

Major Economies Business Forum

on Energy Security and Climate Change

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Business Engagement with the Green Climate Fund

Parties have pledged to mobilize \$100 billion a year by 2020 to support efforts in developing countries to mitigate missions and adapt to climate change, some of which will be made available through the Green Climate Fund (GCF). As envisaged, the GCF will be an important institution to disburse these funds, and the private sector is anticipated to play a major role in this effort, both in a technical and advisory capacity and through the “private sector facility” agreed to at the 17th Conference of the Parties to the UNFCCC in Durban, South Africa. Major Economies Business Forum on Energy Security and Climate Change (BizMEF) partners are willing to contribute to the design, implementation, and success of the GCF as a whole and of the private sector facility in particular. We support using “active observers” appointed by and representing the business constituency, as a way to get input from the business community writ large.

Overall, the design and operation of the GCF raises two major classes of issues for business. The first concerns the means to ensure the integrity of and returns to investments; the second concerns the purposes for which the funds will be used, that is, which projects will be eligible for funding.

BizMEF thinks eligibility and decision making processes within the Fund need to be objective, transparent, and based on clear technical—not political—criteria. Consistent with decisions taken at COP-17 decision, BizMEF attaches great importance on the following points:

- Monitoring progress will be important. Measuring, reporting, and verification—MRV—will be essential to examine the environmental benefits, economic efficiency, and

impacts of projects, to provide accountability on use of funds, to provide a basis for ongoing improvement, and to ensure funds are used in a cost-efficient way.

- Improving the investment climate in many developing countries will be essential to realize large-scale investments, such as those in the energy sector.
- To avoid crowding out effects, the GCF should complement, not compete with, existing bilateral and multilateral funding programs.
- To assure objective approaches the GCF should establish an appeals process based on transparent criteria for eligibility and funding.
- A primary role of public finance should be to leverage private investment.

There are, however, some further principles that BizMEF believes, if adopted by the GCF, would help ensure its success and the strong participation of the private sector. These include:

- The GCF should support a wide range of projects and related activities. Project funding should focus on early stage projects and technology assessment, build capacity, not create competitive disadvantages, and complement, not compete with, the Clean Development Mechanism or other new, still to be established market mechanisms.
- Funding decisions should be based on the ability to execute appropriate projects cost effectively, not on the nationality of providers.
- GCF procedures for international funding should assure that:
 - firms from all nations can compete for resources that promote actions in any nation,
 - available resources are used effectively,
 - operating companies and suppliers from firms in donor countries are not penalized; and
 - countries respect contractual commitments and intellectual property rights.

Moreover, with the right structure, formal consultative channels for business present an efficient way to provide input on the full range of business views on basically technical matters that support the design and implementation of procedures and inform policy decisions. While challenging, the diversity of the business community is a resource that should be maintained and recognized: it reflects the complexity and relevance of the UNFCCC to all sectors of economic activity. We believe that the business community itself should self-nominate its active observers.

BizMEF would welcome the opportunity to contribute more directly to the GCF.

About BizMEF

BizMEF is a partnership of major multi-sectoral business organizations from major economies. For more information on BizMEF, please visit our website at:

www.majoreconomiesbusinessforum.org.