

# Investment and Financial Flows to Address Climate Change-An update

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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

# The Mandate\*

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- **An update of the technical paper on investment and financial flows to address climate change, taking into account paragraph 1 of the Bali Action Plan.**

**\*Enabling the full, effective and sustained implementation of the Convention through long-term cooperative action now, up to and beyond 2012-Draft conclusions proposed by the Chair**



# Key Findings of the 2007 I&F Flows report

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- The **additional estimated I&F flows needed in 2030** is large compared with the funding currently available under the Convention and its KP, but small in relation to estimated **GDP (0.3 to 0.5%)** and **global investment (1.1 to 1.7%)** in 2030:
  - **Mitigation measures** needed to return global GHG emissions to current levels in 2030, require additional I&F flows between **USD 200-210 billion in 2030**.
  - Additional I&F flows needed for **adaptation in 2030** amount to **several tens of billions of USD**.

# Tool Box/Instrument Panel

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- **Scaling-up** financing under the Convention
  - Existing sources
    - Financial Mechanism
    - Market-based Mechanisms
  - New international sources of finance
- **Shifting** current investment patterns
  - Re-directing private investment through policy
    - Removing barriers, providing information, making the polluter pay, creating incentives for innovator
  - Re-directing public investment
    - Domestic priorities
    - IFI/donor strategies and commitments
- **Optimizing** financing
  - Enhancing public-private partnerships
  - Optimal combination of mechanisms, such as, financial mechanism of the Convention, ODA, national policies and proposed new financing options and mechanisms



# Recalling Bali Action Plan Para. 1 (e) on Enhanced Action on the Provision of Financial Resources and Investment

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- Improved access to adequate, predictable and sustainable financial resources and financial and technical support, and the provision of new and additional resources, including official and concessional funding for developing country Parties;
- Positive incentives for developing country Parties for the enhanced implementation of national mitigation strategies and adaptation action;
- Innovative means of funding to assist developing country Parties that are particularly vulnerable to the adverse impacts of climate change in meeting the cost of adaptation;
- Means to incentivize the implementation of adaptation actions on the basis of sustainable development policies;
- Mobilization of public- and private-sector funding and investment, including facilitation of climate-friendly investment choices;
- Financial and technical support for capacity-building in the assessment of the costs of adaptation in developing countries, in particular the most vulnerable ones, to aid in determining their financial needs.

# Other References to Financing in BAP

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- **Para. 1 (b)** Enhanced national/international action on mitigation of climate change, including, inter alia, consideration of....
- **Para. 1 (c)** Enhanced action on adaptation, including, inter alia, consideration of....
- **Para. 1 (d)** Enhanced action on technology development and transfer to support action on mitigation and adaptation, including, inter alia, consideration of...



# AWG-LCA Workshop on Investment and Financial Flows to Address Climate Change

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- a) The need for predictable and sustainable financial resources for mitigation, adaptation and technology cooperation;
- b) The financial resources required are much greater than those currently available;
- c) Proposals from Parties that appear to have the potential to meet the requirements referred to in paragraphs (a) and (b) above;
- d) The possibility of meeting some requirements through funds under the Convention and market mechanisms while others can be met through enabling policies that influence private-sector investments;
- e) Provision of new and additional resources under the Convention, now, up to and beyond 2012.



# AWG-LCA on Financing- Discussions so far...

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- Role of public funding and markets in providing incentives and generating financial resources
- Enabling policies that influence investments and financial flows
- Criteria for raising funding and disbursement of financial resources
- Elaboration on the key elements of proposals present by Parties
- Identifying practical aspects and ways to combine different possibilities and opportunities to deliver what is needed
- Linkages with other existing institutions and mechanisms that deliver finance, within and outside the Convention
- Examining the need for new institutional arrangements and the issue of fragmentation.

# Key Questions to be Answered through the Update

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- What needs to be funded?
- How new and additional funds can be generated?
- What are the delivery issues for financing mitigation and adaptation?



# Strategy for the Update (August 7 workshop)

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- The update is **not focused** on refining the needs for investment and financial flows as estimated in the last report ;
- To move forward the discussion on financing from broad investment and financial needs **to options, tools and mechanisms** for enhancing funding for mitigation, adaptation and technology cooperation for an effective response to climate change;
- To **focus on topics relevant for the negotiations** and for which new information is available.



# Scope of the Update

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- Providing an analysis of the potential of different options, tools and mechanisms for scaling up funding, conditions to induce shifts in investment patterns and ways to optimise available and future financial resources
  - Private investment and financial flows
  - Public investment and financial flows
- Delivery of financing and technology cooperation for mitigation and adaptation
- National/international policies to enable investment and financial flows
- Highlighting possible key elements of a future global financial framework for long-term cooperative action for an effective response to climate change