To

Kilaparti Ramakrishna
Head of Strategic Planning
Office of the Executive Director
Green Climate Fund

30.04.2019

Stephan Hoch
Perspectives Climate Group
Hugstetterstr.7, 79106 Freiburg
www.perspectives.cc
www.climatefinanceinnovators.com

Ref: Request for Input to GCF's Strategic Plan

Dear Madam/Sir,

This input responds to the "Request for Input to GCF's Strategic Plan", and is submitted by Perspectives Climate Group as an accredited private sector observer organization on behalf of the members of the Climate Finance Innovators (CFI) project.[1] Perspectives and the CFI project team welcome this opportunity to submit their inputs to the GCF.

Considering the mandate of the GCF outlined in its Governing Instrument, as well as its role as an operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) which also serves the Paris Agreement, we suggest that the GCF can further enhance its effectiveness and impact with regard to the ambitions laid out to the Vision for the GCF presented in the initial Strategic Plan, specifically to:

- Operate in coherence with the existing climate finance institutions
- Leverage additional financial inputs from innovative and alternative sources

On an overarching level, we believe that the GCF's approach should evolve through incorporation of the emerging **Paris Agreement Rule Book**, as well as through promotion of **synergies between existing UNFCCC mechanisms and the GCF**. We would like to suggest the following items for your consideration:

- **Enhance transparency and comparability of reporting climate impacts to enable robust NDC accounting.** Streamlined GCF guidance on how to work towards a harmonized approach on measuring and reporting of climate impacts, in particular emission reductions and avoided emissions, needs to be developed**.** Currently, Accredited Entities and Executing Entities suggest their own methodologies for demonstrating mitigation results, which leads to inconsistent – and, on occasion, opaque – results. The GCF should build more systematically on established UNFCCC best practices in order to avoid such fragmentation of MRV approaches. This becomes increasingly relevant as all countries move towards reporting progress on implementing their NDCs.
  Currently, the Clean Development Mechanism's baseline and monitoring methodologies are the only UNFCCC-approved MRV tools. These are becoming increasingly standardized and simplified for many project-types. Using harmonized methodologies, initially building, among others, on the CDM

[1] https://www.climatefinanceinnovators.com/

MRV toolkit, will create a level playing field for GCF proposal assessment as well as a consistent assessment of mitigation impacts of GCF projects, including their contribution to host country NDCs. It is acknowledged that some types of activity supported by the GCF, notably policy and regulatory strengthening and REDD+, can have substantial emission reduction benefits but are not addressed by existing CDM methodologies and tools. For such activities, the current project-specific approach to MRV could continue or, better, the GCF could develop its own MRV standards and best practices. Moreover, the GCF should take note of the evolving rulebook and MRV toolkit of the nascent Paris Agreement Article 6 mechanisms, which are likely to comprise policy instruments and new approaches for baseline and monitoring approaches.

- **Building on CDM experience with programmatic approaches** can support the GCF in developing rules and procedures for programmatic funding approvals, and streamline the process for adding sub-projects to Board-approved GCF programmes. CDM Programmes of Activities (PoAs) have transformed the CDM from a project-based to a programmatic mechanism, in the process delivering high sustainable development impacts and significantly boosting the participation of African countries and LDCs. The GCF should systematically reflect on the PoA concept as it evolved within the CDM and experience with a view to considering its integration into the GCF.

- **The CDM pipeline offers significant mitigation potential**. Registered CDM projects and programmes have undergone a rigorous UNFCCC-governed registration process, which includes validation and verification by independent third-party auditors. The CDM has stalled due to low prevailing CER prices, which are at least partially attributable to low market demand due to a lack of climate ambition among those countries with mitigation commitments under the Kyoto Protocol. This means that there is a large pool of scalable UNFCCC-registered CDM activities that would be able to deliver large volumes of emission reductions rapidly and robustly if GCF resources were accessible to purchase their mitigation outcomes. Any such action should be subject to a rigorous screening process in place to ensure such activities fully comply with GCF standards and requirements, such as delivering transformational climate and SD impacts as well directly supporting host country NDC priorities. Yet, the CDM portfolio clearly shows that, in particular in low-income countries, there is a relevant pool of mitigation potential that meets these criteria and represents a highly accessible ('off the shelf') and highly cost-effective solution for the GCF. Concerns about double counting of emission reductions can be straightforwardly prevented by requiring the cancellation of all resulting carbon credits, as is already being practised by the GCF in the context of REDD+. The UNFCCC Secretariat operates a CDM registry that includes a specifically designated cancellation account for exactly this purpose, in which more than 100+million mitigation outcomes have already been cancelled.

- **Mobilization of the private sector.** One of the unquestioned successes of the CDM – and other carbon finance instruments – has been to mobilize private sector investment towards climate mitigation. Strengthen linkages between carbon market mechanisms with results-based climate financing in the context of government priorities for NDC implementation represents an opportunity for the GCF to broaden its private sector engagement by tapping into carbon market capacities and structures. GCF support to the pipeline of registered but largely dormant CDM activities would serve not only to generate large volumes of emission reductions in a compressed timescale but would also serve to harness private sector capital, innovation and dynamism.

- **Include the CDM and Article 6 in GCF outreach activities.** As the Paris Agreement provides long-term political certainty for market mechanisms through Article 6, the GCF should develop a position on how it can achieve complementarity and synergies with mechanisms such as the CDM and a new generation of Article 6 instruments. The GCF has made extensive, and successful, efforts to reach out and coordinate with other climate finance institutions, such as the GEF, the Adaptation Fund and the Technology Executive Committee. Similar efforts with regard to carbon market mechanisms would help to cement the GCF's relevance and profile as part of the Financial Mechanism of the UNFCCC. It is noteworthy that many GCF NDAs also serve as CDM DNAs: outreach and capacity building efforts by the GCF can have significant carry-over benefits for the institutions concerned.

- Considering the geographical spread of countries and institutions that are working with the GCF; it becomes quite essential for the GCF to establish regional hubs across continents to increase the funds coverage proactively. This institutionalization not only increases the funds responsiveness but will also make the GCF have a better understanding of the country and regional context and the proposed funding request for a particular programme.

Yours respectfully,

Stephan Hoch

Stephan Hoch,
On behalf of the Climate Finance Innovators Team