Climate Change Finance under the Convention

A global perspective

10 April 2012
India Habitat Center, New Delhi
INDIA
The Convention on Climate Change (signed in 1992) works on principles of “Common but Differentiated Responsibility”.

A key component of the principle is support to developing countries in addressing climate change, including Finance.

Financing for climate change actions is on the principle of “incremental cost” of climate change actions.

Incremental cost comes from the primacy Convention accords to national sustainable development plans and actions.
Finance support under the Convention – II

• Financial mechanisms established under the Convention, with Global Environmental Fund (GEF) as an operating entity.

• The key funding channels under the Convention
  • GEF trust fund – Climate Change operational programmes
  • Least Developed Countries (LDCs) Fund
  • Special Climate Change Fund (SCCF)

• Multilateral (WB, ADB, etc) and Bilateral funding (e.g., GIZ) entities too are encouraged to support climate change actions in developing countries.
## Finance Support under the Convention – III

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<tbody>
<tr>
<td>Multilateral Financial Institutions</td>
<td>13,886</td>
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<td>Bilateral Financial Institutions</td>
<td>19,127</td>
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<td>Dedicated Climate Funds</td>
<td>2,428</td>
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<td>GEF</td>
<td>2,000</td>
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### Financing mode:
- Grants
- Concessional loans
- Market-based loans
- Credit lines
- Credit or risk guarantees
CARBON MARKETS

• Clean Development Mechanisms under the Kyoto Protocol.
• Based on creation of markets to sell “emission reductions additional to Baseline”.
• Operationalizing carbon market
  • Demand for reduction created through absolute emissions reduction obligations.
  • Countries with obligation can reduce emissions either within national boundaries or purchase emissions reductions outside national boundaries.
  • Institutional framework to evaluate and certify emissions reductions
• Bogota, Columbian BRT project a CDM project.
CLIMATE CHANGE - THE ACLE OF CHALLANGE

• Cancun Agreement “to hold the increase in global average temperature below 2 °C above preindustrial levels, and that Parties should take urgent action to meet this long-term goal,......”

• To achieve this goal, UNEP GAP report assessed “.. to have a likely chance of complying with the 2°C target, total greenhouse gas emissions in 2050 must be about 46% lower than their 1990 level, or about 53% lower than their 2005 level.”

• “Encourages... to develop low-carbon development strategies or plans in the context of sustainable development;”

• In this context Cancun agreement “… developing countries will take nationally appropriate mitigation actions...., supported and enabled by finance and technology”;
Finance to Support the Challenge

- Copenhagen Accord: 30 billion USD **FSF for 2010 – 2012.**

- Copenhagen Accord and Cancun Agreement “...developed countries commit to a goal of to address the needs of developing countries”.

- Durban actions to **mobilizing jointly USD 100 billion dollars a year by 2020**: A Work Programme to on long-term finance in 2012, and to report back at COP 18.

- Not **one** but **multiple sources** of to generate climate change fund;

- Not just **public** but also **private** finance, by using public finance to leverage public funds;
THE SOURCE OF FINANCE – DIVERSIFYING THE SOURCES

Also, within Public, not purely government budget based contributions but also innovative sources, some examples:

• 2% tax on CERs for Adaptation Fund – first such innovative source
• A tax on Joint Implements projects;
• Generating finance from assigned emission reduction target – a tax on each unit or auction of permits (EU has implemented it);
• Domestic Carbon Tax
• Levy on international air travel (EU has implemented it);
• Levy on Maritime activities:
  • Tobin’s tax – a tax on international financial transactions
• The High Level Advisory Group of the Secretary General report identified the levels of funds from some of the above sources.
FINANCING CHANNELS

• Cancun Agreement: Finance to be provided through –
  • Financial Mechanism of the Convention; and
  • Bilateral, and multilateral financing organization.

• Green Climate Fund (GCF) established at Durban.
  • A major part of public finance will be provided through GCF;
  • Will fund both Mitigation and Adaptation;
  • Fund readiness and preparatory activities;
  • Facility to fund Private sector projects;

• GCF Financing Strategy:
  • financing in the form of grants and concessional lending;
  • Cover the identifiable additional costs of the investment; and
  • catalyse additional public and private finance.
CONCLUSIONS

• The scale of actions to address climate change are significantly larger then what has happened in the past.
• Commensurate scaling up of financial resources is needed to facilitate these actions.
• International financial sources to facilitate and meet incremental costs not for the base funding, which shall come from national resources.
• Private sector has a role, given its predominance in investments.
• There is also a need for national level systems to leverage international climate change finances.
• LCMP and similar exercises provide that platform to leverage international finance to shift the CMP to LCMP.
Thanks for your attention

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