United Nations

TD/B/C.II/MEM.4/26

United Nations Conference on Trade and Development

Distr.: General
4 November 2022

Original: English

Trade and Development Board
Investment, Enterprise and Development Commission
Multi-year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity-Building and Sustainable Development
Ninth session
Geneva, 13–14 October 2022

Report of the Multi-year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity-building and Sustainable Development on its ninth session

Held at the Palais des Nations, Geneva, 13 and 14 October 2022

Contents

Introduction

The ninth session of the Multi-Year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity-building and Sustainable Development was held on 13 and 14 October 2022 at the Palais des Nations in Geneva, with physical and remote participation.

I. Chair's summary

A. Opening plenary

1. In her opening statement, the Secretary-General of UNCTAD stated that the ongoing cost-of-living crisis increased the difficulty in developing countries in dealing with short-term pressures, let alone investing in long-term sustainable development aspirations. She highlighted that the war in Ukraine might lead to a reversal of investment trends in clean energy, with increased fossil fuel production in countries previously committed to reducing greenhouse gas emissions, and noted that, in the first quarter of 2022, most multinational enterprises had revised earnings forecasts downward, yet those in the extractive industries had revised them upward, sending all the wrong signals with regard to investment. In addition, investment in climate change mitigation was increasing, particularly with regard to renewable sources of energy, yet most such investment remained in developed countries, and investment in adaptation lagged behind. Finally, the Secretary-General stressed the importance of the discussions to be held during this session in the lead up to the twenty-seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change.

2. The keynote speakers were the Minister for Energy and Mineral Resources, Indonesia, and the Executive Director, United Nations Environment Programme.

3. The first speaker, expressed concern about the global energy crisis, noting that it was associated with high energy prices, market volatility, inflation and increasing geopolitical tensions. He stated that the need to rapidly transform energy systems, to ensure that they became more secure, reliable and resilient, was urgent. Under the Presidency of the Group of 20 by Indonesia, several priorities had been set with regard to the energy transition, including securing energy accessibility, scaling up smart and clean energy technologies and advancing energy financing. The speaker highlighted that investment needs for the transition to net-zero energy systems were significant; for example, in Indonesia, over $1 trillion would be required by 2060. Finally, he stated that deliberations should consider the need to promote sustainable and inclusive investment to move towards net-zero energy systems; create enabling environments for investment to mobilize all available sources of finance; boost partnerships to support developing countries and encourage public–private partnerships; and strengthen collaboration among all stakeholders, to ensure that all potential was harnessed and that no one was left behind.

4. The second speaker stressed the need for more funds with regard to the energy transition; an increase in funding of over 500 per cent would be needed to meet the targets in the Paris Agreement under the United Nations Framework Convention on Climate Change. She stated that debt was currently the principal financing tool supporting the energy transition in developing countries, indicating that more sustainable sources of finance were required. In this regard, the speaker suggested that public investment needed to be increased and made more efficient and less susceptible to socioeconomic and security shocks; private initiatives needed to be leveraged, to mobilize funds that strategically linked firm assets with sustainable energy production; public–private partnerships needed to ensure that blended finance was funnelled into climate-friendly energy; and investment needed to support the decarbonization of key sectors in economies, through a circular economy model and climate-sensitive technologies.

5. In his opening statement, the Director of the Division on Investment and Enterprise, UNCTAD, presented global trends in climate-related investment and finance and related national and international policy trends, based on *World Investment Report 2022: International Tax Reforms and Sustainable Investment*. The Director underlined the mismatch between investments in climate change mitigation and adaptation, with the latter receiving fewer investments. Climate change-related investment had increased in the past decade, yet most such investment had been directed to developed countries; Europe alone accounted for nearly half of global renewable energy projects. The Director expressed concern about the risk of a reversal in climate-related investment, given the renewed focus on energy security. With regard to trends in green finance, he detailed the significance of green bonds, sustainable bonds and other sustainability-linked bonds, as a long-term option for closing investment gaps. He stressed that “greenwashing” remained a challenge, as most sustainable finance products were self-labelled and there was a lack of consistent standards and quality data with which to assess sustainability credentials. Finally, the Director noted UNCTAD initiatives in this area, including a partnership with institutional investors; the Sustainable Stock Exchange Programme; and the global sustainable finance observatory launched during the World Investment Forum in October 2021.

B. Investment and climate change

(Agenda item 3)

1. Trends and key issues

6. During the first informal session, the panellists discussed current trends and significant issues. The panel was composed of the following: a senior fellow, Harvard Kennedy School, Harvard University, United States of America; Head, Investment Banking and Capital Markets, Refinitiv; and Lead, Climate Trade, World Economic Forum.

7. The first panellist highlighted the radical shift in global investment towards sustainable assets, encouraged by the steep decline in the cost of energy from renewable sources. He noted that, given the present global energy situation, caution needed to be taken in order to not reverse the trend and backslide from investment in renewables. The panellist referred to challenges faced in developing countries in attracting climate-related investment, including high capital costs and the fact that many projects were, at present, not bankable. He cited the importance of green investment facilitation, the potential contribution of multilateral development banks and the need for multilateral coordination with regard to investment treaties and carbon pricing.

8. The second panellist detailed mechanisms for attracting private finance and the role of market regulators. She discussed related challenges, including the relatively limited availability of stable and liquid instruments, the lack of uniform disclosure standards and transparency by firms and the scarcity of reliable data on sustainability performance, to help ensure informed investment decisions.

9. The third panellist, referring to UNCTAD work on investment policy measures, noted that, in developed economies, in the past few years, three of four policy measures in climate change-related sectors had involved the introduction or expansion of foreign direct investment screening mechanisms. With the growing importance of renewables in the energy mix, some developed countries had broadened the scope of critical industries and technologies, to explicitly include clean energy, energy storage systems or environmental technologies.

10. During the ensuing discussion, one delegate emphasized the importance of not only the energy transition but also achieving the Sustainable Development Goal to ensure access to affordable, reliable, sustainable and modern energy for all. Another delegate expressed concern about progress on climate change mitigation and adaptation being reversed, with many countries, including many developed countries, returning to investment in fossil fuels. One delegate stressed the importance of collaboration between UNCTAD and the World Trade Organization on climate change-related trade and investment, aligned with objectives under the United Nations Framework Convention on Climate Change, and expressed appreciation for UNCTAD data on such investment and the monitoring of

progress on investment facilitation. Another delegate emphasized the need to support small island developing States and vulnerable economies, including with regard to investment promotion for adaptation.

2. Capital markets and sustainable finance

11. During the second informal session, the panellists discussed the role of capital markets and sustainable finance in climate-related investment, highlighting some key approaches to attracting international investment in related sectors, improving access to green finance and strengthening international collaboration with regard to climate-related investment. The panel was composed of the following: Professor of Climate Finance, Business School, EDHEC[Ecole des Hautes Etudes Commerciales du Nord], France; an executive, Climate Fund Managers; Vice-President, Climate Risk Research, MSCI[Morgan Stanley Capital International]; and Programme Coordinator, Sustainable Stock Exchange Programme, Division on Investment and Enterprise.

12. The first panellist stated that not taking action with regard to climate change could result in significant economic impacts and losses for investors. She noted key barriers to increasing investment in decarbonization, including the following: poor risk assessments; climate policy uncertainty; and weak regulatory environments. Such barriers could be addressed by establishing risk assessment mechanisms, promoting climate-related financial risk disclosures and improving enabling conditions in order to mobilize and channel green finance to climate-related investment projects. The panellist stated that, in attracting climate-related investment, policymakers needed to consider the link between different types of risk, as well as the risks and opportunities associated with investing in low-carbon activities.

13. The second panellist discussed the need for data and metrics on climate performance, to allow institutional investors and green funds to make informed investment decisions. In this regard, moving beyond static key performance indicators was encouraged, to more dynamic indicators that could allow for changes to be predicted over time and for different sectors and countries to be assessed. A key weakness of indicators at present related to scope 3 greenhouse gas emissions, and common rules and guidelines were needed in this regard.

14. The third panellist emphasized that, in attracting private sector finance, considerations of scale were important, as small projects were not likely to attract sizeable investments. In addition, broadening focus beyond single-asset transactions was important, as such transactions could involve idiosyncratic risks.

15. The fourth panellist detailed the Sustainable Stock Exchange Programme, which involved building consensus in the marketplace and among stakeholders; providing guidance on sustainability in collaboration with partners; engaging the market through various initiatives, such as the “ring the bell for gender equality” event, at which over 100 countries had participated; researching and monitoring market activities; and providing training programmes in partnership with 49 stock exchanges.

16. During the ensuing discussion, the experts emphasized the need for robust sustainability reporting; environmental, social and governance-related disclosures; up-to-date, reliable and high-quality data; and the following: address the insurance gap, particularly in emerging markets, including through climate risk assessments; build a pipeline of bankable projects, to facilitate project finance for institutional investors and green funds; and strengthen collaboration among international organizations, including UNCTAD, to provide guidance for market actors.

3. Policy developments for climate action

17. During the third informal session, the panellists discussed policies for attracting and promoting investment in climate change-related sectors, including with regard to adaptation, as well as policy measures for leveraging foreign direct investment for the development of climate change-related technologies; challenges in and opportunities for the promotion of energy from renewable sources; policy reforms, to promote and attract climate-responsible investment; and the need for the coordinated reform of international

investment agreements, to align treaty models with climate change-related action in order to minimize the risk of investor–State disputes. The panel was composed of the following: Vice-President, Head of Strategy Department, Investment Office, Türkiye; a capacity development specialist, Platform for Agricultural Risk Management, International Fund for Agricultural Development; and Head, Law, Economies and Justice Programme, International Institute for Environment and Development.

18. The first panellist shared the experience of Türkiye in promoting climate change-related investment, noting the importance of including climate change-related objectives in national strategies, to guide domestic and foreign investment. National strategies needed to be coherent both across sectors and horizontally, to strengthen the ecosystem and increase the national absorption capacity of green technologies. The panellist noted efforts made by the investment promotion agency of Türkiye to facilitate climate-related investment, including a scoring mechanism with regard to the Sustainable Development Goals, to evaluate projects in terms of contribution to climate change mitigation and adaptation. The agency had also contributed to joint actions with other government agencies in promoting education in science, technology, engineering and math; and actively contributed to the development of national policies on climate-related investment by collecting feedback from investors and formulating foreign direct investment strategies to be integrated into national development plans.

19. The second panellist stated that national policies could substantially facilitate foreign direct investment in agriculture and farming, through the following four areas of intervention: strengthening land tenure systems; providing a stable regulatory framework; investing in infrastructure to increase logistical efficiency; and strengthening farmers' organizations and providing support for small and medium-sized enterprises. She noted that the lack of data on prices and land productivity hindered foreign direct investment, addressed the practice of agroforestry and noted that some climate adaptation technologies were already freely available. Other tools for increasing agricultural resilience included the effective use of warehouse receipt systems, index-based agricultural insurance and the adoption of modern technologies, such as the use of satellites to map and measure land, monitor carbon dioxide emissions and improve meteorological forecasts. Finally, the panellist stressed the need for more agricultural research and development, particularly with regard to adaptation, such as in identifying drought-resistant seeds.

20. The third panellist, drawing attention to two issues notes published by UNCTAD on international investment agreements and investor–State dispute settlements, emphasized that the current international investment agreement regime could constrain States in implementing measures to address climate change due to the risk of investor–State disputes and potentially large arbitration pay-outs. States might need to accelerate international investment agreement reform, to align reform with climate action. The panellist stated that the following two broad approaches could be considered: reforming existing treaties; and choosing to terminate existing treaties and negotiate new treaties. Given the number of existing agreements requiring reform, he suggested that the pursuit of a coordinated multilateral approach would be the most efficient.

21. During the ensuing discussion, with regard to a query from a few delegates on intergovernmental and multi-stakeholder dialogue, one panellist noted that such dialogue could play a role in identifying and devising policy tools, to promote and facilitate sustainable investments. With regard to a query from another delegate on government support, one panellist emphasized that such support could help attract foreign investors to activities aimed at strengthening smallholder farming. One delegate cited the need for the inclusive flow of investments to all sources of energy and for the transfer of technology, to achieve secure, reliable and resilient energy systems in order to ensure universal access to energy and sustainable economic growth; and stated that advancing investment for all fuels and all technologies to reduce greenhouse gas emissions was a prerequisite for poverty eradication and the achievement of the Sustainable Development Goals and that considering investment in innovation and technological advancements including, but not limited to, efficiency, carbon capture and storage and carbon dioxide removal, was necessary in the management of greenhouse gases. Another delegate shared the experience of Pakistan in renegotiating bilateral investment treaties, highlighting that the process could

be complex and take many years to conclude, as parties might have their own treaty models and all parties needed to agree on the new provisions, and suggesting that UNCTAD could provide a framework model treaty to support reform. In this regard, one panellist reiterated that treaty reform could take a long time and that the unilateral termination of a treaty could trigger a survival clause of over 20 years. The secretariat noted that UNCTAD technical assistance on treaty reform involved different tools, including the international investment agreement reform accelerator and reform package and the Investment Policy Framework for Sustainable Development, and that a recent policy brief prepared by UNCTAD and the International Institute for Environment and Development highlighted key policy recommendations, to support reform of the international investment agreement regime in order to advance on climate-related goals.

4. Investment promotion in climate action

22. During the fourth informal session, the panellists conducted a round table discussion on this theme. The panel was composed of the following: Investment Lead, Finance Initiative, United Nations Environment Programme; Director, Columbia Centre on Sustainable Investment; Vice-President, Private Sector, Development Bank of Latin America; and Director, Green Economy and Climate Action, European Bank for Reconstruction and Development.

23. The first discussant detailed United Nations Environment Programme initiatives in mobilizing funds for climate action, in particular the Net-Zero Asset Owner Alliance. The alliance supported the scaling up of blended finance, an instrument that could help address structural barriers to investment in developing and emerging markets. The discussant suggested recommendations for the finance sector, including with regard to net-zero commitments, favouring actions with real-economy impacts and adopting science-based targets.

24. The second discussant described the results of a survey of investors in renewable energy conducted by the Columbia Centre on Sustainable Investment. She highlighted the following key challenges and policy options in scaling up investment: investors had limited access to low-cost finance, particularly in developing countries, and Governments might need to intervene to facilitate access to finance through, for example, concessional schemes, guarantees or grants; there was often a lack of clarity about grid access and offtake risks, and it was necessary to develop stable power purchase agreements and to enhance transparency on infrastructure availability and accessibility; fiscal policy tools were often poorly designed; and domestic regulatory and administrative frameworks were often weak or too complex.

25. The third discussant described efforts to facilitate climate change-related investment and climate action from the perspective of Latin America. The region was increasingly engaged in work on mitigation and adaptation, ranging from ambitious investment in energy from renewable sources to electromobility, recycling, the sharing economy and other solutions that were already contributing to the reduction of emissions. The discussant stated that, in the region, the sustainability agenda could become a powerful driver in addressing poverty and improving the quality of life, and highlighted the potential of green and blue carbon credits and the potential for sustainable food production. He noted with caution that climate finance did not always lead to real development because of many challenges, such as limited numbers of bankable projects, concerns about integrity and greenwashing, limited access to new technologies and the high costs in the value chain associated with sustainable finance. Finally, the discussant stated how efforts in countries that linked trade to low-carbon production methods, including in the European Union, were likely to shift investment flows towards economies that could ensure the low-emission production of goods.

26. The fourth discussant detailed the strategy of the European Bank for Reconstruction and Development for aligning operations and projects with the targets in the Paris Agreement. The strategy included facilitating the energy transition at the national level, which implied closure of fossil fuel assets and acceleration of the deployment of energy from renewable sources, including by investing in power generation, as well as transmission lines and grids, and by addressing social consequences of the energy

transition, including by supporting the affected workforce. The strategy also involved the following: working with the corporate and finance sectors at the subnational and national levels, to support energy transition plans, evaluate risks and assist in decision-making; scaling up the mobilization of private finance, including the advancement of climate finance tools such as green bonds and blended finance, as well as the development of low-carbon paths for sectors and industrial actors; focusing on adaptation by creating capacity and backing companies that invested in infrastructure and local ecosystems; and assisting countries in developing enabling environments by streamlining regulations and strengthening capacity. The discussant stressed the need to develop instruments that could guide policymakers and practitioners, including data, diagnostics, programmes and regulations.

C. Conclusion

27. In his concluding remarks, the Director of the Division on Investment and Enterprise, summarized the discussions, grouping the key recommendations that had been made into the following three broad categories: (a) action to promote climate-related investment and finance; (b) policy options for countries and regions; and (c) implications for the work of UNCTAD. He stressed that UNCTAD would continue to support member States in channelling and mobilizing green investment, including through the following: providing guidance on sustainability reporting standards; addressing greenwashing-related challenges; supporting the international investment agreement reform process, to align it with the climate agenda; and providing technical assistance on climate-related investment, including for small island developing States and other vulnerable economies. The Director emphasized the commitment of UNCTAD to work in synergy with partners and other international organizations. One example in this regard was the development, in partnership with the World Trade Organization, of a road map for trade and investment policies on climate change, to be launched at the twenty-seventh session of the Conference of the Parties.

II. Organizational matters

A. Election of officers

(Agenda item 1)

28. At its opening plenary meeting, on 13 October 2022, the Multi-Year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity-building and Sustainable Development elected Mr. Azar Bayramov (Azerbaijan) as its Chair and Ms. Maira Mariela Macdonal Álvarez (Plurinational State of Bolivia) as its Vice-Chair-cum-Rapporteur.

B. Adoption of the agenda and organization of work

(Agenda item 2)

29. Also at its opening plenary meeting, on 13 October 2022, the Multi-Year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity-building and Sustainable Development adopted the provisional agenda for the session (TD/B/C.II/MEM.4/24). The agenda was thus as follows:

1. Election of officers.
2. Adoption of the agenda and organization of work.
3. Investment and climate change.
4. Adoption of the report of the meeting.

C. Adoption of the report of the meeting

(Agenda item 4)

30. At its closing plenary meeting, on 14 October 2022, the Multi-year Expert Meeting on Investment, Innovation and Entrepreneurship for Productive Capacity-building and Sustainable Development authorized the Vice-Chair-cum-Rapporteur, under the authority of the Chair, to finalize the report on its ninth session after the conclusion of the meeting.

Annex

Attendance*

1. Representatives of the following States members of the Conference attended the session:

Algeria
Armenia
Azerbaijan
Bangladesh
Barbados
Bolivia (Plurinational State of)
Cabo Verde
Cambodia
Congo
Dominican Republic
Egypt
Gambia
Germany
Haiti
India
Indonesia
Iran (Islamic Republic of)
Iraq
Kenya
Malaysia
Montenegro
Morocco
Nigeria
North Macedonia
Pakistan
Panama
Peru
Qatar
Russian Federation
Saudi Arabia
State of Palestine
Sudan
Türkiye
Venezuela (Bolivarian Republic of)
Viet Nam
Zambia
Zimbabwe

2. The following intergovernmental organizations were represented at the session:

Common Fund for Commodities
European Union
Islamic Development Bank
Organization of Islamic Cooperation

3. The following specialized agencies and related organizations were represented at the session:

Food and Agriculture Organization of the United Nations
United Nations Environment Programme
United Nations Industrial Development Organization
World Bank Group

4. The following non-governmental organizations were represented at the session:

General category

Consumer Unity and Trust Society International
International Network for Standardization of Higher Education Degrees

* This attendance list contains registered participants. For the list of participants, see TD/B/C.II/MEM.4/INF.9.