Small businesses are critical yet often overlooked players in climate change adaptation (WRI).

Most adaptation finance has been stimulated from public sources such as bilateral and multilateral climate funds, as the private sector usually is deterred by the lack of a reasonably secured revenue stream (CICERO).

The scale of the funding challenge, and the dominance of the private sector in the delivery of goods and services where adaptation will be most needed, means that the private sector has a crucial role to play in addressing adaptation (CIF PPCR).

How do we get the private sector to invest in adaptation activities?

1. The ABM should incentivize (small) businesses to get involved in adaptation activities
2. The ABM should provide incremental funding and help secure revenue streams
3. Support enabling conditions for the provision of adaptive products and services typically run by small business
Implications for Project Cycle Design

Guidance
- Use as much as possible of the existing infrastructures
- Follow the model of CDM that proved successful for incentivizing the private sector
- Reduce transaction costs: validation, national approval, verification, registration

Objectives
- Make it easy for the private sector to fund adaptation activities
- Incentivise co-finance streams for adaptation systems
- Provide for the use of an Adaptation Benefit Purchase Agreement as a collateral for upfront funding

Key features
- Funder confidence: financial additionality where relevant, not support to baseline projects
- Approach for generating Adaptation Benefit Units
- Develop a Project Description that provides for a storytelling part and a description of the socio-economic baseline and climate change baseline
- Provide for shaping the project/program over time, including baseline assessments and revisions
- Monitoring of SDG targets and indicators
This example of how an Adaptation Benefit Mechanism can be organised under the Paris Agreement does not prejudge any developments and initiatives taken by the Parties to the UNFCCC with regard to the ABM. Nor does it represent any view of a particular Party.
Stakeholder Consultations and Host Country Approval

**Basic requirement**

Summary of local stakeholder consultations

A standard for consultations in the Project Description, including information to stakeholders on their access to a complaints and grievance mechanism

**Building on CDM**

A Letter of Approval would provide confidence to the project developer and the funder that the project can be registered and is endorsed by the host country government
The proposal is that the Adaptation Benefit Mechanism Executive Board

1. Accredits Operational Entities

2. Approves Operational Entities

- Approves operational entities that are accredited under other schemes or in other ways are licensed to make audits and assessments.

- AOE should have knowledge and practical experience on the ground from more than one sector in developing countries.

- Preliminary validation is confirmed after the first year as an output of the first verification.

- Verification includes review of monitoring plan and baseline values.
ABM-PD (Project Description)

Project Design and Formulation

Stakeholder consultations

National Approval

Pre-approval

Implementation

Monitoring

Registration, Verification and Certification

Issuance

Project Developer

Secretariat

Project Developer

Project Developer

Independent Auditor (AOE)

ABM Board / Registry

Simplified Registration Procedure
Project Participant request issuance

ABM EB decides to issue ABUs

ABUs are issued in ABM registry (pending account)

Project participant receives cancellation codes

Cancellation codes can be transferred to other company/organisation

Project Participant cancels ABUs.

ABUs transferred from pending account to cancellation account

ABM registry certifies that ABUs have been cancelled and makes this information public.
Conclusion

Inspired by CDM but with some significant differences

Will this get the private sector to invest in adaptation activities?

Possibly, but need to build confidence

- in the approach for how Adaptation Benefit Units are created
- for the buyer that the ABUs have a significant impact for the implementation of the project
- that projects and programs deliver real adaptation benefits
### Adaptation Benefits and SDGs

<table>
<thead>
<tr>
<th>Main Scope</th>
<th>Scope as per IPCC AR5 WG-2</th>
<th>Key Sustainable Development Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ecosystems resilience</strong></td>
<td>FRESHWATER RESOURCES</td>
<td>#6 Clean Water and Sanitation</td>
</tr>
<tr>
<td><strong>(Ecological Infrastructure)</strong></td>
<td>TERRESTRIAL AND FRESHWATER ECOSYSTEMS</td>
<td>#15 Life on Land</td>
</tr>
<tr>
<td><strong>Coastal systems and low lying areas</strong></td>
<td>COASTAL SYSTEMS AND LOW LYING AREAS</td>
<td>#14 Life below Water</td>
</tr>
<tr>
<td></td>
<td><strong>Marine systems</strong></td>
<td>#15 Life on Land</td>
</tr>
<tr>
<td></td>
<td><strong>Food security and food production systems</strong></td>
<td>#2 Zero Hunger</td>
</tr>
<tr>
<td><strong>Resilient infrastructure</strong></td>
<td>URBAN AREAS</td>
<td>#11 Sustainable Cities and Communities</td>
</tr>
<tr>
<td></td>
<td>RURAL AREAS</td>
<td>#2 Zero Hunger</td>
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<tr>
<td></td>
<td><strong>Economic sector resilience</strong></td>
<td>#7 Affordable and Clean Energy</td>
</tr>
<tr>
<td><strong>Key economic sectors and services</strong></td>
<td><strong>Human health</strong></td>
<td>#10 Peace, Justice and Strong Institutions</td>
</tr>
<tr>
<td></td>
<td><strong>Human security</strong></td>
<td>#1 No Poverty</td>
</tr>
<tr>
<td></td>
<td><strong>Livelihoods and poverty</strong></td>
<td>#3 Good Health and Well-being</td>
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**Define long-term adaptation goal.** How does the project contribute to this goal?
Adaptation Benefits and SDG Targets

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<tr>
<td>Ecosystems resilience (Ecological Infrastructure)</td>
<td>Freshwater resources</td>
<td>#6.6 Protect and restore water-related ecosystems</td>
</tr>
<tr>
<td></td>
<td>Terrestrial and freshwater ecosystems</td>
<td>#5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</td>
</tr>
<tr>
<td></td>
<td>Coastal systems and low lying areas</td>
<td>#8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</td>
</tr>
<tr>
<td></td>
<td>Marine systems</td>
<td></td>
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<tr>
<td></td>
<td>Food security and food production systems</td>
<td></td>
</tr>
<tr>
<td>Resilient infrastructure</td>
<td>Urban areas</td>
<td>#17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships</td>
</tr>
<tr>
<td></td>
<td>Rural areas</td>
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<tr>
<td>Economic sector resilience</td>
<td>Key economic sectors and services</td>
<td></td>
</tr>
<tr>
<td>Community resilience</td>
<td>Human health</td>
<td>#6.1 Universal and equitable access to safe and affordable drinking water for all</td>
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<td></td>
<td>Human security</td>
<td>#6.2 Adequate and equitable sanitation and hygiene</td>
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<tr>
<td></td>
<td>Livelihoods and poverty</td>
<td>#3.2 End preventable deaths of newborns and children under 5 years of age</td>
</tr>
<tr>
<td></td>
<td></td>
<td>#3.3 End the epidemics of water-borne diseases</td>
</tr>
</tbody>
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Adaptive System (e.g. WASH)
Step 1. Define the proposed ABM activity

Step 2. Examine whether the proposed ABM activity is part of the own contribution of the host country, which is communicated via its NDC

Step 3. Identify which priorities of the host country that require international support for the adaptation benefits of the proposed ABM activity contributes

Step 4. Determine whether the proposed ABM activity qualifies for any positive list

Step 5: Check whether the proposed ABM activity already is a mandatory/legal/regulatory requirement, whether they are not intended to be, or are already part of any governmental plans or programmes for which funding has been secured or will be allocated in the near future
Step 6. Is the project a greenfield project?

For Greenfield projects – Step 7a: identify alternatives, check whether the adaptation benefits of the alternatives contribute more to achieving the priorities of the host country than the proposed ABM activity (a disqualifier, if Yes)

For Existing projects – 7b: Assess BAU practice and compare BAU practice to ABM Activity to determine whether the ABM activity is BAU

Step 8. Does the project have a revenue stream?

Step 9. Does the ABM help overcome the barriers?
So far so good, what’s the next step?

- Apply methodology
- Provide transparent cost declaration
- Show how ABUs will be generated
- Show how SDG targets are measured and define whether they are part of the ABU approach (conditional) or reported as co-benefits
- Develop a preliminary monitoring plan