

Roundtable Discussion

on

Developing Frameworks for Tracking and Mobilization of Climate Finance

April 5, 2018 | 3.00pm – 5.00pm | TERI Office | India Habitat Center

The contribution of countries to climate change and their capacity to cope with its adverse consequences varies drastically. There is an urgent need today for climate finance for building and transitioning to green infrastructure and transformation to a low carbon and climate resilient society.

The climate finance landscape has rapidly evolved since Copenhagen in 2009. The monumental milestone in climate policy negotiations, the Paris Agreement, explicitly acknowledges the significant investment needs required by developing countries to combat the adverse impacts of climate change. In this context, accelerating the mobilization of climate finance – both public and private – is essential for complying with the Paris Agreement and its climate policy targets. Two prerequisites emerge from this thinking.

Firstly, how will private finance get involved and which instruments will be effective in delivery and how.

And secondly, how will flow of climate finance be tracked, accounted for and monitored in the context of transparency within the Paris Agreement.

This round table aims to bring forth select aspects of these two areas of discussion – important from the view of advancing transparency and effectiveness.

<u>Agenda</u>	
15.00 – 15.05	Welcome address by Mr Dipak Dasgupta
15.05 – 15.15	Introductory remarks by Ministry of Finance
15.15 – 15.25	Special Address by Dr Ghosh, TERI
15.25 – 16.10	<p>Session 1: Mobilising climate finance through Green Bonds</p> <p>There has been an increasing focus on “green finance” by all investor classes, especially specialized investors such as the pension fund, insurance industries and mutual funds. One effective instrument for allowing the interested investors to participate in climate actions and yet be able to achieve their objectives of getting sufficient returns, is green bonds. Green bond allows a wide base of responsible investors to access the \$80 trillion in bond markets, therefore opening new opportunities for investment in climate friendly projects worldwide. In India, green bond market is at the early stages of the market maturity, and has witnessed some notable success in the past few years. However, there are some persisting challenges such as lack of pipeline of viable projects in sectors outside of renewable energy, lack of frameworks for</p>

	assessing green bonds and so on that will need to be addressed.
15.25 – 15.30	<i>Presentation by TERI – Green Plus Bond Assessment framework</i>
15.30 – 16.10	Moderated discussion on key aspects including: <ol style="list-style-type: none"> 1. Need for domestic green bond evaluation framework 2. Key features of domestic green bond framework 3. Need to go beyond only ‘green’
16.10 – 16.55	<p>Session 2: Tracking Bilateral Climate Finance Flows</p> <p>Article 9 of the Paris Agreement stipulates that developed country parties shall financially assist developing countries with respect to their country-specific mitigation and adaptation agendas. This renewed commitment to mobilize climate finance is a progression beyond previous efforts, with novel financing modalities and complex channels being used to maximize the impact of climate investments and at the same time, meet the funding country’s objectives.</p> <p>However, as new sources and instruments of funding emerge the question of how these funds will be accounted for is raised. Despite notable improvement over the last few years in terms of guidelines for reporting climate finance, there is no universally agreed-upon robust accounting system for climate finance provided.</p> <p>This session will highlight the methods which have been adopted by some pioneering countries in tracking the bilateral climate funding flows from various international sources and methodologies for accounting therein.</p>
16.10 – 16.15	<i>Presentation by CICERO – Framework for accounting bilateral climate finance flows</i>
16.15 – 16.55	Moderated discussion on key aspects including: <ol style="list-style-type: none"> 1. Discussion on framework for tracking bilateral finance flows in the context of transparency 2. Data challenges, gaps and ways of strengthening them 3. Developing a metric to assess the potential of different financial instruments using standardized framework
16.55 – 17.00	Closing remarks
17.00 onward	High Tea

Summary of the Discussion

Introduction:

The roundtable was organized in the form of an open discussion, focusing on two sub-topics, with all participants encouraged to address the issues raised and give their insights. The discussion was moderated by Mr Dipak Dasgupta (Distinguished Fellow, TERI).

Mr Dasgupta, introduced the topic by stating that appropriate and relevant frameworks are vital for effectively addressing complex issues and this is the case for all aspects of issues related to climate change and climate finance. He said that focus must be on advancing various financial instruments and finance channels to raise adequate funding for climate actions and stressed the need for innovations and modification of conventional means of financing to suit current climate actions.

Dr Prodipto Ghosh (Distinguished Fellow, TERI) gave the special address, where he started by stressing on the urgent need for climate finance globally, through all sources, public and private channels. He said that this was especially true in the case of India where there is a huge finance gap to be filled if the country is to achieve its climate goals.

Session 1: Mobilising climate finance through Green Bonds

Ms Swati Agarwal (TERI) presented the work done on Green Bonds, summarizing the insights gathered from TERI's interactions with experts and stakeholders, to understand the issues facing the Green Bonds segment. The various topics covered included innovative credit enhancement models for boosting Green Bonds, measures for diversifying the Green Bond sectoral coverage, the role of exchanges in mobilizing international finance flows, and novel finance structures, such as aggregation and securitisation. The questions raised for discussion included the need for a domestic green bond framework; need to go beyond 'green' and include sustainability as a key criteria; and key features of such a domestic green bond framework.

Participants, including Yes Bank and KPMG, said that while the idea of a broader green bonds framework, especially tailored to India's priorities and circumstances seems like a sound concept, it is important to keep in mind that a new framework shouldn't act as a barrier to attracting green investments to the country. The need for a common understanding and frameworks for green financial instruments was highlighted as an important requirement for converging to common international markets.

Mr Abhishek Acharya (Ministry of Finance) said that he was cautiously optimistic about innovative instruments such as green bonds, as though there is a large opportunity for mobilizing green finance through these channels, the applicability and use of these are limited, largely to emerging sectors such as renewable energy, with low potential in critical segments related to climate adaptation.

The need to develop domestic capacity to understand and formulate viable and bankable green projects was raised; as well as the need to involve a wider range of participants – in terms of sectors, credit profiles and type of green projects. Further, the need for concentrated measures from the

Government, financial sector as well as industries to support and accelerate new instruments such as green bonds was also emphasized.

Session 2: Tracking Bilateral Climate Finance Flows

In his framing presentation, Mr Asbjorn Torvanger (CICERO) said that the objective of his work under this project is to help improve understanding on the information basis for transparency in tracking financial flows under Paris Agreement. He briefly gave an overview of his previous work on the topic, the methodologies used and the challenges faced. He then posed questions regarding an appropriate definition of climate finance, key issues under discussion/negotiation at international forums such as treatment of specific financial instruments - grants, concessional loans, guarantees, overseas development assistance (ODA), etc.

Mr Acharya spoke on the challenges faced by India in mobilizing adequate financing for its climate actions. He stressed on the need to strengthen reporting of finance mobilized by developed countries. He put forth India's perspective and its stance in international negotiations keeping in mind the aspects of 'new and additional' and 'common but differentiated responsibility'.

Dr Ghosh also emphasized on the need for clarity regarding what counts as climate finance under the Paris Agreement and how to separate it from existing ODA and other private finance flowing to growing business opportunities in the green sector due to the general profit motive.

Participants expressed the hope that negotiators at COP24 would be able to agree on a fair framework for tracking finance flows, addressing the concerns of climate vulnerable developing countries.