

CHECK AGAINST DELIVERY



**Address by
Hon. Aiyaz Sayed-Khaiyum**

*Fiji Minister for Economy and responsible for Climate Change, Attorney General
and incoming chair World Bank Small States Forum*

**Climate Action Pacific Partnership Conference: A Pacific
Talanoa for Resilience, Ambition and Urgency**

Session 2, 11.40am, Thursday 26 July, 2018, Grand Pacific Hotel, Suva, Fiji

Honourable J.V. Bainimarama, CF (Mil), OSt.J, MSD, jssc, psc, Prime Minister and Minister for iTaukei Affairs, Sugar Industry and Foreign Affairs and COP 23 President,

The Chair of the Pacific Small Island Developing States, Your Excellency the Honourable Baron Divavesi Waqa, President of the Republic of Nauru

Your Excellencies, Pacific Island leaders,

The Honourable Climate Change Minister of New Zealand

The Honourable Australian Ambassador for the Environment

The Chair of the CAPP event - our Climate Champion, the Honourable Inia Seruiratu.

Distinguished Delegates

Ladies and Gentlemen

1. Bula Vinaka and a very good welcome to you all who have travelled here for this second Climate Action Pacific Partnership Conference,
2. As you will be aware throughout our COP 23 Presidency, Fiji has made the critical need for the flow of public and private finance to support the climate change needs of all developing and vulnerable nations a key theme and priority.
3. As Fiji approaches the end of its term as President of the ongoing United Nations climate negotiations which commenced in Bonn in late 2017, it is important we do not lose sight of the fundamental work still to be done if we are to see real and effective flows of public and private climate finance to fund the measures required to achieve the Paris goals as outlined in our nationally determined contributions (NDCs).
4. As both Minister for the Economy and Minister responsible for climate change I am acutely aware of the economics of climate change and the need to use finance and risk mitigation measures to build climate resilient nations and economies.
5. As a Government, we have ourselves pushed the boundaries of leadership for a small island developing state by pursuing innovative avenues for raising funds both externally and internally. We have issued our own Green Bond and have succeeded in listing that Bond on the London Stock Exchange. We have had our Development Bank accredited with the Green Climate Fund and we have concluded a major climate finance investment package where Fiji is a cornerstone funder, along with the ADB, EIB and GCF of a major Urban Water Supply project.
6. In addition, following event such as Cyclone Winston, we have focussed on the need to 'Build Back Better', that is to build our infrastructure not just for the short term but to think forward to not only how communities will grow and the population will increase but also to take into account changing weather patterns and the requirements to adapt communities to extreme weather events more likely to occur as a result of climate change.

7. As a government, we have introduced an Environment and Climate Adaptation Levy (ECAL), a 10% tax on tourist and certain entertainment activities that can, among other things provide funding to assist programmes, projects and activities associated with climate change, including climate change mitigation and adaptation activities.
8. We have seen that a very significant consequence of pursuing such measures and directing these funds to climate adaptation projects, is that the global ratings agencies have now indicated that assessment of a country's resilience and its ability to respond and recover from catastrophic events is now included in the determination of sovereign credit ratings. Thus, reducing our island nations' vulnerability will become an increasingly important element of improving our sovereign credit ratings and in doing so reduce our nations' public debt burden.
9. However, I am also acutely aware that the type of innovative financing measures we Fiji, as a sovereign, have pursued are simply not available to most vulnerable nations and smaller island economies. In this respect, fundamental to pursuing our collective ambitions as outlined in our NDCs is the ability for developing countries to access not only public but also private climate finance- in real amounts and in real time.
10. The challenge here is that there is a fundamental gap between the expectations and drivers of Governments, the broader public sector and even one may say philanthropy on the one hand and private sector investors on the other. Too often we see Governments in our climate change negotiating processes simply call for, or demand private sector investment, in climate mitigation and adaptation measures without consideration for how that is to occur. Rather governments need to better appreciate how, and when, private capital will flow and that ultimately it is driven by the need to make a financial return for its owners.
11. That is not to say private sector should not take responsibility for their actions that contribute to climate change. Quite the opposite, they should be held to account but to achieve this requires

governments to regulate and incentivise those private sector players to change their behaviour and act more in the public good. All countries, but especially those developed countries from which private finance should flow, need to send clear signals to the private sector such as the need for net zero emissions by 2050 – and I congratulate New Zealand’s recent efforts in this regard – it is a goal we have set; pricing or regulating carbon pollution and ending inappropriate fossil fuel subsidies.

12. While all Pacific Islands have private sector investment in many areas of our economies, investments in climate related measures are all the more difficult given the widespread locations and often remoteness of our communities and the challenges with obtaining economies of scale at a reasonable cost. For example, the roll out of renewable energy across multiple small rural communities is a significant challenge for investors without some form of subsidy or guarantee. And without this, the reality is that any offering private investors could deliver to stakeholders are simply not affordable. Therefore, investors around the globe see better investment opportunities in other asset classes and geographies.
13. As I have previously noted, this challenge is made even more acute for adaptation projects which address the catastrophic effects of climate related extreme weather events but have limited economic return potential and therefore, in their current form, are not attractive to private investors. In contrast, the business models for mitigation applied to reduce emissions such as renewable energy are well developed and understood by the investment community around the world but in small pacific island states suffers from the issues I have just noted, while the relative lack of investment in adaptation is both immediate and real and is affecting our peoples’ lives in a tangible way.
14. It is incumbent on us as Governments, and especially developed country Governments like Australia, New Zealand, the UK, the EU and Germany who are all active here in the Pacific, and the multi-lateral institutions they fund, to work more closely with the private sector to facilitate the flow of its capital and where necessary de-risk

its investment through measures such as guarantees, risk transfer mechanisms and the provision of concessional finance. I encourage you to think more innovatively about how you can directly focus your donor efforts on supporting the flow of private sector climate finance into our countries.

15. This also involves removing legal, financial and policy barriers that restrict the flow of private capital and instead creating environments that will support for example large scale investment into cleaner energy and cleaner transport. For example, laws that restrict foreign investment or support the long term operation of fossil fuel generators will inhibit foreign capital flows into renewable energy developments. As governments, we also need to review and maintain our procurement processes to ensure that private investment is achieved at least cost with optimised involvement from concessional and donor financiers. Such transparency is key to sustaining and increasing the level of private finance in our economies over the long term.
16. It is with this in mind, that at the COP in Bonn late last year we launched the Pacific Climate Finance and Insurance Incubator (PCFII) initiative, which we named the “Drua Incubator”. At the same time, we announced an initial €1 million funding for the Drua Incubator from the Luxembourg government which will be directed toward supporting climate insurance and resilience (adaptation) initiatives. In addition, we have had continuing support from the Asian Development Bank
17. The Drua Incubator is a vehicle intended to bring together PSIDS governments and broader community stakeholders to work with leaders in finance, investment and insurance to develop and “incubate” transformational and scalable financial and insurance products and programmes that will ultimately:
 - (i) increase the flow of climate finance and especially private sector climate finance into climate adaptation; and
 - (ii) deliver efficient insurance mechanisms that meet the specific requirements of PSIDS.

18. I want to stress that the Drua Incubator is a Pacific wide initiative and our vision is that with time the effects of the Drua Incubator will be observed and experienced in all countries of the region.
19. The Drua Incubator is intended to build on, not supplant, processes currently underway and work to progress the COP23 Presidency Objectives not only through the year of Fiji's Presidency but beyond.
20. Since last year, the Drua Incubator has undertaken a stocktake of the various finance and insurance programmes and initiatives that currently exist or are being developed. It is now seeking to build on that by working with government agencies, private sector participants and relevant stakeholders to develop financing and risk transfer business models which are profitable and durable for the private sector proponents. It has also been drawing on leading global expertise to develop and advance its agenda.
21. The Incubator is also exploring new and more innovative ways to manage climate risk in the household and agricultural sectors, through working with IFC, World Bank and ADB to provide low income households with insurance for cyclone damage and with support of the FAO and the Fiji Crop and Livestock Council on an agricultural crop loss insurance pilot scheme.
22. For both these schemes, the Drua Incubator will take the learnings from these pilot phases and over time broaden the roll out across countries and the region to ensure a significantly deeper penetration of insurance products in our economies.
23. It is intended that the Drua Incubator engage regularly with all relevant stakeholders of the Pacific region from Regional and Civil Society Organisations, NGO's, Sub-national government authorities and Faith Based Organisations to seek ideas and explore new opportunities. It will also regularly report to its stakeholders and seek feedback and guidance on how best to represent the interests of the ultimate beneficiaries – the people of the Pacific Islands.
24. Additionally, as lawmakers, we need to deepen our dialogue with the private sector to better understand the key impediments to their

greater involvement in our economies to ensure that legislation and regulation are enablers of positive real outcomes on the ground. It is our intention that the Drua Incubator will play a key role in facilitating and moderating such discussions.

25. Turning then back to the Climate Action Pacific Partnership Conference and today's panels we have intentionally brought together a number of private sector investors who wish to share their experiences and who wish to put private capital to work in the Pacific. They will explain their visions and what they need to deploy their capital so as to help us succeed in our efforts to deliver the very mitigation and adaptation measures envisaged in our NDCs.
26. To be successful we need our Grand coalition of all actors and all sources of finance to combine and work together- public, private and philanthropic. We need to be highly innovative in our approach. I again ask many of the Donor countries to provide direct measures that will drive private sector investment in mitigation and adaptation measures in our Pacific economies, even if that means taking on the burden of removing private sector risk.
27. Thank you.