OECD – update on tracking climate finance

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Overview

1. OECD tracking climate-related international public finance (ODA and OOF)
   • Improving coverage, quality and communication of the Rio marker data on climate finance

2. DAC statistical reform
   • Measures of development finance to support Financing a post-2015 agenda

3. OECD-led Research Collaborative on Tracking Private Climate Finance
Bilateral climate-related aid: USD 12.8 – 21.5 bn per year

16% of the total bilateral ODA portfolio

Trends in climate-related aid, 3-year annual averages
2001-12, bilateral commitments, USD billion, constant 2011 prices

Mitigation only, 57%, USD 12.2bn
Mitigation and Adaptation, 18%, USD 4bn
Adaptation only, 25%, USD 5.4bn

Source: OECD DAC Statistics, May 2014

=> 2013 update coming to include bilateral and more multilateral flows
Changing landscape of development finance: non-concessional financing in IFIs portfolios 2000 - 2012

Source: OECD (2014) Mobilising Resources for Sustainable Development
DOI: 10.1787/dcr-2014-en
Reforming measures of sustainable development finance to support post-2015 SDGs

Inter-governmental events on SDGs and financing:
• Addis Ababa, Ethiopia, July 2015, Third International Conference on Financing for Development
• New York, September 2015 – UN Summit, where world leaders expected to adopt the post-2015 SDG agenda

OECD DAC 2014-15 Financing for Development:
→ Modernised ODA: options outlined; decision expected end 2014
→ Official support for SD – better coverage and depth of non-concessional finance, particularly instruments mobilising private capital (e.g. loan guarantees, etc)
→ More detailed export credit data integrated into DAC statistics
→ Private finance mobilised by official action: advancing methods and data collection
Estimating mobilisation in DAC statistics: loan guarantee example

Alternative options:

• Face value of instrument guaranteed (USD 4m)
• Total project cost (10m) → less conservative – risk of double-counting among public actors where co-financing exists
• Gross exposure (2.8m) → more conservative

OECD DAC proposal:

Amount mobilised defined as face value of instrument guaranteed (USD 4m)

→ Assumption that private lender would not have provided loan without a public guarantee

→ In case of co-guarantees, amounts mobilised could be attributed pro-rata -- based on amounts guaranteed by each guarantor

http://dx.doi.org/10.1787/5k407lx5b8f8-en
Private climate finance: the mobilisation effect of public finance and policies

Econometric simulation of the effect of public interventions on private finance

- Renewable energy quota in destination country: 1.8%
- Feed in tariff in destination country: 2.5%
- Multilateral public finance: 11.8%
- Bilateral public finance: 42.2%
- All interventions: 67.9%

→ Early evidence indicates policies have large potential to drive private finance

Caveats:

→ Testing methods: exploratory results for renewable energy (mostly wind and solar)

→ Still missing data on key variables e.g. domestic investment conditions

Note: The effect of “All interventions” does not equal the sum of individual interventions because the model is non-linear. Even if it were, the means of the different interventions would have to be the same in order to obtain a total “net effect”.

Tracking private climate finance: proposed ways forward

**SHORT TERM:**
PRAGMATISM AND PILOT ESTIMATES

- Conduct pilot estimates based on available data and existing definitions
- Make conservative estimates to avoid risk of double-counting
- Consider collective reporting: no attribution to individual countries
- Be transparent about assumptions and inputs - engage and consult
- Build trust and common language

**LONGER TERM:**
BUILD DATA SYSTEMS

- Define core concepts and agree key assumptions
- Build capacity for systematic data collection e.g. private co-financing
- Increase breadth of public finance and policy interventions covered
- Increase depth and granularity of estimations
- Strengthen co-operation between climate and development finance communities

Watch this space!!

OECD DAC CRS and Rio marker statistics and analysis: [http://oe.cd/RM](http://oe.cd/RM)
Contacts: Stephanie.Ockenden@oecd.org, Valerie.Gaveau@oecd.org and Mariana.Mirabile@oecd.org

Research Collaborative on Tracking Private Climate Finance: [www.oecd.org/env/researchcollaborative](http://www.oecd.org/env/researchcollaborative)
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Rio markers and environmental policy marker in DAC statistics

- Allows tracking of multiple objectives simultaneously while avoiding double counting

Bilateral Official Development Assistance
3 year annual average, 2010-2012, bilateral commitments, USD billion, constant 2012 prices

Source: DAC CRS statistics, July 2014.
Private climate finance: what data sources beyond renewables?

Commercial databases

- Bloomberg
- Dealogic
- FactSet
- FDi Intelligence
- Prequin
- Thomson Reuters

Challenges to use

- Partial datasets that may improve coverage of climate-relevant sectors beyond renewables for fairly large equity/debt-related private finance
- Significant technical and definitional issues to identify climate-specific transactions (acute for adaptation)
- Inconsistent classifications, definitions and tracking methods
- Difficulties to meaningfully and consistently label finance as public or private and assign a country of origin
- Range of possible methods to try and mitigate some of these limitations

Public databases

- OECD
- UNEP RISØ Centre
- United Nations UNCTAD
- The World Bank