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ENERGY, CLIMATE AND SUSTAINABLE DEVELOPMENT

Climate Change Finance under the Convention

A global perspective

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INDIA

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Finance support under the Convention - I

- The Convention on Climate Change (singed 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

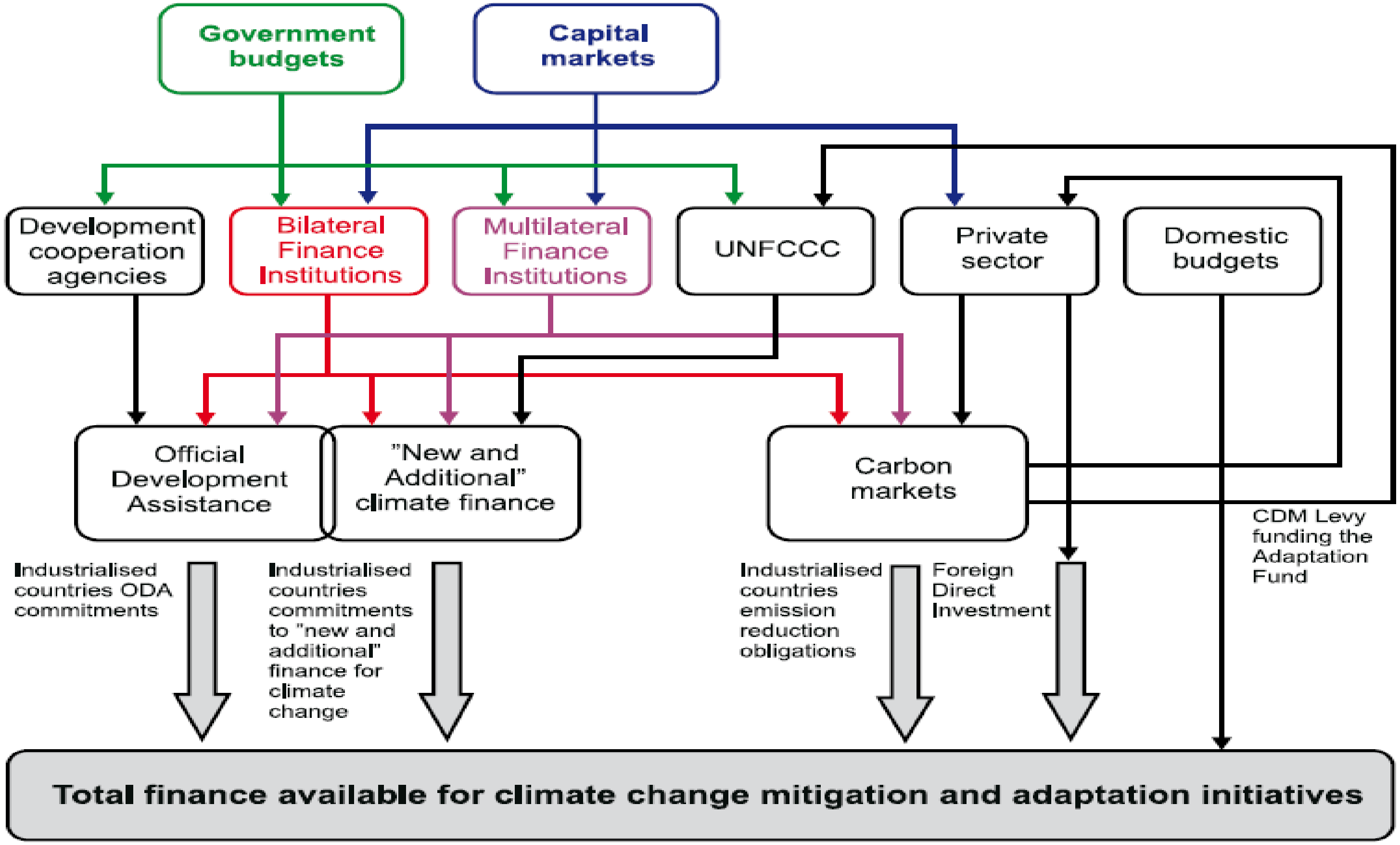
FINANCING SOURCE (2009 – 2010)	AMOUNT (Million USD)
Multilateral Financial Institutions	13,886
Bilateral Financial Institutions	19,127
Dedicated Climate Funds	2,428
GEF	2,000

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.



Source: Forum on Financing for Development: Mobilizing Resources for Economic Transformation in Africa, UNCCE, Ethiopia

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 challange

- Copenhagen Accord: 30 billion USD **FSF for 2010 – 2012**.
(http://www.odi.org.uk/resources/docs/7272.pdf)
- 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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