Climate change ratings as a tool for better accessing climate finance

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2. Private-based initiatives are emerging
3. The foundations of a comprehensive Sovereign Climate Change Rating
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Issues

- Proliferation of:
  - CC Topics, Concepts, Decisions, Rules, Interpretations
  - Commitments and Submissions, Stakeholders-Actors
  - 1.5-2°C, Acceleration, higher ambitions, updates
  - Guidebooks, Tools, Templates, Enabling activities,
  - Complex and long Applications to donors, financial institutions

... And...

Questions

- Who is doing what .. Nationally and internationally?
- Do we have the ability to build a coherent path from where to start mainstreaming Climate Action, and towards which target?
- How can we assess where we are?
- Do financial sector has a comprehensive picture? How reactive it is?
A Climate/Carbon Taxonomy can:
- Build a comprehensive and coherent vision
- Assess level of integration
- Clarify progress made
- Point out strengths and weaknesses
- Personalize tools according to targeted actors (countries, cities, corporate, financial institutions, etc.)

Better, easier, faster access to finance ... but not only ..
- ... Reduce risks for financial sector and asset managers and provide for responsible financing ➔ incentive to boost CC initiatives
- UNFCCC/COP/International Community: better understanding of progress made
- Countries: assess progress made and identify where to put emphasis
- Provide for better transparency ...
Emerging Entities: ideas/tools/Metric solutions to determine effectiveness of CC policy:

- Mainly in Europe, but also G20 (Task Force on climate-related financial disclosure), and in the US, + UNEPFI on responsible banking initiative

- Non-politicized processes: Mainly climate related “solvability” (transitional risks-Physical risks) and responsibility

- Mainly meet emerging demand from/for financial and Insurance sectors/Asset managers

- Emphasis on Corporate rating

- Sometimes mixing financial and Climate rating
Through

- Models, networks, knowledge sharing platforms
- Integration tools (CDP, ESG-SDG, TFCD, ..)
- More and more specialized firms, non profit organizations
- A more recent ongoing sovereign Climate/Carbon rating
The foundations of a comprehensive Sovereign Climate Change Rating

- **Sovereign Climate rating tool:**
  - Cover the 3 main pillars:
    - CC responsibility, Conformity and alignment
    - Transitional risks
    - CC physical risks
  - Integrate all CC and Dev. Issues under a coherent framework
  - Deliver reliable outputs
  - Allow for tracking progress
CC responsibility, Conformity and alignment

- GHG Accounting systems
- CC Governance: Political support, institutional arrangements, regulatory framework, Dialogue and public involvement
- Reporting, Transparency, MRV systems
- GHG mitigation policies and Alignment
- Inclusion and integration
The foundations of a comprehensive Sovereign Climate Change Rating

- **Transitional risks and resilience**
  - Exposure to transitional risks, and to Resilience Costs
  - Impacts of Low-Carbon transition on public finance and on general financial equilibrium
  - Integration of transitional risks into public policies
  - Social impacts of Low-Carbon transition

- **CC physical risks and resilience**
  - Quantitative /qualitative assessments of the CC physical impacts and risk exposure
  - CC physical impacts on Public finance and on general financial equilibrium
  - CC social impacts (poverty, exclusions, migrations...)
  - Integration of CC physical risks into public policies, and resilience
Key Features of CC-Rating model

- **Generic Applications/Scoring tools** based on Multi-criteria models, covering 234 criteria that allow for an integrated, exhaustive and dynamic assessment of:
  - Progress made by entities (countries, cities, enterprises ..) in their GHG mitigation policy/carbon transition/UNFCCC commitments and towards NDC as well as objectives of Paris agreement
  - Transitional risks and resilience policies
  - CC-physical risks and resilience policies

- **Customized tracking tools** that helps Development Agencies and finance community:
  - Dynamically fine-tuning the conditions for supporting countries and low-carbon investment programmes
  - Helping de-risking financial engagements against both climate impacts and transitional difficulties:
12 graduations ....

- Inspired by classical sovereign rating models
- Responding innovatively to new imperatives arising from climate issues

### Ongoing Sovereign Climate & Carbon Rating tool

<table>
<thead>
<tr>
<th></th>
<th>AAA+</th>
<th>Prime</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>AAA-</td>
<td>High Grade</td>
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<tr>
<td>3</td>
<td>AA+</td>
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<td>4</td>
<td>AA-</td>
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<tr>
<td>5</td>
<td>A+</td>
<td>Upper Medium</td>
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<td>6</td>
<td>A-</td>
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<td>7</td>
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<td>Lower Medium</td>
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<td>8</td>
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<td>Upper Low grade</td>
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<tr>
<td>10</td>
<td>BB-</td>
<td></td>
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<tr>
<td>11</td>
<td>B+</td>
<td>Extreme Low grade</td>
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<tr>
<td>12</td>
<td>B-</td>
<td></td>
</tr>
</tbody>
</table>

TOP distinction, unlikely reachable by any country before 2025-2030

The majority of countries
Allowing to track, through 234 criteria:

1. Concrete climate policy arrangements made by a country, in relation with UNFCCC and Paris Agreement commitments

2. Exposure to Low-carbon transitional risks and resilience policies

3. Exposure to physical CC-impacts and resilience policies
<table>
<thead>
<tr>
<th>SDG</th>
<th>Intitulé de l'ODD</th>
<th>Rating-CC criteria covering SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDG1</td>
<td>No Poverty</td>
<td>53G, 53H, 64B, 64C, 74C, 74D, 74E, 74F</td>
</tr>
<tr>
<td></td>
<td>&quot;Zéro&quot; Hunger</td>
<td>54C, 54E, 71G, 71H, 71J, 72D, 72E, 72J</td>
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<tr>
<td></td>
<td>Good health and well-being</td>
<td>72H</td>
</tr>
<tr>
<td></td>
<td>Gender Equality</td>
<td>52A, 52B, 52C, 52D, 52E, 52F, 52G</td>
</tr>
<tr>
<td></td>
<td>Clean Water and Sanitation</td>
<td>41B, 41Q, 71H, 72E</td>
</tr>
<tr>
<td></td>
<td>Affordable and Clean Energy</td>
<td>41B, 41F, 41N, 41U</td>
</tr>
<tr>
<td></td>
<td>Decent Work and Economic Growth</td>
<td>21P, 41F, 52H, 52I, 52J, 52K, 52L, 52M, 64A, 74A, 74B</td>
</tr>
<tr>
<td></td>
<td>Responsible Consumption and Production</td>
<td>21P, 21R, 41B, 41C, 41F, 41H, 41N, 41O, 41P, 41Q</td>
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<tr>
<td></td>
<td>Climate Action</td>
<td>All criterion of Rating-CC</td>
</tr>
<tr>
<td></td>
<td>Life below Water</td>
<td>72G</td>
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<tr>
<td></td>
<td>Life on Land</td>
<td>41B, 41F, 41P, 72F</td>
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<tr>
<td></td>
<td>Aggregated</td>
<td>54G</td>
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</tbody>
</table>
### Criteria fully linked to:

- Green Climate Fund Criteria (6+2)

<table>
<thead>
<tr>
<th>GCF Criteria</th>
<th>Intitulé du critère</th>
<th>Critères Rating-CC couvrant ceux du FVC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Impact/result potential</td>
<td>42F 42G 42H 52H==52M 53A==53H 54A==54H 61F 61G 61J 61P==61U 71A==71E 71G 71H 71L 72D==72J 74A 74C 74E 74G</td>
</tr>
<tr>
<td>2</td>
<td>Paradigm shift potential</td>
<td>21E 21F 21K 21S 22B 22C 32A==32F 33A==33G 41B 41C 41D 41E 41F 41G 42A 42F 42G 42H 54A==54H 61A 61G 63A==63D 71A==71E 71G 71H 71I</td>
</tr>
<tr>
<td>3</td>
<td>Needs of the beneficiary country/alternative funding sources</td>
<td>62C 63C 64C 73B 73D 74B 74D 74F 74H 75D</td>
</tr>
<tr>
<td>4</td>
<td>Country ownership and institutional capacity</td>
<td>21B 21D 21E 21F 21H==21P 21R 22A 22B 22C 23C 23D 24A==24j 32G 32H 33H 41F 41G 41H 41I 41J 42B 51A==51Q 63A==63D 71F 75A 75B 75C 75E</td>
</tr>
<tr>
<td>5</td>
<td>Economic efficiency</td>
<td>41H 41I 41U 42H 61Q 61R 61S 61U 62A 62B 62C 71J 72A 72B 72C 72L 74A 74B 74C 74D 75D</td>
</tr>
<tr>
<td>6</td>
<td>Financial viability (for revenue-generating activities)</td>
<td>62A 62B 62C 74B 74D 74F 74H</td>
</tr>
</tbody>
</table>

**Gender**

- Gender consideration: 52A==52G

**Social**

- Social inclusion: 52H==52M 53A==53H 64A 64B 64C 74A 74C 74E 74G
Ongoing Sovereign Climate & Carbon Rating tool

- **First Step:** Online Self CC Rating
  - 30 criteria
  - BETA online application to be launched soon

- **Second Step:** Assisted Online Self CC Rating
  - 52 criteria
    - Third Party expert support

CC-RATING30 - National Aggregate Ratings

CC-RATING30 - National Aggregate Ratings - Index

CC-RATING30 - Ratings by Field

- Exposure and Resilience to CC impacts
- Climate Governance
- Reporting, transparency and MRV Systems
- Inclusion policies and integration of CC into development policies
- GHG Mitigation Policies

GHG Accounting: 8.0

Exposure and Resilience to Transitional risks: 4.6
Thanks

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