

## CLIMATE CHANGE FOCAL AREA STRATEGY

### Global Context of Climate Change

102. Climate change continues to present a growing and significant global challenge to humanity and the biosphere in the 21st century.

103. The Paris Agreement, which was adopted at COP 21 in December 2015 and entered into force in November 2016,<sup>24</sup> aims “to strengthen the global response to the threat of climate change in the context of sustainable development and efforts to eradicate poverty” including by holding the increase in the global average temperature well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, increasing the ability to adapt to impacts of climate change, and making finance flows consistent with a low GHG emissions and climate-resilient development.<sup>25</sup>

104. With entry into force of the Paris Agreement, the global community has entered a new era of climate action with an emphasis on implementation in all countries with transparency. Action from both developed and developing countries is needed.

105. Each Party is to put forward every five years a nationally determined contribution (NDC) that it intends to achieve. Every five years, a global stocktake will assess the collective progress towards achieving the purpose of the Agreement and its long-term goals. The outcome of the global stocktake is to inform the preparation of future NDCs. Further, the Agreement includes provisions on finance, technology, and capacity-building to support action by developing countries and the most vulnerable countries. The Agreement also provides for enhanced transparency of action and support through a more robust transparency framework.

106. Implementation of the Paris Agreement can contribute to the achievement of the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). Adverse impacts from climate change can undo the progress made in development and exacerbate threats such as food and water scarcity, ocean acidification, disproportionately burdening the poorest and most vulnerable. Beyond SDG 13: Climate Action, a transformation to low-emission, climate-resilient pathways can contribute to achieving and preserving the other SDGs such as SDG 2: Zero Hunger, SDG 7: Affordable and Clean Energy, SDG 9: Industry, Innovation and Infrastructure, SDG 11: Sustainable Cities and Communities, SDG 12: Responsible Consumption and Production, SDG 14: Life Below Water and SDG 15: Life on Land.

107. The 2017 Climate Change Focal Area Study carried out by the Independent Evaluation Office (IEO) concludes that “activities funded by other focal areas and initiatives, along with [multi-focal area] MFA projects, are poised to deliver significant global environmental benefits (GHG emission reductions) that may be greater than those achieved by activities financed by the climate change focal area alone. Hence, beyond the Climate Change Focal Area Strategy, the GEF

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<sup>24</sup> As of February 2017, 132 of the 197 Parties to the Convention Parties have ratified the Paris Agreement.

<sup>25</sup> "Paris Agreement". United Nations Treaty Collection. 8 July 2016.

will deliver considerable climate change benefits from projects and programs financed under other focal areas. These cross-focal area contributions represent an important share of the GEF's overall contribution towards climate finance. Looking forward, based on the proposed Programming Directions, the Secretariat will monitor the share of "climate-related finance"<sup>26</sup> in GEF-7 and provide that it does not fall below 60% of all funding commitments over the four-year period.

### **Conference of the Parties (COP) Guidance to the GEF**

108. The GEF-7 period (2018 to 2022) coincides with a key phase in the implementation of the Paris Agreement. Article 9 of the Paris Agreement confirmed that as an operating entity of the Financial Mechanism of the Convention, the GEF would serve as financial mechanism of the Agreement. Further, Article 13 establishes an enhanced transparency framework for action and support. The COP decision adopting the Paris Agreement urged and requested the GEF to make arrangements to support the establishment and operation of a Capacity-building Initiative for Transparency (CBIT), including through voluntary contributions to support developing countries during GEF-6 and future replenishment cycles.

109. The GEF-7 framework is structured to address these seminal COP decisions for the Paris Agreement, and to further support climate action in developing countries in line with the GEF's role as an operating entity of the financial mechanism of the UNFCCC. The framework is aligned with GEF's comparative advantage to foster innovative project designs; proven track record of support for technology transfer; and ability to attract private sector co-financing.

110. The most recent UNFCCC COP guidance to the GEF was provided at COP 23 in Bonn, Germany in 2017. The COP reiterated its call upon Parties to ensure a robust seventh replenishment taking into consideration the Paris Agreement. The COP also encouraged the GEF to further enhance engagement with the private sector, including in technology projects, and invited the GEF to support developing countries in undertaking technology needs assessments (TNA) and piloting priority technology projects to foster innovation and investment. The COP further welcomed the operationalization of the CBIT and requested the GEF to provide adequate support in line with the COP 21 decision requesting its establishment and operation. Parties at COP 23 also adopted a new gender action plan that aims to advance the mainstreaming of a gender perspective into all elements of climate action.

111. Prior guidance encouraged alignment of GEF-7 programming with priorities identified in countries' NDCs, where they exist, and to continue to promote synergies across focal areas. It requested the GEF to provide enhanced support, including enabling activities in the context of national climate strategies and plans, and to continue to assist, in particular, the least developed countries (LDCs) and small island developing states (SIDS) in efficiently accessing resources. In

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<sup>26</sup> For the purposes of reporting to the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD DAC), the GEF has defined "climate-related finance" as GEF financing that contributes towards climate change mitigation or adaptation as a principal or a significant objective, consistent with the Rio Marker methodology (<http://www.oecd.org/dac/environment-development/rioconventions.htm>).

addition, the COP has encouraged the GEF to further expand the use of non-grant instruments and requested the GEF to take into consideration climate risks in all its programs and operations. On capacity building, the GEF has been requested to continue to support activities related to the implementation of Article 6 of the Convention. On technology transfer, the GEF has been encouraged to continue enhancing collaboration with the Climate Technology Centre and Network (CTCN), and to strengthen linkages between the Technology Mechanism and the Financial Mechanism.

112. In light of the Paris Agreement, the SDGs, and consistent with COP guidance, GEF-7 will build on its unique capacity to integrate multi-focal area priorities across the MEAs to deliver greater global environmental benefits and on the GEF's proven track record to support technology transfer, pilot and demonstrate innovative business models and technologies, and catalyze climate finance.

### **GEF-7 Climate Change Focal Area Investments and Associated Programming**

113. The establishment and operationalization of the Green Climate Fund (GCF) has added to the evolving context in which the GEF operates. The GEF-7 Climate Change Focal Area Strategy is specifically designed to be complementary to programming by the GCF and other climate funds, based on the GEF's unique role in the global environmental finance architecture to lay the foundation for enhanced climate action, namely by 1) harnessing synergies across the different focal areas in line with an integrated approach to generate multiple global environmental benefits; and 2) building on the GEF's long-standing track record of driving innovation and funding demonstration and pilot activities that are too early in the market adoption chain to be within the reach of other providers of environmental finance. Building on the GEF-6 Focal Area Strategy and in alignment with UNFCCC COP guidance, the GEF-7 Climate Change Focal Area Strategy aims to support developing countries to make transformational shifts towards low emission and climate-resilient development pathways. To achieve this goal, the strategy continues to emphasize three fundamental objectives:

- Promote innovation and technology transfer for sustainable energy breakthroughs;
- Demonstrate mitigation options with systemic impacts; and
- Foster enabling conditions for mainstreaming mitigation concerns into sustainable development strategies.

114. In GEF-7 these objectives will be addressed through country driven investments in the focal area and specific impact programs. Detailed descriptions for the focal area objectives are provided below, including eligible activities and entry points within the focal area or in relevant impact programs.

*Objective 1. Promote innovation and technology transfer for sustainable energy breakthroughs*

115. In GEF-7, partnership with the private to promote technology transfer and deployment will be a key priority. Technology is key area for the UNFCCC and in Article 10 of the Paris Agreement, and is one of the key means to reduce, or slow the growth in GHG emissions, and to stabilize their concentrations. To that end, technology innovation with the private sector can help create or expand markets for products and services, generating jobs and supporting economic growth. Supportive policies and strategies are fundamental to catalyze innovation and technology transfer for mitigation and enhance private sector investment. Resources from the GEF play a key role in piloting emerging innovative solutions, including technologies, management practices, supportive policies and strategies, and financial tools which foster private sector engagement for technology and innovation.

116. The objective to promote innovation and technology transfer for sustainable energy breakthroughs has four entry points:

- De-centralized renewable power with energy storage;
- Electric drive technologies and electric mobility;
- Accelerating energy efficiency adoption; and
- Cleantech innovation.

117. These four entry points have been prioritized to be innovative, align with NDCs, and be complementary to other financial mechanisms.

118. Sustainable energy is vital, as energy related carbon emissions are the major driver of climate change; therefore, transformation of energy systems is key to achieving the Paris Agreement and the SDGs. Emissions from the transport sector in particular are growing rapidly and countries need solutions. The rapid decline in costs of low-carbon energy technologies has provided an opportunity for rapid growth in sustainable energy supply. However, the speed and scale of sustainable energy investment in developing countries is far from what it is needed to address climate change and attain the SDGs. Energy demand in many developing countries is expected to continue to rise rapidly driven by economic and population growth.

119. In order to transform energy systems at the pace and scale needed to meet country development priorities and NDC targets, developing countries must ensure that the rapidly growing supply of low-carbon energy is connected to consumers in the most efficient and cost-effective manner. Thus, broad sectoral interventions and innovative business models that go beyond business as usual must be fostered. The four entry points in this objective address areas of disruption in the energy sector where new technologies and policies are creating tremendous opportunity to transform the sector.

120. Innovation is vital and builds on the GEF's proven track record of establishing enabling conditions through policy and regulatory reform, and fostering innovative and risk-taking opportunities to promote climate change mitigation. Many of the GEF's prior investments provided support for a new technology or business model that was on the cusp of maturity, which enabled it to become competitive in the marketplace and foster widespread adoption.

121. To take advantage of the GEF's comparative advantage, programming under this objective does not prioritize direct support for large-scale deployment and diffusion of mitigation options with GEF financing only. Rather, GEF-7 resources should be utilized to reduce risks and enhance enabling environments, so that the results can facilitate additional investments and support by other international financing institutions, the private sector, and/or domestic sources to replicate and scale up in a timely manner.

122. This focal area objective supports innovation and technology transfer at key early and middle stages of development, focusing on the demonstration and early deployment of innovative technologies to deliver sustainable energy solutions that control, reduce or prevent GHG emissions.

123. In addition to country projects, focused interventions may be delivered through programmatic approaches or regional projects.

#### De-centralized renewable power with energy storage

124. Grid modernization and integration of energy storage are critically needed to facilitate the rapid growth of renewable energy in a cost-effective manner. In numerous developing countries, the rapid growth of renewable energy, and rapid changes due to climate change, are severely impacting the ability of the utility grid to provide reliable low-carbon electricity. Just as importantly, de-centralized generation is challenging traditional utility models, creating opportunities and challenges for rapid growth of low-carbon energy. Energy storage technology has emerged as a new disruptor, changing market dynamics with rapidly improving technology capacity and declining costs, but the technology is not yet reaching many countries. The GEF will support countries that have identified power sector transformation through mini-grids, energy storage, and new business models.

#### Electric drive technologies and electric mobility

125. The GEF support for low-carbon transport options has covered the full spectrum of investments from alternative fuel vehicles and fuel efficient vehicles to bus-rapid-transit and bicycle sharing programs. Based on technology advances and market trends, the electric vehicle market is already growing rapidly and is poised to radically change the need for fossil fuels in the transport sector. Coupled with new, low-carbon sources of renewable energy, electric vehicles are both efficient, low-carbon, and can improve grid reliability. Many countries also see the burgeoning market for electric drive technologies as a jobs creator through new opportunities in manufacturing, infrastructure, and services. Electric drive technologies significantly reduce local air pollution. Still, barriers to adoption of electric mobility are significant and true commercial

scaling has not yet been achieved. The GEF will support countries seeking to foster appropriate regulatory frameworks, plan for disruptive market changes, and foster integration of electric vehicles into the grid.

#### Accelerating energy efficiency adoption

126. Despite the availability of energy efficiency technology and proven approaches, the adoption and uptake of energy efficiency policies, measures, and technologies has not reached its full potential. Building on a successful GEF-6 partnership with SEforAll, in GEF-7 additional countries will be supported through the energy efficiency accelerators. The accelerators share common approaches across diverse sub-sectors, including Buildings, District Heating and Cooling, Energy Management for Industry, Equipment and Appliances. The accelerators promote global best practices, foster harmonization of testing and performance standards, and provide technical assistance to countries needing targeted engagement. These accelerators identify critical barriers to adoption of energy efficiency and pilot approaches that can be further scaled by other institutions, including the private sector. A new accelerator for addressing the need of energy efficiency retrofits in multi-family dwellings will be considered. Accelerator models based on the Finance and Technology Transfer Centre for Climate Change (FINTECC) model may be considered.

#### Cleantech innovation

127. The GEF will support countries that wish to foster technology deployment, dissemination, and transfer through entrepreneurship and with a special emphasis on SMEs and private sector partnerships. In GEF-6, eight countries participated in the GEF Global Cleantech Innovation Programme (GCIP) promoting innovation in energy, water, and buildings. Over 900 private sector companies have been trained, mentored, and introduced to funding opportunities. Hundreds of the innovators and companies are women-owned and operated. In many cases these companies are already up and running, attracting investment, making innovative products, and delivering environmental benefits. Working in partnership with these early stage private sector innovators can open the door to needed investment. A small sample of just ten private sector companies supported through GCIP has raised USD 22 million in investment and created over 300 jobs while reducing 600,000 tCO<sub>2</sub>e. Through fostering of innovation and training a new generation of entrepreneurs, countries will be able to partner with the private sector to accelerate technology transfer, support small and medium enterprises, and create jobs.

#### *Objective 2. Demonstrate mitigation options with systemic impacts*

128. Climate change affects virtually all natural and economic systems. This interaction between climate change and biodiversity, land degradation, forests, chemicals and waste, and international waters points to the importance of recognizing climate change implications in all GEF-7 focal areas and impact programs by harnessing mitigation options to address them and integrating climate resilience measures to address climate change risks. The GEF has the unique ability to support natural solutions developed with systems thinking that take advantage of synergies to seek multiple global environmental benefits across Conventions while reducing trade-offs and duplication.

129. Accordingly, demonstrating mitigation options with systemic impacts can achieve additional benefits when conducted in holistic and integrated fashion through the GEF-7 impact programs; specifically, the Sustainable Cities, Food Systems, Land and Restoration, and Sustainable Forest Management Impact Programs.

#### Sustainable Cities Impact Program

130. The Sustainable Cities Impact Program will be critical to address both short-term and long-term climate change challenges in the rapidly growing urban sector. The Sustainable Cities Impact Program targets urban interventions with significant climate change mitigation potential to help cities shift towards low-emission and resilient urban development in an integrated manner. Cities must be empowered to effectively support the implementation of NDCs and low-carbon development pathways. Examples of low-carbon technologies and practices needed in the urban sector include energy efficiency (buildings, lighting, air conditioning, transport, district heating systems), renewable energy development (solar, wind, co-generation, waste-to-energy), and solid waste and wastewater management. Stronger land use and transport planning will lead to long-term emissions reduction in the urban sector and support resilient development.

#### Food Systems, Land Use and Restoration Impact Program

131. The Food Systems, Land Use and Restoration Impact Program provides the opportunity for an integrated approach to foster climate smart agriculture and sustainable land management while also increasing the prospects for food security for smallholders and communities that are dependent on farming for their livelihoods. Restoring agricultural productivity while also reducing GHG emissions is key for countries to jointly meet their NDCs and SDG goals. This Impact Program will also foster a sustainable supply chain with regard to production, processing, and demand for key agricultural commodities that is vital to long-term emissions reductions from agriculture through avoided deforestation of tropical forests. In addition, the Impact Program will also support measures that increase carbon storage in farmlands, and may include reduced tillage, integrated crop-livestock, agroforestry and other innovative soil quality improving techniques that clearly target sustainable and scalable GHG emissions reductions.

#### Sustainable Forest Management Impact Program

132. The GEF's historic SFM investments have already demonstrated the significant climate change benefits available through integrated approaches on forests. In GEF-7, the Sustainable Forest Management Impact Program will foster low-carbon strategies in the Amazon, the Congo Basin, and dryland forests. Taken together, these three biomes are critical to halting the release of GHG emissions through avoided deforestation and by enhancing carbon stocks above and below ground. The GEF's commitment to addressing climate change through this Impact Program is aligned with NDCs of countries that have identified forest and land-based emissions as a large proportion of their national GHG emissions.

*Objective 3. Foster enabling conditions for mainstreaming mitigation concerns into sustainable development strategies*

133. The GEF continues to address the need for enabling conditions to mainstream climate change concerns into the national planning and development agenda through its support for enabling activities, including Convention obligations and the Capacity-building Initiative for Transparency through sound data, analysis, and policy frameworks.

134. As in prior GEF cycles, under the GEF-7 Climate Change Mitigation Strategy countries will have access for Convention obligations and CBIT support from set-asides that do not draw on country allocations. Country allocations will be available to deliver on other enabling activities. All projects will be required to demonstrate alignment to national priorities including in national climate strategies and plans, NDCs, Technology Needs Assessments, National Communications, and Biennial Update Reports.

135. This objective will be delivered directly through focal area projects and enabling activities, with the following entry points:

- Capacity-building Initiative for Transparency;
- NDC preparation; and
- Enabling activities.

Capacity-building Initiative for Transparency

136. The CBIT launched in GEF-6 will be mainstreamed in the GEF-7 Climate Change Mitigation Focal Area Strategy to support projects that build institutional and technical capacity to meet the enhanced transparency requirements in the Paris Agreement. The CBIT, as per paragraph 85 of the COP decision adopting the Paris Agreement, will aim:

- To strengthen national institutions for transparency-related activities in line with national priorities;
- To provide relevant tools, training and assistance for meeting the provisions stipulated in Article 13 of the Agreement; and
- To assist in the improvement of transparency over time.

137. The Paris Agreement in Article 13 establishes an enhanced transparency framework for action and support, with built-in flexibility which takes into account Parties' different capacities and builds upon collective experience.

138. The purpose of the framework for transparency of action is to provide a clear understanding of climate change action in light of the objective of the Convention as set out in its Article 2, including clarity and tracking of progress towards achieving Parties' nationally



determined contributions, and Parties' adaptation actions, including good practices, priorities, needs and gaps, to inform the global stocktake under Article 14 of the Paris Agreement. Specifically, each Party is required to provide the following information:

- A national inventory report of anthropogenic emissions by sources and removals by sinks of greenhouse gases, prepared using good practice methodologies accepted by the Intergovernmental Panel on Climate Change and agreed upon by the Conference of the Parties servicing as the meeting of the Parties to the Paris Agreement;
- Information necessary to track progress made in implementing and achieving its nationally determined contribution under Article 4; and
- The Paris Agreement also states that countries should provide information on climate change impacts and adaptation under Article 7 of the Agreement.

139. The purpose of the framework for transparency is to provide clarity on support provided and received by relevant individual Parties, and, to the extent possible, to provide a full overview of aggregate financial support provided, to inform the global stocktake.

140. Developed country Parties shall, and other Parties that provide support should, provide information on financial, technology transfer, and capacity-building support provided to developing country Parties under Articles 9, 10, and 11 of the Agreement, and developing country Parties should provide information on financial, technology transfer, and capacity building support needed and received under these Articles.

141. The CBIT will support activities aligned with its aim at the national and regional/global levels.<sup>27</sup>

#### NDC preparation

142. Given the timing of GEF-7, countries will have the opportunity to update their NDCs with enhanced ambition after the facilitative dialogue of 2018 provides an assessment of collective progress towards the goals of the Paris Agreement. The GEF will continue to support Parties in the preparation and communication of their NDCs, following COP guidance. Countries may use country allocations for these activities. In addition, collaboration with ongoing global programs that support NDC implementation will continue to be supported through the CBIT.

#### Enabling activities

143. The GEF will continue to provide resources to non-Annex I countries to prepare National Communications (NCs) and Biennial Update Reports (BURs) to comply with Convention obligations in line with COP guidance. The GEF stands ready to respond to additional COP guidance on Convention obligations and the transparency framework subject to resource availability. The GEF may also support actions and activities to sustainably develop and enhance

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<sup>27</sup> For a non-exhaustive list of eligible activities please refer to the CBIT Programming Directions Document

the capacity of countries to prepare their NCs and BURs through for example a Global Support Program that provides logistical and technical support, capacity-building, and knowledge management activities, with a view to facilitating the timely preparation and submission of NCs and BURs. Countries will have access to set-aside resources for these activities. Support for technology needs assessments (TNA) will also be made eligible for small island developing states and least developed countries for this objective.