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Newsletter

Reflections on COP 28

**Editorial by Terry Tamminen,
co-founder Catalytic Finance Foundation**

Shakespeare's Macbeth spoke of things with "sound and fury, signifying nothing." Many post-mortems of COP28 fall into that disappointing category, but could the reality be closer to "sound and fury, signifying progress"?

In fact, progress on several topics was made, but it's undeniable that a sense of urgency should have motivated bolder, more concrete actions, underscored by daily headlines of climate disasters in one part of the world or another. So while it may be easy to be discouraged, highlights of this COP can be reasons for optimism on several fronts.

First, after 28 years of COP meetings and pledges, **the assembled nations specifically acknowledged the need to phase down fossil fuel use for the first time.** Perhaps that kind of admission was only possible by hosting a COP in a major oil producing nation with a President like Dr. Sultan Al-Jaber, who also leads one of the world's largest oil companies and has always been willing to take risks. His long-time leadership on sustainability has been evident with visionary projects such as Masdar City and hosting the World Future Energy Summit each year, along with the annual Zayed Sustainability Prize (for which I was honored to be a finalist).

Similarly, we gained inspiration and tangible solutions from the UAE Climate Change and Environment Minister Mariam Almheiri through her focus on food security and resilience, along with the recognition that we must prioritize solutions based on carbon intensity (CI) scores, such as reducing methane and other non-CO2 emissions, not just what we think is "green".

Second, **this COP advanced the emphasis on adaptation**, not just mitigation, including increased funding for the Loss and Damage fund (where developed nations provide grants and investments to developing nations hit hardest by the impacts of climate change that they largely did not cause). Related to this, our partner Pegasus Capital Advisors launched a groundbreaking partnership [announced](#) on December 2, 2023, with United Cities and Local Governments of Africa (UCLG Africa) with the potential to drive transformative change at the subnational and local level by leveraging sustainable investments across UCLG Africa's network in renewable energy, waste management, access to broadband technologies and water resilience.

Finally, for the first time a date has been set - 2030 - to add targets on water security, ecosystem restoration, and health - all things that are already being severely impacted and to which we must now adapt. This is really the biggest challenge - to recognize that it's already too late to prevent some of the





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worst results of our carbon polluting industries and lifestyles, and that paying for adaptation will mostly be sunk costs, compared to mitigation efforts which can pay for themselves (investment in renewables, for example). The lesson being that it's cheaper to prevent a disaster than to clean up from one.

But perhaps the most valuable result of this COP was the emphasis on finance, because making this transition to a low-carbon, sustainable climate requires a lot of capital in every category. Although many past pledges by governments to make grants and investments, especially for the global south, have fallen short, renewed pledges and practical sources of capital suggest this time could be different, especially because many of those pledges come from business, financial institutions, and governments like the host UAE who can all make bold new commitments without the need for lengthy additional approval processes. This too is where we should recognize the leadership of COP President Dr. Al-Jaber, who ensured any results of this convening would be concrete actions, not just talk and empty pledges.

Overall, this may seem like incrementalism when our collective ship is sinking fast, but a recent comment from US Treasury Secretary Janet Yellen reminds us that even small steps now can have outsized benefits in years to come. President Biden recently highlighted data showing the US experienced \$178b of climate disaster economic losses in 2022. Yellen noted that those losses would decline dramatically with every one-tenth of a degree of avoided additional warming. As the old saying goes, "a penny saved is a penny earned," so as we contemplate the funding and financing needed to mitigate and adapt to the climate crisis, it's worth remembering that avoided cost is really the best investment for both the economy and the human suffering the goes along with the climate disasters we're already experiencing.

Shakespeare also said "When Nature calls thee to be gone, what acceptable legacy cans't though leave?" Will COP28 be counted among our finest legacies? That's up to us and whether we turn its promises into actions.

Terry Tamminen is the President/CEO of the "blue economy" hub AltaSea. He served as Secretary of the California Environmental Protection Agency and later Cabinet Secretary, the Chief Policy Advisor to Governor Arnold Schwarzenegger. Terry cofounded the R20 (now Catalytic Finance Foundation), a public-private partnership working globally to deploy climate solutions at scale, and provides climate policy advice to 7th Generation Advisors and Pegasus Capital Advisors. Terry's books include "Cracking the Carbon Code: The Keys to Sustainable Profits in the New Economy". The Guardian ranked Terry No. 1 in its "Top 50 People Who Can Save the Planet."



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Capacity- Building



The **SCF Asia-Pacific regional capacity building workshop** was held in Bangkok, Thailand on 6-8 November 2023 followed by one day dedicated to Indonesia on the 10th of November, held in Jakarta. It is the third regional workshop organized under the SCF, following:

- the first regional workshop held on 6-8 September 2022 in Quito, Ecuador for Latin America and the Caribbean (15 countries); and
- the second regional workshop held on 14-16 March 2023 in Saly, Senegal for Africa (18 countries).

The Asia-Pacific regional workshop brought together the representatives of the GCF National Designated Authorities (NDAs) and other authorities and institutions leading climate and Nature-based Solutions (NbS) finance from the 3 SCF countries in the region: Cambodia, Fiji, Indonesia.





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The main learnings and conclusions of the workshop were as follows:

- ✓ **Blended finance** is perceived by regional stakeholders as relatively new financing approach which has the potential to bridge countries' climate and nature finance gaps. Its upscaling will require further knowledge transfer on the replicable mechanisms and support from international partners to facilitate access to funding.
- ✓ Governments and financial authorities in the Asia-Pacific are implementing a **variety of policies and instruments adapted to their unique national contexts** to catalyze private finance for climate actions and NbS. This includes, among others: climate/biodiversity strategies and roadmaps, financial gap analysis, sustainable finance taxonomies, green/blue bonds, capacity building of banking sectors, tax incentives for green investments and PPP schemes.
- ✓ **Integrated policy solutions can be applied to both climate and biodiversity challenges**, acknowledging the nexus of the triple planetary crisis. This includes the integration of NbS in investment decisions to address mitigation, adaptation and ecosystem management.
- ✓ **Subnational governments are the key players for accelerating local climate and NbS actions**, and there is need for capacity building in managing investments, financial sustainability and access to capitals.
- ✓ Private investors and project developers require **transparency and clarity on policy and regulatory frameworks**. While governments are making progress in this direction, there is further need to support businesses to invest in new and/or less-established investment areas (e.g. agribusiness, marine/coastal businesses, climate adaptation).
- ✓ **Climate adaptation** requires longer-term investment vision and present less attractive business cases especially in the LDCs. Data to quantify the value of ecosystem services, the cost of losses and inaction, and benefits of adaptation investments are needed to enable private sector to make informed decisions. At the same time, larger and more accessible adaptation funding for climate-resilient infrastructure needs to be made available.



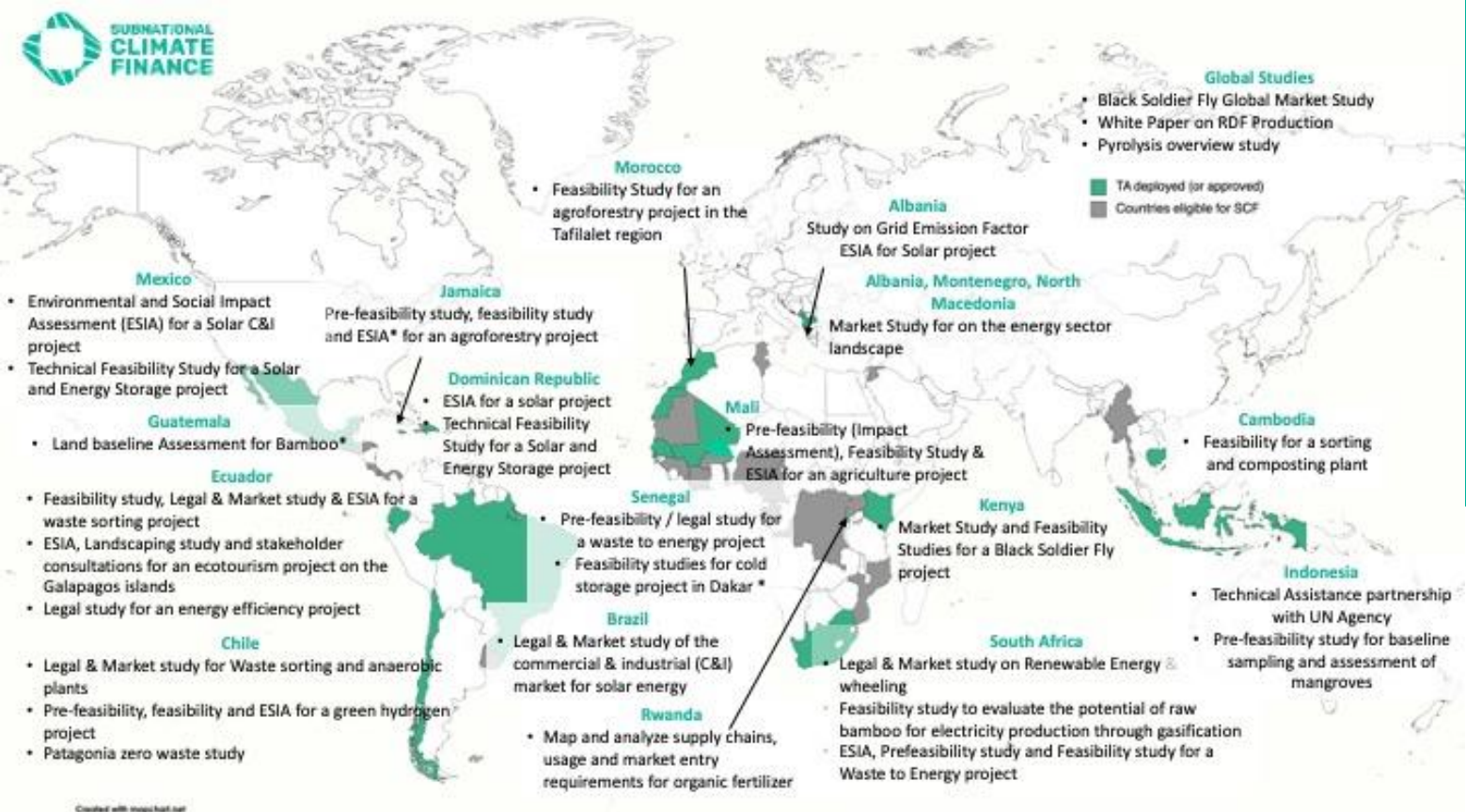
As demonstrated throughout this workshop, **opportunities for dialogue and collaboration across governments and private actors can help deepen understandings on the priority actions**, and promote collective learning on how to structure and channel innovative and smart financial mechanisms.



Technical Assistance

SCF receives project proposals through our [online platform](#) and various partnerships with on the ground organisations. Since inception, SCF has already approved grants in 19 different countries for:

- 27 Pre-feasibility studies
- 17 Feasibility studies
- 11 Environmental & Social Impact Assessment ESIA



On our website, you can find a [project page](#) describing projects that are being considered for investments and/or have received Technical Assistance.

In each newsletter, we will deep dive in one of them. For this issue, we present the results of a market study on Green hydrogen in Chile.



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Zoom on a Project: Green Hydrogen in Chile

The SCF's Technical Assistance Facility has commissioned a market study to analyse the current challenges and barriers to green hydrogen production in Chile, which has the potential to decarbonize energy-intensive industries and electricity production in the region and beyond.

It is estimated that Chile could produce up to 160 megatons per year of green hydrogen and become the leading low-cost exporter by 2040.

The need for a market study emerged from SCF's conversations with the developer of a green hydrogen project in Chile's Antofagasta region, where many green hydrogen projects are currently under development, but only a handful have gone past the pre-feasibility stage. Based on interviews with stakeholders and project developers, insights from the market were collected regarding barriers and challenges in the sector.



The Challenge

Green hydrogen (GH2) has become a topic of growing interest in the transition to a low-carbon and sustainable economy. It is produced from renewable energy such as wind, solar, hydroelectric, or biomass, through a process of water electrolysis that does not generate greenhouse gas emissions. Due to its versatility and ability to significantly reduce carbon emissions in hard-to-abate sectors, such as heavy industry and transportation, green hydrogen has become a key pillar in achieving decarbonization and climate.

Expected impact

In 2020, Chile's total GHG emissions were estimated at 105,552 kt CO2e; 51.34% coming from the Energy sector (including Transport sub-sector). This is due to Chile's sustained energy consumption, which includes coal and natural gas for electricity generation, as well as consumption of liquid fuels for land transport, mainly diesel and gasoline, accounting 70% of the energy sector's emissions (Ministerio del Medio Ambiente). Green hydrogen can play a significant role in reducing those emissions.





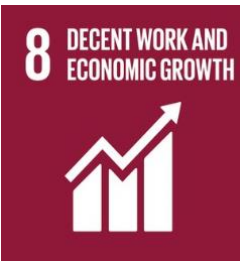
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SDG 7 Affordable and Clean Energy

The paper suggests that Chile would achieve its goal to provide green hydrogen by 2050 at a price lower than \$1.5 USD/tonne by 2030 and at a price lower than \$1 USD/tonne, using solar and wind sources.



SDG 8 Decent Work and Economic Growth

The paper identifies locations and industries to engage with in Chile with the most potential for green hydrogen industries (e.g. utility providers and mining industries), and associated jobs.



SDG 13 Climate Action

The paper estimates that green hydrogen could help mitigate 21% of Chile's emissions by 2050, specifically in those sectors that are difficult to mitigate such as mining, metallurgical, chemical and agriculture industries.

Further details on the project are available from our website:

[Chile : Green Hydrogen - SCF \(subnational.finance\)](https://www.subnational.finance)

Other news:

All **GCF-funded projects are required to complete an Independent Mid-Term Evaluation**. This is designed to provide a comprehensive and systematic account of the performance of a project by assessing its design, implementation, and achievement of objectives. The evaluation is expected to promote accountability and transparency and facilitate synthesis of lessons learned and recommendations for improved future performance.

In that context, **IUCN is hiring an M&E consultant to conduct an independent mid-term review of the Subnational Climate Fund's Technical Assistance Facility**. **Deadline. January 5th, 2024**

Further details on [their website](#).





Reflections on COP 28 from Catalytic team

Financing at the core of the discussion

COP28 ended with a myriad of pledges encompassing direct government incentives and subsidies, committed green investment funds, supportive and consistent transition policies, and investment in R&D to improve the efficiency and cost-effectiveness of green technologies. The progress made at this COP on the topic of financing was that not only the need but also the means to achieve the deployment of capital towards net zero activities was at the center of discussions.

Achieving the 1.5 degree goal, the SDGs, and the commitments made at COP28 such as the tripling renewable energy capacity and doubling of energy efficiency measures by 2030 and the phasing out of fossil fuels, are capital intense and will require the strategic use of grant funding to leverage the redirection of international private sector finance. This is the model of the SCF as an example.

Many more actions are needed: for example, [the joint announcement](#) by the multinational development banks to attract private capital at scale by addressing currency exchange risks and develop innovative instruments (including blended finance and carbon pricing instruments) is an essential step forward. [The latest Stern-Songwe report](#) launched at #COP28 also highlights the importance of combining domestic public resources, international private sector finance and concessional monies with the balance sheet capacity of multilateral development banks, stating that the methods of combination will be as critical as the total amount of capital deployed.

Focus on subnational actors:

Many opinions have been expressed on the global outcomes of the COP28, sometimes forgetting about the tremendous importance cities and subnational actors have played this year.

The role and importance of subnational actors was more than ever showcased during this COP. Highlights included the **Local Climate Action Summit** held on the 1st and 2nd of December with the launch of the Coalition For High Ambition Multilevel Partnership signed by 71 countries out of which 18 are SCF eligible. The interministerial session on multilevel action held on the 6th of December was also an important institutional moment for cities, where the SCF was presented and highlighted as a model to foster investment.

This is the continuity and the last step of years of growing recognition that we need to drive local actions and investment to fight climate change. Policies and top-down measures will only be as effective as the actual flow of capital that will ultimately reach tangible infrastructure projects.



Catalytic Finance Foundation hosted discussions at Local Climate Action Summit during COP28 UAE in Dubai.

The session, "Bridging the Gap: Mobilizing Private Investment for Local Infrastructure Projects" was moderated by Gregor Robertson Global Ambassador for the Global Covenant of Mayors for Climate & Energy (GCoM) and former Mayor of Vancouver. Speakers included, Craig Cogut and Gina McCarthy from Pegasus Capital Advisors, and His Excellency Abdulla Al Basti, Secretary-General of the The General Secretariat Of The Executive Council - Government of Dubai.



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COP28 also saw a record number of investment pledges: UAE reported 83 billion USD in pledges for Climate Finance. This record is promising, but again, subnational-level projects will be crucial to be able to effectively deploy at that scale and reach the targeted impact.

In order to fulfil those pledges and implement concrete actions, the SCF and the blueprint it provides are critical and pave the way for a more sustainable future.

For a [Deeper Look At Events and Highlights](#) During COP28 2023 hosted by Pegasus, check their blog and COP28 newsletter.



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