



PATHWAYS AND ROADBLOCKS TO CLIMATE FINANCE

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INTERNATIONAL POLICY SCHIZOPRENIA

TWO LOBE THINKING

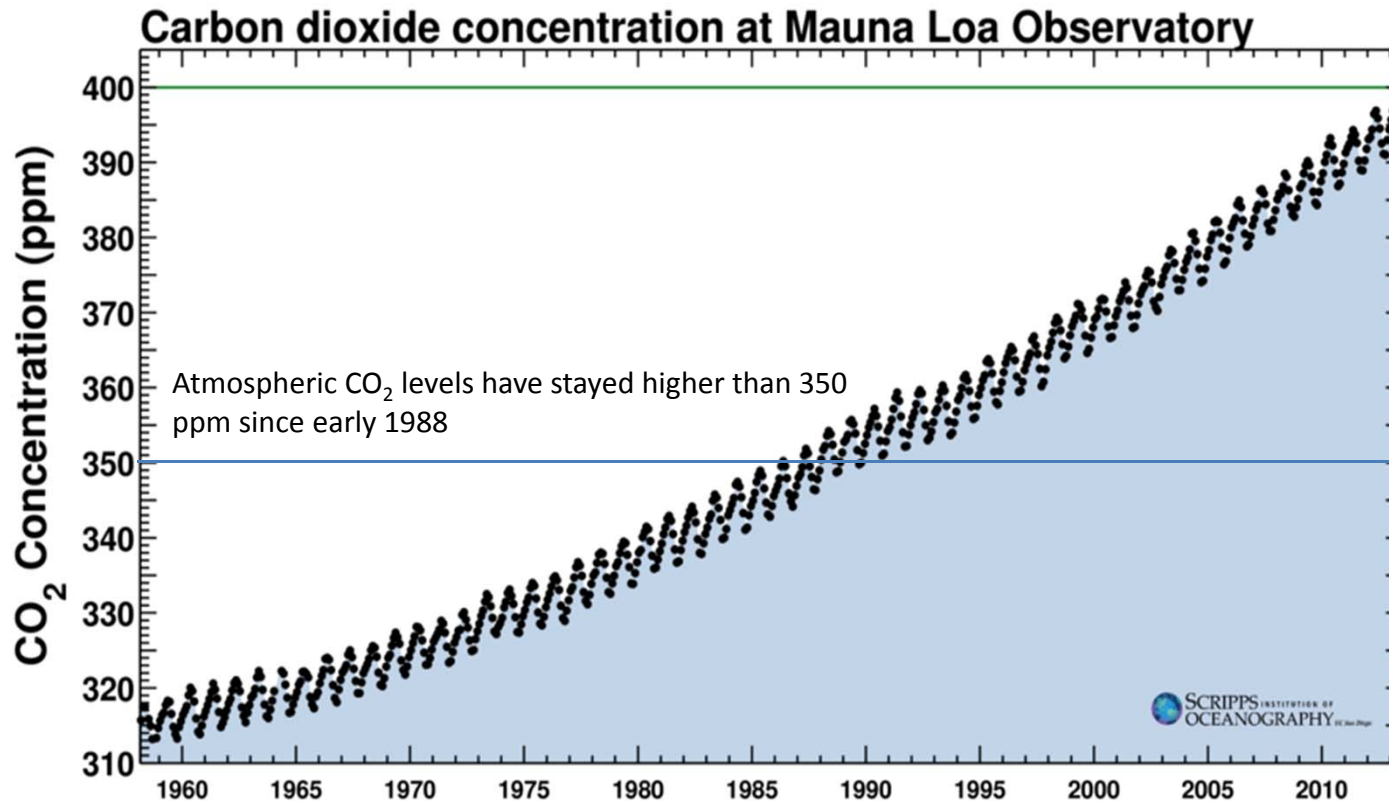
REFLEXIVE, ANALYTICAL LOBE: URGENCY, EMERGENCY,
FUTURE CONSEQUENCES IN **CRITICAL DECADE**

OPERATIVE, ACTION LOBE: NEGATION,
PROCRASTINATION, INACTION=

LOST DECADE FOR CLIMATE ACTION & FINANCE

2009/2019

CARBON DIOXIDE CONCENTRATION



- The level of greenhouse gases in the atmosphere has increased from 280 ppm in pre-industrial times to 315 ppm in 1960, crossing the critical threshold of 350 ppm in 1988 and is now more than 390 ppm.

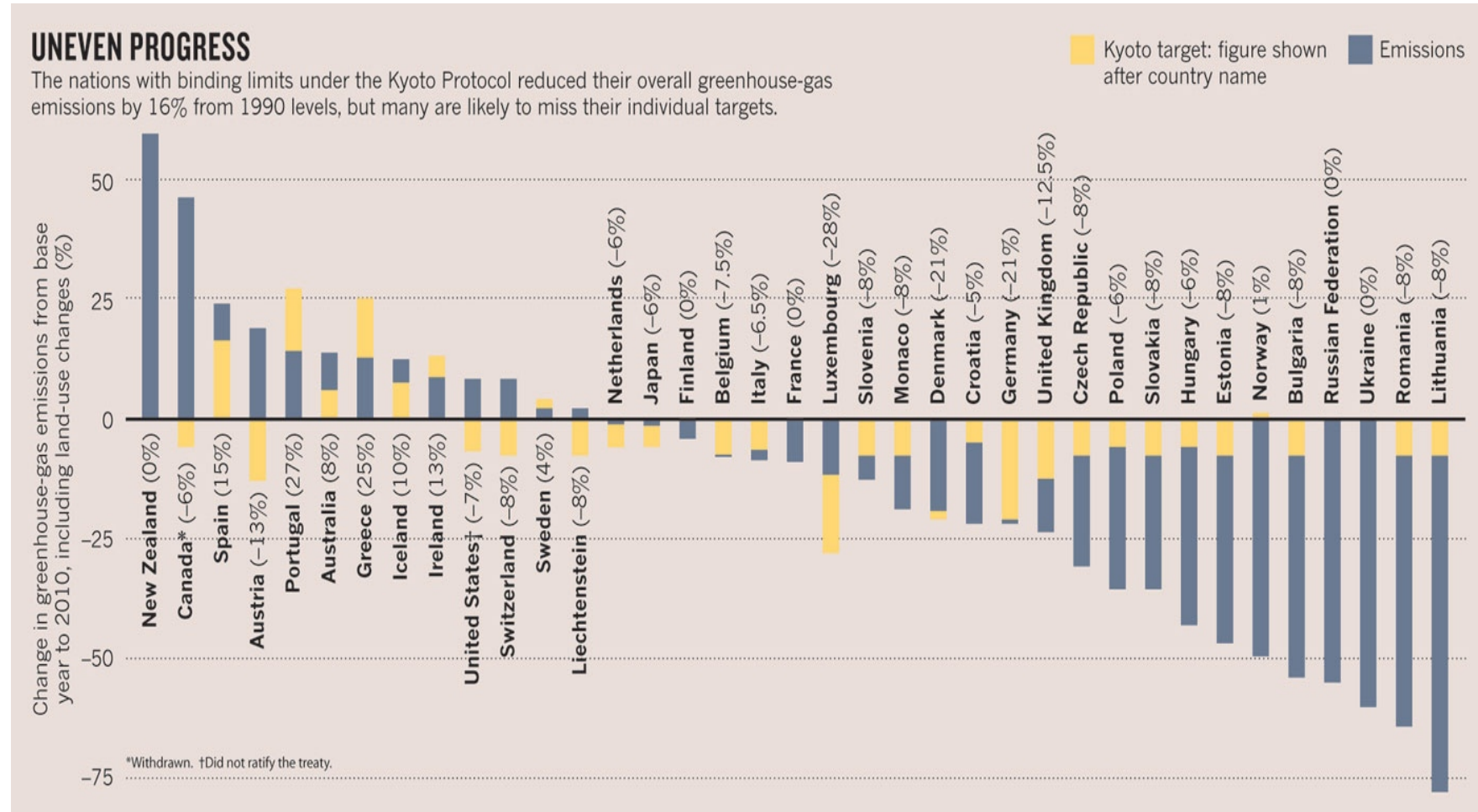
- Failure to reverse the annual increase of greenhouse gases by 2017, the scenario of 450 ppm in the year 2035 and the temperature rise limit 2°C in this century will be lost, leading to scenarios from 3.5 to 6 degrees (IEA).

June 1988: 350.00 ppm CO₂
June 1990: 354.00 ppm CO₂
June 2011: 393.72 ppm CO₂
June 2012: 395.83 ppm CO₂
June 2013: 398.58 ppm CO₂

Source: NOAA

- For every dollar of investment avoided in the power sector before 2020, will require an additional U.S. \$ 4.30 to compensate for increased needs after 2020 (IEA).

UNEVEN PROGRESS



Source: Netherlands Environ. Assessment agency/ec joint res. Centre

FROM KYOTO PROTOCOL TO DURBAN PLATFORM

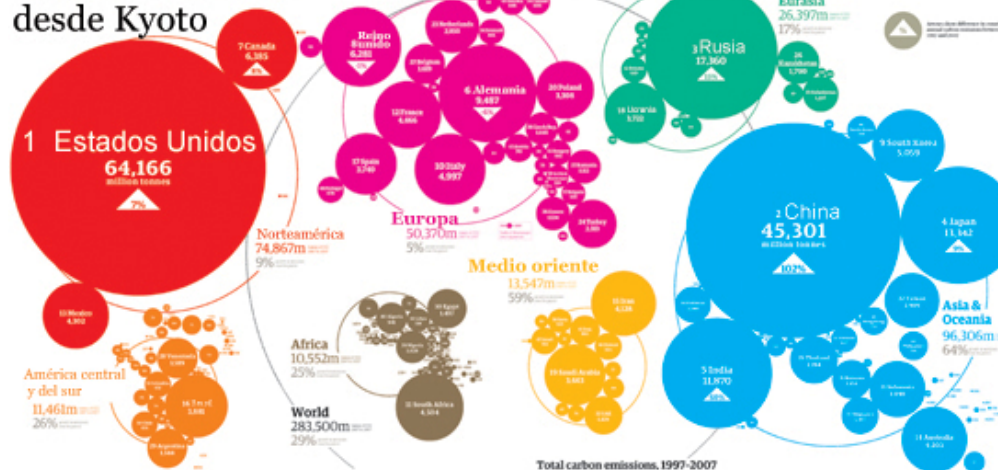
KYOTO PROTOCOL

THOSE WHO POLLUTE THE MOST DO NOT SIGN IT



COP17/CMP7
UNITED NATIONS
CLIMATE CHANGE CONFERENCE 2011
DURBAN, SOUTH AFRICA

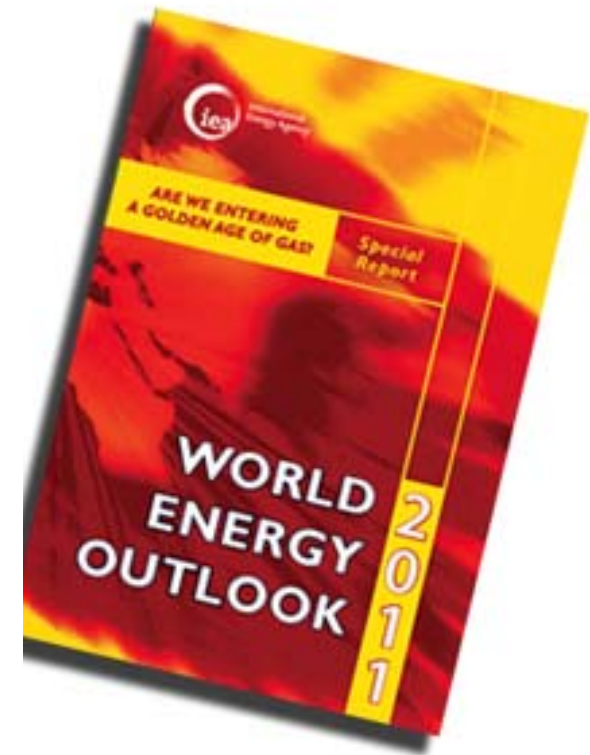
Emisiones totales desde Kyoto



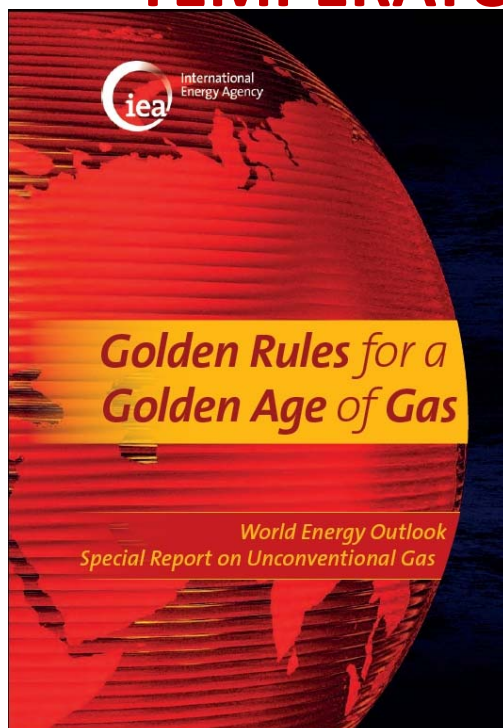
US\$100 billion per year is a goal not a commitment, to begin by 2020

TOWARDS A TEMPERATURE INCREASE OF 3.5°C TO 6°C

- "We cannot afford to defer further action needed to tackle climate change that to achieve a reasonable cost to the long-term goal of limiting the rise in global average temperature to 2°C, as discussed in the 450 Scenario. *In the New Policies Scenario, the world follows a path that generates a level of emissions that induce a rise in long-term average temperature over 3.5°C.* Without these new policies, the path taken is more dangerous if possible, with a temperature rise of 6°C or even higher. "
- "Deferring action it is a mistake in economic terms: for every dollar not invested in the power sector by 2020, will need to spend US\$ 4.30 or more after 2020 to compensate for the increased emissions."
- "Natural gas is the cleanest fossil fuel, but simply increasing the use of gas (without carbon capture and storage) is not sufficient by itself to a path to walk down carbon emissions that fits limiting the global temperature rise to 2°C. "



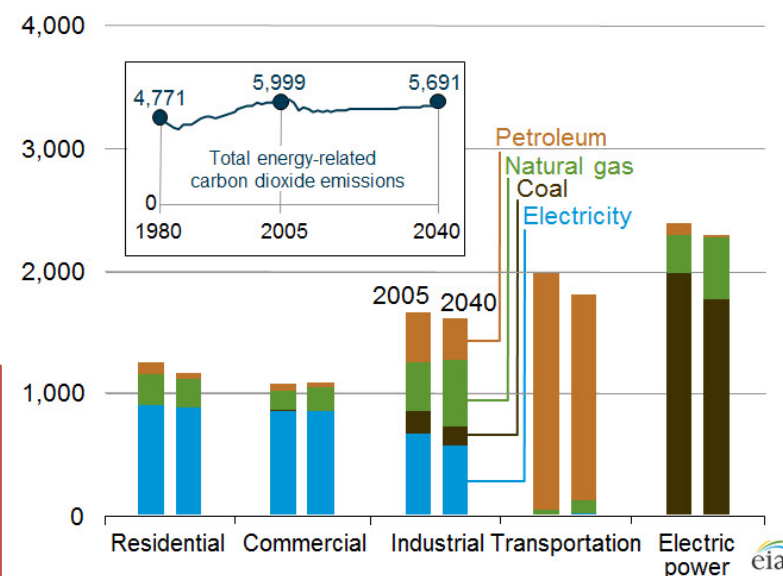
TEMPERATURE INCREASE: 3.5°C SCENARIOS



- Natural gas is poised to enter a golden age, but will do so only if a significant proportion of the world's vast resources of conventional gas – shale gas, tight gas and coal bed methane – can be developed profitably and in an environmentally acceptable manner.
- The transition to gas will by itself take the average temperature rise to 3.5 degree centigrade because it will replace renewables in addition to coal and petroleum at the world level, while in the U.S. it will halt the increase and lead to a modest decrease in emissions.

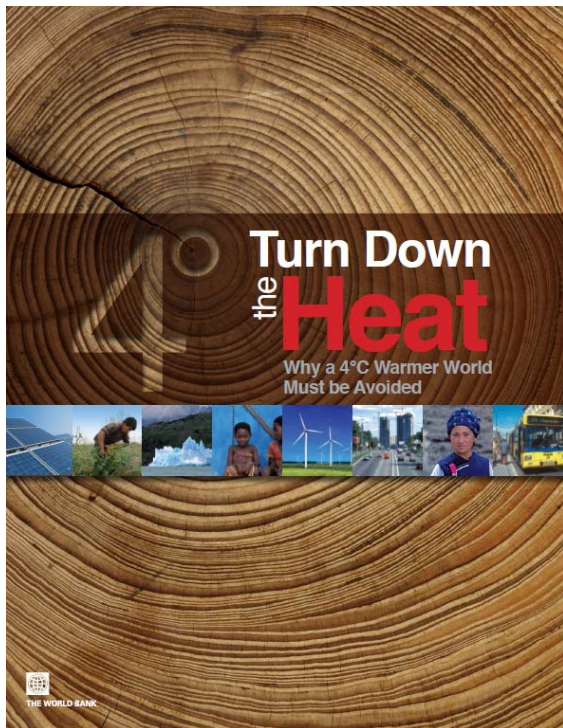
- The natural gas share of total CO₂ emissions increases from 20 percent in 2005 to 28 percent in 2040, as the use of natural gas to fuel industrial applications and increases.

Figure 108. U.S. energy-related carbon dioxide emissions by sector and fuel, 2005 and 2040 (million metric tons)



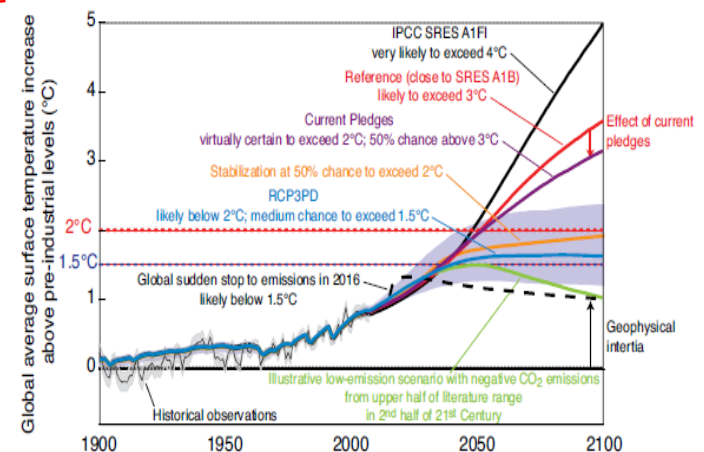
Source: U.S. Energy Information Administration (EIA)

TEMPERATURE INCREASE: 4°C SCENARIOS

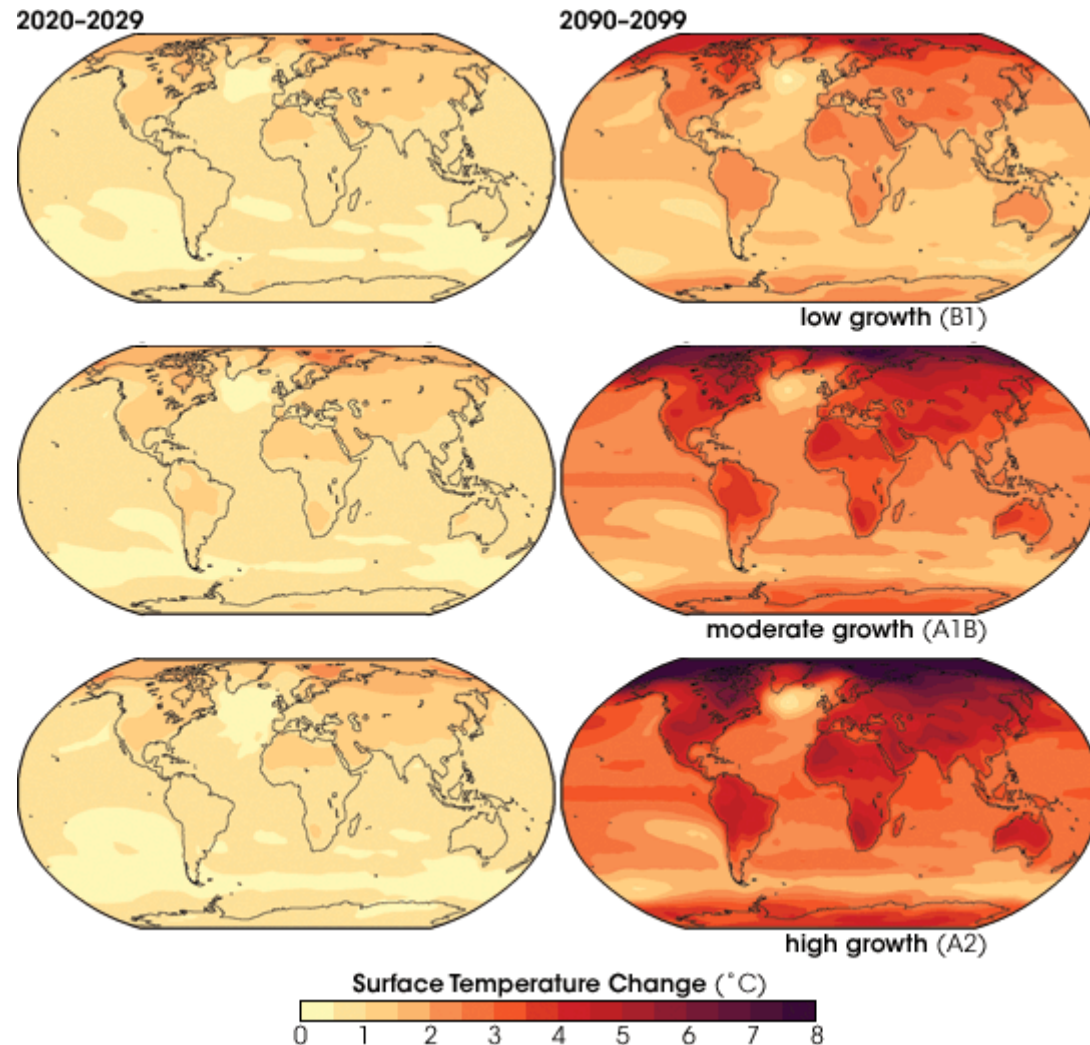


- The 4°C scenarios are devastating: the inundation of coastal cities; increasing risks for food production potentially leading to higher malnutrition rates; many dry regions becoming dryer, wet regions wetter; unprecedented heat waves in many regions, especially in the tropics; substantially exacerbated water scarcity in many regions; increased frequency of high-intensity tropical cyclones; and irreversible loss of biodiversity, including coral reef systems.
- And most importantly, a 4°C world is so different from the current one that it comes with high uncertainty and new risks that threaten our ability to anticipate and plan for future adaptation needs.
- The lack of action on climate change not only risks putting prosperity out of reach of millions of people in the developing world, it threatens to roll back decades of sustainable development.

- Indicates the likely starting time of heating to 4°C or more.
- In the highest scenario (SRES A1FI), the median estimate (50% probability) of warming reaches 4°C by 2080.
- Even if the political commitments of the climate convention in Copenhagen and Cancun are fully implemented, there is still a possibility of more than 4°C in 2100.
- Failure to meet the promises and current trends of carbon intensity, then the higher emissions scenarios show a 4°C global mean warming in the last quarter of this century.

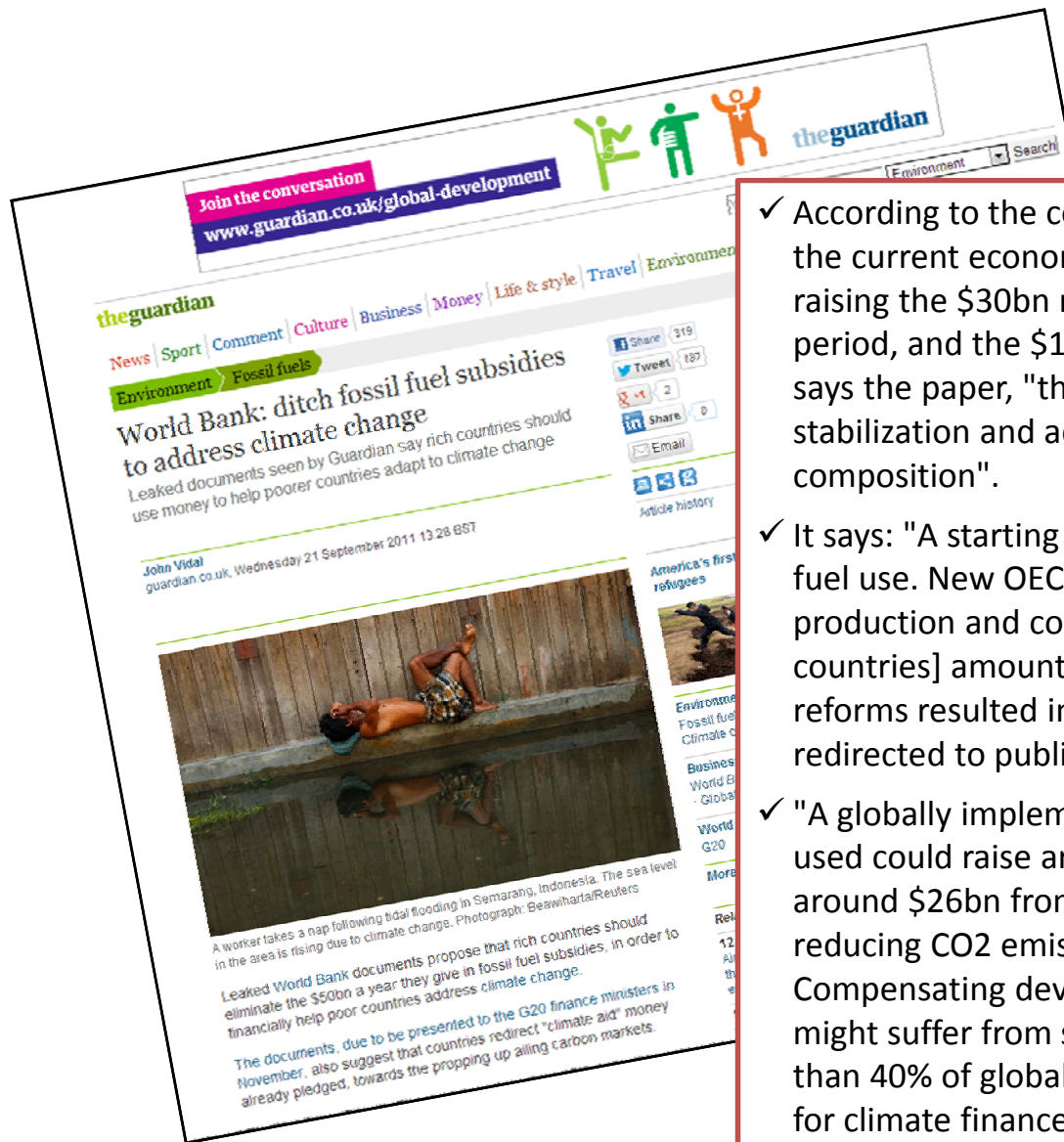


A LOST DECADE OF GLOBAL ACTION



THE RESULT OF DOING NOTHING IS NOW VISIBLE. THE 2 DEGREE LIMIT SET FOR THIS CENTURY IN 2009 IS ALREADY A FAILURE.

THE WORLD BANK ON CLIMATE FINANCING ALTERNATIVES



- ✓ According to the confidential paper, there is little likelihood that in the current economic climate, public money will be available for raising the \$30bn rich countries have pledged for the 2010-2012 period, and the \$100bn a year that must be found by 2020. Instead, says the paper, "the large financial flows required for climate stabilization and adaptation will, in the long run, be mainly private in composition".
- ✓ It says: "A starting point should be the removal of subsidies on fossil fuel use. New OECD estimates indicate that reported fossil fuel production and consumption supports in Annex II countries [24 OECD countries] amounted to about \$40-\$60bn per year in 2005-2010 ... if reforms resulted in 20% of the current level of support being redirected to public climate finance, this could yield \$10bn per year.
- ✓ "A globally implemented carbon charge of \$25/tonne CO₂ on fuel used could raise around \$13bn from international aviation and around \$26bn from international maritime transport in 2020, while reducing CO₂ emissions from each industry by around 5 to 10%. Compensating developing countries for the economic harm they might suffer from such charges ... seems unlikely to require more than 40% of global revenues. This would leave about \$24bn or more for climate finance or other uses," says the paper.

THE FAILURE OF CLIMATE FINANCING

Fast Initial Financing of US\$ 30 billion for 2010-2012 with funding new, additional and sufficient (Agreed in Copenhagen)

Goal

US\$ 30 Billions

Funds committed

US\$ 34.36 Billion

(114 %)

Funds approved

US\$ 10.71Billion

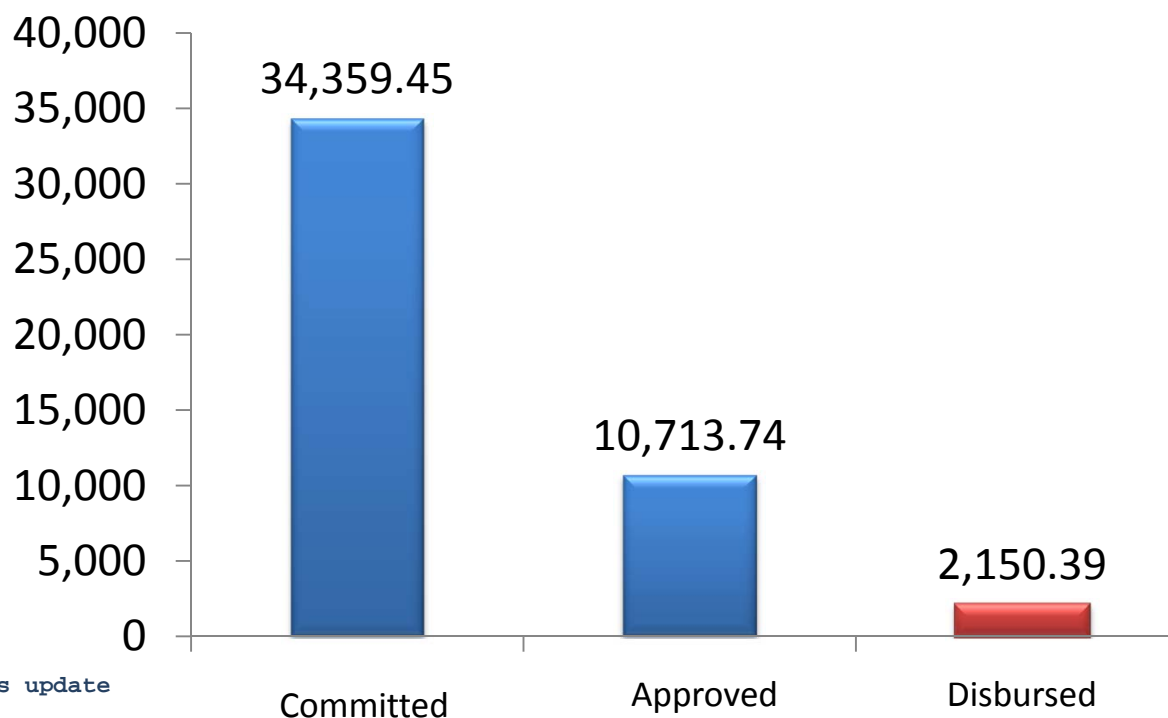
31.18 % of committed

Funds disbursed

US\$ 2.15 Billion

6.26%

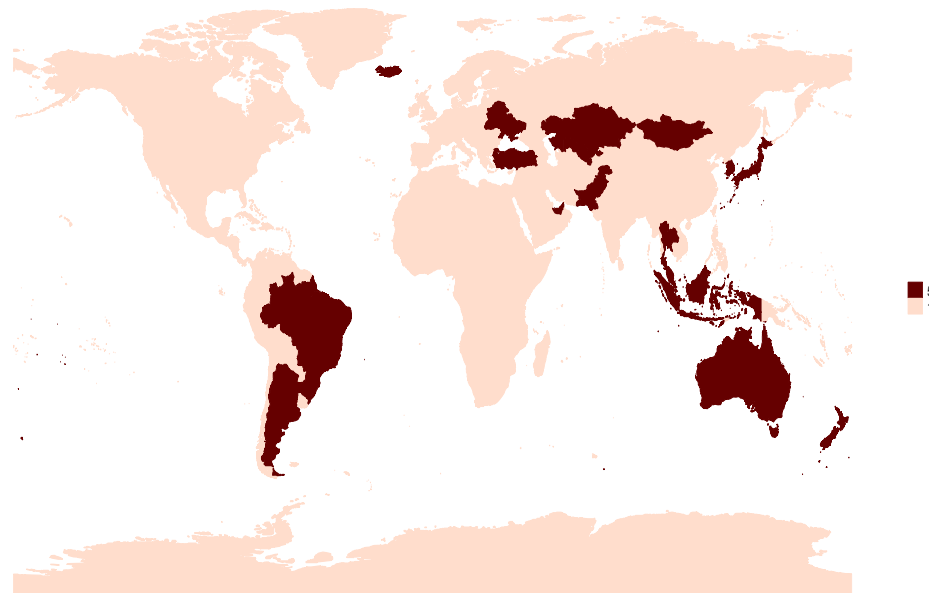
Climate Finance 2010-2012
(US\$ Millions)



Source: climate funds update

CHINA'S SWAP AGREEMENT WITH OTHER COUNTRIES

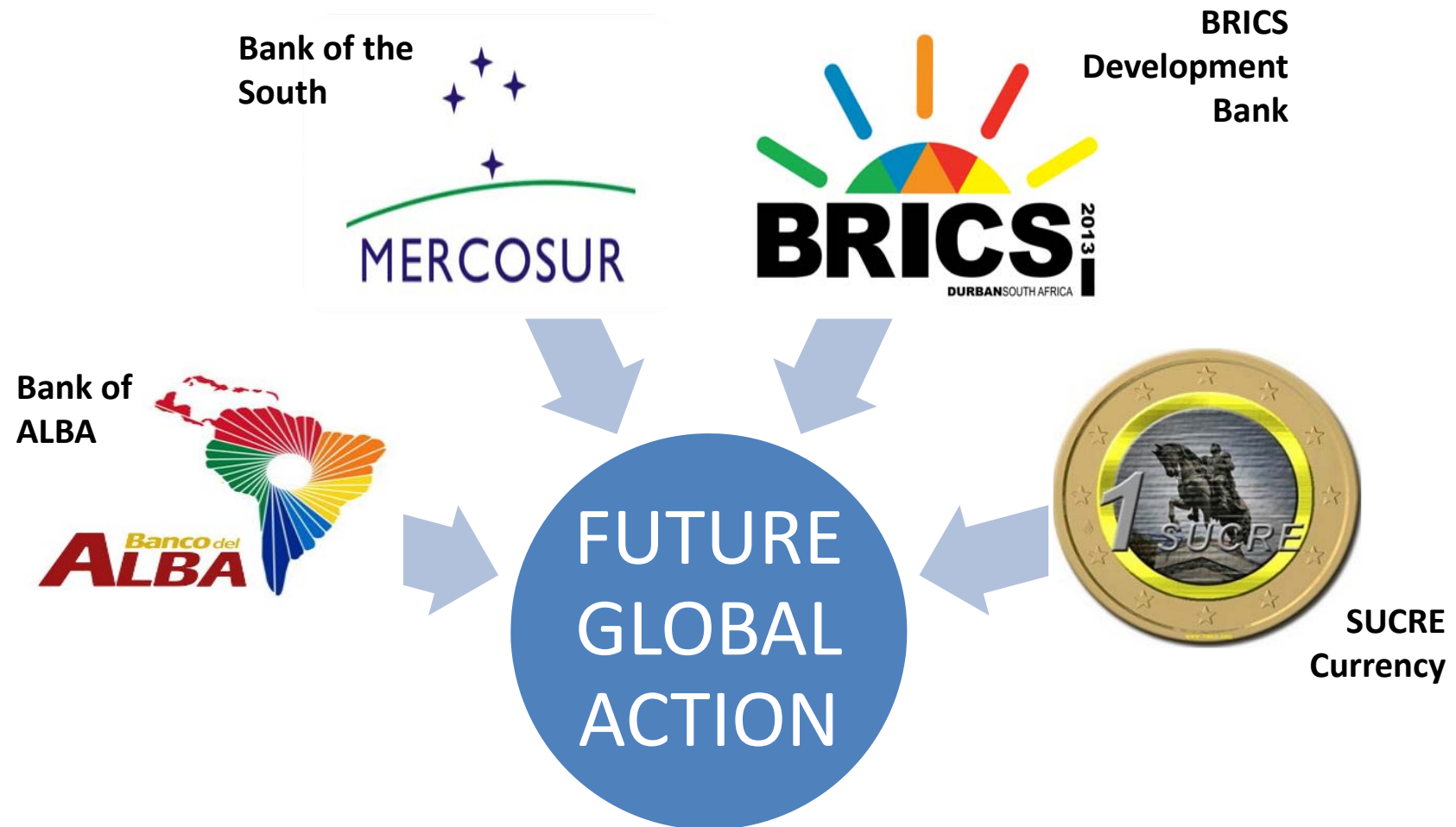
China's Swap Agreement with other Countries



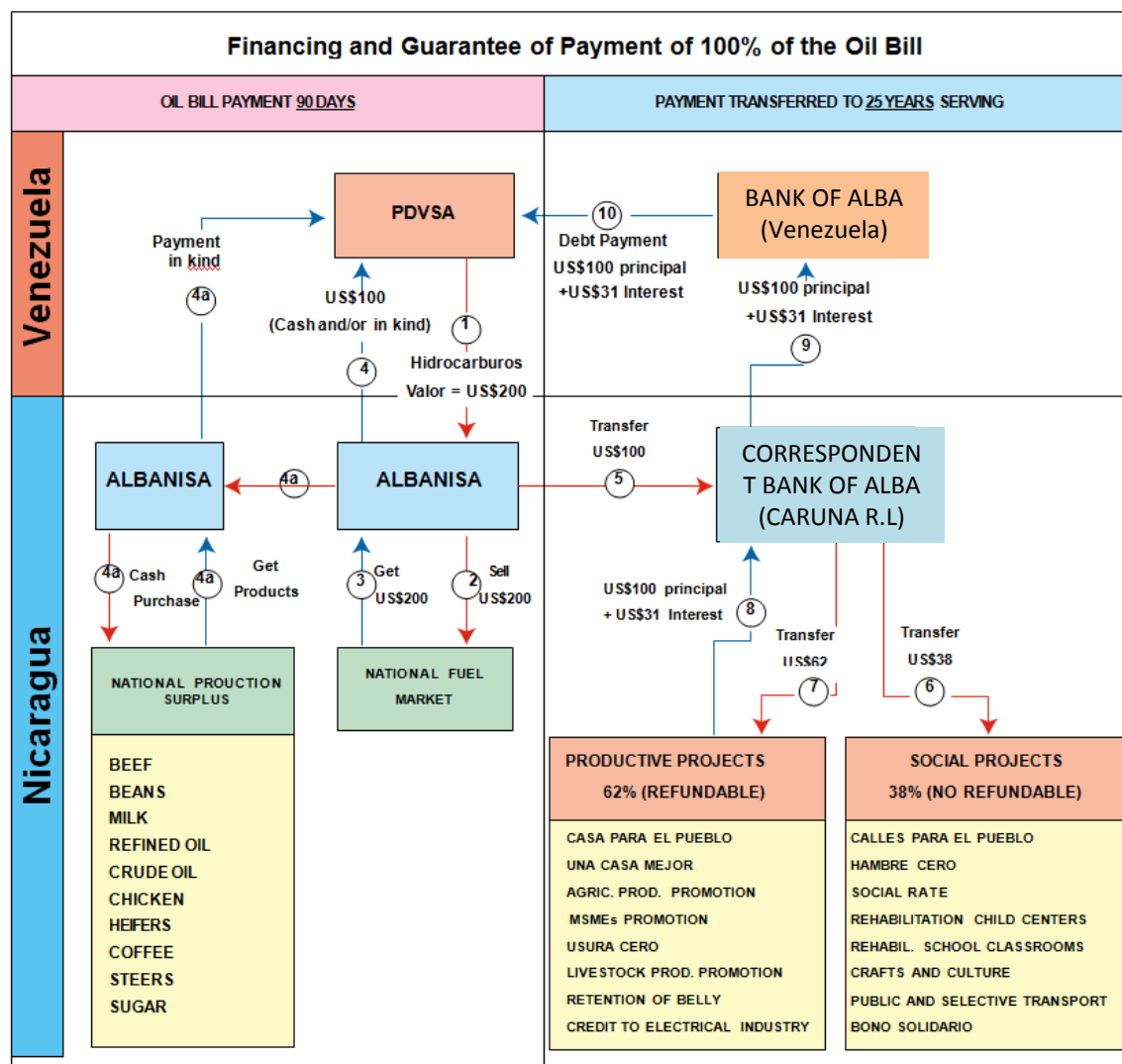
Source: The PBoC, BBVA, & Bloomberg

Agreement	size	US\$ Dollars	Effective Date	Expiration
China-South Korea	180 bn RMB/38 Tr Won	26.29 billions	Dec-08	Dec-11
Renewed	360 bn RMB/64 Tr Won	40.87 billions	oct-11	oct-14
China-Hong Kong	200 bn RMB/227 bn HKD	29.26 billions	Jan-09	Jan-12
Renewed	400 bn RMB/490 bn HKD	62.93 billions	nov-11	nov-14
China-Malaysia	80 bn RMB/40 bn MYR	11.70 billions	feb-09	feb-12
Renewed	180 bn RMB/90 bn MYR	28.52 billions	feb-12	feb-15
China-Belarus	20 bn RMB/8 tr BYB	2.93 billions	mar-09	mar-12
China-Indonesia	100 bn RMB/ 175 tr Rupiah	14.62 billions	mar-09	mar-12
	70 bn RMB/ Equal Amount			
China-Argentina	Peso	10.23 billions	mar-09	mar-12
China-Iceland	3.5 bn RMB/66 bn ISK	0.51 billions	jun-10	jun-13
China-Singapore	150 bn RMB/30 bn SGD	22.14 billions	jul-10	jul-13
China-New Zealand	25 bn RMB	3.66 billions	Apr-11	Apr-14
China-Uzbekistan	0.7 bn RMB	0.10 billions	Apr-11	Apr-14
China-Mongolia	5 bn RMB	0.73 billions	may-11	may-14
Expanded	10 bn RMB	1.52 billions	mar-12	may-14
China-Kazakhstan	7 bn RMB	1.08 billions	jun-11	jun-14
China-Thailand	70 bn RMB/ 320 bn THB	11.00 billions	Dec-11	Dec-14
China-Pakistan	10 bn RMB/140 bn PKR	1.57 billions	Dec-11	Dec-14
China-Japan	70 bn RMB	11.00 billions	Dec-11	Dec-14
China-UAE	35 bn RMB/20 bn AED	5.54 billions	Jan-12	Jan-15
China-Turkey	10 bn RMB/3 bn TRY	1.59 billions	feb-12	feb-15
China-Australia	200 bn RMB/30 bn AUD	31.60 billions	mar-12	mar-15
China-Ukraine	15 bn RMB/19 bn UAH	2.36 billions	jun-12	jun-15
China-Brazil	190 bn RMB/60 bn BRL	30.59 billions	March-13 ¹²	Mar-16

ALTERNATIVES FINANCIAL INSTRUMENTS

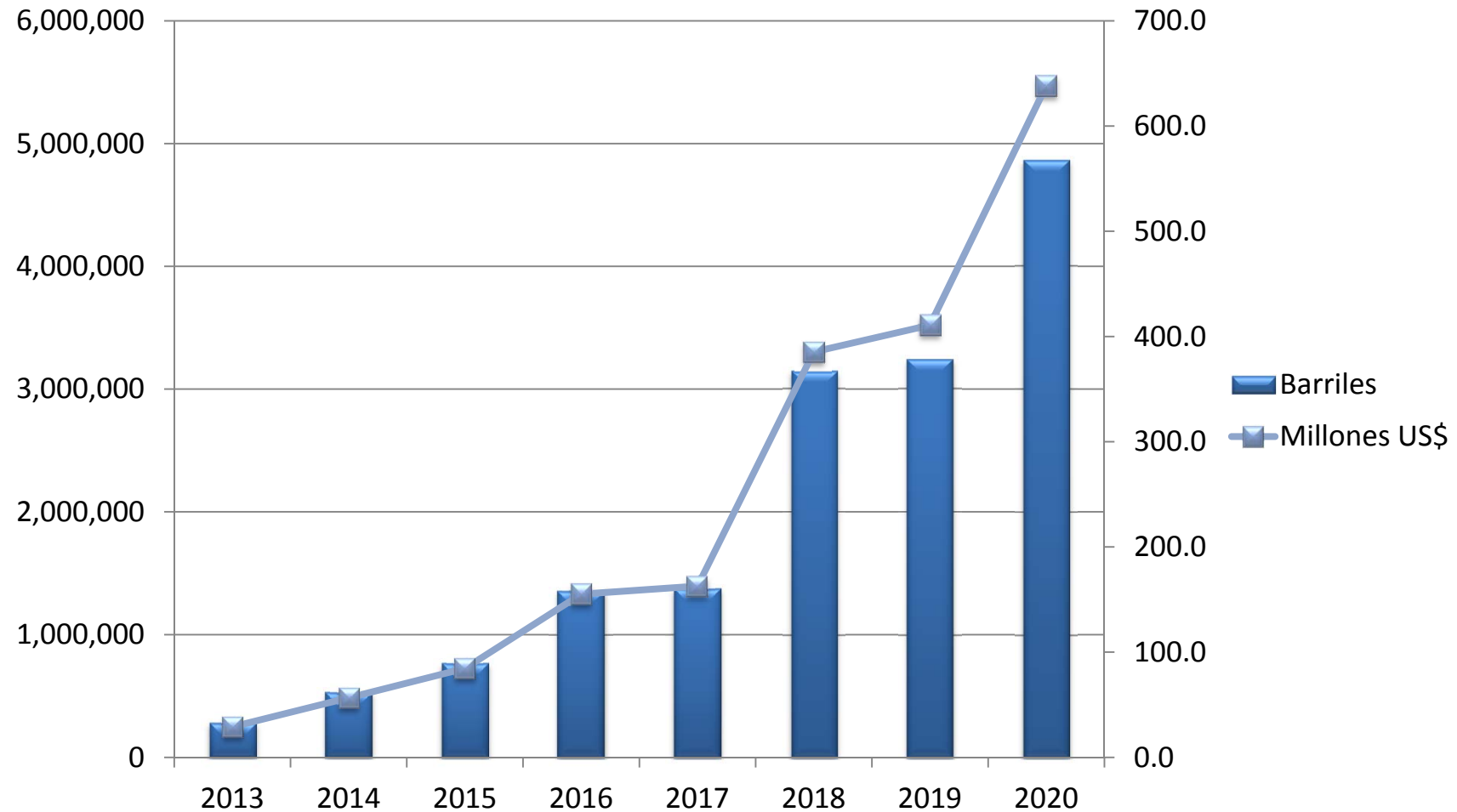


PETROCARIBE MECHANISM



- ✓ Nicaragua has a guaranteed supply 100% of its oil needs, with 25 years deferred payment with two-year grace period and 2% interest than half of the oil bill.
- ✓ With half deferred funds invested 62% in socio-productive projects that stimulate the economy and allow the returns to amortize payments in the form and time.
- ✓ The other 38% is used to fund social projects not returnable, fully or partially.

NICARAGUA: SAVING BY TRANSFORMING THE NICARAGUA'S ENERGY MATRIX WITH RENEWABLE ENERGY PROJECTS 2013-2020



MULTILATERAL TRUST

Initial Financing Fund

Created from the contribution of:

- *Multilateral Organizations
- *Development Banks
- *Commercial Banks
- *Developed countries
- *Beneficiary countries

Specific projects in selected countries

Savings from reduced oil purchases:

- *Trust
- *Payment of the initial fund
- *Constant flow of resources

Permanent Fund

Program and Project Financing
Adaptation to Climate Change