

Germany - Written comments on the draft updated Strategic Plan

General comments:

- We would like to thank the Secretariat for this key document for GCF-1. We believe that the Draft Strategic Plan already lays out a good direction of travel under GCF-1 and we appreciate that the Draft incorporates inputs by multiple stakeholders, findings of the Forward-Performance Review as well as the replenishment summary report.
- We very much welcome the Draft Strategic Plan that describes how the vision can be put into implementation and the theory of change for how the GCF can work with its partners. The four 'key enablers' (focus on capacity building for planning and programming; catalysing climate innovation; mobilizing investments at scale; and replication of knowledge to shift financial flows) are, in our view, well chosen to unlock GCF's full potential. The Draft also clearly strives to cooperate with a large variety of public and private actors, which will help the GCF to have a much larger impact.
- The urgency of action on climate change as highlighted during the climate summit of the UN Secretary General, should guide the direction of travel in the strategic plan. Therefore, the GCF should support developing countries' ambition in implementing the goals of Art. 2 of the Paris Agreement. We currently do not yet see this urgency reflected in the ambition and action the GCF needs to take, especially in the area of mitigation. With countries needing to update their NDCs, how will the GCF support and help in scaling up mitigation action and impact and thereby helping countries transform their systems in an urgent and sustainable way? The question of supporting NDC ambition and increased action in mitigation needs to be further elaborated upon and mainstreamed/expressed throughout the document.
- Country programming should promote countries' increasing ambition to enhance NDCs in 2020 and beyond and incentivize programming going beyond „business as usual“. The GCF needs to enable countries to identify those areas of action where highest impact in mitigation can be achieved in order to allow meeting the Paris agreement goals of limiting temperature increase to 1.5°/well below 2°C.
- As part of that, the question will be for the GCF how to encourage countries to present the most ambitious and impactful projects and allow for informed risk taking? Sharpened investment criteria, regarding impact and ambition should help the Board to select countries' projects enhancing impact in NDC ambition. We need a further discussion in the Board how to align the need for scaled-up ambition at global level with country-driven programming.
- Wording: We believe that the wording "if the world is to limit warming to well below 2 °C or 1.5°C" throughout the text is unfortunate and should be changed e.g. to "in order to" (there is no 'if' - it was so decided in the Paris Agreement that this the collective goal).
- Article 2.1c: In addition to Paris Article 2.1(a) and 2.1(b), we would like to see stronger references to 2.1(c) (e.g. in Para 32 of the Executive Summary). We believe the GCF has an important role in 'Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development". The GCF needs to identify in its Strategic Plan how it can support countries in achieving this goal, how it can pilot and scale-up ideas in this regard and what are the key barriers of achieving this goal. This should be a separate section, especially given the GCF's role as a financial institution and a potential role model for others.
- As part of this, the GCF needs to enhance and elaborate on the goal for GCF accredited entities to perform a portfolio shift during their activities in the GCF and how this can be strengthened further.
- Replication of knowledge, coherence and complementarity: The landscape of climate finance is complex with many platforms and initiatives aiming at knowledge management and convening of partners. The GCF should state clearly the ambition to engage in and add value to relevant existing partnerships and initiatives, such as the NDC-Partnership and the Insuresilience Global Partnership. Instead of setting up stand-alone initiatives, the GCF should work through relevant existing ones to effectively and efficiently contribute to the shift towards low-emission and climate resilient development pathways.

Specific comments:

Regarding section 1.6 strategic goals:

- We believe that it is important to maintain the current set of overall targets including the decision B.06/6 to balance mitigation and adaptation in grant equivalent terms.
- While we would like to see a stronger emphasis on innovative and diverse use of instruments in adaptation finance, it is important to us to maintain the 50:50 balance in grant equivalence and ensure that the GCF is focusing on transformative mitigation and adaptation financing. We are therefore reluctant to set a goal to further scale up the share of funding in adaptation in grant equivalence.
- We need to reflect on how the GCF can continue to fund activities to averting, minimizing and addressing loss and damage (COP 25 guidance) without compromising the above mentioned 50:50 guidance.
- We are supportive of more funding to be channelled through direct access entities.
- We strongly support increased diversification in the use of instruments.
- We would like to understand how the target of 70 countries to be supported in translating NDCs, NAPs is intended to be derived.
- We would like to see a clear target to enhance transformational change and paradigm shift that leads to transforming sectors, particularly in order to respond to the urgent need of mitigation action.

Regarding section 2.1 Strengthening the GCF business model:

- Section 2.1.1: We very much support the goal to accelerate country-driven transformational planning by orienting the readiness program towards supporting countries in developing transformational pipelines (building on an ambition cycle on an trajectory to well below 2/1.5 degrees), building lasting institution capacities, supporting the development of science-informed long-term strategies (incl. NAPs and enhanced NDCs) and translating those into transformational investment programmes. However, the relevance of subnational governments for the translation of NDCs in investments programs should also be reflected in the design of the Readiness Programme.
- Section 2.1.2: We would first like to see an analysis of the current portfolio of accredited entities before setting a target for the AE network. We very much support the idea to focus reaccreditation efforts to partners who demonstrate a portfolio shift, as the GCF needs to trigger internal processes in AEs to align portfolios with the Paris Agreement. We strongly support the measures presented to channel more funding through DAEs.
- Section 2.1.3: The headline “climate innovation” may be a little over-ambitious. However, we appreciate the strong focus on actions to diversify financing instruments as referred to in this chapter. Increasing GCF’s risk appetite and exploring alternative applications such as insurance, policy loans and local currency lending is supported by us.
- Section 2.1.4: We support the efforts to mobilize private sector financing at scale – especially ideas to create adequate enabling environments, deploying blended finance, de-risking instruments and increasing awareness of the private sector. In this regard, we would like to see a more detailed plan to engage the private sector as part of the strategic plan. While the new ideas in para 50 are interesting, we do have reservations for entering this areas soon, as the PSF still needs to mature.
- Section 2.1.5: We would like to see GCF excel at piloting and testing transformative and new approaches that then can be replicated by other partners – this should in our view be the key aim under the global thought leader label. We also strongly support the mainstreaming of climate considerations more broadly across the AE’s operations and portfolios.

- Section 2.1.6: As part of the communication, we would like to see a stronger focus on transparency and stakeholder participation, as key factors for the GCF's accountability, learning potential and success.

Regarding Section 2.2 Optimizing operational modalities and performance:

- We appreciate the focus on increasing financial planning, clarifying processes and roles and responsibilities as well as simplifying access (i.e. through SAP).
- We would like to see a stronger emphasis on the need to sharpen the GCF's investment criteria in order to allow for a more competitive project selection based on impact, ambition, innovation and countries vulnerabilities and needs.
- Additionally, closing the remaining gaps in the investment framework should be one of the Strategic Plan's priorities. In particular, further guidance needs to be elaborated on full and incremental costs and concessionality to take account of project type, countries vulnerabilities, needs and capacities.
- We would like to see a more in-depth analysis and measures how GCF processes can be streamlined and simplified, allowing for more efficient and rapid access for countries while maintaining GCF's high standards.
- We stress the importance of gender mainstreaming, engagement with local stakeholders and ensuring that environmental and social safeguards are met.
- Sub-Section 2.2.2 overlaps a lot with 2.1.2. For a better clarity of the Strategic plan this should be consolidated and the structure be improved.
- Sub-Section 2.2.6 refers to a stated complementarity and coherence of the GCF in the broader climate finance landscape. It is not clear how this is achieved. In the informal Board discussion ahead of B.24, it became clear that the GCF has to do more to achieve that. This certainly deserves a separate chapter in the strategic plan.

Regarding Chapter 3: Operationalizing the Strategic Plan

- Concerning the mentioned 'aggressive 50% efficiency gain' for the Secretariat (page 32, §106), we believe that further information on the envisioned measures to realize the 50% efficiency gain should be added.

Regarding Chapter 3.4: Initiate work to sharpen strategies towards 2030

- The GCF should support countries in preparing and implementing the next rounds of more ambitious NDCs up to 2030.
- Regarding long-term orientation we believe that the orientation should rather be towards 2050, reflecting that many countries are working on decarbonisation plans for 2050 following Art. 4.19 of the Paris Agreement.

Regarding Annex II: Programming directions for the first replenishment period of the GCF: country-driven transformational climate impact

- **I. Energy access and power generation**
- General comments: This section seems to mainly focus on the energy sector and electricity. However, what remains unclear is where and how the GCF is tackling other relevant energy sectors. Besides emission reduction, energy access, energy security and affordability of energy

should receive higher priority (Agenda 2030). Relevant sectors that should possibly be included in an energy perspective are heating and cooling, industry and commercial activities, transport. Other renewable based energy carrier besides electricity should be taken into account as well. In general, the link between different sectors (such as Energy and Transport) is missing GCF should also focus on cross-sectoral projects.

- In addition to this, the GCF should make use of its niche opportunities and also focus on innovation and development of new energy solutions. Why should this engagement be limited to “ocean-based RE and floating solar power”?
- Crowding-in of private funding is key to accelerate the energy transition. GCF should increase its efforts in this perspective. The Climate Investment Platform could be one possible vehicle for it.
- Energy efficiency, including cooling, is partly covered in topic III (Buildings, Cities, Infrastructure). However, energy efficiency should be a crucial point also in energy generation and transmission/transport and linkages should be more explicitly covered in this section.
 - As to the renewable energy and electricity section: While the GCF should continue to stimulate RE supply in developing countries, it is as such not nearly enough to cause a paradigm shift. The final lines of §3 demonstrate that increasing RE shares is NOT preventing global warming above 1.5/2 degrees Celsius as long as the aggregate energy demand grows faster than the RE supply. In this sector, the GCF has to think more in terms of a long-term paradigm shift rather short term projects to increase RE supply.
 - Concerning Para 3: We would like to invite clarification as to the main priorities for GCF support (suggested wording: “[...] GCF-1 will support on-grid and off-grid renewable energy deployment, expansion of transmission/distribution networks serving to integrate renewable energies and [...]”). Aside from the comments above on the need to also consider heating/cooling and linkages to transport, the GCF should at least also consider energy production.
 - As to off-grid projects, we recommend prioritizing transformational off-grid energy generation and access projects that crowd in private sector investments by supporting fiscal policy instruments such as public incentives, de-risking and smart subsidies as well as enabling regulation. Successful off-grid solutions - especially mini-grids - in most developing countries require intelligent blends of private and public financing in order to ensure energy is affordable and mitigation impact are sustainable. The GCF should therefore remain open-minded to the use of grants, (institutional) capacity building, and policy advice in this sector.
 - Concerning Para 4: It says “For on-grid energy, GCF-1 will address the institutional, technical, regulatory and market barriers to catalyse private finance at scale in solar, wind and geothermal energy in nascent renewable energy markets.” We would like to invite clarification with regard to the following questions: How will these barriers be addressed (is this referring to technical advice and/or capacity building measures)? Is direct investment in renewable energy deployment also subject to GCF support? If yes, explicit mention is recommended.
 - Para 4 goes on to say “With regard to energy transmission/distribution and storage, support can be provided [...]”. We would like to suggest to include a formulation here emphasizing that GCF support of the expansion and/or strengthening of energy transmission and distribution networks/grids as well as storage is conditional on such projects serving the integration of (variable) renewable energies. We invite GCF to consider to avoid the use of vague language in the last sentences of I.4. (e.g. “can be provided”, “focus can be on”, “this can include”) in order to strengthen the binding character of the programmatic directions.
 - On Para 4 in general: The GCF needs to also support the phasing out of fossil fuel subsidies, just transition and phasing out of fossil fuel based power production. Only

support to RE deployment is not enough, as it lacks support for changing the political economy of the transition.

- As to on-grid energy: We would like to also see how the GCF will support off-shore energy.
- Concerning “clean cooking”: We suggest to focus GCF support on electric cooking solutions powered by renewable energy systems (commonly PV), which in our opinion will play a significant role in addressing the clean cooking challenge. Clean cooking should only be supported for “renewable and sustainable fuels”, not fuels in general
- Concerning “clean energy/power”: Furthermore, we ask the GCF secretariat to specify how “clean energy” and “clean power” (see I.3. and I.4.) are defined and suggest to use the term “renewable energies” instead in order to avoid ambiguities possibly opening the door for fossil fuel technologies. It is our understanding that GCF funding will not be available for any fossil fuel projects, in particular not for coal.

- **II. Transport**

- Concerning Para 6: The transport sector is the fastest growing source of energy-related GHG-emissions. Clean or climate-friendly transportation needs to be approached taking into account different means of transportation: automotive forms such as BRT-systems, but also lightrail, non-motorized individual transportation (e.g. bicycle) and other forms of transport. The increase of the share of battery-electric automotive vehicles in the global vehicle fleet is not a stand-alone goal from the point of view of sustainable mobility.
- The GCF should not only take into account "urban transport", but the entire transport sector, including all transport modes, especially since e.g. freight transport as well as aviation are experiencing or are likely to experience fast growth as a result of economic growth; furthermore, together with the maritime transport, aviation and freight transport are still lacking sustainable ready-to-implement alternatives and will be therefore the most difficult sectors to decarbonise in the near future. Moreover to ensure the shift to more sustainability large infrastructure investments will be needed in these sectors.
- What is the definition of "clean transportation"? I. e. electrification of the transport sector is one key approach, where the prerequisite is renewable based power production. However, where direct electrification is not possible in the short to mid-term, renewable based "power-to-x" solutions should be the envisaged alternative, e. g. in the aviation or maritime sector. Environmental and economic sustainability impacts need to be considered in all dimensions.
- Concerning Para 7: The A-S-I-approach is crucial to sustainable mobility, however this section should be expanded twofold: it should not only be about sustainable mobility but also about sustainable transport including all modes of transport. In addition, a 4th aspect should be included in the avoid-sift-improve approach as defined here, namely "transform", to ensure increased GHG reduction and mitigation as well as increasing resilience: The energy basis of the transport sector has to be transformed to renewable energies, i. e. renewable based produced electricity or power-to-x solutions for sectors such as aviation or maritime transport.
- In addition, the efforts for sustainable mobility planning should not merely focus on the national level. Cities are growing and demanding an active role in the efforts to plan, finance and implement infrastructure for sustainable mobility. The GCF should respond to that need and take into account cities. Holistic, integrated mobility planning is indispensable. At the same time, as time matters and in many cities the window of opportunity for setting the strategic direction for sustainable mobility, GCF should not close the door to funding for low-risk, quick-to-implement, transformative and innovative mobility solutions.
- Concerning Para 8: Due to its trans-boundary character, measures for ocean-based transport are difficult to target to developing and emerging countries. This factor needs to be taken into account when selecting activities to be funded through GCF. The section

would therefore benefit from further clarification of the role the GCF could play in ocean-based transport. E-Fuels or Hydrogen can contribute to making ocean-based transport more climate-friendly. These solutions need to take into account the low energetic efficiency of e-fuels and hydrogen and make sure they are produced using renewable energy. The promotion and financial support of large-scale production of zero-carbon-fuel based on renewable electricity should be also emphasised by the GCF, since the focus on identification and addressing of barriers" does not clearly imply action based approaches.

- **III. Buildings, cities and industries**

- Cities: We welcome the outlined aims of preventing inefficient path dependencies as well as supporting the development and implementation of integrated green cities actions. While the proposed dedicated financing facilities for low-emission and climate-resilient investment in order to leverage additional private capital, including guarantee mechanisms to attract more capital for cities, are highly welcome, the question of how cities as public actors can be better reached through the AEs remains unaddressed.
- A key factor to reduce the GHG emission profile of cities and to make urban infrastructure more resilient is to allow cities to access necessary finance for sustainable urban infrastructure (development). Therefore, financing facilities for urban infrastructure investments should not be limited to mega cities. Mega cities do usually have less difficulty in accessing finance compared to secondary and smaller cities.
- It is unclear how cities may access GCF funds directly, hence the inclusion of urban plans and needs into national plans and proposed AEs projects needs to be secured more coherently, also with regard to accessing project preparation support. In this regard, more attention should be given to the fiscal and regulatory boundaries of cities that may further impede GCF financing of urban projects (e.g. via guarantee mechanisms). The corresponding indicator (number of beneficiaries covered by green cities plans) falls short on the urban potentials (e.g. not addressing CO₂ t saved by compact structures, building materials etc.). A green city plan remains undefined.
- The link between cities and infrastructure should be mentioned explicitly. Investments in urban climate friendly and resilient infrastructure are key to avoid this mentioned path dependency. GCF could play a significant role here to enhance mechanisms to crowd in public and private funding.
- Focus on energy efficiency and cooling is of high importance.
- Cities and urban areas are identified in SR1.5 as one of the four critical global systems transitions that can accelerate ambition and upscale climate action. Yet, the ambition of this strategy with regards to urban infrastructure development falls short. This holds for the areas: facilitating investments, project preparation as well as capacity development.
 - Role of subnational governments: GCF supports national governments with their national climate plans, yet cities and subnational levels of government play a crucial role in achieving national goals set and priorities. Especially transformational planning and programming requires a multi-level approach with key stakeholders involved. This is not reflected.
 - Project preparation: With regards to urban infrastructure development, project preparation is of special importance. A key barrier for investments in urban infrastructure is the lack of bankable projects and to enable proper access to long-term finance. The strategic plan does not offer a vision on how project preparation for urban projects can be facilitated by GCF. Having this in mind when scaling up the deployment of the Project Preparation Facility (PPF) Partnerships with other project preparation facilities and planning partners will also be key in this regard.
- Buildings: The focus of cooling systems in energy efficiency of buildings and phasing out HFCs is a welcome and needed focus. However, it is important to bear in mind that cooling as such is an adaptive measure that causes increased emissions. Anything that increases

rather than decreases emissions will be counter to limiting global warming. Any GCF project on cooling will thus have to demonstrate that it will reduce rather than increase emissions. Moreover, we recommend to draw stronger connections with the overall built environment and urban structure. Energy efficiency can be further scaled if it is seen as more than the sum of individual buildings. The high transformative potential and development need of employing alternative, climate-friendly building materials in the construction process is missing even though it would represent a needed paradigm shift. Projects which address the ambitious improvement of the existing building stock in line with pathways for a low / zero emission building sector should be encouraged.

- Urban development in general: The proposed strategy does not fully harness the full potential of cities for low-emission and climate-resilient development as it limits urban development to be one sector among others. The relevance of shaping sustainable cities in order to reach the global climate goals could be further underlined e.g. addressing facts like the enormous building demand in cities and 70% of global investments needs being urban, which make cities inevitably the major action area for global climate finance and thus the GCF. Even though many projects in nearly all GCF high-impact areas have to be implemented in cities, the interlinkages of those with urban development are missing, e.g. in transport, land use, vulnerable people and communities, health and well-being, infrastructure and built environment. The general importance of low-emission and climate-resilient urban areas for the overall strategy should be strengthened and pointed out generally. Cities should be recognized as a major context for action for the GCF, regardless of the impact area.
 - Waste: Waste has been identified as a priority sector. Yet, further elaborations of GCF support to this sector are missing throughout the document. The importance of the subject requires attention and support by GCF. According to our data, it is not true that 110 countries have identified waste as a priority in their NDCs. Based on UNFCCC data, only 16 make waste a priority, with another 97 considering waste. Please verify.
- **IV. Forestry and land use**
 - While we appreciate the text on forestry, we would expect more on land use here (livestock and agriculture in particular).
 - The stronger focus on geographic or thematic programmes is generally appreciated. It will be decisive for the success of this GCF approach that strong coordination and alignment with existing projects, programs and overarching policy instruments take place. Germany collaborates with Norway and UK on programmatic long-term frameworks with partner governments, e.g. through the REDD Early Movers programs, FCPF, BioCF or through dedicated bilateral Joint Declarations of Intent on REDD+. Hence, programmatic approaches initiated by the GCF should seek early coordination in developing respective funding windows with respective funders and recipient countries.
 - Concerning Para 14: Leveraging private sector engagement instruments identified in the Strategic Plan such as de-risking long-term investments, generating dedicated credit lines, or enabling the creation of equity funds for impact investors are considered useful. Such instruments should also be developed to support and enable national or regional financial institutions / banks to develop instruments that enable long-term access to agricultural loan / credit programs tied to environmental and social safeguards – in conjunction with rural support / extension services. Private sector finance for agriculture supply chains should be accompanied by robust accounting frameworks, such as developed by the AFI; and coordination instruments such as the Tropical Forest Alliance.

- **V. The most vulnerable people, communities, and regions**
 - Concerning Para 17: We welcome that the GCF wants to embed enhanced livelihoods of the most vulnerable into all its work. In order to do this in a sustainable way, there need to be in-depth vulnerability assessments of communities and sectors.
 - Concerning Para 19: Various sectors and solutions are mixed together in relation to early warning and climate information, and how they can support the commercialization of climate information. There is a bit of a lack of focus in terms of what the GCF wants to support concretely; in addition, priority should not be the commercialization of climate information, but rather strengthening access and usability of climate information, including a more nuanced view on the different levels and applications of climate information. Commercialisation of country-specific climate information services might help to mobilise private investments in these areas, but they do need a return on investment. The most vulnerable (and/or poor) communities are not helped when services improve in quality but end up behind a paywall. We would like this section to acknowledge this potential tension.
 - In paragraph 19 as well, it is mentioned that GCF could support scaling up climate risk insurance for poor and vulnerable people, but without further details on the concrete types of support the GCF could provide here. In light of comments above on the importance of coherence and complementarity, reference to the InsuResilience Global Partnership and how the GCF will work with other programs would be welcome additions in this section.

- **VI. Health and well-being, food and water security**
 - Only agriculture and food security are highlighted as critical components of country NDCs. However, water security is the most prioritized sector in the adaptation component of the NDCs. Thus, it would be crucial to include the water aspect at this point as well.
 - “...the climate-resilient water supply and sanitation, conjunctive use of alternative water sources, as well as the promotion of nature-based solutions for flood control.” We believe that it would be important to emphasize that nature-based solutions are not only relevant for flood control, but also for adaptation and mitigation.
 - We would like to see a stronger focus on paradigm shift in this section. What kinds of projects and programmes could stimulate a paradigm shift?

Regarding Annex III: Integrated results and resources framework 2020–2023

- We very much support the idea of developing new indicators both to measure transformation, as well as to measure adaptation and mitigation in better terms. We look forward to more concrete proposals, i.e. the indicator that will measure the “extent to which GCF investment has delivered transformational change in developing countries”.