Berne, June 6, 2014

Appropriate methodologies and systems used to measure and track climate finance Switzerland's views

Switzerland is pleased to submit its views on appropriate methodologies and systems used to measure and track climate finance following the decision 5/CP.18.

Switzerland would like to recall article 2 of the Convention and its ultimate objective to stabilize greenhouse gas concentrations in the atmosphere at a level that prevents dangerous anthropogenic interference with the climate system. Any financial resources provided should have the highest possible impact in countries who need support to achieve the ultimate objective of the convention and protect the climate system for present and future generations.

Enabling environments in all countries, providing and receiving international climate finance, are crucial for effective investments in a low emission, climate resilient development. Switzerland recognizes the high relevance of domestic and international flows for climate activities and recalls that private sector finance will be indispensable to achieve the ultimate objective of the convention. Switzerland is committed to contribute its fair share to the goal of mobilizing 100 billion USD per year by 2020 from both public and private sources in the context of meaningful mitigation actions and transparency on implementation and recognizes that scaling up different forms of financial support will be essential to facilitate the urgently needed transition to low-emission and climate-resilient economies and societies. A broad set of economic and financial instruments will be necessary to suit the different needs. Moreover harmful incentives shall be avoided. In order to increase the international comparability of information provided on climate financing and to ensure trust amongst all Parties, transparency is elementary. Within this context Switzerland acknowledges the importance of transparent and common, consistent and standardized guidelines to track, measure and report climate finance.

Switzerland notes with concerns that current tracking and measuring methodologies are mainly project-focused and neglect measures with a potential for high transformational impact, such as critical market development support. Switzerland recalls the eminent importance of enabling environments in all countries for the effective mobilization and scaling-up of climate finance. Against this background, it is highly relevant to move beyond the pure MRV of project co-financing towards a measuring and tracking system which includes market transforming measures and accredits Parties for these crucial activities.

1. Public Climate Finance

Switzerland believes that a sustained commitment to public climate finance is very important. It will have to be delivered through a variety of instruments and institutions, both as a catalytic tool to mobilize private investments and as means for addressing areas with limited potential for private investment in particular in the most vulnerable and least developed countries.

To overcome the barriers to private investment (e.g. increased risk and political uncertainties) and in view of assuring predictable and sustained climate finance at scale Switzerland emphasizes the importance of a broad variety of public tools, including technical assistance and capacity building, risk mitigation instruments, debt and equity instruments and incremental cost financing. Reporting guidelines should not limit or set harmful incentives for the use of any of the mentioned tools.

To measure and track public climate finance Switzerland advocates to build on existing measuring and tracking tools, e.g. the OECD DAC reporting on official development assistance and other official flows and its Rio-marker methodology. Common methodologies and regulations for tracking and measuring of public climate finance have to be applied by all Parties.

In the current national communication and biennial report Switzerland chose to report its public climate finance flows based on the Rio-marker methodology of the OECD DAC for all Swiss bilateral ODA flows. The Rio-marker methodology was developed as a policy instrument to mainstream environment issues into development, to identify activities related to the Conventions and do not allow exact quantification of financial flows. Based on this several challenges were identified: 1) lack of common international understanding on eligibility criteria to apply the markers, 2) lack of common international understanding on the application of multiple markers (e.g. adaptation, mitigation and across the Rio-Conventions), 3) lacking common understanding for the quantification of the markers. Switzerland is pleased that currently a joint statistical and environmental task team of the OECD is working on these issues and is committed to apply the optimizations and adjustments of the methodology to its reporting within the Rio-Conventions.

In the section on multilateral contributions of the national communication Switzerland reported the entire core contribution of all multilateral and contributions to some large multi-bilateral funds (e.g. CIFs, FCPF, etc), which are climate change relevant and provided where possible the ratio of climate change specific contributions. For most multilateral funds (e.g. International Development Association IDA) it is currently not possible to identify the exact climate change specific share, especially of the core contribution. Switzerland advocates to further develop a climate finance tracking and measuring methodology for all public flows invested through multilateral finance institutions. The methodology should build on existing tracking and measuring methodologies and shall be developed in a dialogue with the multilateral finance institutions.

Switzerland would like to highlight the importance of other official financial instruments (e.g. guarantees, credit insurances, etc.). Transparent and common reporting guidelines for all Parties for other official support should be provided based on existing international methodologies and best practices of Parties. The methodology should allow the comparison with flows provided through official development assistance.

Switzerland stresses the importance of harmonized reporting across the Convention and for all Parties and would therefore welcome if the reporting guidelines on climate finance of the national communication would be aligned with the more recent reporting guidelines of the biennial report.

2. Private Sector Climate Finance

In line with earlier submissions, Switzerland emphasizes the importance of the private sector with its various activities and investments in climate change mitigation and adaptation as well as technology development and transfer.

The private sector plays a paramount role in the implementation of mitigation of climate change. The emitting sectors of the economy are the main actors which have to implement nationally or internationally agreed greenhouse gas reduction targets. This requires large investments from the private sector. Markets translate also price signals to the consumers and contribute therefore to emission reductions of the latter. The private sector also enhances its role in climate change adaptation. Various economic sectors have to adapt to climate change themselves, which leads to technology development, transfer and investments for adaptation. Furthermore, the private sector, in its role as investor, developer, owner and diffuser of technology will become increasingly important in enhancing technology transfer in particular to developing countries.

Switzerland acknowledges the various engagements of the private sector in climate change activities and invites the sector to increase its engagement and investments. Therefore Switzerland highly appreciates the foreseen engagement of the Green Climate Fund with the private sector, i.a. through its Private Sector Facility and the Private Sector Advisory Group to further a constructive dialogue with the objective to jointly achieve a higher climate finance impact. In addition, Switzerland recognizes the fruitful activities of the OECD-coordinated Research Collaborative to create greater clarity and fostering convergence in the understanding of measuring and tracking methodologies for private climate finance.

Voluntary reporting of climate finance flows by the private sector should be encouraged and incentivized by all Parties within their national legislation and policies to increase the transparency and visibility of the various investments from the sector.

3. Mobilized Climate Finance

Switzerland recalls the high importance of public interventions and incentives to enhance the mobilization of climate finance flows. Therefore the Parties should focus on the instruments which are the most effective to mobilize additional climate finance. Moreover, they should consider how they can report and account their various efforts in the best possible way. Switzerland recommends that the following three critical elements should be respected, when discussing the accounting of mobilized climate finance:

- All accounted and reported mobilized financial flows have to be climate relevant.
- Reported and accounted mobilized financial flows should have been mobilized through public interventions or incentives and there shall be a certain connection between the public intervention / incentive and the reported financial flow.
- Double accounting within and between countries shall be minimized through transparent, harmonized and reliable reporting and accounting measures for all Parties.

When evaluating, revising and optimizing the reporting of mobilized climate finance the following four factors should be balanced in the best possible way:

- Practicality: The methodology has to build on the available data and the reporting has to be time and cost efficient.
- Integrity: The methodology should best reflect reality and avoid double accounting.
- Incentives: The methodology has to ensure effectiveness and promote nationally appropriate action.
- Standardization: The methodology should be applicable to various types of reporters and allow, if possible, for aggregation and comparison.

This should lead to a streamlined, aggregated, integer, meaningful and appropriate reporting without overburdening the system of MRV of climate finance provided and received.

a. Mobilized Private Sector Climate Finance

Switzerland proposes that all private sector climate finance should be accountable as mobilized by Parties, if the above mentioned three critical elements are respected. Therefore private sector investments or technology transfer mobilized by any public intervention or incentive (e.g. concessional and non-concessional loans, guarantees, assurances, market transforming measures, favorable policies, tax incentives, research support, etc.) shall be considered. Switzerland is convinced that a large amount of climate finance needed will have to be provided through the private sector mobilized by public interventions or incentives.

b. Mobilized Public Sector Climate Finance

With respect to standardization and practicality Switzerland considers all climate relevant (adaptation, mitigation or both) funding of any public entity not as mobilized but as direct public climate finance accounted to the entity, who provided the funding. This methodology reduces the risk of double accounting and increases transparency.

4. Measuring and Tracking of Climate Finance Impacts

When discussing measuring and tracking of climate finance the measuring of the use and impact has to be fully integrated in the discussions and the revisions of the reporting guidelines. Switzerland is convinced that the joint reporting of climate finance flows and impacts increases the incentives for favorable enabling environments and effective investments. This will lead to higher impacts and better means to achieve the ultimate objective of the convention.