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PRESS RELEASE

UNFCCC secretariat presents investment and financial flows necessary to respond to climate change

(Bonn, 23 August 2007) – According to a new report issued this week by the secretariat of the United Nations Framework Convention on Climate Change (UNFCCC), addressing climate change in the next 25 years will require significant changes in the patterns of investment and financial flows.

The study, an "analysis of existing and potential investment and financial flows relevant to the development of an effective and appropriate international response to climate change" found that the additional amount of investment and financial flows in 2030 will amount to between 1.1 to 1.7% of global investment.

Another key finding of the study, to be presented to UNFCCC delegates meeting in Austria for the "Vienna Climate Change Talks 2007" (27 to 31 August) is that additional investment and financial flows of USD 200 to 210 billion will be necessary in 2030 to return GHG emissions to current levels.

"Developing countries will require a large share of investment and financial flows because of their expected rapid economic growth," said UNFCCC Executive Secretary Yvo de Boer. "This presents a real opportunity," he added.

While the estimated investment flows to developing countries in 2030 represent 46% of global needs, the resulting emission reductions achieved by these countries in 2030 would amount to 68% of global emission reductions.

Additional financial flows needed in 2030 for adapting to climate change impacts amount to several tens of billions of dollars, in particular, in sectors and countries that are already highly dependent on external support such as the health sector in least developed countries or for coastal infrastructure in developing countries vulnerable to sea level rise.

"The study shows us that a conscious effort to shift from traditional investment to more climate-friendly alternatives will require governments to adopt new policies and change the way they use their funds. The required shift in future investment and financial flows needs a combination of actions by the intergovernmental process under the UNFCCC and national governments," explained Mr. de Boer.

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One key way of enabling increased funding outlined in the report is by means of the carbon markets. The carbon market spwaned by the Kyoto Protocol and policies to promote renewables are already playing an important role in shifting investment flows. Activities in the Protocol's Clean Development Mechanism (CDM) pipeline in 2006 alone are estimated to have generated investment of around USD 25 billion. The CDM permits industrialized countries to invest in sustainable development projects in developing countries and thereby generate tradable emission credits.

"This is indicative of how quickly investment flows can respond to changes in policies and incentives. A long-term international agreement on climate change will broaden the range of mitigation measures that are attractive investments and could could allow the expansion of existing market mechanisms to a market of USD 100 billion per year," the UN's top climate change official said.

The report will help delegates meeting for the United Nations Climate Change Conference in Bali (3 to 14 December) in assessing the financial architecture needed for a post-2012 agreement, for which negotiations are expected to be launched this year.

The report can be downloaded from the UNFCCC website :
<http://unfccc.int/cooperation_and_support/financial_mechanism/items/4053.php>
<http://unfccc.int/files/cooperation_and_support/financial_mechanism/financial_mechanism_gef/application/pdf/dialogue_working_paper_8.pdf>

About the UNFCCC

With 191 Parties, the United Nations Framework Convention on Climate Change (UNFCCC) has near universal membership and is the parent treaty of the 1997 Kyoto Protocol. The Kyoto Protocol has to date 175 member Parties. Under the Protocol, 36 States, consisting of highly industrialized countries and countries undergoing the process of transition to a market economy, have legally binding emission limitation and reduction committments. The ultimate objective of both treaties is to stabilize greenhouse gas concentrations in the atmosphere at a level that will prevent dangerous human interference with the climate system.

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