



Mobilizing climate finance from the private sector – Nordic experiences and ways forward

During 2018, the Nordic initiative 'Nordic Public-Private Platform on Mobilization of Climate Finance', has engaged numerous Nordic climate finance actors through workshops, webinars as well as thematic work in four issue groups covering various opportunities to help mobilize private finance for climate action.¹ During this work, new opportunities to accelerate mobilization of private climate finance, through improved sharing of best practices as well as joint action have been identified.

Greening the financial system

Nordic finance sector stakeholders, including private and public ones, broadly welcome the recommendations from the Task Force on Climate-Related Financial Disclosure (TCFD). Numerous Nordic pension funds have taken a proactive role in climate compatible investing, some are also entering private equity and project financing in developing country markets. The Nordic financial sector has also been a pioneer in developing the green bond concept and market. However, several opportunities to jointly further accelerate mobilization and deepen the greening of the financial sector have been identified:

- The Nordics could jointly show global leadership by spearheading climate-related scenario work aligning investments with a 1.5°C target, as urged in the recent IPCC Special Report on Global Warming of 1.5°C.
- The Nordics could help gear the discussion towards the opportunities in addressing climate risks proactively and holistically, while understanding the urgency to

ensure that the most vulnerable are protected against the already on-going climate changes.

- The Nordics could jointly contribute to awareness raising and competence building amongst politicians, legislators, regulators as well as private stakeholders, to strengthen the enabling environment for the required finance sector sustainability transformation.

"If you want to get things done – aim at something concrete! The carbon footprint of our listed equity and credit holdings will be halved and our strategic sustainability investments will be doubled, to over SEK 20 billion (around USD 2 billion) by 2018."

Peter Lundkvist

Senior Strategist and Head of Corporate Governance,
Swedish pension fund AP3

¹ This document is a summary of two issue briefs published in the context of the Nordic Council of Ministers project *Nordic Public-Private Collaborative Platform on Mobilization of Climate Finance*.

De-risking private finance for climate action in developing countries

Nordic institutions have built world-leading funds and initiatives on de-risking private climate finance. However, there would be a strong benefit of centralized coordination of projects and funds amongst Nordic countries through a joint platform. This would ensure information sharing on viable projects and, on the other hand, give access to Nordic de-risking instruments such as export guarantees, equity, loans and project development grants in one place.

- Project developers could approach a centralized entity and be linked with different Nordic de-risking institutions (ECAs, DFIs) for different kinds of specific needs.
- The specific deals would still remain independent, but a centralized entity would ensure coordination of efforts and resources and enhance cooperation between the Nordic countries.

"Nordic cooperation through pooled funding and spreading risks across different stakeholders would be a great option."

Dan Cleff

Deputy Director, Danish export credit agency EKF

Climate-friendly investments in supply chains

A large portion of the Nordic carbon footprint comes from the supply chains of consumed goods. Strengthened Nordic interaction between existing sustainable supply chain actors, Nordic financial institutions and the corporate sectors could improve knowledge and cooperation. It could also potentially help raise funding for existing funds and platforms:

- The Nordic corporates, governments and financial sectors could establish a supply chain climate action facility. Such a facility would not actually provide investment finance but support the development of projects and corporates that could then become investment cases for funds such as the &Green Fund or others.
- Nordic cities and national governments could align their procurement policies with the climate agenda to further drive significant climate investments in the supply chain.

- Financial institutions in the Nordic countries, supported by adequate financial regulations, could find ways to incentivize climate action by further recognizing and rewarding corporates' sustainability and climate performance in North-South supply chains through better commercial terms.

Using Article 6 under the Paris Agreement – to mobilize private finance

Although the experience with Nordic countries' use of project-based market-based mechanisms have been mixed, such mechanisms can have a significant role in the mobilization of climate finance from the private sector. Article 6 of the Paris Agreement opens up new ways for Nordic countries to use such mechanisms.

- Nordic countries who still purchase carbon credits could use Article 6.2 to team up directly with individual emerging countries to set up and implement domestic policy instruments (e.g. feed-in tariffs) that mobilize private finance. This can lead to internationally transferred mitigation outcomes (ITMOs that can be used to count towards the achievement of the countries' NDCs).
- The same Nordic countries could use Article 6.4 as a centralized, international crediting instrument under the UNFCCC, with assured quality and acceptance of emission reductions to help achieve NDCs, mobilize private finance and support sustainable development efforts in host countries.
- As long as Article 6.2 and 6.4 are still subject to further UNFCCC negotiations, Nordic countries can already move ahead with bilateral test instruments that can later on be integrated under Article 6.2 The Nordic countries could build a joint Nordic working group to support negotiations, particularly on environmental integrity and sustainable development.

References



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Greening the financial system: Nordic experiences and the way forward



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Mobilizing private finance for climate action in the global South: Nordic experiences and the way forward

This brief has been prepared by **Anna Asikainen (South Pole)**, **Martin Stadelmann (South Pole)**, **Mikko Halonen (Gaia Consulting)** and **Henrik Sjöblom (Gaia Consulting)** on behalf of the **Nordic Council of Ministers**.

If you are interested in the 'Nordic Public-Private Platform on Mobilization of Climate Finance', please contact a.asikainen@southpole.com