



# Workshop on Investment and Financial Flows to Address Climate Change

*Presented By*

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On Behalf Of

***The Alliance of Small Island States (AOSIS)***

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# Challenges

- **Under-financing**- Developed countries have failed to honour their commitments under the Convention to assist the most vulnerable – There is a huge gap between what is needed, what will be needed in the future, and what is presently available. UNDP estimates that that new additional adaptation financing of at least US\$86 billion a year will be required by 2015 to meet the most basic and pressing adaptation needs of developing countries.
- Insufficient financing and investment for **concrete adaptation and mitigation projects and activities** – *Many plans little support.*
- **Burdensome criteria** associated with accessing available sources of financing
- Absence of tools to **measure the true economic costs** associated with adaptation
- **Size matters**– Small markets represent a barrier to the mobilization of private investment
- High vulnerability to **external economic shocks** –e.g. food and energy crises and natural disasters which can immobilize an entire State
- **Limited access to domestic resources** in SIDS
- Climate change represents an **additional** challenge to the developmental aspirations of SIDS
- **Limited capacity** in SIDS



# Differentiation

- There is a need to differentiate between financing for adaptation and mitigation. Although securing financing for mitigation is a major challenge, financing for mitigation is more readily available and easier to access than financing for adaptation.
- Furthermore it is easier to attract private investment for mitigation activities and projects, since they can generate revenue, while adaptation projects in SIDS (e.g. shoreline protection – coral reef restoration, protection of coastal infrastructure, protection against saline intrusion, food security etc.) are generally considered public goods to be provided by the State.



# Elements of a Shared Vision on Financing of Adaptation

1. **New and additional** – A significant injection of **new** money is required over and above traditional ODA and the 0.7% target, and specifically devoted to adaptation.
2. **Predictability** – The sources of this new financing must be stable and predictable including from mandatory or assessed contributions from developed countries and levies on the carbon markets and other emissions trading schemes
3. **Grant-based** – Consistent with the polluter-pays-principle financing to developing countries for adaptation should be in the form of grants rather than loans. SIDS are being forced to adapt to the adverse impacts of a phenomenon caused by the carbon intensive lifestyles and production patterns of others.
4. **Priority access for the most vulnerable** – Particularly vulnerable developing countries especially the SIDS and LDCs should be given priority access to any financing for adaptation given their unique vulnerability, limited capacity to adapt and negligible contribution to the problem.
5. **A New Approach to Governance** – Any new financing should be channeled through the Convention and any new Fund(s) for addressing climate change should be under the guidance and supreme authority of Parties to the Convention. The governance arrangements of the international financial institutions places small countries at a distinct disadvantage and more often the priorities of these institutions mirror the priorities of those in control.
6. **Coherence** – Coherence and coordination at the international level among all actors and utilizing the Convention as the fulcrum for action.



# Specific Proposals

## 1. CONVENTION ADAPTATION FUND

### *Purpose:*

- Implement Articles 4.3 and 4.4 of the Convention as well as the Polluter Pays Principle
- Link GHG emissions to adaptation funding
- Generate a substantial new, additional and predictable funding source to address developing country adaptation needs
- Fund to complement, not replace the Adaptation Fund

### *Contributions:*

- Assessed contributions based on the level of countries' GHG emissions, taking into account their respective levels of development and ability to pay as well as historical responsibilities

### *Access:*

- Direct and simplified access
- Priority access for particularly vulnerable developing countries SIDS and LDCs

### *Governance:*

- Under the guidance and supreme authority of the COP

## 2. INSURANCE MECHANISM

- Internationally-sourced pool of funds to help SIDS manage financial risk from increasingly frequent and severe extreme weather events
- A collective loss-sharing mechanism is needed to address high impact events; most vulnerable countries cannot afford commercial insurance to address impacts on national economies
- Payouts might use agreed triggers
- Subsidy component in establishing/maintaining fund could be viewed as adaptation assistance
- Mechanism can also fund risk reduction

## 3. TECHNOLOGY FUND

- An international fund to fast-track development of renewable energy technologies



# Now, Up to.....

- ❖ Significantly increase the level of financial resources available to developing countries and in particular SIDS and LDCs.
- ❖ Channeling of new resources through the Convention process and in particular the Adaptation Fund.
- ❖ Urgent development of SIDS appropriate economic valuation or assessment tools to enable determination of the actual costs of adaptation.
- ❖ A list of pledges made by developed countries for technology and financial assistance including the eligibility criteria for developing countries access to this assistance.



I Thank You!!!

**No Island Left Behind!!!**