Introducing the Adaptation Benefit Mechanism (ABM)

A New Approach to Private Sector Finance for Adaptation

London - 11 April 2017
The Paris Agreement

- At COP 21 in Paris: Parties to the UNFCCC reached a landmark agreement to combat climate change and to accelerate and intensify the actions and investments needed for a sustainable low carbon future.

- On 5 October 2016: the threshold for entry into force achieved.

- 4 November 2016: Entry into force on.
Objectives of the Paris Agreement (Art. 2)

Strengthening the global response to the threat of climate change through:

- **Long-term temperature goal** – The Paris Agreement, in seeking to strengthen the global response to climate change, reaffirms the goal of limiting global temperature increase to well below 2 degrees Celsius, while pursuing efforts to limit the increase to 1.5 degrees.

- **Strengthen the ability to adapt** to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development

- **Making finance** flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

All parties required to contribute to the achievement of the objective of the agreement reflecting equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances.
The Adaptation Finance Gap and The Need for Private Sector Finance in Adaptation

- The predicted 2030 emissions will, even if the Paris pledges are fully implemented, place the world on track for a temperature rise of **2.9 to 3.4 degrees** this century.

- Adaptation needs are tremendous and would require considerable resources.

  - International public adaptation finance in 2014 from bilateral and multilateral sources was approximately USD 25 billion, with **USD 22.5 billion** going to developing countries (UNEP, The Adaptation Finance Gap Report 2016.)

  - The World Bank’s Economics of Adaptation to Climate Change (EACC) study estimates that the cost of adapting to a 2 C warmer world between 2010 and 2050 comes with a price tag of **70–100 billion US dollars per year**

- Need to **scale-up adaptation** finance to an unprecedented level.

- The **Private Sector** could be play a significant role in closing the gap

- Need for **provisions** and tools that would **incentives the private sector participation**
Adaptation (Art. 7)

- Establish global goal on adaptation of enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change.

- Recognize that adaptation is a global challenge faced by all and is a key component of and makes a contribution to the long-term global response to climate change.

- Recognize the adaptation efforts of developing country Parties.

- Parties recognize that the current need for adaptation is significant and that greater levels of mitigation can reduce the need for additional adaptation efforts, and that greater adaptation needs can involve greater adaptation costs.

- Recognize the importance of support for and international cooperation on adaptation efforts and stipulates that the current need for adaptation is significant and that greater adaptation needs can involve greater adaptation costs.
Market and non-markets Approaches (Art. 6)

- **Cooperative Approaches (CA):** Parties may voluntarily cooperate in implementing their NDC so as to achieve higher ambition, and to promote sustainable development through the transfer of mitigation outcomes (ITMOs) (Art. 6.2-3),

- **Mitigation and Sustainable Development Mechanism (MSDM):** similar in its design to CDM, but scope and modalities of work yet to be determined

- **A framework for Non-Market Approaches (PA Art. 6.8-9):** framework for an integrated, holistic and balanced non-market approaches to assist in the implementation of NDCs.
Non Market Approaches

- **Aim:** assist in implementation of NDC in the context of sustainable development and poverty eradication.

- **Scope:** May include mitigation, adaptation, finance, technology transfer, capacity building

- **Objective:** promote ambition (mitigation and adaptation), Enhance public and private participation in NDC, Enable coordination across instruments and institutions.
A New Approach

Considering:

- The need for upscaling efforts to combat global warming
- The need to upscale adaptation efforts against the adverse effect of climate change,
- The need to enhance and incentivize private sector participation in adaptation efforts,
- The lessons learnt from the CDM demonstrating that a well targeted policy can mobilize the private sector and deliver environmental results,
- The provision in the Paris Agreement encouraging cooperation between parties in the area of adaptation and the provision of a framework of non-market approaches explicitly citing adaptation.

The Adaption Benefit Mechanism
The Adaptation Benefit Mechanism: Governance

- The **ABM** can be established as a non-market-based mechanism under the framework for non-market-based approaches, as referred to in Article 6.8. of the Paris Agreement.

- The **ABM** would be situated under the guidance and authority of the CMA and be governed by an Executive Board (or another body appointed by the CMA) with the support of the UNFCCC Secretariat.

- The **ABM** would have its own modalities and procedures, methodologies, project design document/project description template, monitoring reports and tools to determine that it contributes to enhanced action, permanence and safeguards building upon best practices from existing mechanisms.
The Adaptation Benefit Mechanism: Purpose

The Adaptation Benefit Mechanism (ABM) would be one of the tools in the toolbox for the implementation of the Paris Agreement.

Its main purpose would be to create a business model that encourages private sector investment in adaptation in order to help scale up climate finance and simultaneously deliver contributions to the Sustainable Development Goals and the goals of the Paris Agreement.

ABM would provide incentives to project developers to go beyond business-as-usual and invest in technologies and services that deliver adaptation benefits to households, communities and economic sectors in developing countries, making them economically stronger and better able to withstand climate shocks.

In addition to scaling up climate finance, ABM would contribute to achieving the global goal of Adaptation in the Paris Agreement, as well as to implementing relevant targets and priorities of the host countries. ABM activities may also have multiple co-benefits, including in relation to mitigation, technology development and transfer, and the Sustainable Development Goals.
The Adaptation Benefit Mechanism: Scope

Adaptation projects or programs of activities that:

• Deliver measurable and verifiable adaptation benefits that can be issued as ABUs
• Contribute to enhanced action on adaptation in accordance with the relevant targets and priorities of the host country, and
• Has been developed in accordance with any other future UNFCCC guidance, criteria or requirements

should be eligible to generate ABUs under this mechanism.

Example, any activity which makes households and communities more resilient to climate-induced shocks constitutes an adaptation benefit: Clean cooking-stoves, flood prevention, disaster risk reduction etc…
Status of the negotiation on Art. 6.8 and 6.9

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• Initiated the process related to the work programme under the framework for non-market approaches to sustainable development

• Invited Parties and observer organizations to submit by 30 September 2016 their views on the work programme

Submission by parties

• Outlined some of the main purposes of the framework.

• Cautioned to avoid duplication of work with other processes under the UNFCCC. They recommend focusing discussions on possible synergies and coordination in non-market cooperation.

• Suggested specific issues that could usefully be tackled under the new framework such as fossil fuel subsidy reform, phase-out of inefficient and polluting technology etc…

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• Invited Parties to submit, by 17 March 2017, their views on the elements to be addressed, including their operationalization, overarching issues, and relationships between Article 6, paragraphs 8 and 9, and other provisions of the PA, the Convention and its related legal instruments, as relevant.

• The SBSTA also requested the secretariat to organize a roundtable discussion among Parties based on the submissions, in conjunction with SBSTA 46 (May 2017)

Not much progress on the negotiations for this agenda item

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• Submission by Uganda suggesting the creation of an Adaptation Benefit Mechanism (ABM) and requesting parties