# **SCALING UP**: HOW GERMANY, JAPAN, NORWAY, THE UK, AND THE US APPROACHED FAST-START CLIMATE FINANCE



This synthesis is a draft for discussion based on five country-specific studies carried out by the Overseas Development Institute, the World Resources Institute, IGES, Germanwatch, and Cicero in collaboration with the Open Climate Network.

Download the studies at: www.openclimatenetwork.org/analysis#finance | www.climatefundsupdate.org/global-trends/fast-start-finance

### USD 1.7 billion 2010 – 2012

Germany counts as FSF its climaterelated ODA in excess of a 2008 baseline, as well as auctioning revenues from the EU ETS, which account for a substantial share of Germany's FSF. German FSF is managed by both the Ministry of Environment and the Ministry of Foreign Affairs. Concessional loans: CIF contributions

Grants: Other contributions

### **Strengths**

- Strong effort to mobilise innovative sources of climate finance
- Robust reporting on climate finance through comprehensive project lists
- Clear position on additionality, though it does not address all possible criteria

### Limitations

 ODA increasing at a significantly slower pace than climate finance

### USD 13.2 billion 2010 - 2011 (17.6 billion by 2012)

Japan has included ODA delivered through bilateral channels (such as the Japanese International Cooperation Agency) and multilateral channels (such as the Climate Investment Funds, and other World Bank and UN programs) as well as other official flows (OOF) from the Japan Bank for International Cooperation (JBIC), Nippon Export and Investment Insurance (NEXI) and the New Energy Development Organisation (NEDO), as climate finance. While Japan uses the Rio markers in reporting on ODA to the OECD CRS, it has not published criteria for classifying particular projects and programs as FSF. Of the 17.6 billion self-reported at the end of 2012, 14.0 billion was public and 3.6 billion was leveraged private finance.

ODA loans:

Approximately half of the portfolio

OOF: Approximately one-third of the portfolio

*Grants*: Remainder of portfolio

### Strengths

- Substantial effort to mobilise and increase the level of climate finance despite austerity.
- Significant improvements to FSF reporting in 2012, including the disclosure of a complete project list and substantial detail on recipients and objectives

#### Limitations

- Lack of clarity on the basis on which projects have been counted as FSF
- Inclusion of several programs whose climate benefits may be contested (e.g. relatively efficient fossil fuel technologies)
- Reliance on export-credit and trade finance mechanisms which can be seen as a subsidy to Japanese companies

### USD 1.4 billion 2010 - 2011

All Norwegian FSF comes out of a growing aid budget. Since 2009 the government of Norway has contributed about 1% of GNI as ODA. Norway identifies FSF on the basis of the OECD DAC Rio markers. A substantial share of Norway's FSF is directed to REDD+ efforts through the International Forest Climate Initiative. Norway has noted – but not counted as FSF – its core contributions to multilateral institutions whose core activities include climate change.

Grants: All contributions (some on pay-for-performance basis, which has resulted in complications in registering committed finance as disbursed ODA)

### **Strengths**

- Strong ODA reporting systems that provide substantial project-level detail
- Relatively strong position on additionality as a result of having exceeded the 0.7% of GNI as ODA target (even though all climate finance counts as ODA)

### Limitations

- Lack of project-level reporting in FSF report
- Reliance on the Rio markers for FSF reporting may result in over-counting the climate-relevant share of some projects
- Many pledges, particularly for REDD+, precede the FSF period

## orway

### USD 2.49 billion 2010 - 2012

All UK FSF comes out of a growing aid budget. (In March 2013 the UK met its target to provide 0.7% of GNI as ODA). The UK created a new International Climate Fund (ICF) – jointly managed by several departments – to focus climate finance efforts. Most UK FSF comes from the ICF, with small additional contributions from the FCO and DFID in 2010.

Capital grants: Climate Investment Fund contributions

Equity investments: Climate public private partnership (CP3) contributions

Grants: Most other contributions

### **Strengths**

- Dedicated funding structure and budget allocation provides clarity about what counts as climate finance for international reporting purposes
- Funding has been committed beyond the end of the FSF period
- Periodic project-level reporting to the EC results in relative transparency

### Limitations

- Uncertainty about long-term scope of climate finance
- Lack of clarity in some cases about the basis on which a share of a project or program is counted as climate finance
- Questions about additionality

### USD 7.5 billion 2010 - 2012

US FSF includes "core" funds, which are appropriated by the US Congress to support climate objectives; funds appropriated by the US Congress not specifically designated for climate change, but that aim to generate climate benefits; and funds deployed by the development-finance and export-credit agencies to leverage private finance in support of projects that target climate benefits. (Leveraged private finance is not counted as FSF.) Non-core projects are selected based on a review of portfolios to identify projects that meet US-defined criteria. US reporting to the OECD CRS against Rio markers is difficult to reconcile with its FSF reporting.

*Grants*: Approximately two-thirds of portfolio

Loans, guarantees, and insurance: Approximately onethird of portfolio, targeting mitigation

### **Strengths**

- Detailed project descriptions for each country
- Maintained dedicated climate finance budget appropriations despite political difficulties

#### Limitations

- Lack of published criteria on the basis on which non-core projects have been counted as FSF
- Lack of project list
- Strong reliance on export-credit and trade finance mechanisms, which can be seen as a subsidy to US companies



### New and Additional

Criteria	Germany	Japan	Norway	UK	US
Climate-related spending is higher during FSF than before	Yes	Yes	Yes	Yes	Yes
Climate-related projects and programs receive more funding than prior to the FSF period	In some cases/ Maybe	In some cases/ Maybe	In some cases/ Maybe	In some cases/ Maybe	In some cases/ Maybe
FSF includes contributions to meet pledges made prior to the FSF period	Partially	Partially	Partially	Partially	Partially
ODA as a whole is increasing faster than climate finance	No	No	No	No	No
Country has met the Monterrey commitments to deliver 0.7% of GNI as ODA	No	No	Yes	No (although target achieved in March 2013)	No

### Reporting and Transparency in FSF Reports to the UNFCCC

	Germany	Japan	Norway	UK	US			
Aggregate Information								
Eligibility criteria	Specified	Not specified	Partially specified	Specified	Partially specified			
N&A criteria	Specified	Not specified	Partially specified	Partially specified	Not specified			
Objectives	Specified	Specified	Specified	Specified	Partially specified			
Channeling Institution	Partially specified	Specified	Partially specified	Specified	Partially specified			
Financial Instrument	Specified	Specified	Specified	Specified	Not specified			
Recipient Countries	Specified	Specified	Specified	Specified	Partially specified			
Disbursement	Partially specified	Not specified	Partially specified	Partially specified	Not specified			
Project-Level Information								
Objective	Specified	Specified	Not specified	Specified	Partially specified			
Channeling Institution	Specified	Specified	Not specified	Specified	Specified			
Financial Instrument	Specified	Partially Specified <sup>1</sup>	Not specified	Specified	Partially specified			
Recipient Country	Specified	Specified	Not specified	Specified	Specified			
Recipient Institution	Specified	Not specified	Not specified	Partially specified	Not specified			
Disbursement	Not specified	Not specified	Not specified	Not specified	Not specified			

<sup>&</sup>lt;sup>1</sup> Fully specified for ODA, not specified for OOF

Note: This table is based on information included in the official FSF reports. In many cases additional information is available through further desk research and other reporting channels.

For reference, the latest documents on Japanese FSF can be downloaded from: www.mofa.go.jp/policy/environment/warm/cop/pdfs/assistance-to-2012\_en.pdf and https://unfccc.int/cooperation\_support/financial\_mechanism/fast\_start\_finance/items/5646.php (see the links on the right side)