

Pathways for Mobilizing Scaled-up Climate Finance

Long-term Finance Work Programme

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Aim and Outline

LTF 2013 aims to contribute to on-going efforts to scale up and improve the effectiveness of finance

My presentation aims to raise issues related to scaling up climate finance

First a very quick review of LTF 2012

Then, issues related to scaling up climate finance to meet the commitment to mobilize USD 100 billion by 2020

Review of Climate Finance

LTF 2012 workshop presentations on:

- Estimates of 2009/10 climate finance – Landscape 2011
- Reports on options to raise USD 100 billion by 2020 – AGF and G20 reports

Subsequent Landscape 2012 report provides more comprehensive estimate for 2010/11

Fast start finance commitment (USD 30 billion for 2010-12) ends

LTF 2013 mandate includes consideration of pathways for mobilizing scaled-up climate finance

Finance Commitments

UNFCCC commits Annex II Parties to provide new and additional financial resources to meet, inter alia, the agreed full incremental costs of mitigation measures and to assist developing country Parties that are particularly vulnerable to the adverse impacts of climate change in meeting the costs of adaptation to those adverse impacts.

Developed country Parties commit, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries. This funding will come from a variety of sources, public and private, bilateral and multilateral, including alternative sources of finance.

Current Finance under UNFCCC

Annex II national communications for 2005-10 report USD 58.4 bn total, about USD 10 bn/year

Including FSF might raise the total to about USD 20 bn/year for 2011 and 2012

OECD reports USD 22.9 bn in 2010 of bilateral aid to developing countries with climate change as a “principal” or “significant” objective

Total climate finance provided to developing countries in 2010-11 estimated at USD 40 to 60 bn/year (Landscape, 2012).

Issues Related to Scaling-up Climate Finance

Which countries are covered by the 2020 commitment? “Developed” countries not defined.

What is each country’s commitment? Shares not specified.

What “alternative” sources are included? Revenue from AAU auctions? Regulation of international transport emissions? Offset levies? Financial transactions tax? Other?

What are pathways for scaling up alternative sources?

Issues Related to Scaling-up Climate Finance

What private finance is included? How can “developed” countries demonstrate that they have “mobilized” private climate finance? What are pathways for scaling up private finance?

What are “meaningful mitigation actions and transparency on implementation”? Is the funding only for “meaningful mitigation actions” confirmed by “transparency on implementation”? Or does it cover support for adaptation as well? How does this affect pathways for scaling up LTF?

Issues Related to Scaling-up Climate Finance

What is the public finance commitment of developed country governments if alternative sources and private finance cannot be mobilized? What processes are involved in scaling up public finance for international climate change? Budget cycles? Legislative approvals? Constraints such as budget deficits, debt levels? How do these processes and constraints affect pathways for scaling up public climate finance by developed country governments?

Defining a Pathway

A pathway is a route from one point to another. For climate finance, points in time -- from today to 2020 (or beyond).

Pathway for climate finance may quantitative (amount per year) or qualitative (sufficient to meet developing country needs)

Pathway for climate finance could be defined “top down” (amount developing countries need) or “bottom up” (funds generated by specified sources by year).

Challenges for Pathways

- What is the best way to define a pathway for climate finance?
- Which “alternative” sources are included?
- What “private” finance is included?
- Which “developed” countries are covered?
- What is the public finance commitment of each?
- What processes and factors constrain developed country public finance?
- Is meaningful mitigation action verified by transparency on implementation a constraint?

Thank you!

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