



UN Climate Change High-Level Champions

## **“Towards COP27: UNECE Regional forum on Climate Initiatives to Finance Climate Action and the SDGs”**

### **Regional cooperation on enhancing sustainable management and financing for the critical raw materials required for low-carbon transitions**

#### **Concept Note**

##### **Context**

Ahead of COP27, the UN system, leveraging its convening power, network of experts and influencers at regional levels, will partner with the incoming Egyptian Presidency of COP27 and the UN Climate Change High-Level Champions for COP26 and COP27 to organize a series of five regional forums on “Towards COP27: Regional Forums on Climate Initiatives to Finance Climate Action and the SDGs” bringing together key stakeholders from the public and private sectors, to catalyze additional private sector investment in climate mitigation and adaptation in line with the SDGs. Participants, including public and private financial institutions and countries, initiatives and organizations preparing projects, will work together to identify and address financing bottlenecks, showcase and learn from success stories of private sector investment and share investment-ready climate initiatives in Member States to spur further investment.

Public and private climate finance must flow at the necessary scale and pace to accelerate Paris aligned sustainable development without further overburdening the already stretched fiscal space of most developing countries to invest in climate action, and sustainable development is not further overburdened. With a focus on SDGs 7, 9, 13 and 17 as vehicles for change, the five regional forums aim at taking a holistic approach towards financing the 2030 Agenda for Sustainable Development in the new global environment and delivering urgent near-term action.

Trillions of dollars’ worth of investments are needed each year to achieve the rapid, far-reaching transformations required to address the impact of the climate crisis from the perspectives of mitigation and adaptation. Developed countries and private sector investors have yet to deliver on the annual \$100-billion commitment of climate finance agreed to in 2009, which was to be reached by 2020, and progress towards aligning all financial flows with the SDGs and Paris Agreement goals is nowhere near what is needed. Lack of access to finance and investments aligned with climate ambitions, lack of pre-feasibility and/or feasibility studies, increased cost of borrowing for countries due to real and perceived risks as well as reduced fiscal space remain at the root of significant delays in the necessary finance flowing to transform all sectors of the economy from transport to agriculture to manufacturing to energy, to reduce emissions at the pace required to limit global warming to 1.5 degrees Celsius in the context of the just transition and build resilience to the impacts of climate change. Furthermore, unlocking access to climate finance, especially in emerging markets and developing economies, is crucial to closing the adaptation gap to build resilience and protect the vulnerable from climate change.

There has been considerable growth in private sector commitments to setting and pursuing science-aligned portfolio decarbonization targets through the Race to Zero and the Glasgow Financial Alliance for

Net Zero, and an increase in green and sustainable debt financing instruments, such as green, blue, and sustainability-linked bonds, in the last five years. Similarly, innovative financing mechanisms like debt for climate swaps are also gaining traction, and the business case for investing in adaptation and resilience to manage and reduce physical climate risk is becoming clearer. However, given the enormous financing requirements, the scale that is needed to ramp up climate action and advance the SDGs is not there. This is because an effective change requires a holistic and cross-sectoral approach. This means changes in enabling conditions for private finance as well as the operating models of development finance institutions and transparency from government leaders on the projects required to achieve their sustainability goals. There is still a disconnect between investors and projects in need of investment. The regional forums will focus on convening development cooperation partners and private sector representatives together with countries, initiatives and platforms looking to raise capital for climate investments to foster greater understanding and connectivity and ultimately catalyze increased investment in critical climate projects.

## **Background**

To deliver on climate change and sustainable development, the UNECE region must optimize the management of endowments of natural resources, including critical raw materials (CRMs). A resilient, sustainable and ethical supply of CRMs is essential for clean energy, mobility transitions, and digital transformation. Resiliency in resource supply requires careful attention to several important environmental, economic and social considerations. Governments, industry, the financial sector, and civil society must cooperate to share relevant social and environmental information and knowledge.

CRMs such as lithium, nickel, copper, cobalt, manganese, graphite, and rare earth elements (REEs) are crucial to low-carbon transitions. The shift is set to drive a massive increase in the requirements for these minerals. For example, the demand is expected to rise to over 40 per cent for copper and REEs over the next two decades, 60-70 per cent for nickel and cobalt, and almost 90 per cent for lithium.

The World Bank estimates that over 3 billion tons of minerals and metals will be needed to deploy wind, solar and geothermal power and energy storage required for achieving a below 2°C future. The production, refining and use of these materials in low carbon technologies will require billions of dollars' worth of financing and the collaboration between the private and public sectors to mobilize these resources. Recycling and the implementation of other circularity principles can make an important contribution to meeting the demand for critical raw materials.

The [UN Policy Brief on Transforming Extractive Industries for Sustainable Development](#) issued in May 2021 indicates that reliable CRM supply is essential to support sustainable development. As demand for CRMs grows, the new development projects must tackle challenges such as sustainable water and land use, waste disposal and social acceptance. More focus is required to enhance circularity in CRM use.

A significant increase in sustainability-focused investments for CRM development is crucial to ensuring the security of supply. Sustainable investments for CRM development which integrate circularity in their design necessitate accessibility to harmonized social and environmentally referenced information and knowledge. Such information encompasses aspects of (i) social contract on natural resources; (ii) adherence to sustainable investment guidelines; (iii) alignment to the principles of sustainable resource management; (iv) life-cycle transparency and traceability; and (v) strategic environmental management.

A road map and a business case for sustainability-focused investments worth billions for critical raw materials are urgently required. Developing such a road map and investment business case is not a trivial task due to the complex scenarios and uncertainties regarding the production, use and reuse of CRMs. Some of the key considerations include:

- a. The social and environmental impacts of large-scale mining required to produce CRMs remain the topmost risk.
- b. In this connection, the availability of socially and environmentally tagged harmonized information in the UNECE region will support raising and de-risking investments and securing the social acceptability of CRM development projects.
- c. In fact, end-to-end traceability and transparency for the sustainable and circular performance of value chains, based on globally accepted approaches and standards, will have to be achieved for effective risk mitigation and adaptation and for ensuring regulatory compliance with an increasing body of regulation and legislation mandating due diligence along value chains.
- d. Furthermore, untapping the full potential of digital transformation and the application of advanced technologies will be critical to the shifting to low-carbon and circular production and consumption patterns for CRMs.

As this will require massive investments, the mobilization of finance through public-private partnerships (PPPs) and the use of climate finance instruments, such as green bonds, will help secure access to the necessary capital, foster innovation, and support transfer expertise.

### **Key objectives of the UNECE Regional Forum**

In the lead-up to COP27, as part of the broader effort by all the Regional Economic Commissions, UNECE is organizing this Forum to discuss regional cooperation on enhancing sustainable management and financing for the assurance of CRMs. It builds on the post-COP26 Event that UNECE and the United Kingdom jointly convened on 'Future-proofing supply of critical minerals for net-zero: Cross-sectoral perspectives' in November 2021, which gathered over 300 senior officials and experts. The Forum is organized as one of five UN regional forums that will feed into the COP27 discussions on climate finance.

The main objectives of the Forum are to:

- **Facilitate** engagement with a broad set of partners and stakeholders to accelerate public and private investment in concrete initiatives, platforms, and projects. The aim is to identify and encourage policy actions that correspond to the distinct needs of the UNECE region to address climate change in a holistic manner and that contribute to narrowing the current gap in Paris-aligned financial flows. Special attention will be given to i) the potential of crowding-in climate finance and, more generally, sustainability-focused investments for CRMs, ii) the role of public-private partnerships (PPPs) and climate finance approaches and sources, such as green bonds, for mitigation and adaptation efforts to address climate change.
- **Identify** and share climate finance and investment opportunities that also support the acceleration of access to clean energy and digital transformations, which remain key catalysts for the attainment of the Sustainable Development Goals (SDGs).

- **Highlight** successful examples of countries leveraging investment opportunities for climate action as well as of financial institutions and investors turning climate commitments into action and financial flows. This includes exploring approaches and standardized systems for the reporting and management of resources, such as the United Nations Framework Classification of Resources (UNFC) and the United Nations Resource Management System (UNRMS), aligned with the SDGs. Linkages to the environmental, social, and governance (ESG) compliance in CRM value chains to inform impact investment decisions, with an emphasis on policy perspectives, regulatory developments, and the role of collaborative value chain models and advanced technologies, will be examined.
- **Connect** representative groups of development partners, governments, private sector investors, industry and civil society to propose and consider concrete instruments and initiatives that accelerate action toward the goals of the Paris Agreement and the 2030 Agenda for Sustainable Development, namely to optimize the management of endowments of natural resources, including CRMs. This involves cooperating to share relevant social and environmental information and knowledge that can enhance sustainable financing for the projects.
- **Advocate** for a transparent process that allows countries to showcase their investments in climate action, responsible use of raw materials for green growth, and for measures of progress complementary to the GDP.

### **Format and organization**

The UNECE Regional Forum will be organized by the UN Economic Commission for Europe and the incoming Egyptian Presidency of COP27, in collaboration with the UN Climate Change High-Level Champions (HLCs), the Special Adviser to the SG on Climate Action and Just Transition, the Special Representative for Sustainable Energy for All, the UN Global Compact, the UN Development Programme and the UNFCCC.

It will comprise five hybrid, moderated panel sessions at the Palais des Nations in Geneva and via Zoom, with simultaneous interpretation in English, French and Russian. The UN Deputy Secretary-General, the COP27 President Designate, the Special Envoy on Financing Sustainable Development and UN Climate Change High-Level Champion for Egypt, and the UNECE Executive Secretary will provide the opening addresses. Participants will include representatives of: Governments (high-level policy and decision makers from the Ministries of Economy, Industry, Energy and Environment, Trade and Finance of UNECE member States), mining and metals industry leaders, the financial sector, civil society and key stakeholders in Sustainable Consumption and Production and Circular Economy.

The event is expected to create momentum and advance a set of partnerships that will help develop a robust, sustainability-focused information framework, investment roadmap and business case for the assurance of CRMs. It will eventually help crowd in climate finance and other finance sources to sustainably manage CRMs.

### **Contact**

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Registration details and additional information can be found on the [meeting webpage](#).