

# Investment and Financial Flows to Address Climate Change

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**In-session Workshop during the Second Session  
of the Ad Hoc Working Group on Long-Term  
Cooperative Action Under the Convention**



**UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE**

# 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 Bali Action Plan

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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...



# Some Ongoing Work under the Convention as it Relates to Financing in Bali Action Plan

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- Financial mechanism
- Development and transfer of technologies
- Emissions trading and project-based mechanisms
- National communications of Annex I Parties
- National communications of Parties that are not included in Annex I to the Convention
- Capacity-building
- Education, training and public awareness
- Cooperation with relevant international organizations



# Key Findings: Investment and Financial Flows to Address Climate Change

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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



# Potential New International Sources of Finance

Application of a levy similar to the 2 per cent share of proceeds from the CDM to international transfers of ERUs, AAUs and RMUs	USD 10 to USD 50 million	Annual average for 2008 to 2012
	Depends on size of carbon markets post-2012	Any estimate for post 2012 requires assumptions about future commitments
Auction of allowances for international aviation and marine emissions	USD 10 to USD 25 billion	Annual average for aviation rises from 2010 to 2030
	USD 10 to USD 15 billion	Annual average for marine transport rises from 2010 to 2030
International air travel levy	USD 10 to USD 15 billion	Based on charge of USD 6.50 per passenger per flight
Funds to invest foreign exchange reserves	Fund of up to USD 200 billion	Voluntary allocation of up to 5 per cent of foreign exchange reserves to a fund to invest in mitigation projects
Access to renewables programmes in developed countries	USD 500 million	Eligible renewables projects in developing countries could earn certificates that could be used toward compliance with obligations under renewables programmes in developed countries to a specified maximum
Debt-for-efficiency swap	Further research needed	Creditors negotiate an agreement that cancels a portion of the non-performing foreign debt outstanding in exchange for a commitment by the debtor government to invest the cancelled amount in clean energy projects
Tobin tax	USD 15 to USD 20 billion	A tax of 0.01 per cent on wholesale currency transactions
Donated special drawing rights	USD 18 billion initially	Some special drawing rights issued could be donated to raise revenue for Convention purposes

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