Methodology, limitations and key findings

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Workshop on Investment & Financial Flows to Address Climate Change-An Update

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The Mandate*

- **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**

Scope of the Update

- Providing an assemblage of different options, tools and mechanisms for scaling up funding, conditions to induce shifts in investment patterns and ways to optimize 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

Methodology and Limitations (1)

- Focus is on mitigation possibilities and adaptation requirements in developing countries
- Update based on compilation of information and ideas available since 2007 report on:
  - Assessment of emissions reduction possibilities and potential
  - Financial flows and investments for mitigation and adaptation
  - Ideas and proposals submitted by Parties as well as observer organizations

Methodology and Limitations (2)

- Report prepared based on:
  - Inputs by a number of institutes and organizations
  - Inputs by experts in the field of mitigation, adaptation and policies
- And taking into account other TPs mandated to Secretariat
  - Interim report of EGTT on financing resources and relevant vehicles to support the development, deployment, diffusion and transfer of technology
  - challenges and opportunities for mitigation in the agricultural sector;
  - mechanisms, including innovative insurance tools, that can be used to manage financial risks of adaptation

Methodology and Limitations (3)

- Contd…
  - Funding adaptation in developing countries: extending the share of proceeds
- Limitations
  - Based on existing work done and so inherits the scopes and limitations of such studies
  - Assemblage of tools and options presented but no comparative assessment
  - Limited by data on various aspects covered by the report

Organization of report

- Chapter 1: Introduction
- Chapter 2: Enhanced finance for Mitigation
- Chapter 3: Enhanced finance for Adaptation
- Chapter 4: Option, tools and mechanism for delivery of enhanced finances

Key outcomes – Mitigation (1)

- The amount of required emission reductions has not changed from that reported in 2007 report but the investment costs have increased;
- It is undisputed that industrialized countries need to scale up mitigation activities and. However, it is important to take a look at how to support scaling up mitigation efforts in developing countries as well.
- Bottom-up analysis shows a mitigation potential of at least 7 Gt/y in developing countries by 2020. To achieve this potential, many opportunities for technological or behavioral change are available in various sectors: thus, immediate action is not only necessary but also possible.

Key outcomes – Mitigation (2)

- Market mechanisms would need to be scaled up and optimized to ensure delivery.
- Carbon markets are important but not sufficient to deliver all possible reductions. As, demand relying purely on Annex I cannot match potential supply; and, carbon markets are sometimes not able to provide sufficient incentive to cost competitive technologies due to non-price barriers.
- National policies are a crucial element in scaling up and shifting both international and domestic investment.
- National policies is likely to require financial support to be put in place. This is important in designing delivery systems for MRVed support for MRVed national strategies.

Key outcomes – Adaptation (1)

- Broad consensus current resources are inadequate, especially in developing countries, need to be scaled-up.
- Options for scaling-up resources mostly through public funding, need to identify levers to further encourage the private sector to optimise and shift its investments towards more climate-resilient activities.
- Designing appropriate delivery mechanism with the appropriate institutional and operational arrangements is paramount so that adaptation funding can be directed not only to those who are most vulnerable, but also to those who can benefit most from it.
- Additionality of adaptation needs: climate proofing development investments; extending climate resilience of climate exposed sector to long term climate change; and investments purely to address climate change.

Key outcomes – Adaptation (2)

- Key components of delivery system:
  - Access, including vulnerability metrics and a practical definition of adaptation to facilitate allocation of resources
  - Provision of financial support at a more upstream level, i.e. programmatic rather than project based support
  - Creation of enabling environments through national policies to ensure that scaled-up financial resources can be optimised and integrated in sectoral and development planning and shifted towards those activities that are most promising in reducing vulnerability.