Outcomes from the Global NDC conference: Building the case for Private Sector inclusion

The Global NDC Conference 2019 held back in June of this year aimed to inspire and enable policy-makers and practitioners to accelerate the pace and scale of transformational change via Nationally Determined Contribution (NDC) implementation. The conference brought together approximately 350 participants from some 80 countries, representatives from national and subnational governments, multilateral and bilateral organisations – all of whom are involved in the implementation of NDCs.

The main conference themes were integrated governance, transparency and finance. The Climate Markets & Investment Association (CMIA) was one of the few selected business organisations to deliver a breakout session workshop. CMIA is independent not for profit trade association representing the private sector and our mission is to stimulate a shift in the direction and scale of private and public financial flows into investments which are consistent with the objectives of the Paris Agreement.

Strengthening NDC ambition and accelerating implementation through private sector engagement was the title of our session and working with two of our members, Ricardo Energy & Environment and E Co Ltd, we showcased real world examples of NDC operationalisation driven by private sector initiative. There is no blueprint for NDC implementation or how to achieve transformational change.

Countries face many challenges to update their NDCs in 2020 yet detailed strategic plans to raise ambition among all countries are exactly what is required to meet the objectives of the Paris Agreement. The Global NDC Conference gathered diverse delegates to address their challenges and a cross cutting theme repeatedly emerged around the role the private sector can play in NDCs and increasing transparency.

With hundreds of businesses pursuing bold climate change solutions and countries updating national climate plans for 2020, we believe the opportunity for greater ambition abounds.

Transparency
The private sector is already acting on increasing climate change transparency and it is important that Parties are made aware of these movements as well as utilise these existing tools to help them track and report on their emissions data.

Transparency within the private sector relating to climate change is on the rise as evidenced from our workshop co-host the CDP, a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. 7000+ companies disclose and report their information to CDP on climate change, water security and on forests. In 2018, 650 investors with $87 trillion in assets requested information from the CDP on climate change, water or forests.

CDP reporting is voluntary, however there is a real trend of mandatory climate risk reporting for publicly listed companies as evidenced by the Task Force on Climate-Related Financial
Disclosures (TCFD), which was established by the G20’s Financial Stability Board around the same time as the Paris Agreement in 2015.

For many investors, climate change poses significant financial challenges and opportunities. In addition, it’s tricky to budget for as we just don’t know how much it will cost. For example, one study estimated the value at risk to the global stock of manageable assets because of climate change ranges from $4.2 trillion to $43 trillion between now and the end of the century. The knock-on effects associated with climate related impacts are difficult to predict given so many unknowns.

Climate-related financial disclosure reporting is still in early stage development and the TCFD recommendations are designed to assist companies to evaluate their exposure to climate-related risks and opportunities and their reporting capabilities. As of September 2019, the TCFD has more than 898 organisations supporting them. This includes over 340 investors with nearly $34 trillion in assets under management. The TCFD has also received support from governments – for example from Belgium, France, Sweden, and the United Kingdom.

In addition, the EU taxonomy for sustainable activities released in June is designed to establish an EU classification system and calls for integration of the recommendations of the TCFD. The UK government went a step further in July of this year and released their first Green Finance Strategy which recommends that climate risk reporting is to be mandatory by 2022. The Bank of England, the Financial Conduct Authority, Financial Reporting Council and The Pension Regulator issued a joint statement supporting the launch of the UK’s new Green Finance Strategy. What this all means is that regulation, along with enhanced transparency, will require finance to be linked to sustainable and resilient growth. The two will go hand in hand and Parties can work with the Private Sector on issues around transparency, tracking and reporting knowing that systems and tools are already out there and continue to be developed. This calls for more dialogue between public and private sector actors and a coordinated knowledge exchange.

NDCs – increasing ambition
More and more businesses are seeing opportunity in the zero-carbon economy, and taking action on climate change. In addition, there is increasing commercial demand and investment for zero carbon electric power, zero carbon electric fleets and zero deforestation.

Disclosure is the first lever to shift to low carbon and governments can use this as a strong vote of confidence to advance ambitious policies that provide companies with clarity and confidence they need to unlock further investments in climate solutions. “Ambition loops”, as highlighted in The Ambition Loop paper, support bolder climate action from businesses and governments. A graphic of what an ambition loop looks like is represented in Annex 1.

The fact that NDCs are long term commitments, in fact, allows governments to be able to provide more clarity and certainty to the private sector. Discussing and planning input with the private sector about the infrastructure and markets required for a country allows each actor to speak freely about the risks and opportunities and design better solutions.
One standout example of good cooperation and overcoming silos is the Climate Finance Accelerator (CFA) program. It is a unique approach to develop public-private financing solutions for climate change adaptation and mitigation projects. In 2017 it brought together government, finance, and capital market players from three countries: Nigeria, Colombia, and Mexico. During the workshop, Mexico worked with HSBC, Nigeria with Deutsche Asset Management, and Colombia with BNP Paribas.

Following the success of the CFA, a UK-Nigeria CFA followed in 2019 with projects seeking investments circa $500 million, the range was from $5 million to more than $150 million. Investments were across a wide variety of technologies. Of 30 projects, 5 were selected which represent a potential of 6 million tonnes of reductions every year. One of the key lessons learned was that the Lagos private sector was very keen to fund low carbon projects.

The CFA provided an entry point for engagement between government, project developers, and finance. This type of program is repeatable and scalable but requires sustained coordination to create an effective network. If there is no coordination, each side of the equation loses interest and thus creating a more structured way to work with the private sector would increase NDC ambition and delivery of implementation of NDCs as well as increase trust between the two sectors.

**More climate finance is required**
Achieving the goals of the Paris Agreement requires a drastic shift in finance towards implementing and enhancing NDCs. There are billions of dollars available for climate projects. However, connecting developing countries to sources of finance is not without real challenges. While there is climate finance readiness funding available for developing countries to plan climate change mitigation and adaptation and to build the capacity in order to develop project proposals, there is a distinct gap in joining public actors to the private sector with billions of dollars necessary to develop and implement climate change projects and activities.

On the other hand, there are several developed country public sector organisations looking to amplify their countries private sector investments in climate change because while there is a climate finance shortfall, there's money out there to finance climate-compatible development.

Our association has a role to play to facilitate climate financial flows. CMIA is the Active Private Sector Observer for developed nations at the Green Climate Fund and at the Climate Investment Funds through the Forest Investment Program. We provide private sector expertise to these funds from a business perspective and our views are sought by these organisations in order to know what’s workable, bankable, and scalable in the real economy. There are now over 100 climate and development funds in existence, many of which have a specific mandate to crowd in private capital. However, there is a significant communications and information gap, the public and private sector do not always come together effectively. CMIA acts as an expert intermediary, providing guidance and helping private sector to access...
the complex network of climate funds. CMIA also provides essential feedback to public and multilateral funds on private sector concerns, such as greater data and policy clarity, that influence investment decisions. Our objective is to expand and accelerate private sector involvement in climate finance to help get it into the hands of the organisations who need it most.

Annex 1 – Ambition Loop

"Ambition loops" support bolder climate action from business and governments

**Government Climate Policy**
- Clear, ambitious targets and policy
- Predictable regulatory environment
- Incentives and infrastructure
- Long-term market signals
- Support for research, development, and deployment
- Clear plans and timelines for full transition to a zero-carbon economy

**Business Climate Action**
- Ambitious, science-based targets
- Public updates on progress
- Investments and growth strategies aligned with a zero-carbon future
- Commercial demand for zero-carbon energy, zero-carbon transportation and zero-carbon land use
- Responsible policy engagement (individually and through trade associations)