

CLIMATE REPORT 2017

PRIVATE SECTOR AND CLIMATE FINANCE IN THE G20 COUNTRIES

ABOUT THE REPORT

The G20 countries comprise two thirds of the global population as well as more than three quarters of the world's economic output, trade and CO₂ emissions. Climate change is on the G20 agenda as a central future issue, also as an economic and fiscal challenge because corresponding investments from the private sector are a prerequisite for the fulfilment of the Paris climate protection goals. Our latest Climate Report, which continues the series from 2007, 2011 and 2014, provides answers to the question of how far the private sector plays a role in climate financing in the G20 countries.

CANADA

Private climate finance has yet to play a significant part in Canada's climate action landscape, though the government is increasingly pairing the mobilisation of private finance with its public commitments. There are a number of initiatives that are quickly working to elevate the role of private finance. In the form of loans, Canada will invest nearly 1.8 billion Canadian dollars to mobilise private-sector support for clean innovation in developing countries. However, there is room for improvement in Canada's tracking and transparent reporting of the role of private finance.



Wind turbines at the foothills of the Rocky Mountains. Source: © bobloblaw, iStockPhoto

CANADA'S CLIMATE FINANCE PLEDGE

In 2015, at the Paris Climate Summit, Prime Minister Trudeau announced a climate finance pledge of 2.65 billion Canadian dollars over the course of five years. Canada's Second Biennial Report indicates that "Canada's contribution will be used to support climate change adaptation and mitigation programming, prioritising the most vulnerable countries, such as small island developing states, Africa and the least developed countries" (UNFCCC, 2016). Indeed, the announcement included a new contribution of 30 million Canadian dollars to the Least Developed Countries Fund to address some of their most urgent and immediate needs, and ten million Canadian dollars to the World Meteorological Organization to support the improvement of early warning systems in some of the most vulnerable communities.

This pledge is the largest climate finance commitment in Canadian history. Scaling up to 800 million Canadian dollars by 2020/2021, it is a substantial increase in funding from Canada's contribution of 236.4 million Canadian dollars to international assistance on climate change in 2014/2015, and represents a doubling of Canada's fast-start financing levels. Nevertheless, it falls short of advocacy groups' estimates of Canada's "fair share" in financing efforts, which suggest a contribution of four billion Canadian dollars per year by 2020. It is a non-binding political pledge and neither climate finance generally nor private finance specifically are mentioned in Canada's Nationally Determined Contribution (NDC) to the Paris Agreement.

SCALING UP

Canada's public international assistance on climate change is administered and disbursed by Global Affairs Canada (GAC), with the participation of the Climate Change International Division of Environment and Climate Change Canada (ECCC). As mentioned, Canada's contributions from 2015/2016 through 2020/21 will represent a significant increase of the country's

climate finance contributions. The tables on the following page summarize Canadian climate financing from 2013/2014 through 2014/2015.

The 2.65 billion Canadian dollars will be dispersed over five years from 2015/2016 to 2020/2021, scaling up to an annual contribution of 800 million Canadian dollars in 2020/2021. Allocations of the total amount so far are as follows:

- 1.8 billion Canadian dollars to spur clean innovation in developing countries, in the form of loans,
 - including 150 million Canadian dollars to the G7 African Renewable Energy Initiative.
- 300 million Canadian dollars to the Green Climate Fund,
 - including 110 million Canadian dollars to the Green Climate Fund in the form of loans and 190 million Canadian dollars in the form of grants.
- 92.5 million Canadian dollars to the Global Environment Facility, in the form of grants.
- 50 million Canadian dollars to the G7 climate risk insurance initiative in developing countries, in the form of grants.
- 30 million Canadian dollars to the Least Developed Countries Fund, in the form of grants.
- 35 million Canadian dollars to reduce short-lived climate pollutants (SLCPs), in the form of grants,
 - including 25 million Canadian dollars to reduce SLCPs through mitigation actions with key partner countries, e.g. 14 million Canadian dollars to SLCPs through partnerships with Mexico and Chile,

- including ten million Canadian dollars to the Climate and Clean Air Coalition (CCAC), an international initiative aimed at advancing efforts to reduce SLCPs.
- Ten million Canadian dollars to support the improvement of early warning systems in some of the most vulnerable communities, in the form of grants.
- Five million Canadian dollars for the UNFCCC Capacity Building Initiative for Transparency (CBIT), in the form of grants. The CBIT is operated by the Global Environment Facility, to which Canada is the sixth largest donor and an active Council member.
- Three million Canadian dollars to the World Bank's Transformative Carbon Asset Facility to support emission reductions in developing countries, in the form of grants.
- 2.5 million Canadian dollars to the Clean Technology Centre and Network, in the form of grants.
- Two million Canadian dollars to the National Adaptation Plans Global Network for climate-capacity building in developing countries, in the form of grants.

Canada conducted a thorough review of its international assistance envelope through 2016/2017 and sought substantial public input to develop an updated policy. Canada's Feminist International Assistance Policy was subsequently unveiled on 9 June 2017. The policy establishes one core action area and five additional action areas to target Canada's international assistance:

1. (Core action area) Gender equality and the empowerment of women and girls;
2. Human dignity;
3. Growth that works for everyone;
4. Environment and climate change;
5. Inclusive government;
6. Peace and security.

Under the new policy, the government commits to "support government planning and initiatives to mitigate and adapt to climate change, advance women's leadership and decision-making and create economic opportunities for women in clean energy", and "ensure that no less than 50 percent of its bilateral international development assistance is directed to sub-Saharan African countries by 2021-22" (Government of Canada, 2017).

PROVISIONS OF PUBLIC FINANCIAL SUPPORT SUMMARY INFORMATION IN 2013-2014

Allocation Channel	CAD (in millions)	USD (in millions)
Multilateral	178.17	172.96
Bilateral	60.80	59.02
Total	238.97	231.98

Based on OECD/DAC exchange rates for fiscal year 2013/2014

PROVISIONS OF PUBLIC FINANCIAL SUPPORT SUMMARY INFORMATION IN 2014-2015

Allocation Channel	CAD (in millions)	USD (in millions)
Multilateral	161.15	145.87
Bilateral	75.25	67.30
Total	236.4	213.17

Based on OECD/DAC exchange rates for fiscal year 2014/2015

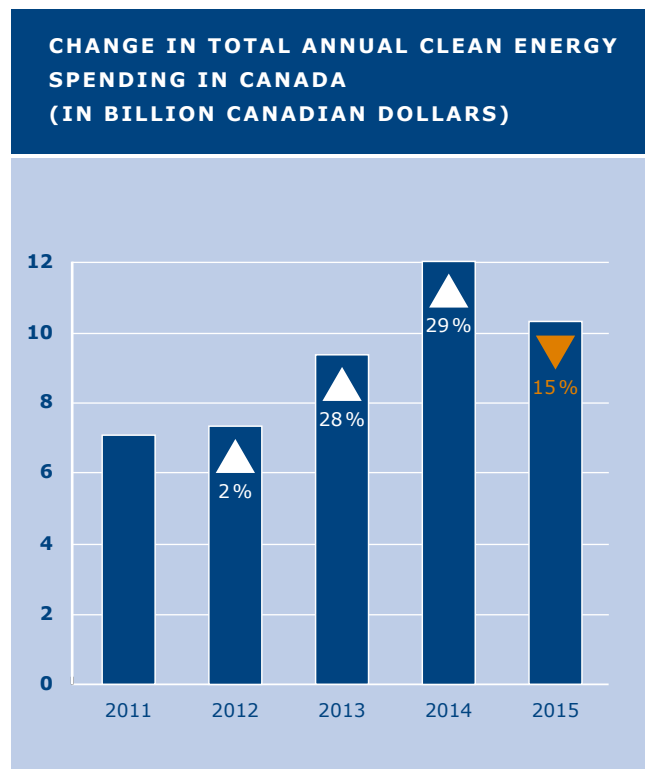
In addition, during the Paris COP in 2015, Quebec, one of Canada's ten provinces, became the first subnational government to commit climate finance on the international stage. Their 2015 announcement committed 25.5 million Canadian dollars to "support actions to fight climate change in Francophone countries that are the most vulnerable and most exposed to the consequences of climate change" (Gouvernement de Québec, 2015). Quebec added to this commitment at the Marrakech COP in 2016 with a contribution of six million Canadian dollars to the Least Developed Countries Fund.

BEGINNINGS

While leveraging private investment has not quite developed into a core pillar of Canada's climate finance strategy, there are a number of initiatives that are quickly working to elevate the role of private finance in the Canadian climate action landscape.

Included among these and announced in March 2017 is the creation of a new Development Finance Institute (DFI), which will promote inclusive green economic growth while promoting the involvement of women and young entrepreneurs in sustainable development. The Institute will be a wholly-owned subsidiary of Canada's export credit agency. The intent is for the DFI to be represented in countries eligible to receive official development assistance and may interact with nationally designated authorities of climate funds. No Canadian private sector or public sector entities are currently accredited with the Green Climate Fund.

Canada's Second Biennial Report articulates the following goal: "climate financing [...] will also provide innovative tools aimed at removing barriers to and risk from investments from the private sector" (UNFCCC, 2016).



Source: Clean Energy Canada

Indeed, a significant portion of Canada's fast-start financing (2010 through 2013), reported to the UNFCCC in Canada's First Biennial Report, established Canadian facilities at multilateral development banks (MDBs) designed to catalyze private sector investments. Canada's Second Biennial Report estimates that this support, alongside co-financing from MDBs and other public sources, have collectively mobilised approximately 1.44 billion US dollars of private climate finances over the same period. Methods used to reach these estimates are unclear.

CONCLUSION: ROOM FOR IMPROVEMENT

As indicated above, Canada is to invest nearly 1.8 billion Canadian dollars to mobilise private-sector support for developing countries. This amount is targeted to “leverage private-sector investments in areas such as clean technology, climate-smart agriculture, sustainable forestry, and climate-resilient infrastructure” (Government of Canada, 2016). Canada plans to deliver this support through a range of “trusted partners”, including MDBs. Canada has also engaged with the Private Financing Advisory Network, which seeks to connect viable projects with funding.

In its efforts to increase transparency in finance accounting, Canada is working with international partners to strengthen climate finance reporting through the UNFCCC and other organisations that address the reporting of climate finance flows, such as the Organisation for Economic Cooperation and Development. In this sphere, Canada reports that it is contributing to the development of a robust methodology for tracking private sector climate finance mobilised from public interventions. However, the UNFCCC’s review of Canada’s Second Biennial Report indicates that there is much room for improvement in Canada’s tracking and transparent reporting of the role of private finance.

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FURTHER READING

- Climate Action Network Canada 2015: Canada and the UN Climate Negotiations: A Paris Package That Shows Canada Cares, in: <http://bit.ly/2vgSfdg> [12 Jul 2017].
- Gouvernement de Québec 2015: \$25.5M in Funding for International Climate Cooperation, 5 Dec 2015, in: <http://bit.ly/2tQnXym> [12 Jul 2017].
- Government of Canada 2016: International Climate Financing: Recent Announcements, in: <http://bit.ly/2tiI6v2> [12 Jul 2017].
- Government of Canada 2017: Canada’s Feminist International Assistance Policy: in: <http://bit.ly/2t7g3DH> [12 Jul 2017].
- UN Framework Convention on Climate Change (UNFCCC) 2014: Canada’s First Biennial Report, in: <http://bit.ly/2uiGiqe> [12 Jul 2017].
- UNFCCC 2016: Canada’s Second Biennial Report on Climate Change, in: <http://bit.ly/2uVDxbv> [12 Jul 2017].