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)
Figure 5: Development and investment phases of renewable energy technology
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)

- 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)
- 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)
- 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…
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*


- 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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