

CLIMATE POLICY & GOVERNANCE

Enabling Sustainable Climate Finance in Sri Lanka

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PRESENTATION OVERVIEW

01

Global Climate Frameworks

UNFCCC · Kyoto · Paris · COPs

02

Sri Lanka's Vulnerability

Climate risks & sensitive sectors

03

Climate Policy Architecture

NDC · Net Zero 2050 · NAP · BTR

04

Institutional Governance

NDA · Ministries · CBSL · SEC

05

Climate Finance Landscape

GCF · GEF · MDBs · Private flows

06

Barriers to Finance

Policy · Institutional · Financial gaps

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ESG & IFRS S2

Disclosure frameworks for Sri Lanka

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Green Finance Instruments

Bonds · Carbon markets · Blended finance

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AFOLU & REDD+

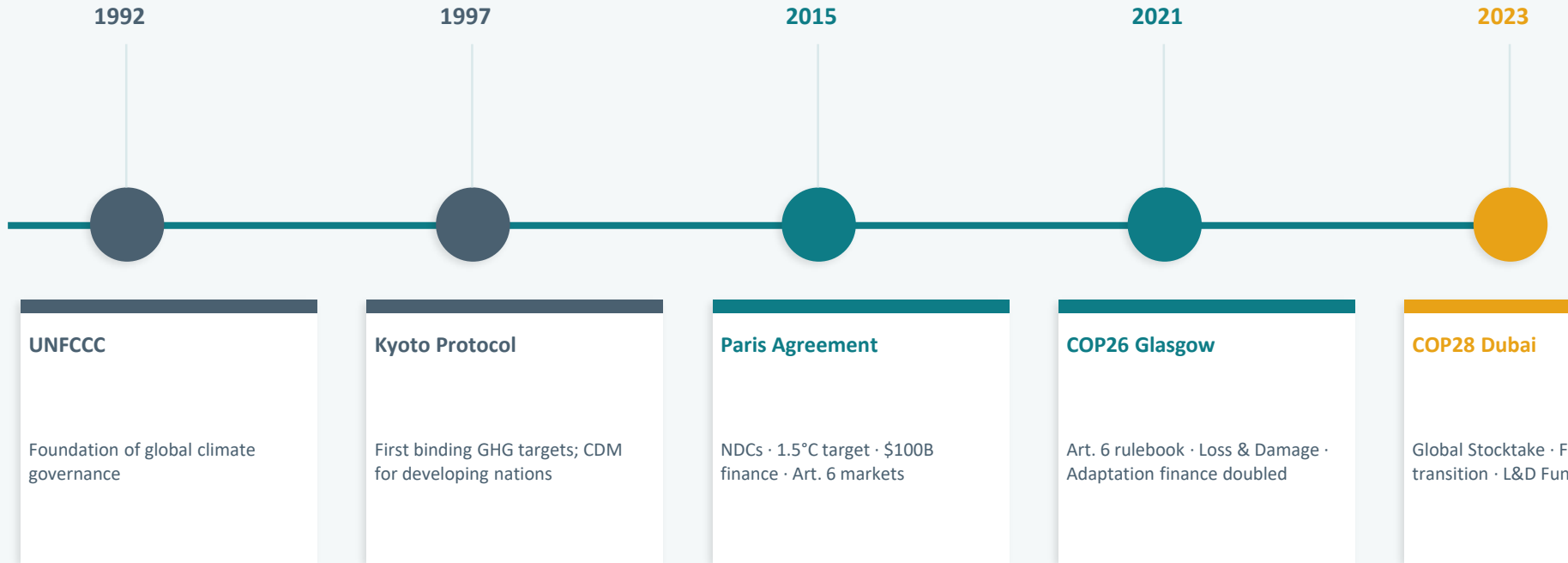
Forest finance & Article 6

10

Roadmap & Recommendations

2024–2030 pathway

GLOBAL CLIMATE POLICY FRAMEWORKS — TIMELINE



Top 20 Most Climate-Vulnerable Nations

35% of GDP from climate-sensitive sectors
(agriculture · fisheries · tourism)



Coastal Flooding

35%
coastline at risk



Extreme Rainfall

+15–25%
variability



Temperature Rise

+1.4–2.0°C
by mid-century



Food Security

40% crop yield
decline risk

SRI LANKA'S CLIMATE POLICY ARCHITECTURE

National Climate Change Policy 2012

Cross-sectoral mandate

Updated NDC 2021

30% GHG reduction
45% renewables by 2030

Carbon Net Zero Roadmap 2050

AFOLU · Energy
Transport · Industry

SRI LANKA CLIMATE POLICY

National Adaptation Plan 2023–2032

7 sectors · L&D considerations

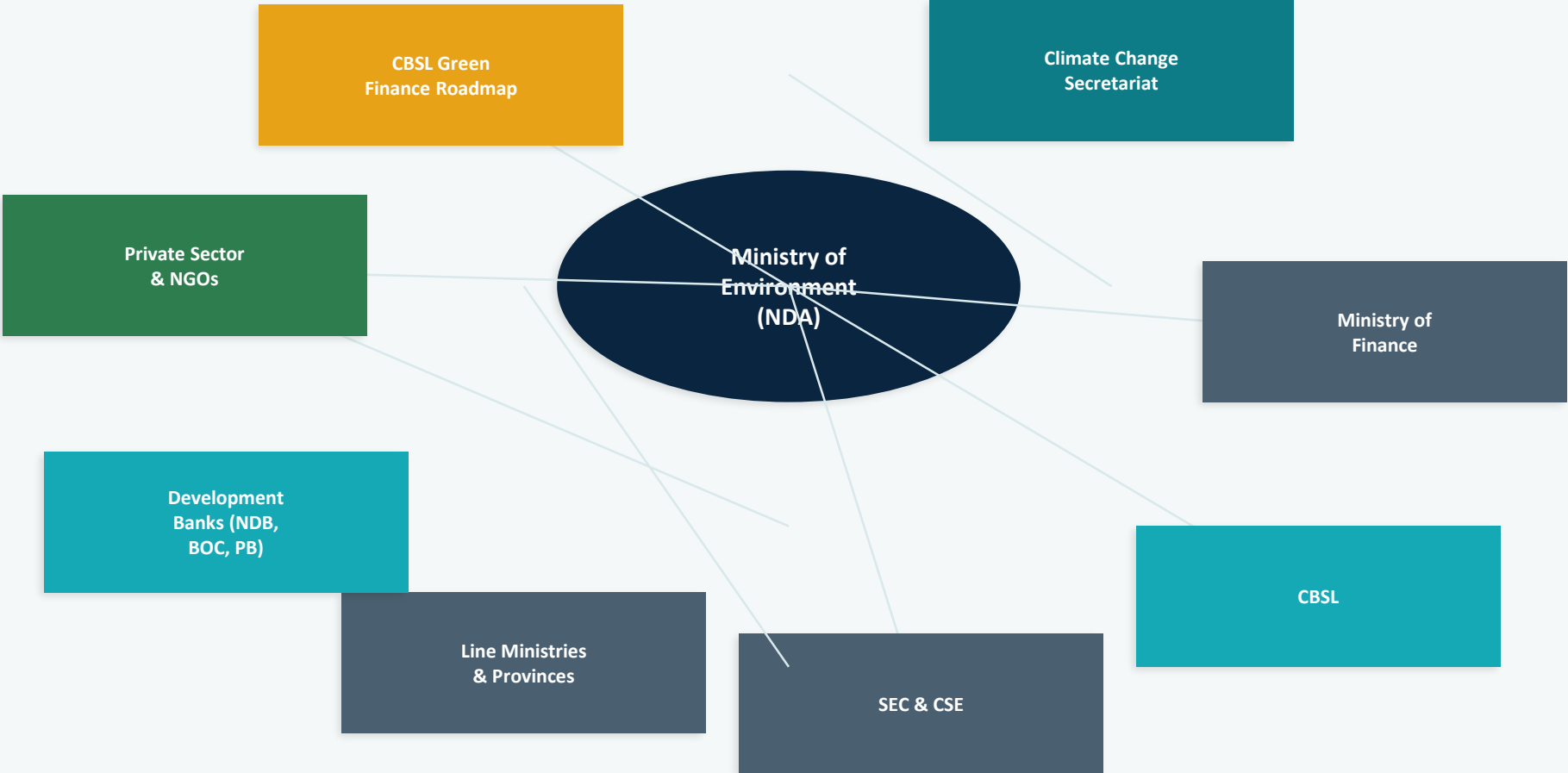
BTR / BUR Reporting

UNFCCC transparency tracking progress

NEA & EIA Regulations

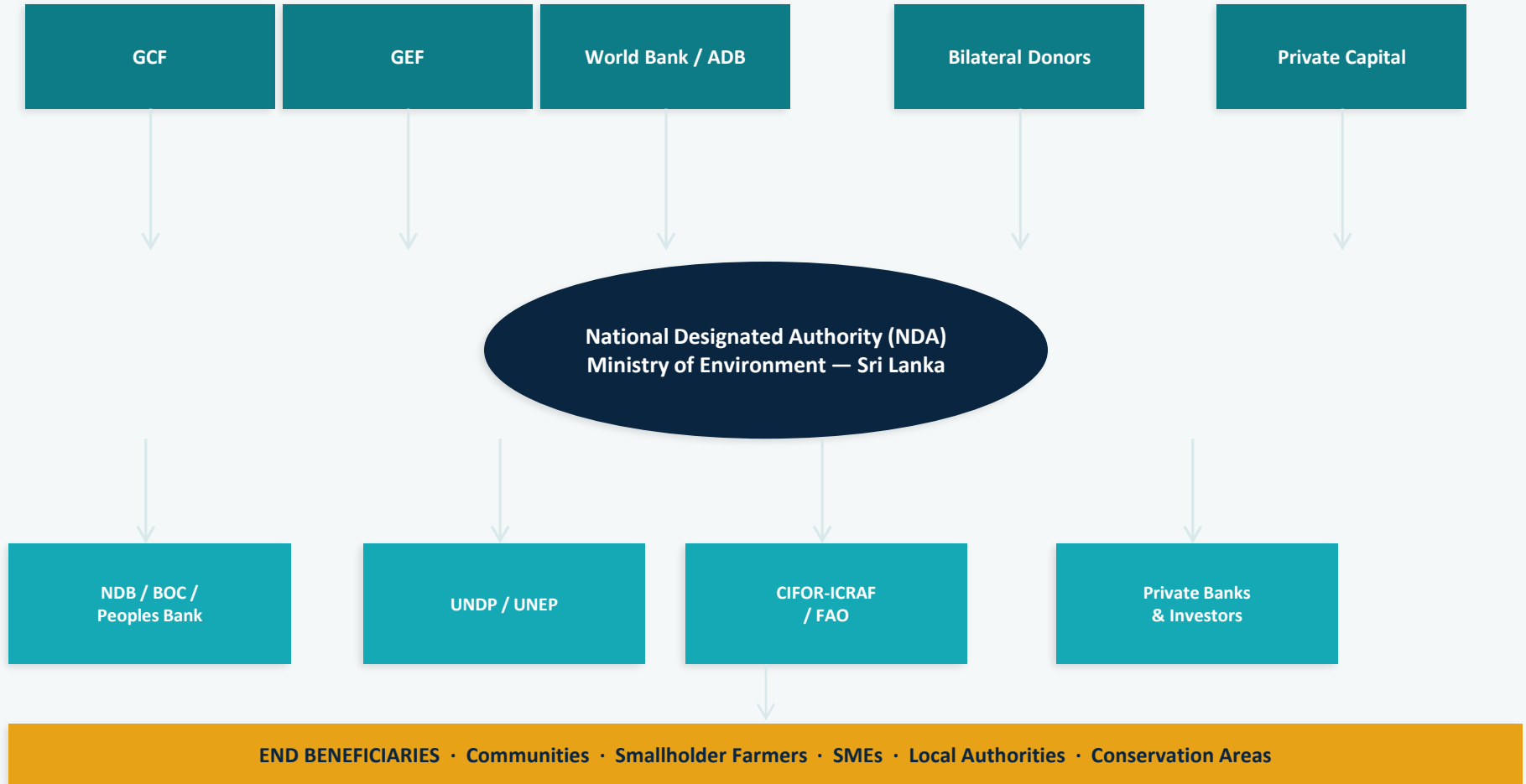
IEE/EIA mandatory for major projects

INSTITUTIONAL GOVERNANCE NETWORK — SRI LANKA



Effective climate finance requires alignment across all governance nodes

CLIMATE FINANCE FLOW NETWORK — SRI LANKA



GLOBAL CLIMATE FINANCE LANDSCAPE

\$6.9T

Annual investment
needed by 2030

\$100B

Annual pledge to
developing nations

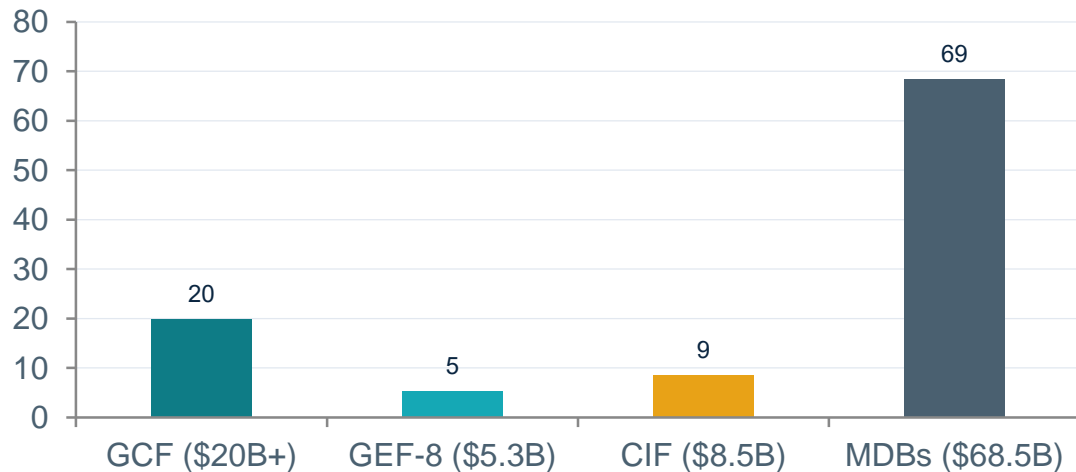
\$564B

Private climate
finance 2021/22

\$68.5B

MDB climate finance
2022

Key Multilateral Climate Finance Sources (USD Billion)



GCF in Sri Lanka

FP124 (Active)

Knuckles Forest
\$18.7M

FP047 (Complete)

Coastal Resilience
\$9.3M

FP133 (Approved)

Smart Irrigation
\$37.5M

CACSLA (Concept)

Community Adapt.
\$100M

BARRIERS TO CLIMATE FINANCE MOBILISATION

Policy & Regulatory

- Inconsistent enabling frameworks
- No climate finance taxonomy
- Weak MRV capacity

Institutional

- Fragmented coordination
- Limited NDA technical capacity
- Weak project pipelines

Financial

- High transaction costs
- Currency & sovereign risk
- Limited concessional access

Data & Information

- Incomplete GHG inventories
- Weak monitoring systems
- Limited climate risk disclosure

Private Sector

- Low ESG awareness (SMEs)
- High perceived investment risk
- Short investment horizons

Technical Capacity

- Weak bankable project design
- Limited green finance skills
- Low-quality feasibility studies

ESG & SUSTAINABLE FINANCE STANDARDS

E

Environmental

- Climate risk disclosure
- Carbon footprint (Scope 1/2/3)
- Biodiversity & ecosystem impact
- Green taxonomy alignment

S

Social

- Labour rights & fair wages
- Community impact assessment
- Gender equity & inclusion
- Occupational health & safety

G

Governance

- Board oversight on climate
- Anti-corruption frameworks
- Stakeholder engagement
- Transparent reporting

Key Standards Applied in Sri Lanka:

IFRS S1 & S2
(ISSB)

GRI Standards

TCFD Framework

ISO 14001

CBSL Green
Taxonomy 2023



Governance

Board oversight of climate risks & opportunities; management's role in assessing and managing climate risks



Strategy

Actual & potential impacts on business model across short-, medium- and long-term horizons



Risk Management

Processes to identify, assess and manage climate risks; integration into overall risk frameworks



Metrics & Targets

GHG Scope 1, 2 & 3 reporting; metrics to assess and manage climate-related risks and opportunities

CBSL GREEN FINANCE TAXONOMY — SRI LANKA 2023

- Issued by CBSL & SEC
- Aligns with ASEAN Taxonomy & EU Green Deal
- Classifies eligible green activities
- Guides green lending portfolios
- Links to NDC & Net Zero 2050 Roadmap

Who Must Comply?

- All Licensed Commercial Banks (CBSL Directive)
- Finance companies with green lending portfolios
- Corporates seeking green bond certification
- Listed entities under SEC sustainability reporting



Agriculture
& Food



Renewable
Energy



Green
Buildings



Clean
Transport



Water
Management



Forestry &
Land Use



Circular
Economy

GREEN FINANCE INSTRUMENTS & MECHANISMS



Green Bonds

Proceeds for climate/environment projects
ICMA Principles · SDB first SL green bond 2021



Sustainability-Linked Loans

Interest tied to ESG targets
CBSL circular · Sampath & HNB active



Carbon Credits / REDD+

Article 6 market mechanisms
Sri Lanka forest carbon potential · VCS/Gold Standard



Blended Finance

Public funds de-risk private investment
GCF co-financing in Sri Lanka



Climate Insurance

Parametric insurance for agriculture
InsuResilience · Disaster risk finance



Green Sovereign Bonds

Government bonds for NDC financing
Potential post-recovery phase for Sri Lanka

AFOLU & REDD+ CLIMATE FINANCE IN SRI LANKA

29.7%

Forest cover
(FAO FRA 2022)

~20%

AFOLU share of
national GHG emissions

FP124

Active GCF project:
Knuckles Conservation

REDD+ Finance Pillars — Sequential Architecture

1

National Forest
Reference Level



2

Forest Monitoring
System (NFMS)



3

Safeguards
Information System



4

REDD+ Strategy
& Action Plan




5

Results-Based
Payments

Agroforestry Co-Benefits:

 Carbon sequestration

 Food security & livelihoods

 Water regulation

 Biodiversity conservation

 Community resilience

ARTICLE 6 CARBON MARKETS & SRI LANKA

Art. 6.2

Bilateral ITMOs

What it is:

Country-to-country trading with corresponding adjustments

LK Sri Lanka:

Sri Lanka–Japan (JCM) & Singapore ITMO discussions

Art. 6.4

UN Carbon Market

What it is:

Centralised UNFCCC mechanism; CDM successor

LK Sri Lanka:

RE, forestry & waste projects; CDM legacy transitioning

Art. 6.8

Non-Market Approaches

What it is:

Technology transfer & capacity building, no carbon trading

LK Sri Lanka:

Sri Lanka under Glasgow-Sharm NMA framework beneficiary

MRV FRAMEWORK & TRANSPARENCY FOR CLIMATE FINANCE



MEASURE

- GHG inventories
- Activity data collection
- Emission factors (IPCC 2006)



REPORT

- BTR/BUR reporting
- National Communications
- CTF/CRT tables



VERIFY

- Technical Expert Review (TER)
- Third-party audits
- Data quality checks

Sri Lanka BTR2 (2024–25) · Agriculture Mitigation & LULUCF Sectors · Yield Tables · MAI Curves

AFOLU Emission Factor Identification Study — University of Sri Jayewardenepura · CTF/CRT Tracking Tables for Finance Accountability

ADAPTATION FINANCE — FILLING THE CRITICAL GAP

Global Adaptation Finance Gap: \$194 – 366 BILLION per year by 2030 (UNEP Adaptation Finance Gap Report 2023)



Water & Coastal

Funders:

GCF · ADB · NAF



Agriculture

Funders:

IFAD · World Bank · GEF



Health

Funders:

WHO · GCF · Bilateral



Infrastructure

Funders:

ADB · JICA · AIIB



Biodiversity

Funders:

GEF · KfW · Biodiv. Fund

LOSS & DAMAGE FINANCE — NEW FRONTIER

What is Loss & Damage?

- Impacts beyond adaptation capacity — irreversible losses
- Economic: infrastructure, agriculture, property
- Non-economic: cultural heritage, ecosystems, lives
- Santiago Network: technical assistance for developing nations
- Fund for Responding to L&D — operationalised COP28 2023

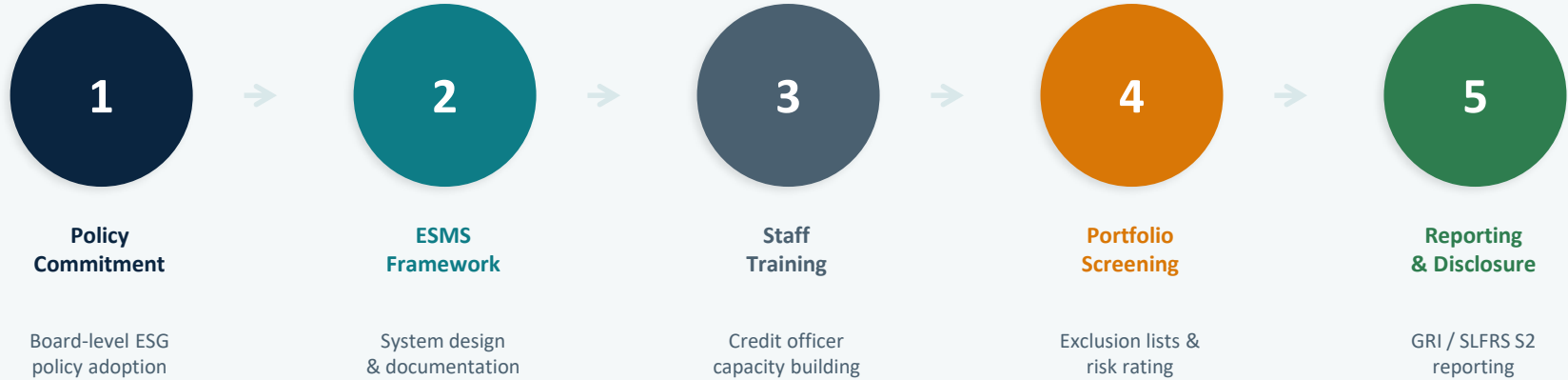
LK Sri Lanka — Recorded L&D

2016 Floods	\$182M
2017 Floods & Drought	\$320M
2021–22 Multi-hazard	\$450M+
Sea-level rise (by 2100)	\$2.3B
Avg. annual crop losses	\$110M

Sri Lanka must actively engage: L&D Fund · Santiago Network · Warsaw International Mechanism

PRIVATE SECTOR & BANKING SECTOR ENGAGEMENT

ESMS Adoption Journey for Sri Lankan Banks



CBSL Mandate

ESMS required for all licensed commercial banks (BSD/3/2022) · Climate risk in credit frameworks for loans >LKR 100M
IFC Performance Standards guide E&S risk categorisation · Sampath · HNB · BOC pioneering ESG integration

Pioneer Banks in ESG:

Sampath Bank

HNB

Bank of Ceylon

NDB

Cargills Bank

ENABLING CONDITIONS FOR CLIMATE FINANCE — HIERARCHY

INTERNATIONAL

UNFCCC · Paris Agreement · SDGs · Sendai Framework

NATIONAL POLICY

Climate Policy · NDC · Green Taxonomy · EIA Regulations

INSTITUTIONAL

NDA · Climate Change Secretariat · Ministry of Finance · CBSL

FINANCIAL SYSTEM

Green bonds · ESMS · Taxonomy · DFIs · Blended Finance

PROJECT LEVEL

Bankable projects · MRV · Safeguards · Co-benefits

Each level must be functional for climate finance to reach communities.

SRI LANKA GREEN FINANCE ROADMAP 2024–2030

1

2024–2025

Foundation

- Enact Climate Change Act
- Operationalise NDA
- Implement CBSL Green Taxonomy
- Capacity building for banks

2

2025–2027

Scaling

- Issue first sovereign green bond
- Expand GCF project pipeline
- Establish carbon market registry
- Launch Climate Finance Platform

3

2027–2030

Transformation

- Achieve NDC milestones
- Scale Article 6 ITMO trading
- Mandatory SLFRS S2 reporting
- NDC finance gap $\leq 20\%$

BD Bangladesh

Climate Change Trust Fund

\$450M mobilised · 800+ sub-projects · domestic + international resources · replicable national fund model

IN India

Sovereign Green Bond

\$2B green sovereign bond 2023 · renewable energy & transport · ICMA aligned · strong investor demand

Pacific Islands

GCF Readiness Programme

NDA strengthening · project development support · national entity accreditation · applicable to SL

KE Kenya

Green Bonds Programme

NSE green bond framework 2019 · first emerging market green bond securitisation · scalable model

POLICY RECOMMENDATIONS

R1 Enact Climate Change Act

HIGH

Legislative mandate for NDA, carbon pricing & sectoral targets aligned to Paris

R2 Strengthen NDA Capacity

HIGH

Dedicated staffing, GCF project design support, direct accreditation pathway

R3 Expand Green Taxonomy

HIGH

Cover all sectors · align ASEAN v2 · sector guidance notes for banks

R4 Carbon Market Registry

MED

Article 6-compliant national registry · ITMO infrastructure · NDC tracking

R5 Issue Sovereign Green Bond

MED

Finance NDC gap · ICMA principles · ESG-mandated fund investor roadshow

R6 Mandatory Climate Disclosure

MED

Extend SLFRS S2 to all listed companies by 2026 · CBSL bank guidance

THE WAY FORWARD — CALL TO ACTION



Government

- Pass Climate Change Act by 2025
- Fund NDA with technical experts
- Publish Green Finance Strategy



Financial Sector

- Adopt ESMS for all lending
- Issue green bonds & SLLs
- Train officers on climate risk



Private Sector

- Adopt SLFRS S2 disclosure
- Set Science-Based Targets
- Integrate ESG in supply chains



Civil Society

- Community climate resilience
- Environmental watchdog role
- Grassroots project advocacy



Academia

- Research on climate finance
- Capacity building & training
- Data for MRV and reporting

"No single actor can address climate finance alone — governance, institutions and markets must align."

Thank You

Climate governance and policy frameworks are the foundation upon which sustainable climate finance is built.

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IEPSL Fellow & Chartered Environmental Professional

"Finance flows must be aligned with low-greenhouse-gas-emission and climate-resilient development." — Paris Agreement Art. 2.1(c)