CHECK AGAINST DELIVERY

Mobilising Finance to meet the Climate Challenge
The role of National Policies in Enabling Investments

UNEP Governing Council, 20 February, Monaco

Speaking notes Yvo de Boer,
Executive Secretary United Nations Framework Convention on Climate Change

Your Excellencies,
Ministers,
Ladies and gentlemen,

Following the successful conclusion of the Bali Roadmap, we now stand at the dawn of a very busy negotiating process. Looking at the planning for this period of time, there are actually less than two years left to craft a stronger climate change regime. Preparations are underway for the first negotiating session this year for the Kyoto AWG and the first session of the new AWG on Long-term Cooperative Action (AWG-LCA) which will take place in Bangkok 31 March to 4 April. My personal sense is that we can make early progress in the negotiating process by focusing our attention on technology and finance. Finance and technology are the linking pin between developing country engagement and industrialised country action. The theme of this session is thus excellent given that finance will be the motor of a post-2012 climate change agreement. This meeting will no doubt help to advance thinking on this important issue.

Finance is the motor

Dealing with climate change is about changing the course of our economic development. It is clear that the world economy needs an extreme make-over and for this we need a major investment operation, an investment operation that will unleash green growth all around the world, but especially in developing countries. We are facing a huge challenge. According to the International Energy Agency, a massive investment of 20 trillion US dollar by 2030 are needed to meet world's energy hunger. Over 50 % of this investment flow will have to go to developing countries, where energy demand will grow fastest. If these flows are not steered into a low carbon direction, global GHG emissions will go up by 50 % in 2050, while we need a 50% cut of these emissions in 2050. This is according to the IPCC's lowest stabilization scenario, the most ambitious scenario analyzed so far.

To assess the magnitude of the extra financial and investment flows needed, the UNFCCC prepared its Investments and Financial Flows Report last year which includes the following messages:.

- To bring back emissions to current levels in 2030 we need an additional amount of 200-210 billion USD per annum in 2030.
- For adaptation we need several extra tens of billions USD per annum in 2030.
- This sounds a lot but it is only 0.3 to 0.5% of global domestic product in 2030 (or 1.1 - 1.7% global investment in 2030).

To my mind the key challenge in the upcoming negotiations is to design a clever financial architecture that will provide the finance and technical support that developing countries need to speed up their low carbon development and adapt to the inevitable impacts of climate change.

The need for a clever, comprehensive financial construction

One of the key tools clearly is the carbon market

- In 2007, the market was already worth 60 billion USD
- CDM accounts for 5 billion of this amount
- Through a 2% levy CDM we are feeding the Adaptation Fund. In this I see the beginning of what I call a self financing climate change deal.
- Under high demand scenario, with ambitious targets for industrialized countries, CDM has the potential of spurring 100 billion USD annually

But it's clear that the market will not do the trick alone. Markets do what markets do: they cherry pick the cheapest options. So:

- markets do not guarantee equal geographical distribution
- markets do not provide support for national policies
- and markets do not provide finances for expensive options, such as CCS

A couple of weeks ago, I attended a very interesting meeting of Environment Ministers of Latin America and the Caribbean in Santo Domingo. It underlined my perception that for most small- and medium-sized developing countries (including the Small Island Developing States) the carbon market hardly does anything.

Despite of this, a lot of these countries are moving forward and are putting in place mitigation and adaptation policies and measures, perhaps under different titles. Why? Because it serves their goals of sound development:

For example, Argentina is modernizing its energy sector. The Dominican Republic has set itself a 10% target for renewable energy. In its capital Santa Domingo a metro is being constructed. Thailand is aiming for a 8% share of renewables by 2011(excluding traditional rural biomass). Mali is aiming at 20% of energy from renewable by 2020.

I think you are undertaking these actions because they clearly have multiple benefits for your development. By improving the energy efficiency of your economy, you can lower their energy bill. By increasing the share of renewables you become less dependent on expensive imports of energy and by improving transport systems, you can tackle problems of air quality and congestion.

It is in the interest of small and medium sized developing countries to take further steps on the green growth track. It is clear that a lot of you would certainly like to do more, but it is also clear that you need financial and technical support to go the ‘extra green mile’ or to further develop and implement adaptation measures.

True, under a post-2012 agreement an expanded carbon market will offer enormous opportunities. But the market will probably not change its natural behavior. So there is a clear need for additional financial arrangements that in particular serves your development in a low carbon and climate resilient way.

I am talking about an intelligently blended set of tools that will make resources available and support flow through different channels: both public and private, both national and international. These tools will first of all include mechanisms established within the Convention. CDM, emissions trading and the Adaptation Fund are examples of such mechanisms which have been created in the past. I feel we also need to think about mechanisms that we can enable through the rules under the Convention, like the Clean Energy Investment Framework of the World Bank. Similarly, carbon offsets are not part of the Convention but can certainly create a lot of value outside the Convention. Thirdly, we also need to think about mechanisms outside the Convention, that are not under control of environment ministers but that we can catalyse through the Convention. Examples are export credits, loan guarantees, fiscal benefits and also the idea that Germany is looking into of auctioning emission rights and then use the money to support developing countries actions.

Bali: unique opportunity

The Bali Roadmap offers a unique opportunity for small and medium-sized developing countries to help craft a post-2012 climate change agreement that will help boost your economic growth in a sustainable way. This is the opportunity to give strategic direction to a new financial architecture that -unlike the current regime- will spur green financial flows and support for adaptation for you in particular.

It is your strategic interest to position yourselves in a world aiming at global low-carbon economic growth.

What does this mean? Let me give a few examples. A while ago I was told about the initiative to develop a green belt of trees across the African continent. It made me think we need a climate change deal that ties together four dots: action on mitigation, reduction of emissions from deforestation, providing people who are now dependent on wood with energy from renewables and using carbon finance to support these actions.

I have heard about how the tourism sector in countries like the Small Developing Island States is suffering from the increasing energy prices. They now look for alternatives like coco nut oil and renewable energy to fuel the tourism sector that is such an important source of income for them. South Africa and Mexico have mapped out a strategy to limit their emissions in a staged way and also indicated where international cooperation is required to help them undertake further action. And there is the example of Costa Rica which has set itself the goal of becoming carbon neutral.

It is the interest of your further development to seize the opportunities and pro-actively make your contribution to the upcoming negotiations.

There is a lot to be done. For example, it would be extremely helpful if you would move ahead with your national mitigation and adaptation strategies and clarify what actions you can undertake that are 'measurable, reportable and verifiable'. In doing this, it is also very important to identify the gaps between what you can do on your own and for which mitigation actions you would need international support that is also 'measurable, reportable and verifiable'.

Closing remarks: No time to lose

Bali doesn't only represent a unique opportunity, but also a very small, window of opportunity to craft a solution to such a huge global problem. We need to pull out all the stops to get to a international climate change deal in Copenhagen within less than two years time. There is in fact no time to lose.

Copenhagen is not about finding the answers to all questions. Copenhagen is not about writing the rules for all possible games. Copenhagen is about unleashing innovation. Copenhagen is about creating rewards for change. Copenhagen is about freeing the spirit of enterprise.

As I already said, in five weeks time the new Ad Hoc Working Group on Long-term Cooperative Action will come together to determine the work programme for the next two years and begin advancing work.

Its task and time-frame are daunting. Completing negotiations in 2009 will take hard work and dedication. But every worthwhile accomplishment, big or little, has its stages of drudgery and triumph; a beginning, a struggle and a victory", as Ghandi said.

Putting in place a stronger and inclusive climate change agreement that holds global opportunities will certainly be a worthwhile accomplishment and a huge victory in climate change abatement.