

Theme: Climate Finance

Aligning finance flows with the Paris Agreement

1. Rationale

Climate change is having a particularly acute impact on Asia and the Pacific, with millions of people vulnerable to the impacts of more frequent and severe extreme weather events, slow onset sea level rise and environmental degradation. Climate change undermines the development gains of countries in the region, increases uncertainty and volatility of incomes of the most vulnerable, and poses significant health and safety risks, highlighting the need for strengthening resilience, and implementing urgent adaptation and mitigation actions.

Moreover, the Asia-Pacific macro-region (APAC) has experienced unprecedented economic and population growth. Historically this has gone hand in hand with an increase in greenhouse gas emissions, and the APAC region is no exception. At present, the region accounts for around half of global emissions with the potential to increase its share of the world's energy consumption from 33 percent in 2010 to 56 percent in 2035.¹ Recent estimates suggest that US\$3.6 trillion of additional infrastructure investment will be required from 2016-2030 for climate mitigation and proofing costs to be aligned with the goals of the Paris Agreement (to keep the increase in global temperature to well below 2 °C above pre-industrial levels).

In the context of the large needs of developing countries on climate action, yet with often limited fiscal space, and limited public international climate finance, the private sector will need to step up its role in financing. Financial markets will need to be much more closely aligned with the Paris Agreement objectives, as stated in Article 2 of the Paris Agreement, which commits Parties to making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

Within this complex scenario of diverse stakeholders, there is an urgent need to rapidly deploy investments that follow clear environmental and social governance (ESG) standards. In particular, harnessing important climate finance flows can not only accelerate the adoption of mitigation and adaptation measures, but can also contribute to sustainable development, poverty reduction and empowering vulnerable groups.

2. Description

SEI recognizes the need for innovative financial instruments that adhere to ESG standards to facilitate the transition towards a low-carbon economy and enable effective adaptation. Furthermore, the enabling environment to facilitate this transition must encompass clear green taxonomies, and stronger regulatory environments and incentives that are aligned to achieve the reorientation of financial flows in the region. We invite proposals for regional

¹ ADB: *Asian Development Outlook 2013 Highlights*. Available from www.adb.org/sites/default/files/publication/30205/ado2013-highlights_0.pdf

event(s), such as workshops or conferences, on the topic of reorienting financial flows in Asia and the Pacific to become Paris-aligned.

These events could involve various stakeholders such as private financial market stakeholders (banks, asset managers, banking associations, regulators, investors, insurance companies, etc.); national microfinance institutions; government policymakers; agricultural cooperatives/local & community groups; and civil society organizations. The events should provide a space for relevant stakeholders to share challenges in accessing climate finance with a focus on private sector finance, in implementing effective regulatory measures, economic incentives and policy coherence to highlight successful financial models and offer concrete ideas to drive climate finance forward.

These events should aim to explore the following topics:

- How to use international public climate finance from various global climate finance schemes available, including the Adaptation Fund, Green Climate Fund (GCF), Global Environment Facility (GEF) and other multilateral sources, to improve access to climate finance, especially for vulnerable communities
- Alternative financial mechanisms that could provide funding for climate resilience of vulnerable households and communities, such as climate or green bonds, microinsurance, microfinance or debt swaps, forecast-based finance
- The role of banks in fostering the transition of financial markets to become Paris-aligned, including through climate-risk assessment, taxonomies, greening their operations, and participating in voluntary initiatives driven by banking and industry associations
- The role of regulatory instruments and standards; carbon pricing; and the phase-out of fossil-fuel subsidies to achieve an adequate enabling environment
- Technology policy and ways to accelerate the transfer, diffusion or take-up of climate-smart adaptation technologies or processes among the vulnerable communities
- Notable examples of public-private partnerships in the financial sector that will accelerate the achievement of climate resilience and climate-smart development.
- The relationships between green public procurement, climate resilience related infrastructure investment, investments for economic development and sustainable finance

Proposed events should consider the “integration by design” of gender and social equality and rights-based principles in climate finance, particularly as it relates to safeguarding human rights and improving the sustainability and equitability of related outcomes.

3. Expected results

We expect the proposed events to connect donors with policymakers and practitioners to discuss current practices in order to co-create innovative financial solutions. Bringing the discussion of climate finance to the regional level will provide space for regional actors to discuss finance needs and better understand how resources can be mobilized and how to best balance mitigation and adaptation needs.

4. Theme-specific criteria

We would like to see the following aspects clearly articulated in all proposals:

- Events demonstrate the importance and concrete efforts of this topic and related initiatives to the Asia region, rather than representations of various countries
- Clear integration of gender and social equality as well as rights-based approach in the design and implementation of the event
- Events demonstrate a clear innovative nature
- The outcomes of the event contribute to poverty alleviation
- Clear and actionable outcomes for different stakeholders