

# Expert Group Meeting on Mainstreaming Climate Action into National Development Planning in the Arab Region

Amman, 25-27 November 2019

## *Climate change ratings as a tool for better accessing climate finance*

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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.)

Taxonomy

Objective

- 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 initiatives

- ❑ **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, TFCDD, ..)
- ❑ More and more specialized firms, non profit organizations
- ❑ A more recent ongoing sovereign Climate/Carbon 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



**Sovereign  
Climate  
Rating****Building  
block 2****☐ 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

**Sovereign  
Climate  
Rating****Building  
block 3****☐ 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 :

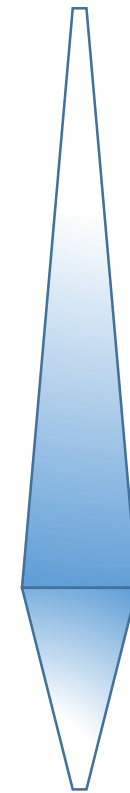
  - ✓ Dynamically fine-tuning the conditions for supporting countries and low-carbon investment programmes
  - ✓ Helping de-risking financial engagements against both climate impacts and transitional difficulties :

12 graduations  
....

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

1	AAA+	Prime
2	AAA-	High Grade
3	AA+	
4	AA-	
5	A+	Upper Medium
6	A-	
7	BBB+	Lower Medium
8	BBB-	
9	BB+	Upper Low grade
10	BB-	
11	B+	Extreme Low grade
12	B-	

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

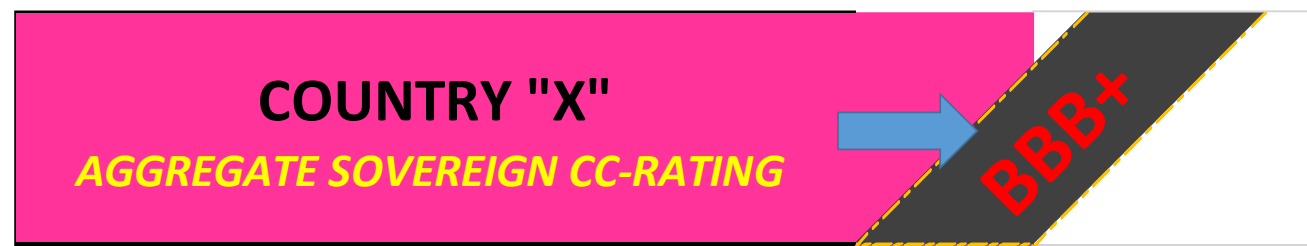


The majority of countries

**3  
Rating  
Areas**

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



SDG1	Intitulé de l'ODD	Rating-CC criteria covering SDGs																														
SDG1	No Poverty	53G	53H	64B	64C	74C	74D	74E	74F																							
	"Zéro" Hunger	54C	54E	71G	71H	71J	72D	72E	72J																							
	Good health and well-being	72H																														
	Quality Education	24D	24E	24F	24G	24H	51M	51N	51O	51P	51Q	71C	71D																			
	Gender Equality	52A	52B	52C	52D	52E	52F	52G																								
	Clean Water and Sanitation	41B	41Q	71H	72E																											
	Affordable and Clean Energy	41B	41F	41N	41U																											
	Decent Work and Economic Growth	21P	41F	52H	52I	52J	52K	52L	52M	64A	74A	74B																				
	Industry, Innovation and Infrastructure	21P	41B	41H	41F	51G	51H	51I	51J	51K																						
	Reduced Inequalities	52H	52I	52J	52K	52L	52M	53A	53B	53C	53D	53E	53F	53G	53H	64A	64B	64C	71I	74E	75F	76G	77H									
	Sustainable Cities and Communities	41G	53A	53B	53C	53D	53E	53F	53G	53H	71I																					
	Responsible Consumption and Production	21P	21R	41B	41C	41F	41H	41N	41O	41P	41Q																					
	Climate Action	All criterion of Rating-CC																														
	Life below Water	72G																														
	Life on Land	41B	41F	41P	72F																											
	Peace, Justice and strong Institutions	21H	21I	21J	21K	22A	22B	22C	41F	41I	41J	52A	52B	52C	52D	52E	52F	52G	52H	52I	52J	52K	52L	52M	53A	53B	53C	53D	53E	53F	53G	53H
	Partnerships for the Goals	21K	21L	21M	21N	21O	21P	21Q	21R	21S	24A	24B	24C	24D	24E	24F	24G	24H	24I	24J												
	Aggregated	54G																														

Links with  
SDG

SDG4

SDG8

SDG10

SDG11

SDG12

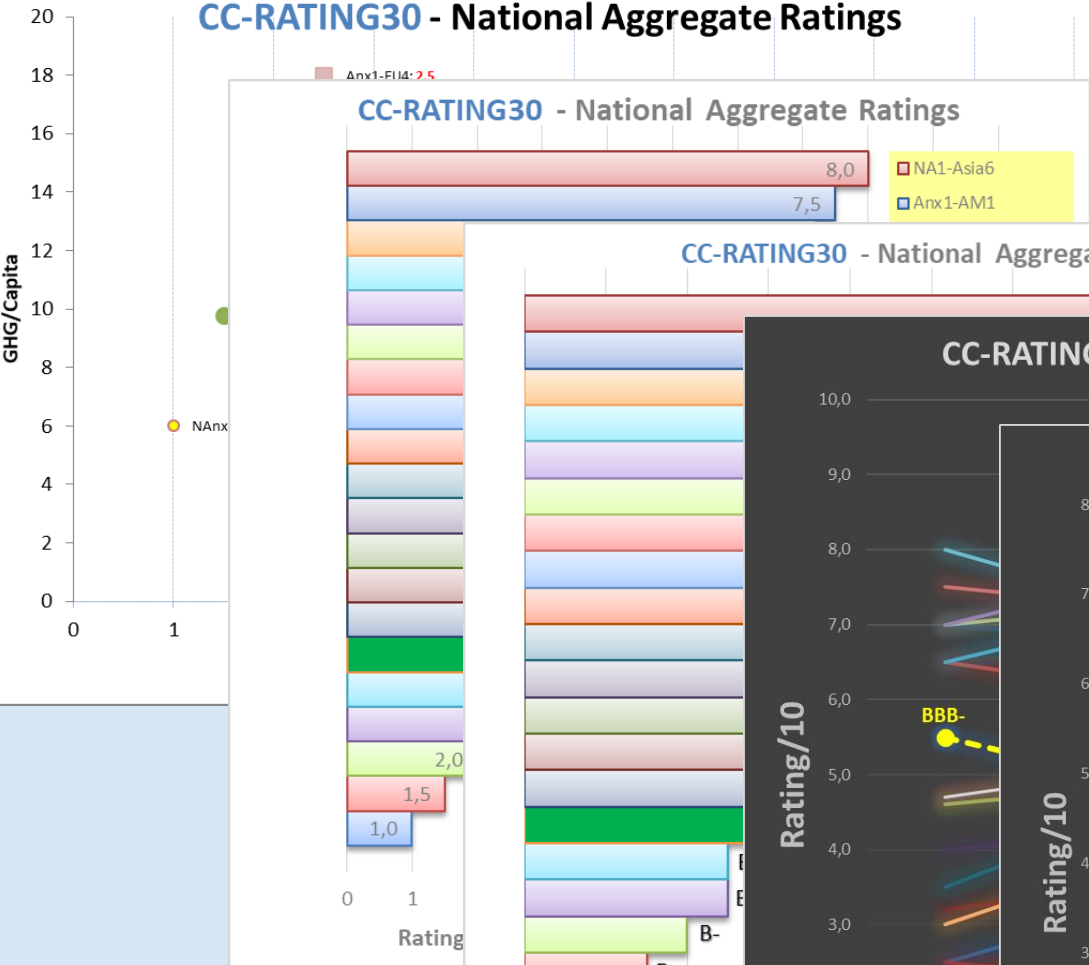
SDG13

SDG16

SDG17



## CC-RATING30 - National Aggregate Ratings

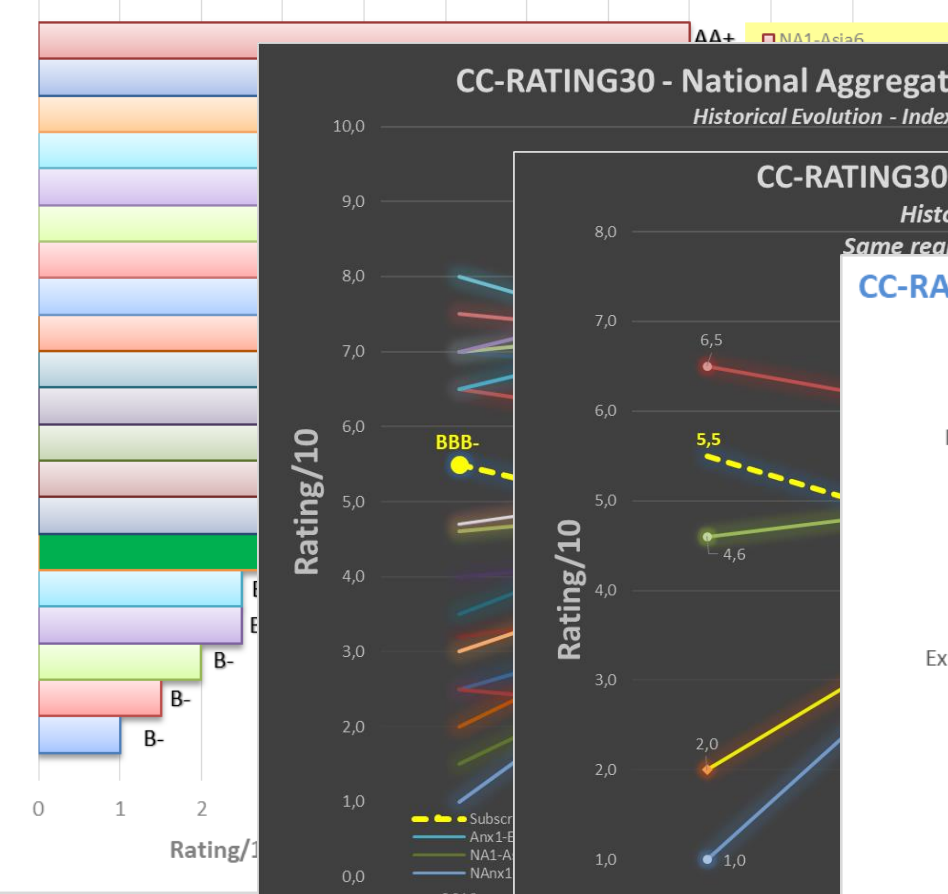


ng30 → 30 criteria

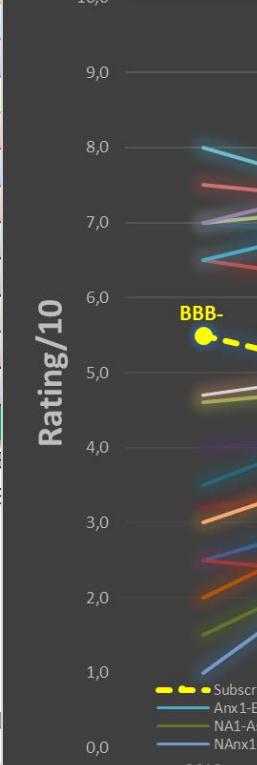
soon

rt support → 52 criteria)

## CC-RATING30 - National Aggregate Ratings



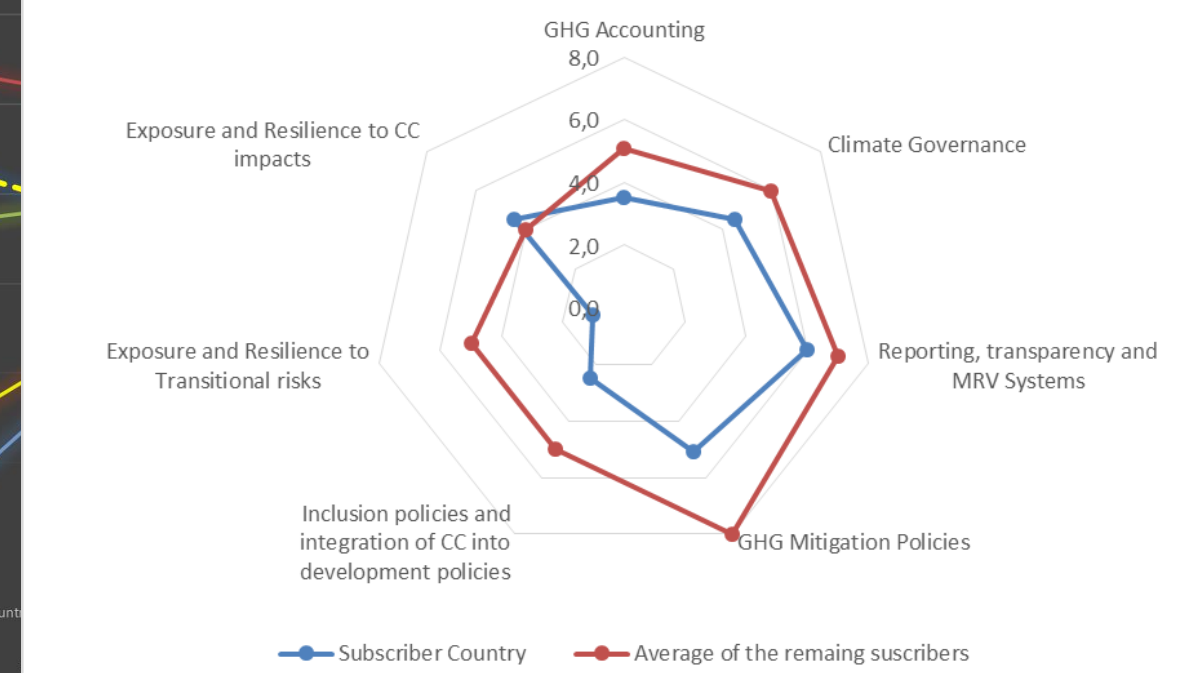
## CC-RATING30 - National Aggregate Ratings - Index



## CC-RATING30 - National Aggregate Ratings



## CC-RATING30 - Ratings by Field



**The End**

*Thanks*

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