



# **FINANCING CLIMATE CHANGE IN SOUTHERN AFRICA**

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# PRESENTATION OUTLINE

1. State of play: financing and investment needs
2. Governance: Key principles for a post-2012 regime
3. Show me the money! Sources of financing
4. Adaptation: how to spend the money raised?
5. Mitigation: challenges?
6. In search of the holy grail....





## 1. State of play of financing and investment needs: required

Proposal	Mitigation	Adaptation	Total	Source
UNFCCC	9 to 48	28 to 67		N/S transfers
AU	200 (2020, reforestation)	67	267	N/S transfers
G77+China (for Tech Transfer)			170 to 340	0.5% to 1% GDP of developed cnts
US			21.4	Transfers
UK/France			300	N/S transfers
EU			N/A	Devpt aid



## 1. State of play of financing and investment needs: current

Fund	Source &Amount	Description
Adaptation Fund	2% levy CDM, \$300m	Adaptation focus, administred by AF board (under COP)
LDC Fund	GEF trust fund, \$ 172m	Needs of LDC, inc NAPAs, managed by GEF
Special CC Fund	GEF Trust Fund, \$ 107m	Long term adaptation measures focus, managed by GEF
GEF Trust Fund	Replenishment of 10.9 billion	Adaptation and mitigation focus in dvpg cnts
CDM	n/a (\$7.6 billion income accruing to CDM project developers	ER projects, used by dvpds cnts to meet part of their ER targets
Climate Investment Funds	\$6.3 billion	Donor funds WB managed, focus sectoral responses or activities aimed at specific CC challenge
Others		



## 1. State of play of financing and investment needs

- Developed cnts advocate for the market
- But technical experts highlight that creation of new sector, monitoring cannot be left to private sector
- Recipient cnts demand predictable and stable funds, i.e. public
- Share of pub and priv resources? Be pragmatic; not against private financing because public financing will not suffice
- Most demanding parties want agmt to state amount of pub finance that will be delivered and historically responsible countries pay of their debt without involving the carbon market
- Role of Carbon market? Reformation of carbon market mechanisms to make their access easier for Africa and extend CDM



## 2. Governance: Key principles for a post-2012 regime

- Que is how to optimize use of the resources available and not so much to select the best one. It is a governance issue.
- Pub and Private funds, grants and loans, private sector and carbon markets
- Division coz developed countries haven't complied with Article 4 and BAP
- Institutional frameworks are contentious too
- Notwithstanding African countries (BAP) expect:
  - Adequate
  - New and additional funding
  - Predictable
  - Appropriate and equitable
- How will these criteria will affect, influence or determine funding options on the table of negotiations?





### 3. Show me the money! Options for financing

- The G77 and China Proposal-multilateral fund, financed by 0.5-1% of GDP of A1 cnts
- The Mexican Proposal-multilateral fund, contributions by all but LDC
- The Norwegian Proposal-Assigned Auction Units
- The Swiss Proposal-carbon tax

In addition to these is the role of the markets and private sector:

- Carbon market based levies-eg. Levy for adaptation fund
- Bonds, hedge funds, venture capital, consumer financing
- Insurance, mooted by Alliance of small island states, complementary





## 4. Adaptation: how to spend the money raised

- Adaptation priority in new agreement
- NAPA's some not implemented because of lack of funding
- *Compliance and penalty mechanisms*
  - Implement Measurable, Reportable and verifiable mechanisms to ensure compliance
  - Penalty procedure in KP unfeasible therefore, proposal for financial penalties that would go to adaptation fund
  - Note here that mitigation actions are also important and maybe Climate negotiations, UN penalty mechanism and WTO should converge to also deal with lack of compliance in this regard.







## 5. Mitigation: Challenges

- Emerging countries curbing emission trends-
- CDM
- Nationally Appropriated Mitigation Actions: must be voluntary and guarantee significant funding

Goal: not necessarily legally binding commitments but flexible and variable NAPAs and NAMAs that are geared towards low carbon and climate resilient economies.





## In search of the holy grail...

- Adhere to BAP principles
- CDM restructure
- Open to private sector

