

# Major Economies Business Forum

## on Energy Security and Climate Change



[www.majoreconomiesbusinessforum.org](http://www.majoreconomiesbusinessforum.org)



## Major Economies Business Forum: Expectations for the Green Climate Fund

### KEY MESSAGES

- To mobilize private investments at scale, financial support from the Green Climate Fund (GCF) should “crowd-in” private sector investments and assist in providing information and promoting enabling frameworks that encourage deployment of advanced and efficient products
- Capacity building can be an important lever in attracting investment because it makes it easier for companies to introduce new technologies.
- GCF should consider encouraging other international financial organizations, such as multi-lateral development banks, to register as intermediate entities.
- Besides appealing to companies to invest in low-carbon mitigation technologies, programs that reduce energy consumption from buildings and houses can also be very effective.

- GCF should set clear and transparent rules for environmental performance to assure the value and efficacy of the financed projects.
- By maximizing outcomes through prospective technologies, GCF can contribute to realize sustainable development in the developing countries

## INTRODUCTION

Governments have a broad array of multi-lateral funds competing for their support. To attract and maintain meaningful funding commitments, GCF must assure donors that it is a well-functioning entity that delivers results. Inputs from the business community can provide valuable insights to help establish efficient, effective instruments that encourage greenhouse gas (GHG) emissions reductions and adaptation. In this regard, BizMEF welcomes the establishment of the Green Climate Fund's (GCF) Private Sector Advisory Group, whose mandate will be to make recommendations enabling the board to make best use of current knowledge on how existing efficient and advanced technologies can provide solutions in these areas.

GCF aims to provide support to developing country efforts to reduce their GHG emissions and to adapt to the risks and impacts of climate change. Because many of these countries have prioritized economic development and lifting their people out of poverty, GCF's support should be compatible with these goals as well. The use of cost-effective and efficient technologies, both existing and new, is the key to accomplishing actual GHG emission reductions while enabling economic growth. Thus, we expect GCF to provide effective instruments to promote the more widespread use of such technologies.

## METHODS TO SCALE-UP INVESTMENT

### Basic Principles to Promote

**Environmentally-Friendly Projects:** To mobilize private investments at scale, financial support from GCF should “crowd-in” private sector investments and assist in providing information and promoting enabling frameworks that encourage deployment of advanced and efficient products.

To assure the environmental integrity of the activities supported by GCF, each project's results should be examined and improvements should be made where appropriate. Such reviews should be an essential aspect of GCF operations. Conducting robust measuring, reporting, and verifying (MRV) of projects would provide a sound basis to conduct a “Plan-Do-Check-Act” (PDCA) cycle, which assures sustained improvements and transformational change in society.

**Attracting Private Investment:** It is important to understand that companies invest in projects when there is a reasonable expectation that those projects generate a return commensurate to the risk. If this condition is not met, GCF projects will not encourage or mobilize investment from the private sector.

To attract private investment, therefore, GCF should be expected to play a leading

role in eliminating barriers to investment in developing countries and increasing the attractiveness of the projects by providing appropriate risk reduction supports. GCF can also help in reducing regulatory risk.

GCF could be more effective by concentrating on projects to which host countries show the greatest commitment, such as projects included as part of the host country's Nationally Appropriate Mitigation Actions. One way to do this would be to enter into an agreement with host countries—for example, through Memoranda of Understanding—to assure stable and predictable financial and regulatory environment before projects proceed.

GCF also should combine several methods to maximize its efforts to attract private sector capital. One such method would be to provide concessional loans through subsidized interest payments. This would shorten the pay-back period for investing best available environmental technologies, which tend to be more costly compared with standard technologies. In developing countries, pay-back period for production expansion investments are usually shorter than energy saving investments. Therefore, concessional loans may effectively change the investment priority by private sectors in developing countries.

Capacity building also can be an important lever in attracting investment because it makes it easier for host companies to introduce new technologies. GCF can provide grants for capacity building and promote appropriate environmental technologies in developing countries.

GCF also should consider encouraging other international financial organizations, such as multi-lateral development banks, to register as intermediate entities.

Participation of such well-regarded and experienced institutions will increase the visibility and credibility of GCF projects.

## **PROVIDING INCENTIVES TO CUSTOMERS**

In addition to appealing to the companies to make investments for low-carbon mitigation technologies, programs that reduce energy consumption from buildings and houses can also be very effective. Though intermediate entities are expected to propose projects to the GCF, it is also worth considering ways to provide financial support to host countries governments to promote policies that lead to greater use of low-carbon products and highly-efficient equipment and appliances.

## **CONDUCTING PDCA CYCLE**

Besides the above efforts, it is important to assure the efficacy of the financed projects. Thus, GCF should set clear and transparent rules for environmental performance. Those rules should be performance based, should consider local conditions of host countries, and should be technology neutral and not exclude advanced technologies that lead to actual emission reductions, such as highly-efficient coal power plants and nuclear power generation.

To conduct an effective PDCA cycle, as for mitigation projects, it is desirable to use proven existing MRV methodologies. On the other hand, as for adaptation projects, it is

important to establish reliable MRV methodology to measure the effectiveness of the project.

## **MANAGING THE REVIEW PROCESS**

Considering the scale of the fund GCF is expected to operate, it is necessary to accelerate the process of examining each project to ensure its efficacy, including technology assessments that could employ a list of technologies of proven effectiveness. In addition, a two-step approach that begins with a small-scale pilot or demonstration project that subsequently expands to a large-scale project would help provide a pathway to scale-up successfully.

## **ABOUT BizMEF**

BizMEF is a partnership of major multi-sectoral business organizations from major economies. Modeled after the government-to-government Major Economies Forum, BizMEF is a platform for these groups to:

- promote dialogue and exchange views on climate change and energy security across a broad spectrum of business interests including major developed, emerging, and developing economies;
- highlight areas of agreement among participating organizations on the most important issues for business in international climate change policy forums; and
- share these views with governments, international bodies, other business organizations, the press, and the public.

Organizations that have participated in BizMEF meetings represent business groups in Australia, Brazil, Canada, China, the European Union, Denmark, France, Germany, India, Italy, Japan, Mexico, New Zealand, South Africa, South Korea, Turkey, the United Kingdom, and the United States. Collectively, BizMEF organizations represent more than 25 million businesses of every size and sector. Because BizMEF partnering organizations represent a broad range of

## **CONNECTIVITY WITH OTHER INITIATIVES**

The Technology Executive Committee and the Climate Technology Center and Network (CTCN) would provide support to define appropriate technologies for developing countries. A number of technology transfer requests are starting to accumulate in CTCN. Providing financing to make such requests into real projects and implementing them would be an important role of GCF. Indeed, the burden being placed on a set of stringent MRV rules and requirements could be lessened by setting a clear set of actions towards goals that are transparent and understood by all stakeholders.

By maximizing outcomes through prospective technologies, GCF can contribute to realize sustainable development in the developing countries.

companies and industries—including energy producing and consuming companies as well as energy technology and service providers—the partnership is able to provide robust and balanced views on a range of issues

For more information on BizMEF, please visit our website at:

[www.majoreconomiesbusinessforum.org](http://www.majoreconomiesbusinessforum.org).