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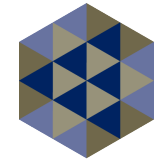
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# (Equitable) Climate Finance

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Oslo, October 2010



International non-profit organisation based in London, Brussels, Berlin and Washington DC.

We forge close alignments between the actions of government, business and civil society bodies, in order to accelerate transformational change

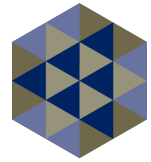
We operate in three related modes:

**Coalitions:** we identify and construct the new coalitions and networks necessary to achieve targeted sustainable development outcomes;

**Strategy:** we work with partners on projects to deliver the strategic visions and organisational change that underpin successful responses to the risks and opportunities of sustainable development;

**Advice:** we provide high level advice on policy and politics to selected individuals and institutions.

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- Defining Climate Finance and Context
  - Assessing the scale
  - Sources of finance and political feasibility
  - Tracking flows
  - Governance
  - Transformational Finance

# What is climate finance?



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- Climate Finance covers all flows for mitigation and adaptation:
  - Developed to developing flows
  - Developing to developing flows
  - Public flows, including development
  - Carbon finance flows (offsets)
  - Low carbon private finance
  - Domestic flows

**The Convention places narrow definition**

# What is equitable climate finance?



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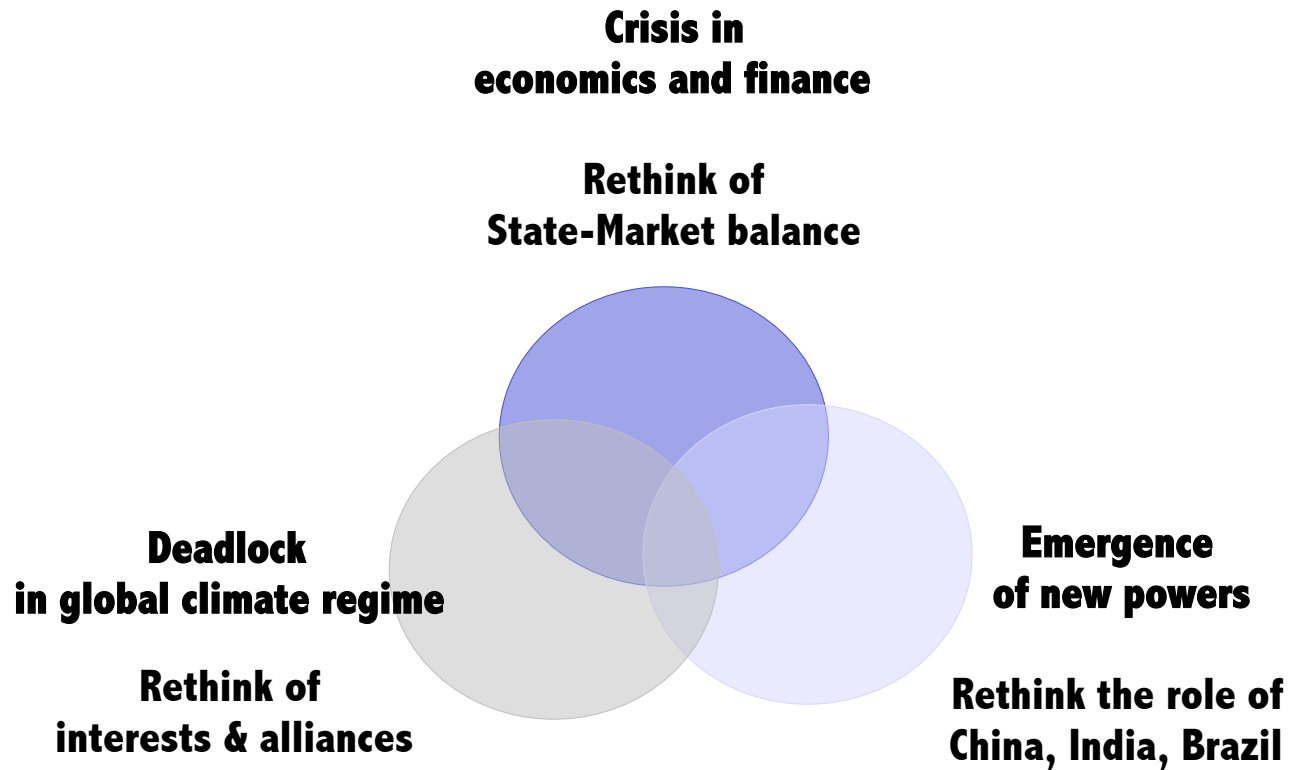
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- Equity, like beauty is in the eye of the beholder
- Common but differentiated responsibility and respective capability – developed in 1992 in Rio
- Argument over:
  - Sequencing
  - Responsibility
  - Capacity

# The world has changed since '92

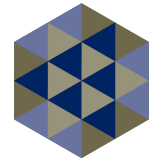


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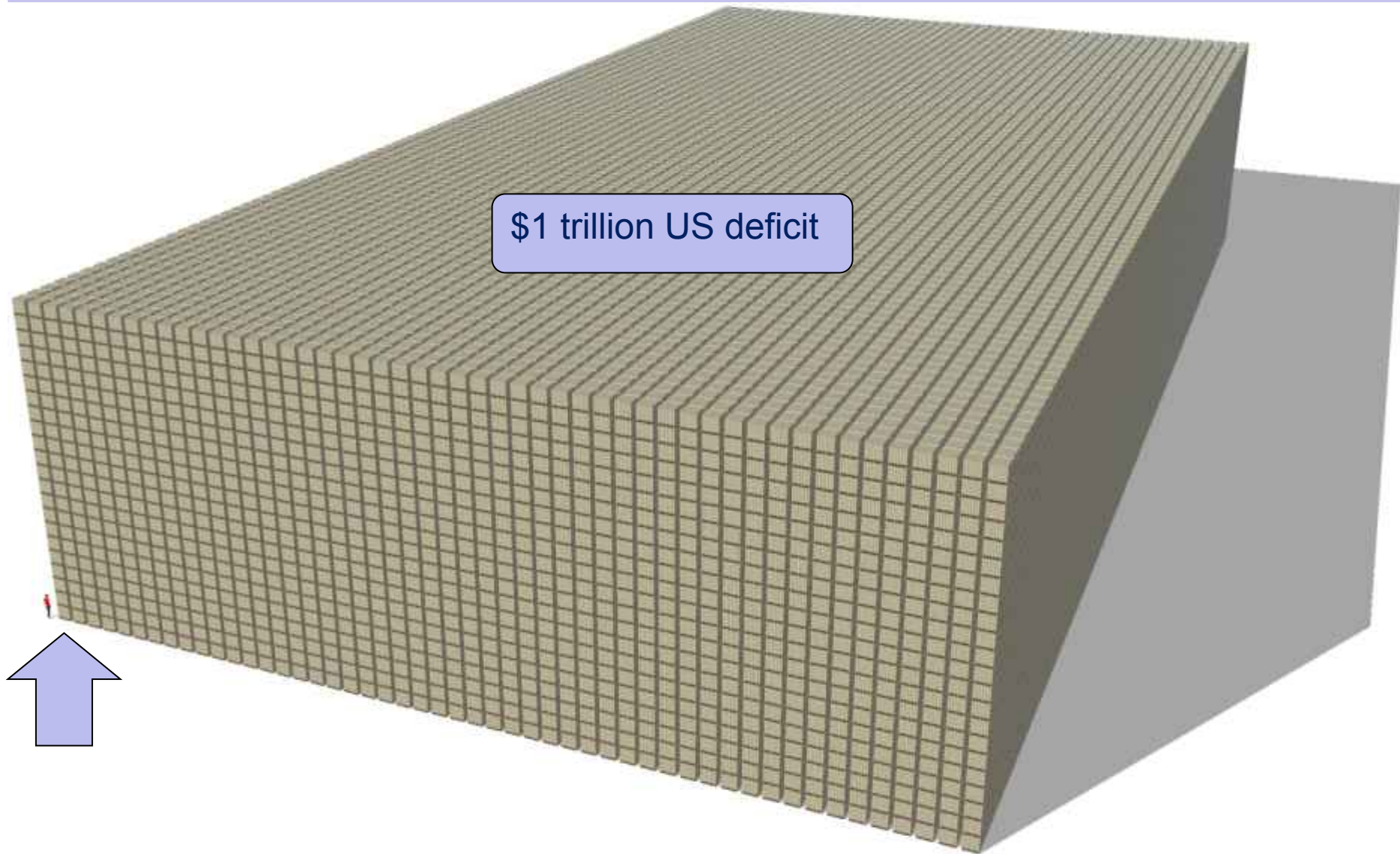


**Opportunity to challenge common-wisdom: economics, governance & politics**

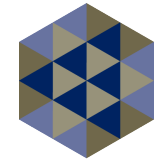
# The Context



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# The Context



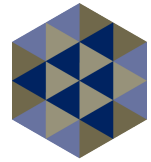
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- In June 2010 Brazil lent \$14 billion to the IMF for the first time
- Brazil's national development bank (BNDES) is the second largest in the world. It disbursed nearly \$140 billion in 2009
- In 1973, Chinese foreign aid accounted for 7.2 % of the annual fiscal expenditure, higher than many developed counties
- India are refusing aid from Western Nations
- India propose financial support to Least Developed Countries for Adaptation

**The world has moved on, the negotiations haven't  
This doesn't diminish the responsibility of A1  
Challenges the artificial divide between A1 and non-A1**



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# Assessing the scale

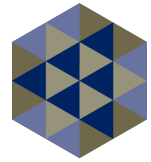


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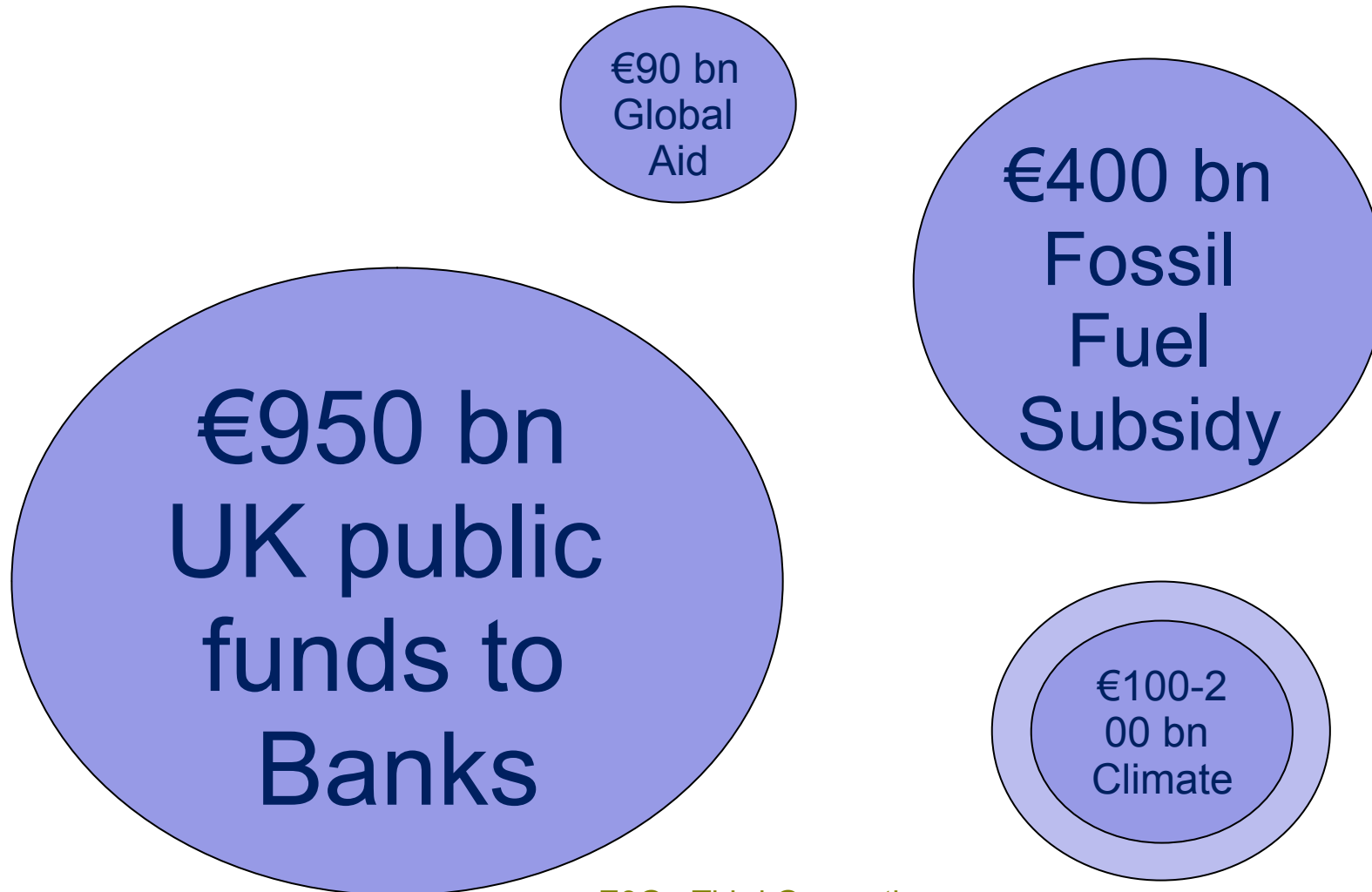
Organisation	Scale	Timescale	Comments
Project Catalyst	€65-100 bn	2020	Incremental costs Includes offsets Public and Private
EU Commission	€100 bn	2020	Incremental costs Public finance = €22-50 bn Includes offsets
UNFCCC (08)	€257 – 283 bn	2030	All countries Public and Private
World Bank	€146-187 bn	2030	Additional capital expenditure
CAN - NGOs	€145 bn	2020	Incremental costs Public only
Copenhagen Accord	€75 bn	2020	Public and Private Includes offsets?

**No concise figures on scale – but best estimates.  
Copenhagen Accord was a political guesstimate – limited integrity**

# Comparing the scale



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# Sources



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Source	Reduce GHGs	Equitable	Predictable	Feasible	Pot. Revenue
Int. Auctioning	✓	✓	✓	?	€50 bn p.a.
Bunkers	✓	?	✓	?	€20 bn p.a.
FF Subsidies	✓	✓	?	?	€100 bn p.a.

**No source is perfect, but compared to national appropriations – more predictable, support new governance structures, easier to track, monitor and enforce**

# Sources & UNFCCC

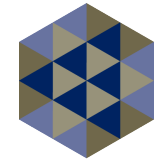


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- **ZERO** progress made in negotiations – Why?
  - Developed countries in fiscal meltdown
  - Low tolerance/awareness of ‘rich’ nations austerity by developing countries
  - Toxicity of negotiations = no rewards/ incentives for supporting sources
  - Limited ownership, and fewer developing country champions

**= Paralyzing debate**

# The AGF



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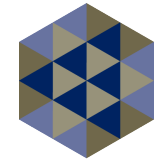
- Spirit of Accord, but not bound by it
- Hybrid – Technical and Political group
- Covering all finance sources and leverage mechanisms
- Attempt to detoxify sources debate

**Not perfect (it's political!)**

**One-time offer to inject political momentum into debate**

**Provides ownership over the issue**

# AGF/UNFCCC next steps



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How will it translate back into UNFCCC?

Will AGF recommendations be meaningful?

Is the UNFCCC the right forum for negotiating sources?

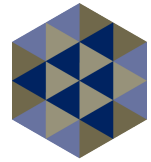
Will other processes discuss it – G20, WB/IMF, IMO/ICAO?



**We CANNOT afford to let AGF fail or be shelved  
We must rescue the good stuff**



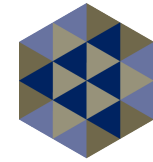
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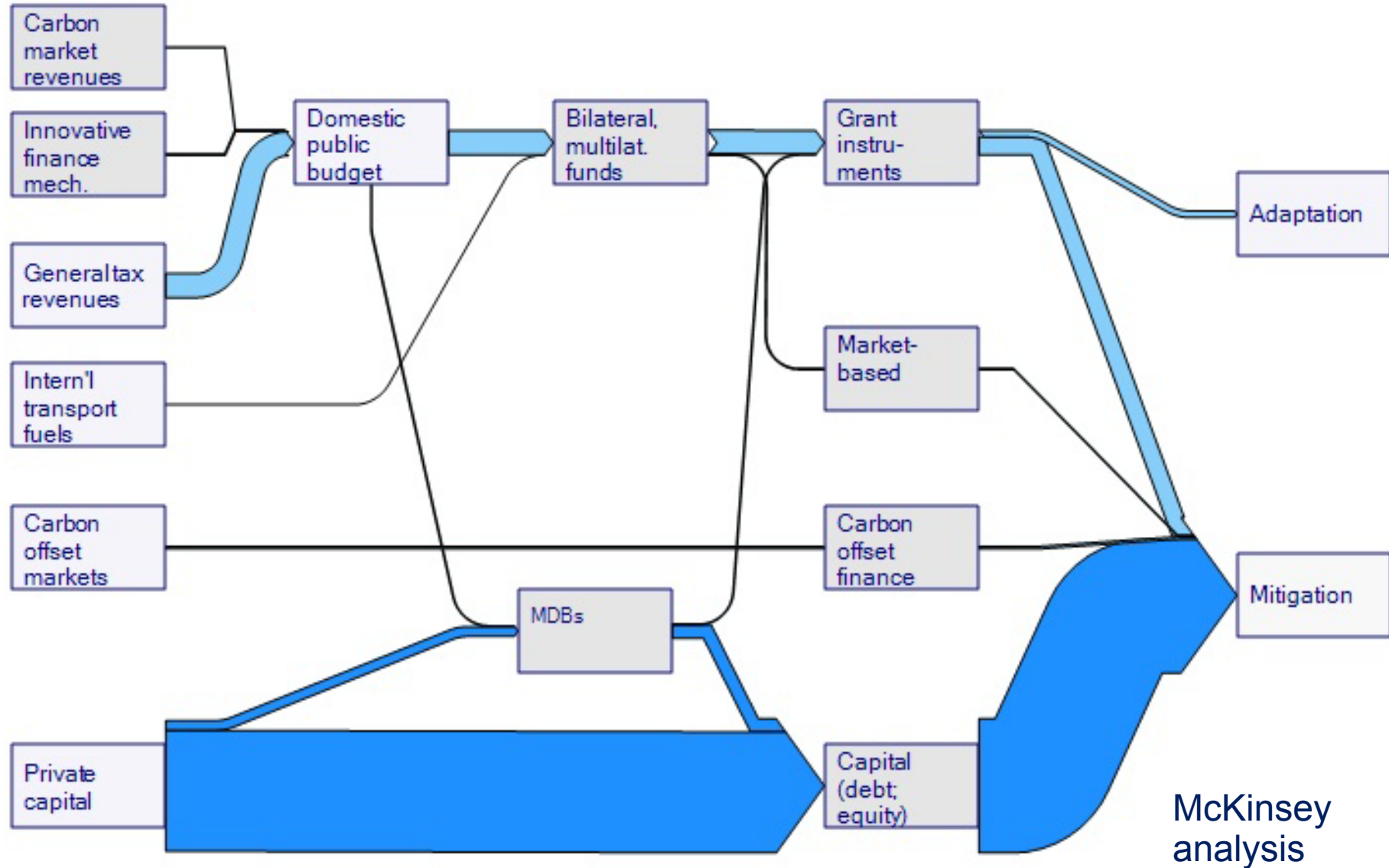
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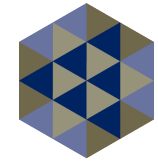
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# How are we doing?



# Transparency and MRV



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- Challenging:
  - Relatively good links to tracking ODA flows, but not suitable yet for climate
  - Governments not incentivised to disclose data
  - Comprehensive coverage of Offsets
  - Private finance tracking is very difficult
  - Limited data on developing > developed
  - Lack of feedback into UNFCCC discussions on MRV

# Transparency and MRV



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	Countries	International Institutions	MDBs	NGOs	Academics	Private Co
<b>Public</b>	✓	OECD, UNFCCC, UNDP, UNEP-Risoe, UNEP-SEFI	WB, ADB, AfDB, EBRD, IDB, IFC	WRI, ODI/HBF, Climate Analytics, AidData, Ecosystem Marketplace, Project Catalyst	✓	
<b>Private</b>		UNEP-SEFI, UNEP-Risoe, UNFCCC, OECD		REN21	✓	Commercial data providers (e.g. Dealogic, DB, Bloomberg NEF, PointCarbon)
<b>MRV methodology</b>		OECD, IEA	WB	WRI, IIED, AidData...	✓	

**Lack of engagement on tracking Private Finance by NGOs**

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# 'The Fund'

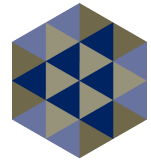


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- There is more to governance than the fund
- Fund is something win-able in Cancun
- Focus of discussion in UNFCCC
- Many issues to discuss:
  - Representation
  - Links to other funds
  - Links to the COP

**A Fund, can only fund with money in it  
Will it be enough to keep the patient alive?**

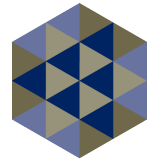
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# Effectiveness



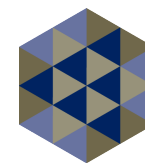
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- Flows are important, but governments have to justify value for money
- Leveraging the following support will be critical:
  - Political support – domestic and int'l
  - Private Finance – unlock private investment in high carbon, through risk reduction mex
- Need to rapidly experiment and learn lessons – move beyond incrementalism
- Ensure 'bankable projects' are available

**Current Climate Finance model of Aid and CDM won't deliver**



# Current climate finance model creates four core gaps



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## Adaptation finance

- Very small funds meeting adaptation needs
- Shortage of know-how in adaptation finance

## Private capital leverage

- Bias against private-sector in climate-finance politics
- Private capital is available, but no 'bankable' projects

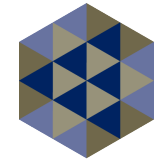
## Middle-income economies

- Insufficiently large to be a mitigation finance priority
- Insufficiently poor to be a adaptation finance priority

## Clean transport

- Sector remains outside scope of Kyoto Protocol
- CDM/climate aid unable to finance transport NAMAs

# Implications of transformation



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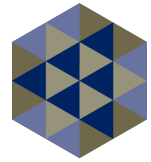
**Secure funds for pioneering countries**

**Demonstrate feasibility of transformative pipeline**

**Speed the mainstreaming low-carbon focus in lending**

*Full report: [www.e3g.org](http://www.e3g.org)*

# Key Messages



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- Evolving contexts – new political and financial dynamics
- Rescue the good stuff from AGF, enable UNFCCC mandate
- Don't get hung up on the Fund
- Scale of challenge requires private investment
- Transformational finance and actions requires rapid experimentation and learning
- Understand the limitations of negotiators



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# Thank you

## Questions, Comments?