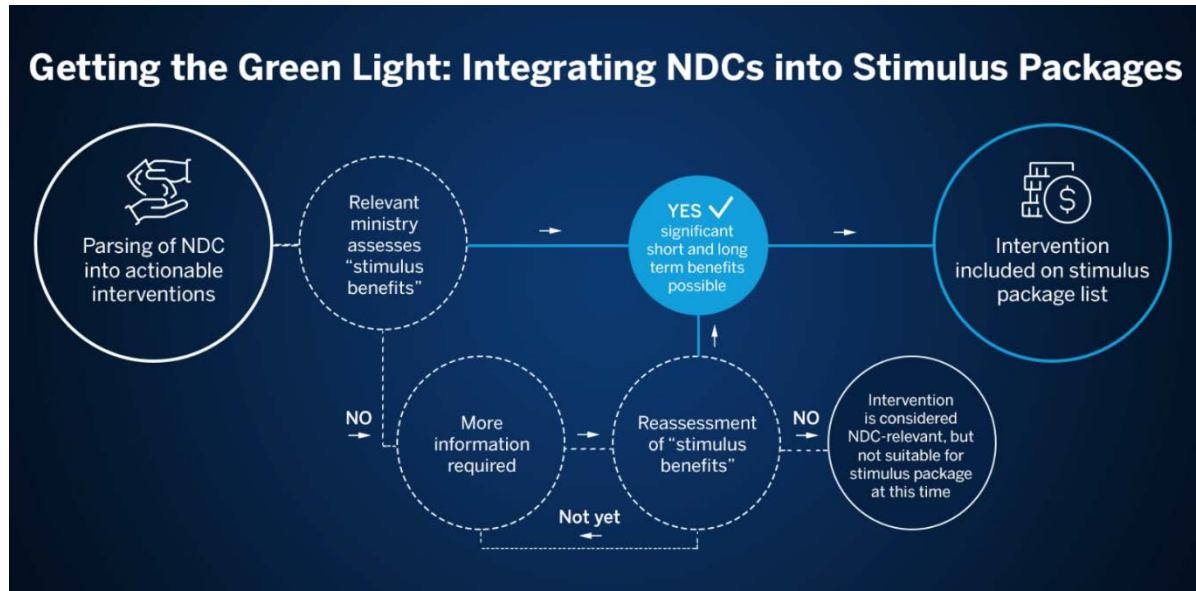
- Countries can leverage the current process of updating National Determined Contributions (NDCs) to align recovery packages with existing climate investment priorities
- ADB can provide targeted support to promote low carbon development and climate and disaster resilience more explicitly
- Support the re-assessment of DMCs' existing pipeline of projects, or activities, to help align stimulus packages with NDCs, National Adaptation Plans, National Disaster Risk Reduction Plans (and other relevant plans) and **identify priority projects based on low carbon and resilience criteria** (focusing on projects that are ready or close to ready).
- Where NDCs do not yet include concrete pipelines, ADB can support DMCS to develop these pipelines under climate investment plans. This can be done under ADB's existing technical assistance platform – **NDC Advance**.



Lessons from the Covid 19 Pandemic: Build Back Better

World Bank: Building the bridge between NDCs and a sustainable recovery

Set up a coordination mechanism jointly between ministries that oversee NDCs and the sustainable recovery, to manage the process of project consideration and keep an updated list of projects.



Lessons from the Covid 19 Pandemic: Build Back

Better



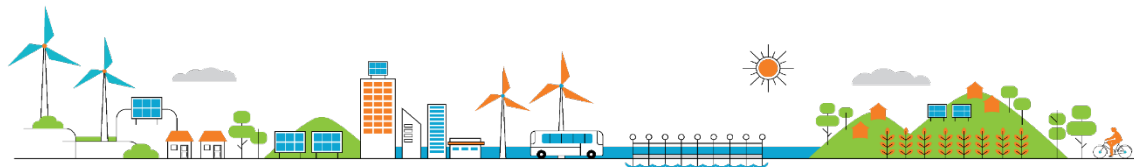
International Finance Corporation:

Meeting NDC is a 23 trillion USD opportunity in green investments – it is a 69 trillion USD loss otherwise. Recovery must focus on:

- Sectors with strong job creation benefits (buildings, renewable energy, urban, green transport, retail, tourism, agriculture)
- Focus on climate risks – both physical and market risks
- Strategic policy interventions of regulators to rebuild green markets / develop climate smart trade and green portfolios

Green Climate Fund:

- The world is at a turning point: 1) rare opportunity to 1) push the climate agenda 2) do away with the jobs and infrastructure of yesterday by reducing further the dependence on fossil fuels
- Decisions taken in the coming months will have consequences for several generations to come, especially on vulnerable communities



Lessons from the Covid 19 Pandemic: Build Back

Better



People's Bank of China (Dr. Ma Jun/Tsinghua University)

1. New stimulus packages should substantially increase the proportion of green projects in their new project plans. [clean energy, green transport, green buildings, sustainable agriculture and forestry, based on sustainable/green finance taxonomies].
2. All new projects, even if they are not labelled as green based on taxonomies, should follow strict environmental and climate standards and pay special attention to biodiversity and environmental impacts. [new project should adopt clear energy efficiency standards].
3. National and local governments should consider issuing green bonds. [This will have an important signaling effect on private sector players].
4. Government stimulus for consumption should also consider its green impact. [Consumer coupons and or subsidies could be directed to encourage green consumer goods].
5. Central banks, when adopting new rounds of Quantitative Easing or monetary stimulus, could consider buying green bonds or other green assets.
6. Green finance product innovations will be needed to support more green projects. [Need to better utilize financing instruments such as PPP, Green infrastructure real estate investments trusts (REITs), Green Asset Backed Securities]

1. Low-carbon technologies and notably renewable energies have demonstrated that they can attract significant private sector capital with the right policies and economics. The time has come to scale up and expand this approach across a wide range of sectors.
2. It is critical to also focus resources on resilience and social/health safety nets – climate change affects the intensity of heat waves and the quality of water supply - it will exacerbate the effects of pandemics on the most vulnerable.
3. Implementation of NDCs should consider that the private sector is comprised of diverse actors (private, institutional, commercial) with different incentives, risks and opportunities. Need for long-term policies.
4. With the right structuring, the costs of transition and meeting or exceeding NDCs will be lower.
5. There is no shortage of capital globally and policies that support the economics of green assets will also contribute to greening of capital markets (green bonds).

Thank you

For further information:

<https://www.adb.org/themes/climate-change-disaster-risk-management/main>

<https://www.adb.org/climate-change-financing>

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