Event Report

Asia Pacific Climate Week

13-15 December 2017
UN Conference Center, Bangkok

1. Background

H.E. Inia Seruiratu, High Level Climate Champion and Minister, Fiji; Shamshad Akhtar, Under-Secretary General, United Nations and Executive Secretary of UNESCAP; and Dirk Forrister, President & CEO, IETA, at the opening of the High Level Ministerial Day on Climate Action on 15 December.

Asia-Pacific Climate Week 2017 (APCW 2017) took place from 13-15 December 2017 in Bangkok, Thailand. It was hosted by UNESCAP, in partnership with the UN Framework Convention on Climate Change (UNFCCC), UNEP-DTU, the UN Development Programme (UNDP), Asian Development Bank (ADB), International Emissions Trading Association (IETA), Thai Greenhouse Gas Office (TGO), and the Institute for Global Environmental Strategies (IGES). APCW 2017 is part of a series of annual events organised in each region under the Nairobi Framework Partnership (NFP), serviced by UNFCCC. The NFP is a partnership of UN organisations, multilateral development banks, regional organisations and think-tanks, and private sector associations, promoting market based approaches and public-private collaboration to implement the Nationally Determined Contributions (NDCs) and scale-up ambition under the Paris Agreement (PA).

A key outcome of the APCW2017 was the first Regional Climate Action Agenda (RCAA), which embodies the interface between public and private sectors, identifying opportunities for the region and priority actions for different stakeholders to move forward climate action and raise ambition in key economic sectors, including energy, industry, agriculture, cities and oceans, to promote carbon pricing instruments and policies, and to ensure better transboundary data collection, and access to finance. To ensure broad ownership and inputs, the draft RCAA will be open for public consultation until end January 2018. It will be used as the region’s input into the Global Climate Action (GCA) process and the Talanoa Dialogue, and will contribute to the priorities of the GCA High-Level Climate Champions for 2018, namely to strengthen the spread of climate action to the global South and to hear the voices of the region’s non-state actors.

Ministers and private sector leaders at the High Level Ministerial Day on Climate Action on 15 December.

Participants included Finance and line Ministers, high-level officials and policymakers, private sector leaders and practitioners, scholars, development partners and stakeholders from more than 40 countries in the Asia Pacific region and beyond.

Asia and the Pacific is emerging as a global leader in demonstrating how growth and sustainable development can be achieved through promoting carbon pricing for cost-effective achievement of the Nationally Determined Contributions, and sustainable solutions for energy, agriculture, and the region's oceans and cities. The region is a growth area for carbon pricing and markets, and a wealth of opportunities are being created as countries look to use market forces to drive the low-carbon transition, both domestically and through Article 6 of the Paris Agreement. Participants also recognised the role of capital markets to increase access to finance for climate action and to provide low-income, climate-vulnerable countries targeted international support to access these markets, in order to finance the transition to low greenhouse gas emissions and climate-resilient development through enhanced regional collaboration and awareness-raising.

Over the three days of the event, the nearly 300 participants of APCW 2017 had informed and vibrant discussions. These covered carbon markets, climate smart agriculture, sustainable energy and industry, resilient cities, and oceans and blue carbon ecosystems. Discussions also explored the implications of Article 6 of the Paris Climate Agreement; how the foreseen Internationally Transferred Mitigation Outcomes (ITMOs) could work to raise ambition; the harmonisation of monitoring, reporting and verification processes to increase transparency; the newest developments to create the world's largest carbon market in China; steps being taken towards an emissions trading system in Thailand; and strategies

Public and private sector panelists at the Plenary Session on Hunting for Billions: Unlocking and Scaling Climate Finance in Asia

for increasing access to finance for climate action through de-risking solutions and credit enhancement instruments. APCW also had a number of thought-provoking side events on topics including carbon pricing in India; the Joint Crediting Mechanism (JCM), energy opportunities in South East Asia; the next generation of carbon markets in North East Asia; a climate blockchain roundtable brainstorm; innovation and deployment of low-carbon technology; and an emissions trading simulation.

Significantly, the event illustrated that there is now significant momentum in the region for green bonds. China and India have been leading the way, but participants emphasized the imperative to “leave no one behind”. There is a unique opportunity to help the least-developed countries and the small island developing states to be part of the action, and there are ready solutions that can help these countries access the international capital markets while also deepening their financial systems, freeing up resources, and reorienting these economies towards new growth opportunities.

In this regard, ESCAP introduced its newly launched report on access to debt capital markets for financing climate action, which identifies four areas for regional cooperation.[1] The priorities it outlines form the core of the forthcoming Regional Climate Action Agenda on finance.

2. Key topics discussed

2.1 Climate Action

Since the COP23 meeting in Bonn, Germany in November 2017, there has been significant progress in accelerating the implementation of the Paris Agreement through practical action on the ground. The Marrakech Partnership for GCA seeks to increase cooperative efforts between businesses, local and regional governments, civil society and national governments to promote emission reductions and sustainable development. The presence of the High-Level Champion for GCA, Honorable Inia Seruiratu, at Asia Pacific Climate Week offered a unique opportunity to deepen the collaborative efforts among the broad coalition of regional stakeholders.

[1] *Financing Climate Action in Asia and the Pacific: A Regional Action Agenda to Access Debt Capital Markets*. UNESCAP. December 2017.

During his opening remarks, ESCAP Deputy Executive Secretary, Mr. Hongjoo Hahm, emphasized the critical role of the private sector as the engine of economic growth, innovation, and capacity to spur technological change, making it an essential part of solving the climate change challenge. One priority for national governments in the region should be to create an enabling environment that fosters innovation within the private sector, and achieving greater alignment between the public and private sectors to contribute to scale-up climate action.

Hongjoo Hahm, Deputy Executive Secretary of UNESCAP makes opening remarks at Asia Pacific Climate Week 2017 on 15 December.

Engaging the Private Sector to Promote Innovation and Technological Change

With the release of the first Yearbook on Global Climate Action, COP23 is the first time that the Conference of the Parties reported on climate action that had been delivered throughout the year. The Yearbook highlighted how to increase participation of the business sector on a wider scale to accelerate climate action. Through APCW 2017, the key priority areas for climate action emerging from discussions between the various stakeholders will help to inform the Talanoa Dialogue[2] and feed through to the COP negotiators.

An important policy instrument of the UNFCCC process to enhance climate technology development and transfer to developing countries is the Technology Mechanism, which consists of two bodies: the Technology Executive Committee (TEC) and the Climate Technology Centre and Network (CTCN). The TEC focuses on informing governments and identifying policies that can accelerate innovative development and transfer of low-emission and climate resilient technologies. The participation of the Chair of the Technology Executive Committee in this session helped to bring the work of the TEC to the forefront and actively engage a broader network of stakeholders in the process.

The discussions covered an overview of the Nationally Appropriate Mitigation Actions (NAMA) Facility which was launched by the former UK Department of Energy and Climate Change (DECC) and the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB). Since its inception in December 2012, total funding made available through the NAMA Facility has amounted to EUR 357 million

[2] The Talanoa dialogue is facilitative dialogue among the Conference of the Parties in 2018 to take stock of the collective efforts of Parties. “Talanoa” is a traditional word used in Fiji and the Pacific to reflect a process of inclusive, participatory and transparent dialogue. The purpose of Talanoa is to share stories, build empathy and to make wise decisions, which are for the collective good.

Side Event on Climate Blockchain Roundtable Brainstorm

and currently it is welcoming proposals from the Asia-Pacific region including LDCs and SIDS through its Fifth Call for Proposals to contribute towards achieving the NDC targets and PA implementation.

The involvement of the private sector in the negotiation process is considered critical for the successful establishment of the next generation of technology, and is growing. Members of IETA consider business as an essential and key contributor to this process, where they can help to fill the financial gap in the implementation process. On this note, Stefano De Clara, Director of International Policy, IETA, commented how the private sector can contribute to shaping the market provisions within Article 6 of the Paris Agreement to facilitate emission trading schemes at the domestic and regional level in Asia-Pacific. In the long run, the goal is to have a comprehensive system of linkages between various national emissions systems. While it is a difficult process, efforts must be taken now when countries are implementing their new market mechanisms pursuant to the Paris Agreement, to set the groundwork and technical framework to eventually achieve linking in the longer term.

Increasing Transparency and Accountability

Codified within the Paris Agreement, Parties must promote environmental integrity, transparency, accuracy, completeness, comparability and consistency, and ensure the avoidance of double counting, in the measuring and reporting of their NDCs. While the Paris Agreement calls for an "enhanced transparency framework", with "built-in flexibility" accounting for the needs of countries with less capability, there are still open questions to be addressed in future negotiations including how the Agreement's transparency framework relates to the global stocktake as well as the implementation and compliance mechanism. During COP 23, Parties put forward their vision for an enhanced transparency framework; but their views were diverse. This session took stock of the negotiation outcomes and the views of Asia-Pacific countries, namely Thailand, Singapore, Indonesia and Bhutan. It discussed capacity needs in the region and the initiatives for capacity-building for an enhanced transparency framework. It also drew on challenges faced and lessons learned from implementing monitoring, reporting and verification (MRV) systems in Asia-Pacific countries.

As the international community slowly moves towards a more interconnected global system form managing carbon emissions, regional coordination and accuracy of data is essential to ensure accountability of Parties and avoidance of double counting respectively. Further, comprehensive national inventories and effective MRV systems (national and sectoral) are important considerations to help countries improve, track, and report progress towards their

NDCs. To achieve this, Parties must build on existing systems and align them to internationally determined obligations and recommendations.

However, questions still remain as to whether the methodology to implement Article 13 of the Paris Agreement should be a single or diversified approach dependent on countries' needs. This is where flexibility and designing an approach that takes into account the national context is important. Each country has a different starting point regarding their energy needs, infrastructure, and capacity, but all need to achieve decarbonisation in the long term. Therefore, it is critical that attention is focused on empowering countries and enhancing their national capacities to track progress towards their NDCs. Specific areas highlighted in this regard were: developing comprehensive national GHG inventories, financial support or facilitating technology transfers, or a technical expert review to enhance learning by doing and promote recognition within the international community.

The Future of the Clean Development Mechanism in Climate Action

The Clean Development Mechanism (CDM), established under the Kyoto Protocol of the UNFCCC, has been successful in driving change, leading to $300 billion of emission reductions, 100,000 GWh/yr of savings per year, all resulting in enormous co-benefits such as facilitating access to clean drinking water for an estimated 850,000 people. The five regional cooperation centres (RCCs) have been set up to support CDM roll-out and are partially funded through CDM revenues. CDM designated national authorities (DNAs) exist in virtually all developing countries, Programmes of Activities (POAs) in 111 countries, and the number of projects is continuing to grow, with 53 new projects registered this year. Therefore, the CDM process and associated infrastructure developed remains an important complementary asset in the transition towards the new successor mechanism stipulated by Article 6. With the entry into force of the Paris Agreement, there are many questions and ideas about how CDM could continue to support climate action during the emerging architecture of the Paris Agreement and market provisions within Article 6.

The CDM Board is focusing on streamlining and simplifying CDM to transition CDM into the new mechanism. The core required elements to facilitate the CDM transition are (i) Accounting and avoidance of double counting (Article 6.2); (ii) identification of mitigation activities in relation to NDCs (Article 6.5); and (iii) Ensuring ambition and overall mitigation (Article 6.1). Niclas Svenningsen, Manager, UNFCCC, suggested that it was unlikely that there would be a third compliance period after 2020. Therefore, the main elements of CDM that are envisioned to continue are the ongoing project activities, CERs issued pre-2020, new CERs post 2020, crediting periods, timelines, POAs,

Workshop on Options to use the CDM in the Future Mechanism methodologies and standardized baselines, additionality tests and governance and institutions.

2.2 Carbon Markets and Carbon Pricing

Article 6, Paris Agreement

In achieving Parties' NDCs, utilizing market-based mechanisms have been heralded as the key solution to reduce carbon emissions in a cost effective way and encourage international cooperation. Article 6 market provisions will be crucial to achieve the goals of the Paris Agreement and it is important for countries to prepare to implement carbon markets and other forms of carbon pricing.

Article 6 of the Paris Agreement provides the basis for voluntary market-based approaches to raise ambition, while promoting environmental integrity and sustainable development to implement the NDCs. There are three main provisions of concern, the so-called 'cooperative approaches', namely the use of Internationally Transferred Mitigation Outcomes (ITMOs) (Art. 6.2), a Sustainable Development Mechanism (SDM) or successor mechanism to the Clean Development Mechanism (CDM) (Art. 6.4) to contribute to mitigation and sustainable development, and a framework to allow for the holistic integration of non-market approaches and support (Art. 6.8).

The Paris Agreement contains a mandate to develop guidance for Art. 6.2, modalities and procedures for Art. 6.4, and a work programme for Art. 6.8. In Bonn, there has been a noticeable shift in the decision-making process, with observers granted access to sit in the final discussions. This reflects a desire to be more inclusive toward the private sector in the design of a global architecture of carbon markets. This will help to ensure a robust and transparent accounting framework, to allow for innovation and enhance the adaptation of rules over time. Work is ongoing under the global negotation process to finalise the PA 'Rulebook', resolve concerns of accounting, transparency, and avoid double counting before negotiators meet in Poland at COP24. Key considerations that emerged during Asia Pacific Climate Week from multiple stakeholders across the public and private sector was the resounding need to (i) secure a predictable policy environment to instill confidence for businesses to engage in carbon markets; (ii) improve accounting frameworks which relates to the interlinked application of Arts 4, 6, 13 and 15, so as to avoid double counting, (iii) and enhanced coordination within and among key stakeholders in the region. The long term goal is to have a global carbon price, which would not only reduce overall emissions levels at a greater scale, but also remove any international competitiveness concerns that currently exist within and among sectors and across countries.

The Power of Carbon Markets

Carbon markets are on the rise in the Asia Pacific region. Existing markets are being consolidated and are entering new phases, such as the Korean ETS which is about to enter its second phase, and New Zealand has just finalised plans to reshape its 10-years-old ETS. At the same time new markets are emerging. China is about to launch its nation-wide ETS system, Japan established a bilateral crediting mechanism and Singapore is implementing a carbon tax with the potential to evolve into an ETS. The value of carbon markets as the main market mechanism to support countries achieving their NDCs is that it not only contributes to global emissions reductions, but does so at least cost, making space for raising ambition.

Carbon Market Trends in Asia-Pacific:

- **Korea**: Beginning Phase II, however the recent change in Administration has slowed progress due to a change in the Ministries that manage and oversee the ETS policies. Another important policy challenge Korea faces is its decarbonisation strategy related to coal and nuclear plants.
- **Japan Joint Crediting Mechanism (JCM)**: JCM is a bilateral, project-based offsetting system similar to CDM in approach and methodology. One of the challenges will be “scaling up”. At current rates, JCM is expected to deliver 50-100 million tons of carbon emission reductions by 2030.
- **India**: Having acknowledged the use of market-based mechanisms in their NDCs, India has announced a voluntary carbon market and contemplating other market-based measures to be in place by 2023. In particular, India is focusing on driving emissions reduction in the sectors of waste and small-medium enterprise (SME) sectors.
- **Philippines:** The Philippines currently has legislation for a tax on carbon affecting coal-fired power generation plants and is moving towards putting a price on carbon emissions more broadly. However, it seeks support and buy-in from the private sector in those sectors most affected (i.e. transport, energy), and regional institutional bodies, like UNESCAP, and UNFCCC, to support it through capacity building, identifying the instruments that will be most effective for their context specific needs, and convening stakeholder consultations.
- **Samoa**: Carbon pricing is limited in scope in Samoa due to their low volume of emissions. Samoa seeks more support from RCC (Bangkok) to build capacity, collaborate with Pacific Island neighbors and New Zealand, and gain a greater understanding of the needs of countries and co-benefits of regional coordination to move towards a policy harmonization for the region.
- **China**: Since 2013, China has implemented 8 sub-national pilot ETS schemes. This has provided China with significant experience in implementation. In terms of its emissions profile and economic context, these pilots have been very diverse, providing interesting lessons about the design and implementation process. In December 2017, the NDRC is expected to officially launch its nation-wide ETS, which will be the largest system in the world. One of the key aspects for

Nguyen Quang Huy of the Ministry of Industry and Trade, Vietnam presenting in the Plenary Session on The Power of Carbon Pricing & Cooperation in Asia-Pacific the success of this initiative will be the development of a strong legal and regulatory framework, building on its MPC law, and the establishment of a robust data management system.

- **Thailand:** Thailand has been involved in the voluntary emissions reduction (VERs) market for a number of years, and launched its T-VER (Thaland VER) program in 2013. Sumon Sumetchoengprachya of the Thailand Greenhouse Gas Management Office (TGO) explained Thailand's Voluntary Emissions Trading Scheme (V-ETS), which is currently at the end of a pilot phase, which began in 2015.
- Another relevant aspect is the issue of carbon leakage, especially in the context of the Belt and Road Initiative. There was currently a massive shift of investment to push Chinese coal capacity abroad, with 400GW of new coal capacity being planned along the Belt and Road, and also under bilateral deals in South-East Asia or Africa. This could translate into carbon leakage, requiring an important response through the creation of new carbon markets in the region.

Potential to Link Carbon Markets across the Asia-Pacific Region:

The Asia-Pacific region has already experienced sub-national linking with China's pilot programmes and in Japan with the Saitama ETS bilaterally linked to Tokyo in 2011. The goal is to achieve a global carbon market with robust accounting and effective emissions reductions. As commented by Suzi Kerr, a Senior Fellow at Motu Economic and Public Policy Research, New Zealand, Ms. Kerr suggests that the most effective "linkages" could be through government to government purchases (financing) of large scale technology projects and emission reduction policies. A benefit of linking can be for countries with high marginal costs with NDC targets that are very challenging to achieve, and linking their carbon systems with countries with low marginal costs. However, ETS linking is challenging as it depends largely on the MRV systems. Further. ETS linking does not provide security for the host country, opening each country to the political, policy, and economic impacts of their partner country.

Existing Programmes Supporting Carbon Pricing in the Asia-Pacific Region:

- UNFCCC Collaborative Instruments for Ambitious Climate Action (CI-ACA): The CI-ACA project, operated out of the RCCs, will support market instruments capable of driving action at the national level while laying the foundation for possible international cooperative climate action
- World Bank's Partnership for Market Readiness (PMR): In the next phase of PMR, going beyond readiness, will be help countries implement market mechanisms. Three challenges are: (i) moving from readiness to implementation; (ii) expanding the global reach - PMR can only support a certain number of countries, however also wants to support the rest of the world, exploring ways to collaborate with the Secretariat to achieve this; (iii) resources: implementation means mobilizing large amount of resources, approximately $1.5 trillion needed by 2030 - tapping into private resources is key

Collaborative Instruments for Ambitious Climate Action (CI-ACA)

APCW held a roundtable that explored carbon pricing in the region and the type of support that is available from different institutions. It featured the UNFCCC-led initiative CI-ACA Collaborative Instruments for Ambitious Climate Action) as well as the carbon pricing support programs from partner institutions such as the World Bank's Partnership for Market

Participants in the Roundtable on Collaborative Instruments for Ambitious Climate Action (CI-ACA) explored the role of carbon pricing in the region and the potential for strategies to increase ambtion of country NDCs.

Readiness. Participants discussed carbon pricing approaches that may be suitable in the Asia-Pacific context and explore existing opportunities to support domestic and regional efforts.

The World Bank has been working with countries in carbon pricing, and providing support to develop technical capability. It is now essential to extend and build capacity in other countries that have expressed interest in using carbon pricing in their NDCs. The World Bank mentioned that the next phase of its Partnership for Market Readiness (PMR) will hopefully support increased ambition in a second round of NDCs, and help countries implement the mechanisms beyond “readiness” (e.g., carbon pricing).

ESCAP mentioned that it can play an important role in supporting carbon pricing initiatives in the region in several areas:

(1) by providing a convening platform to share experiences and knowledge among the countries in the region that already have compliance systems in place with those that are considering next steps and to discuss areas for greater harmonisation of systems across the region for cost-saving mitigation measures.
(2) ESCAP’s energy programme can support complementary and related policy measures to carbon pricing, such as eliminating inefficient fossil fuel subsidies, promoting energy efficiency and renewable energy.
(3) The region needs support to strengthen the provision of quality data to facilitate transboundary trades of carbon reduction units through facility-level monitoring, reporting

and verification. ESCAP’s statistics programme can play a role in this, including to support member States to implement the upcoming CORSIA aviation scheme as many national authorities lack this capacity.

(4) ESCAP’s trade and investment programme offers an ideal platform to discuss evolving thinking, and increase understanding about international competitiveness concerns of energy- and carbon-intensive industries arising from carbon pricing schemes.

(5) ESCAP’s Tax Expert Group is another appropriate platform to further explore how to achieve greater political buy-in for carbon pricing, especially regarding how to recycle revenues back to consumers or use them to finance sustainable development

2.3 Economic Sectors

Industry and Energy

Out of the 190 NDC plans submitted by countries, 145 presented measures focus on the energy sector, and 109 of these include quantified targets. As presented in the NDCs, renewable energy could add 1.3 TW of energy supply globally by 2030. For this, around $1.7 trillion USD will be needed by 2030, which will call for public finance oriented to crowd in new private investment. However, with rapidly falling renewable energy prices globally, renewables present a much more cost effective potential than the captured in the NDC, and is therefore essential to scale up ambition.

The APCW included a workshop on the role of energy and industry in climate action. During the panel, Marcel Alers, Head of Energy of UNDP, asserted that a capital-intensive transition is needed towards a long term, much less carbonized energy system. To achieve this, investment flows need to be redirected to activities that promote a low-carbon climate resilient development.

The panel discussed the case of Maldives as a case study example. In this country, a Small Island Developing State (SIDS), the industrial sector accounts for a large share of emissions. As in most SIDS, Maldives is heavily reliant on diesel fuel for power and transport, which makes it very vulnerable to the high volatility of the international fossil market. To address this, Maldives has already taken significant steps to advance renewable energy, for example by hosting one of the world’s first resorts completely based on renewable energy. However, the country still faces barriers in terms of financing, high costs and low efficiency of transactions and transport, or lack of technical capacity.

Agriculture


Participants attending the Workshop on Building Resilience and Reducing Emissions in the Agricultural Sector

The APCW included a workshop aiming at understanding the potential for the agriculture sector to develop environmentally smart solutions to address climate change challenges – eventually through carbon pricing and other market/based mechanisms. Panelists described initiatives to build resilience and reduce emissions in the agricultural sectors in Thailand, Papua New Guinea, through the ASEAN Climate Resilience Network, and by facilitating private sector investment into low-emission agricultural practices. Participants exchanged ideas around 4 main strategies to address increased demand for agricultural products: increased agricultural area, intensification, changes in consumption, change in area and land use.

The event concluded that there are many opportunities to exchange good practices and to share knowledge within and across the region. It highlighted the importance of engaging the private sector while acknowledging the value of a top-down approach in certain conditions (e.g., to develop strategies specific to climate change challenges). However, as monitoring and verification of emissions reductions are very expensive at the moment, the technology needs to improve before it is really feasible to involve farmers in carbon trading. The panel illustrated also that many countries in the Asia-Pacific face a wide technology gap, although policymakers and practitioners are aligning in the right path.

Resilient Cities

Climate change poses a serious threat to sustainable urban development, placing many cities at risk. By 2014, the global urban population had increased to 54 per cent, and it is projected to reach 66 per cent by 2050. This means an additional 2.5 billion people will be living in cities by 2050. The pace of urbanization is not even among regions in the world: 90 per cent of the expected urban growth is likely to occur in Africa and Asia

A workshop at APCW focused on urban planning for resilient cities highlighted that urbanization is an issue of great importance for the region. Asia-Pacific is highly susceptible to loss from disasters, and since 1970 $1.3 trillion in losses from flooding and drought have affected the region. Although there's a limitation in the planning frameworks, both at national level and for integration, recent years have seen unprecedented global consensus, with all global agendas, including the New Urban Agenda coming from Habitat III, which can help to overcome this limitation. The panelists emphasized the need of integrating local agendas in cities with the global development agendas.

The need for innovative solutions to build resilience has become paramount. For example, for the problem of waste, there is an imperative to reduce the use of landfills and embrace

solutions like tax concessions for cooperation. Is also important to start thinking in terms of population density and distribution in terms of age, gender, or ethnicity instead of focusing only on the population numbers. Segregation in these terms has led to highly vulnerable urban communities, calling for urgent action deployed in a holistic way.
Lorna Eden, Assistant Minister of Housing in Fiji, indicated that Fiji recently issued a sovereign bond, and that it was very successful, raising double the planned figure. This success was possible thanks to contributions from a mix of local networks and communities, who were provided with an incentive to participate. Intensive collaboration with the private sector was also critical.

Oceans

During the workshop on Oceans and Coastal zonas, Semi Koroilavesau, Minister of Fisheries for the Government of Fiji emphasized the importance of oceans: “Any actions taken to support the Paris Climate Agreement will not be enough if they do include oceans. Oceans are a climate regulator for the planet and an important source of livelihood, and they face major increasing threats due to the impacts of climate change, including acidification, coral bleaching, and degradation of marine ecosystems.” The Minister stressed the importance of the Ocean Pathway: a Strategy for the Ocean, which was launched at COP23, saying that the Pathway will bring coherence by pooling together different climate and ocean related initiatives and platforms, and will increase the profile of oceans in the UNFCCC process, and ensure the inclusion of oceans into NDC planning. He invited stakeholders active in various work areas related to oceans to be part of the Oceans Pathway.

ESCAP Deputy Executive Secretary, Kaveh Zahedi, introduced the Oceans Account being developed by ESCAP based on a Resolution from the 73rd Economic Commission. This will help to strengthen economic decision-making by taking into account the economic valuations of oceans and the resources they provide, and the use or depletion of these assets. ESCAP has also been studying the effects of climate change and rising sea levels on migration to inform evidence-based policies to address this growing challenge. Through its network across the region, ESCAP is working with island and coastal communities to better manage risks posed by climate change, build resilience, and protect ocean health.

Maeve Nightingale, from the International Union for Conservation of Nature (IUCN), described the importance of blue carbon--the carbon sequestered and stored by coastal marine ecosystems--which is at the centre of discussions on oceans. She recognised that coastal wetlands play a key role in the carbon cycle as highly effective carbon sinks. Compared to terrestrial ecosystems, mangrove, salt marshes, and seagrass have a much higher carbon burial rate; in addition to hosting wide diversity of aquatic life.

Panelists in the Workshop on Oceans and Coastal Zones (left to right): Maeve Nightingale, Senior Program Manager, IUCN; Kaveh Zahedi, Deputy Executive Secretary, UNESCAP; Semi Koroilavesau, Minister of Fisheries, Fiji; and Miwa Kato, Programme Officer, UNFCCC.

Anastasia Kuswardani, from the Ministry of Marine Affairs and Fisheries of Indonesia, stated the intention of the government of prioritizing the essential role of coastal marine ecosystems as an important pillar of the climate action. Indonesia has 2nd longest coastline in the world, with more than 17,500 islands, 95,000 km coastline, and the largest area of mangroves on earth. This makes the country vulnerable to challenges such as sea level and sea surface temperature rise, with consequent impacts on community livelihoods, fisheries and agriculture. Therefore, it is a priority for the country to effectively address these issues as an integral part of climate action.

The panel concluded with some concrete policy recommendations pointing to the need of strengthening efforts to reinforce the ocean related content in future NDCs (blue carbon, small scale fisheries, etc.), strengthening the national, regional, and international networks on oceans as integral part of action for climate change, and continuing to enhance existing efforts in mitigation and adaptation in Indonesia and to incorporate ocean issues in the Indonesia National Plan of Action.

2.4 Financing Climate Action

The Investment and Implementation Gap

The overall context for financing in Asia and the Pacific is that there has been a huge growth in overall financing in the region over the past decade: financing more than doubled, from $4.0 trillion in 2005 to $8.9 trillion in 2014. The main driver for this was increasing government revenues, which tripled over the same time period.

Panelists at the Plenary Session on Long-Lasting Public Private Partnerships: What is the Secret?

However, several sessions during the week highlighted the fact that there is often large disconnect between countries' climate targets and plans (nationally determined contributions, or NDCs) and the ability to finance these targets. As a result, *demand for financing of climate projects and initiatives is likely to far outstrip supply of available finance, and this will create a significant implementation gap*.

UNDP discussed its efforts to work on tracking, measuring, and understanding climate change budgeting and expenditures through its Climate Public Expenditure and Institutional Reviews (CPEIRs). These reviews and tagging of climate investments within national and and subnational budgets are an important tracking and monitoring tool, and create an atlas that can be useful in understanding and comparing planned priorities with actual public investments. UNDP has been engaging with ministries of finance and planning, to mainstream climate considerations into the domestic budgeting and resource allocation process. As of August 2017, CPEIRs have been completed in 16 countries in the Asia Pacific region. This process can help to prioritise scarce resources and fill gaps. Better management of climate change spending is correlated with more equitable, responsive actions in terms of mitigation, adaptation, and investments in climate-friendly infrastructure.

Such tracking can also be accompanied by the development and use of indicators that can build knowledge of the co-benefits to low-carbon investments.

Speakers also discussed the importance of developing an integrated national Climate Change Financing Framework, which is strategic way of better mobilizing, managing and targeting climate finance so as to bridge existing finance and policy implementation gaps. Such frameworks can assist governments to manage and track climate finance and better prepares public finance systems to utilize national and international finance in the most efficient and effective ways. Climate Change Frameworks have been implemented in Indonesia, Bangladesh, and Cambodia.

Importance of Debt Capital Markets

During the week, participants heard about global estimates that by the period 2030-2035 a total of $55 and $93 trillion is needed for investments into climate action in order to stay within the 2°C limit range. Developing Asia alone will need an estimated US$3.6 billion per year up to 2030 to transition toward net-zero emissions and increased resilience as required by the Paris Climate Agreement. And the estimates suggest that the Paris Agreement has opened up nearly US$23 trillion in opportunities for climate-smart investments in emerging markets up to 2030, with most of this investment coming from the private sector.

Despite these overall positive trends in climate investments, many low income countries have huge spending needs and scarce resources to undertake the necessary climate investments. Indeed, most climate-vulnerable, Least-Developed Countries (LDCs), Landlocked Developing Countries (LLDCs) or Small Island Developing States (SIDSs) in the region cannot independently raise finance through this channel due to their low credit quality and perceived risks, small size, underdeveloped local capital markets, gaps in capacity and knowledge to identify suitable project pipeline or to create suitable instruments.

Shamshad Akhtar, Under Secretary-General of the United Nations and Executive Secretary of UNESCAP, presents the main findings of the newly launched UNESAP report on the role of capital markets in financing climate action.

One of the most effective ways to finance climate action could be to enable countries in the Asia-Pacific region to more easily access debt capital market instruments (e.g., green bonds), in order to finance the transition to low greenhouse gas emissions and climate-resilient economic development. This provides a significant opportunity for the region to deepen its financial system and reorient it towards new growth opportunities. Several countries in the Asia-Pacific region are already leading in development of the climate action agenda. Their efforts to implement the Paris Agreement must be supported by a financial system that promotes growth and sustainable development.

In the High Level Ministerial Day on Climate Action, in the session on The Role of Capital markets for Climate Action, Aiyaz Sayed-Khaiyum, Attorney General and Minister for Justice, Finance, Public Enterprises, and Public Service described Fiji's experience launching a $50 million green bond. While numerous green bonds have been issued by the private sector, the issue of such a sovereign bond is an exceptional case. He noted the assistance that Fiji has received from The World Bank and IFC, and said that there is a much greater need for capital markets and the private sector to take a more blended finance approach. He said that now, for the first time, commercial banks in Fiji are interested in participating in the bond issue. He mentioned that Fiji is looking at further bond issues, and is considering the issuance of blue bonds, given that blue economy entails a higher rate of sequestration.

Also in the High Level Ministerial Day on 15 December, UNESCAP launched a new report that addresses these issues -- and specifically, practical recommendations and actions that can be taken to improve access to capital for countries to support implementation of their climate plans. The report can be downloaded here.

The report provides an update on the status of green bond issuance globally and in the Asia Pacific region. It concludes that green bonds represent a promising new tool to increase the intermediation of global private capital towards climate-resilient investment opportunities in the region. The report identifies several imperatives to improve the contribution of the region's financial sector to sustainable and inclusive growth, and reinforce the funding capacity towards projects that support the shift to a low carbon and resilient economy.

1. **Improve Market Structure.** First, it is important that the market structure of Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs) and Small Island Developing States (SIDS) is improved in order to capture the benefits from the recent emergence of green bonds as a specific instrument of global finance. Without stronger foundations, the capital markets in the region risk losing out on the global reallocation of private funds toward climate-related investments. These foundations include the acceptance of the widely agreed Green Bond Principles in the region and in each target country, the enforcement of disclosure and the reduction of issuance costs by borrowers, as well as the emergence of standardized terms for financial instruments. Yet, the examples of China and India demonstrate that such instruments can easily be used to attract significant fund flows into the region.
2. **Develop Pipelines of Viable Climate Projects.** Second, it will be important to facilitate the emergence of a pipeline of specific projects that can be financed through green finance instruments. In a world awash with capital, it is paradoxical that the complexity of finding investment opportunities remains a stumbling block. This lack of a viable pipeline can deter global investors from considering investment opportunities in the target countries. By facilitating the emergence of such a pipeline, the region will be better equipped with a credible investment proposition for global private capital flows.
3. **Establish Targeted Grant Facility.** Third, there is a need to supplement the emergence of green projects with a grant facility to make up for the capital markets' shortcomings in the target countries. Many private borrowers risk foregoing the opportunity of raising funds through international bonds or loans, while relying on comparatively scarcer bank loans, given the additional burden put on them by international guidelines. Through a targeted grant facility, the region can solve many of these shortcomings and support the emergence of a rich pipeline of new bond issues, while reinforcing the microstructure of its local capital markets, thus capitalizing on such development to create a positive feedback loop to support longer term economic and social growth.
4. **Work with the Global Green Funds.** Fourth, it is necessary to foster the acceptance of projects from the target countries by the global investment community, and in particular the global green funds. With adequate marketing directed at the global financial community, the region can increase its impact on the global financial community and reduce the intangible barriers that may remain in the minds of global investors by pooling resources and adopting a unified approach. The foundations can be laid for the emergence of new forms of financing to create increased funding

capacity in the region, using some proven techniques, such as securitization.

3. Conclusions and Next Steps

This first-ever Asia Pacific Climate Week brought together over 300 participants from 40+ countries across Asia-Pacific, representing governments, private sector, and civil society. One of its successes was that it succeeded in bringing together a very diverse group of participants who do not normally come together for discussions on climate. Reflecting the cross-cutting nature of the climate challenge, and the need to tackle it from a strongly inter-Ministerial, interdisciplinary and public-private perspective, the stakeholder groups included Ministers of finance and economy, Ministers and senior public policymakers from different line Ministries, members of the carbon community involved in carbon markets and finance; businesses working in climate change mitigation and adaptation; experts in energy, agriculture, oceans, and cities; and banks, investors, and financial advisors interest in green investments that contribute to climate action.

Climate Weeks will be held annually in each region of the world, aimed at advancing regional climate action through the promotion of market-based actions, economic instruments and climate-aligned finance to achieve cost-effective mitigation and adaptation and support implementation of countries' Nationally Determined Contributions (NDCs) under the Paris Agreement.

The event showcased the intense dynamism of climate action in the Asia Pacific region, in the key economic sectors, as well as in the piloting and development of mechanisms to finance climate action. Participants learned about a number of relevant examples of climate action and financing, covering carbon markets, climate smart agriculture, energy and industry, oceans and blue carbon ecosystems, carbon markets and the discussions of how Article 6 (of the Paris Climate Agreement) can facilitate private sector investments into climate action.

Participants also heard about a range of effective strategies for mainstreaming climate financing and investments into public and private decision-making. Discussions covered effective strategies for mainstreaming climate investments into national budgets, the power of carbon pricing; the hunt for the billions of dollars needed to finance climate action; and the secret of effective public-private partnerships to unleash innovative business models and approaches in responding to the climate challenge.

In a demonstration of the vibrancy of the Asia Pacific Climate Week platform, the week also included a number of thought-provoking side events on topics such as carbon pricing in India; energy opportunities in SE Asia; the next generation of carbon markets in NE Asia; a climate blockchain roundtable brainstorm; innovation and deployment of low-carbon technology; and the past, present and future of carbon markets.

Next Steps and the Regional Climate Action Agenda

In her closing remarks, UNESCAP Executive Secretary Shamshad Akhtar highlighted the importance of the week's financing discussions, and in particular the mechanisms such as green bonds that can address the urgent need for financing instruments to be adapted to the needs and situation of vulnerable countries in the region, including small island developing states and least-developed countries. She said that one of the most effective ways to finance climate action is to enable countries in the Asia-Pacific region to more easily access debt capital market instruments (e.g., green bonds), in order to finance the transition to low greenhouse gas emissions and climate-resilient economic development. Such an approach can provide a significant opportunity for the region to deepen its financial system and reorient it towards new growth opportunities, while addressing climate change.

The High Level Climate Champion, H.E. Inia Seruiratu congratulated participants on the success of Asia Pacific Climate Week, and the fact that the discussions and deliberations will lead to a Regional Climate Action Agenda that is aligned with the Marrakech Partnership for Global Climate Action, which is the UNFCCC framework for the global climate action.

He shared the priorities of the climate champions for 2018. These include:

- strengthening the spread of climate action to the Global South;
- ensuring that the experiences and contribution of non-Parties, including the private sector, are included in the Talanoa Dialogue; and strengthening the Marrakech Partnership Leader’s Network, the Collaboration Forum and the thematic communities of climate action practice.

He also indicated his strong interest in seeing stronger and active representation of Asia-Pacific in these bodies.

UNESCAP committed to leading a process of public consultation on a draft Regional Climate Action Agenda based on the week’s discussions, and will initiate this process in early January 2018.

Attachment A: Program Overview

ASIA PACIFIC CLIMATE WEEK 2017
13-15 December 2017
Bangkok, Thailand

Day 1 - Wednesday 13 December ASIA-PACIFIC CARBON FORUM		Side events	Day 2 - Thursday 14 December ASIA-PACIFIC CARBON FORUM		Side events	Day 3 - Friday 15 December HIGH-LEVEL MINISTERIAL DAY FOR CLIMATE ACTION
Registration						08:00-09:00 Registration
08:30-09:15 **OPENING CEREMONY** (Conference Room 2)			09:00-10:00 **PLENARY 3 - Achieving NDCs through Carbon Pricing** (Conference Room 2)			09:00-09:30 **OPENING CEREMONY** (Conference Room 2)
09:15-10:30 **PLENARY 1 - Global Climate Action** (Conference Room 2)						09:30-11:00 **Session 1: Importance of Leveraging Global Climate Action** (Conference Room 2)
10:30-11:00 Coffee Break			10:30-11:00 Coffee Break			
11:00-12:00 **Workshop 1 - Sustainable Agriculture and the Food Industry** (Meeting Room F)	11:00-12:00 **Workshop 2 - Carbon Markets in Asia-Pacific** (Meeting Room G)		11:00-12:00 **Workshop 7 - China ETS** (Meeting Room F)	11:00-12:00 **Workshop 8 - Energy & Industry** (Meeting Room G)		11:00-11:30 Coffee Break
12:00-13:00 Lunch Break		12:00-13:00 **Roundtable 1**	12:00-13:00 Lunch Break		12:00-13:00 **Roundtable 2 - Strengthening Regional Collaboration**	11:30-13:00 **Session 2: The Role of Capital Markets for Climate Action** (Conference Room 2)
13:00-14:00 **Workshop 3 - Decoding Article 6 of the Paris Agreement** (Meeting Room F)	13:00-14:00 **Workshop 4 - Urban Development and Waste Management** (Meeting Room G)		13:00-14:00 **PLENARY 4 - Finance and Investment for Climate** (Conference Room 2)			13:00-14:00 Lunch Break
14:00-15:30 **PLENARY 2 - Towards 1.5°C - Enhancing Transparency of Action and Support** (Conference Room 2)			14:30-15:30 **Workshop 9 - Developments in Thailand's ETS and the other ETSs** (Meeting Room F)	14:30-15:30 **Workshop 10 - Oceans** (Meeting Room G)		14:00-15:30 **Session 3: Regional Climate Action Agenda** (Conference Room 2)
15:30-14:00 Coffee Break			15:30-16:00 Coffee Break			15:30-16:00 **CLOSING CEREMONY** (Conference Room 2)
15:30-17:30 **Workshop 5 - Emissions Trading System (ETS) Simulation Session** (Conference Room 1)	16:00-17:00 **Workshop 6 - Future of CDM** (Meeting Room G)		16:00-17:00 **PLENARY 5 - Public Private Partnerships for Climate Action & Closing Remarks** (Conference Room 2)			
17:30-19:30 **APCF Welcome Reception**						

Attachment B: List of Participants

Forthcoming