

Financing the Adoption of Technologies for Climate Change

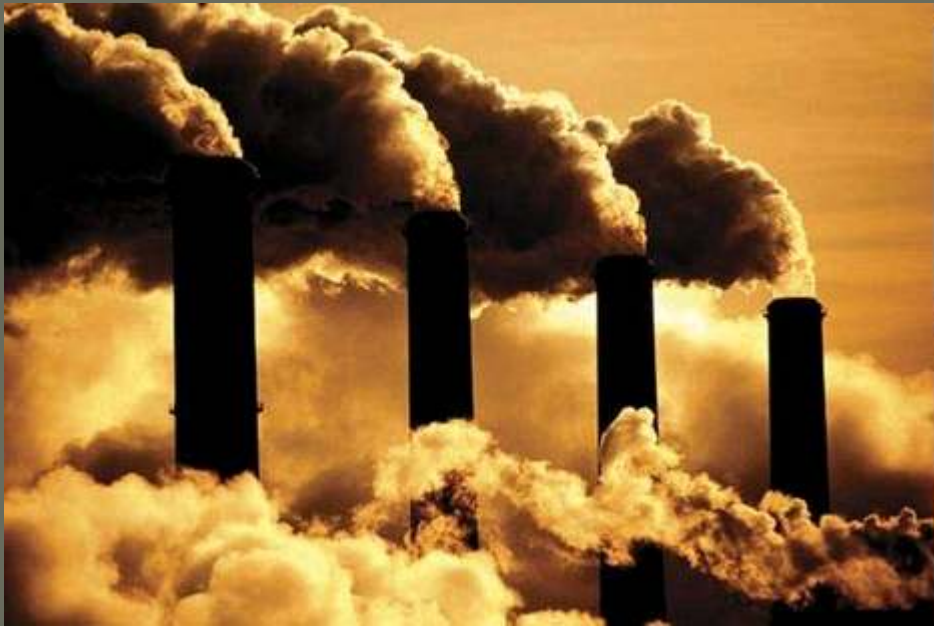


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Overview

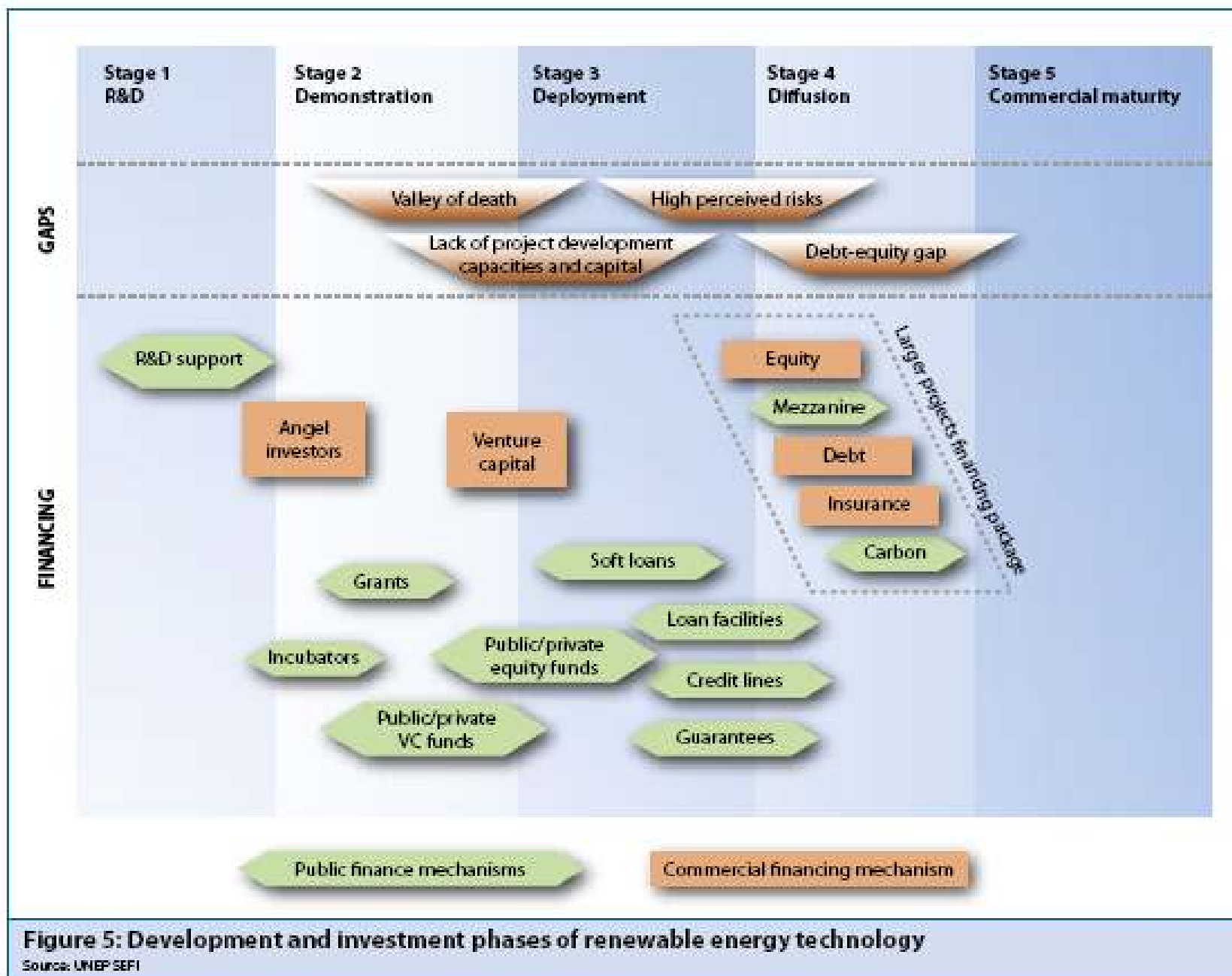
- The challenge
- Funding roles, opportunities and options
- The design of future funds





Financial Flows

- How Much for 2°?
 - **Mitigation** costs 1 - 2.5 % of global GDP per year for a 50% reduction in CO₂ emissions by 2050, i.e. 580 billion -1.46 trillion USD per year (IEA)
 - **Adaptation** will likely cost 5 - 20 % of global GDP per year under business as usual scenarios (Stern Review)



Source: UNEP SEFI (2010)

Private Funding Sources

- Investment banks
- Pension funds & endowments
- High-net worth community
- Sovereign wealth funds
- Insurance
- Private equity & venture capital



Public Funding Sources:

Mitigation (general)

- Multilateral Fund (1991)
- GEF Trust Fund (... “4” 2006, “5” 2010)*
- Special Climate Change Fund (2002)
- MDG Achievement Fund – Environment and Climate Change thematic window (2007)
- Strategic Climate Fund (2008)* –Scaling Up Renewable Energy in Low Income Countries Program
- Clean Technology Fund (2008)
- Global Climate Change Alliance (2008)
- Global Energy Efficiency and Renewable Energy Fund (2008)
- Fast Start Finance (2008)*
- Indonesia Climate Change Trust Fund (2010)
- Green Climate Fund (2010)*

* *adaptation and mitigation activities*

Public Funding Sources: Mitigation (REDD)

- Amazon Fund (Fundo Amazônia) (2009)
- Congo Basin Forest Fund (2008)
- Forest Carbon Partnership Facility (2008)
- Strategic Climate Fund (2008) – Forest Investment Program
- Global Climate Change Alliance (2008)
- UN-REDD Programme Multi-Donor Trust Fund (2008)
- Forest Investment Program (2009)
- Indonesia Climate Change Trust Fund (2010)
- Green Climate Fund (2010)* (expected)

* *adaptation and mitigation activities*

Public Funding Sources: Adaptation

- GEF Trust Fund (1994)*
- Special Climate Change Fund (2002)
- LDC Fund (2002)
- Strategic Priority on Adaptation (2004)
- Fast Start Finance (2008)*
- Strategic Climate Fund (2008)* – Pilot Program for Climate Resilience
- Adaptation Fund (2009)
- Green Climate Fund (2010)* (expected)

* *adaptation and mitigation activities*

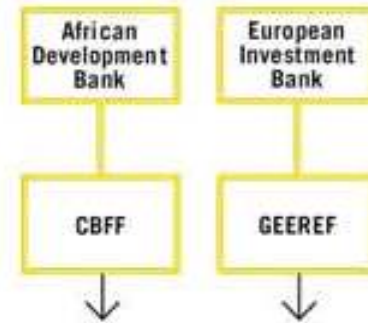
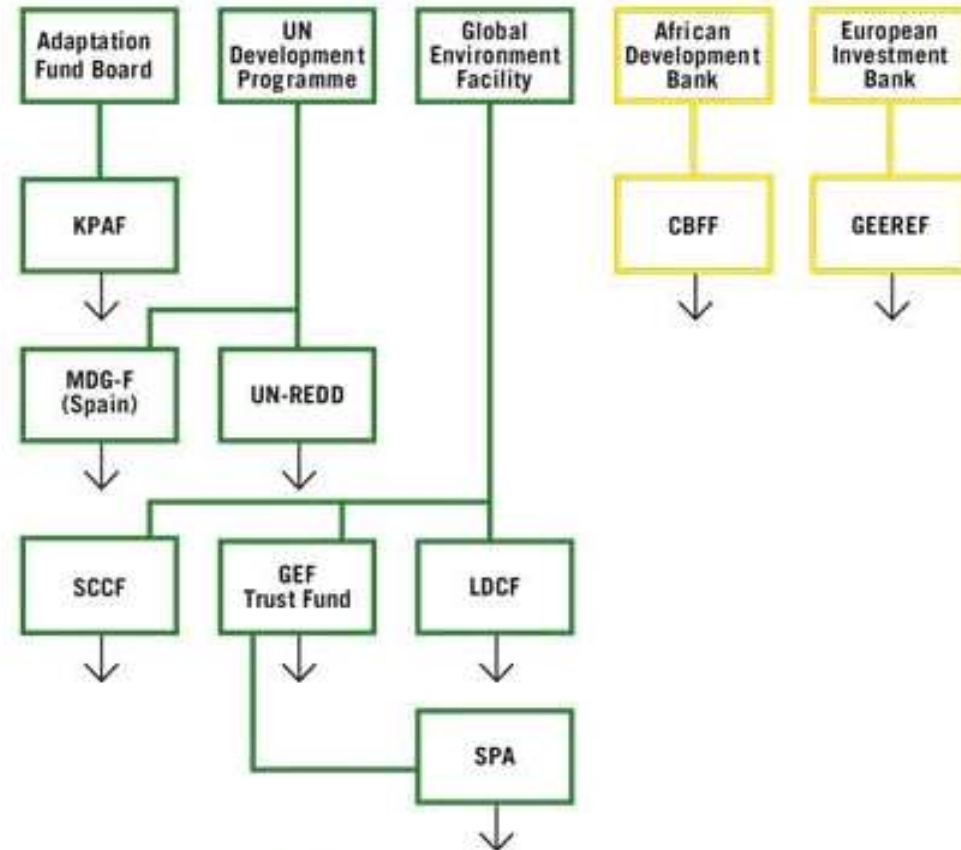
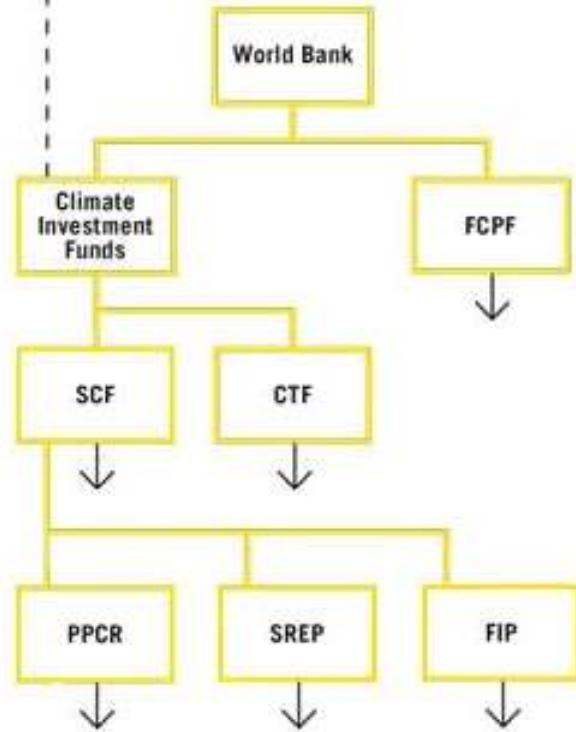
Bilateral Collaboration Efforts

- Vietnam-Denmark
- Australia-China
- Australia-Papua New Guinea
- Australia-Malaysia
- Australia-Indonesia
- Australia Korea
- Mexico-Indonesia
- EU-Korea
- Denmark-Russia
- Mexico-Norway
- Chile-France
- Chile-Australia
- Bolivia Paraguay
- Hatoyama Initiative
- U.K-China
- Bilateral Climate Change Partnership (7 agreements)
- Asia Pacific Partnership (6 agreements)
- Israel-Germany
- New Zealand-GRULAC
- Germany Ecuador
- China-India
- China-Norway
- ITT Trust Fund (Ecuador)
- International Climate Fund (UK)
- International Climate Initiative
- And more...

BILATERALS



MULTI-DONOR TRUST FUNDS



- UNFCCC and other UN bodies
- Multilateral Development Banks
- Bilateral
- Multi-donor trust funds

- ↓ Direct funding to projects
- ↓ Funding to multilateral funds

MULTILATERALS

e.g. GEF

- Objectives and allocation for GEF-5
 - promote demonstration, deployment and transfer of low carbon tech (300 million USD)
 - promote market transformation for energy efficiency in industry and building sectors (250 million USD)
 - promote investment in renewable energies (320 million USD)
 - promote energy efficient, low carbon transportation and urban systems (250 million USD)
 - support conservation and enhancement of carbon stocks (50 million USD)
 - support enabling activities and capacity building (80 million USD)

Design of Future Funds

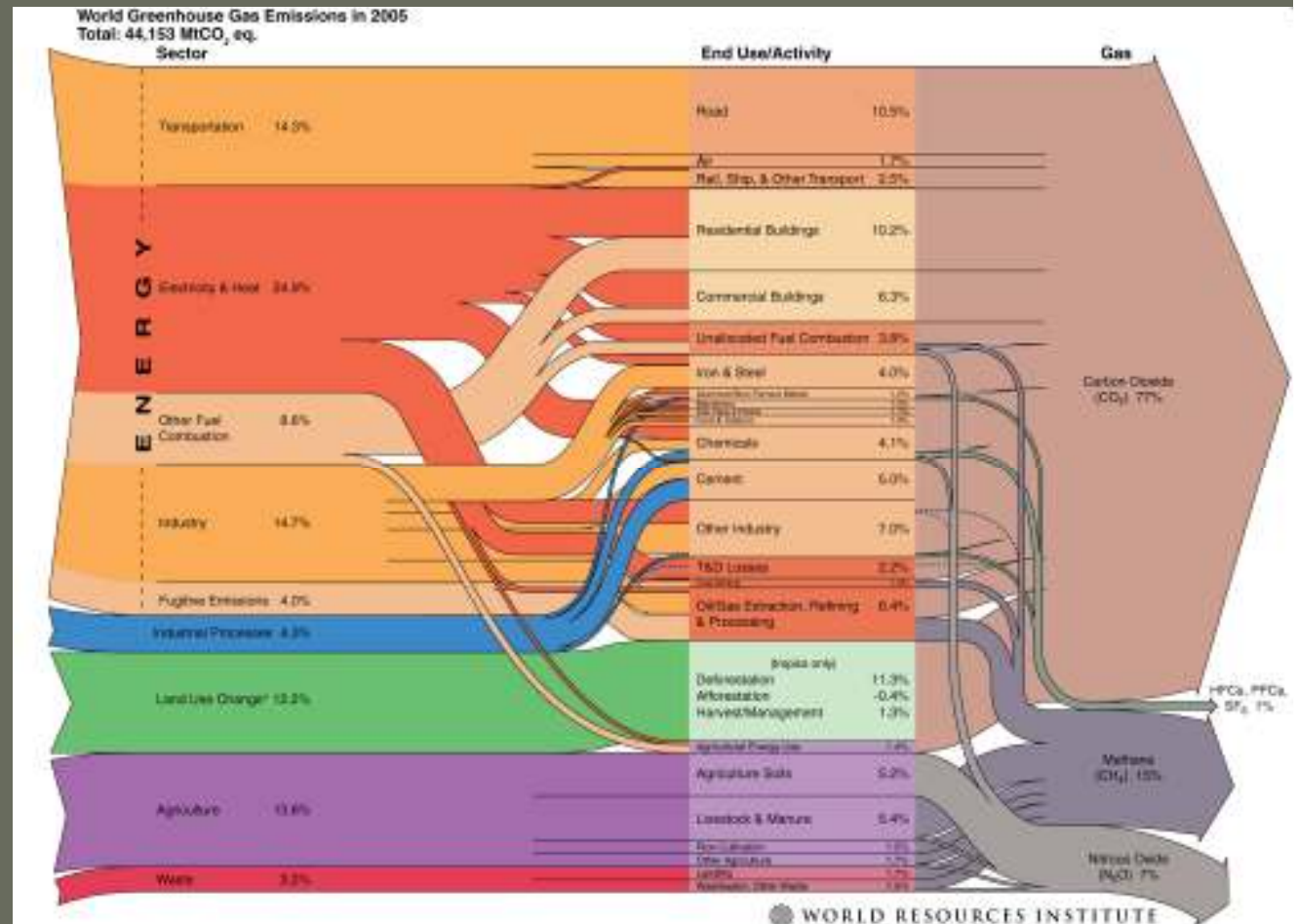
Principles

- Effective
- Efficient
- Rights-based
- Equitable & Participatory
- Country driven

Rights-based

Prioritization

- Urgent need for climate-technologies
- Provides direction for investment of scarce resources, especially in adaptation



Safeguards

- To prevent or mitigate adverse impacts of projects on people and the environment
- Different examples of safeguards
 - World Bank
 - REDD
 - GEF
 - Green Climate Fund?
- Future challenges for safeguards

Case Study: Safeguards

Fossilized Thinking: World Bank, Eskcom and the Real Cost of Coal (CIEL 2011)

- The report examines the economics underlying the Bank's US\$3.75 billion loan to support a massive 4,800 MW new coal-fired plant in South Africa.
- In this case:
 - the World Bank failed to adequately address and quantify important negative environmental and human health effects of coal-based power, such as water scarcity and quality, air quality, and transboundary impacts.
- Technology locked in for at least 30 years...

Equitable & Participatory

- Participation well-established principle of international law
 - Lack of participation can be an impediment to adoption of technologies and the success of projects
 - Need to ensure mechanisms for stakeholder engagement and partnership
- Equitable governance structures
- Equitable distribution between mitigation and adaptation
- Equitable distribution of benefits

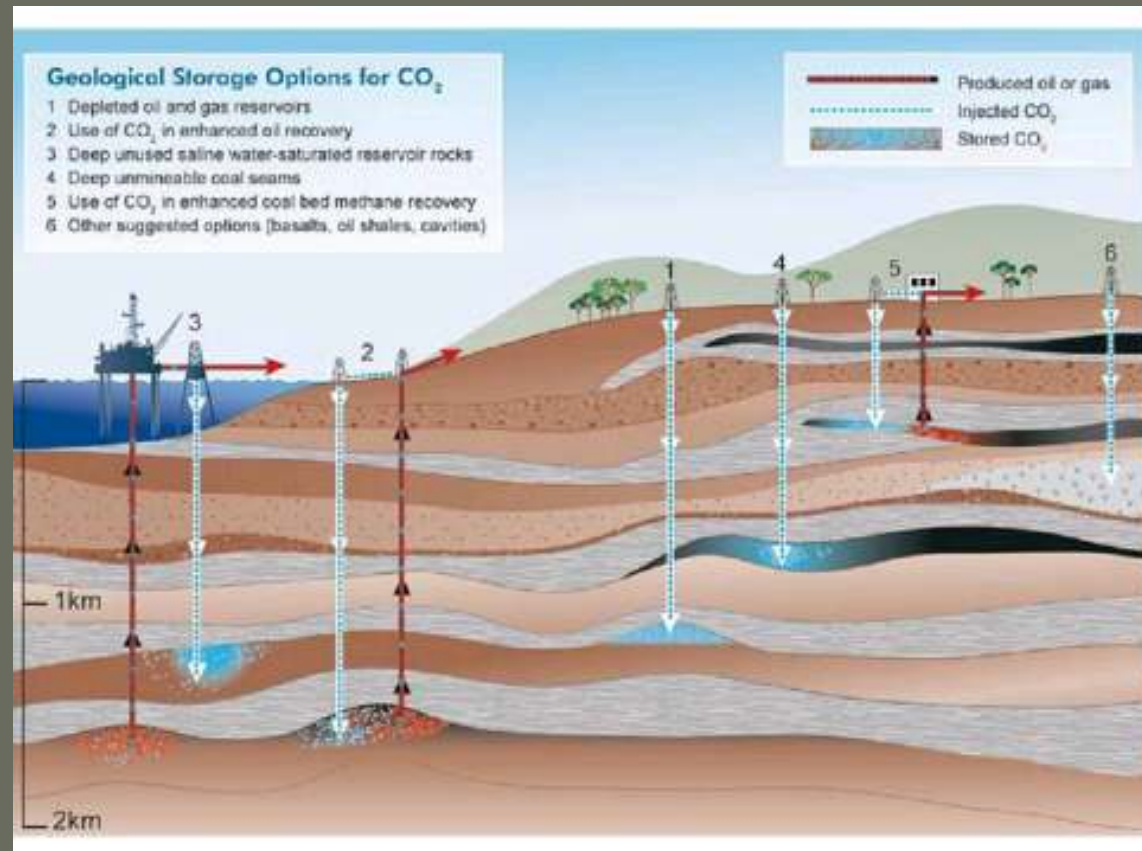
Case Study: CDM and the Right to Development

Climate Change and the Right to Development A/HRC/15/WG.2/TF/CRP.3/Rev.1, (OHCHR 2010)

- Focuses on the Clean Development Mechanism (CDM)
- **Key findings:**
 - sustainable development, international cooperation and assistance
 - CDM should better ensure participation of developing countries
 - rule of law and governance
 - CDM deficient in accountability, access to information and effective measures for redress

Considerations: Emerging Technologies

- Carbon Capture and Storage (CCS)
 - Efficient?
 - Effective?
 - Rights-based?
 - Equitable & participatory?
 - Country driven?



Thank you

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