



# Financing climate change

## Key outcomes & questions from recent OECD work

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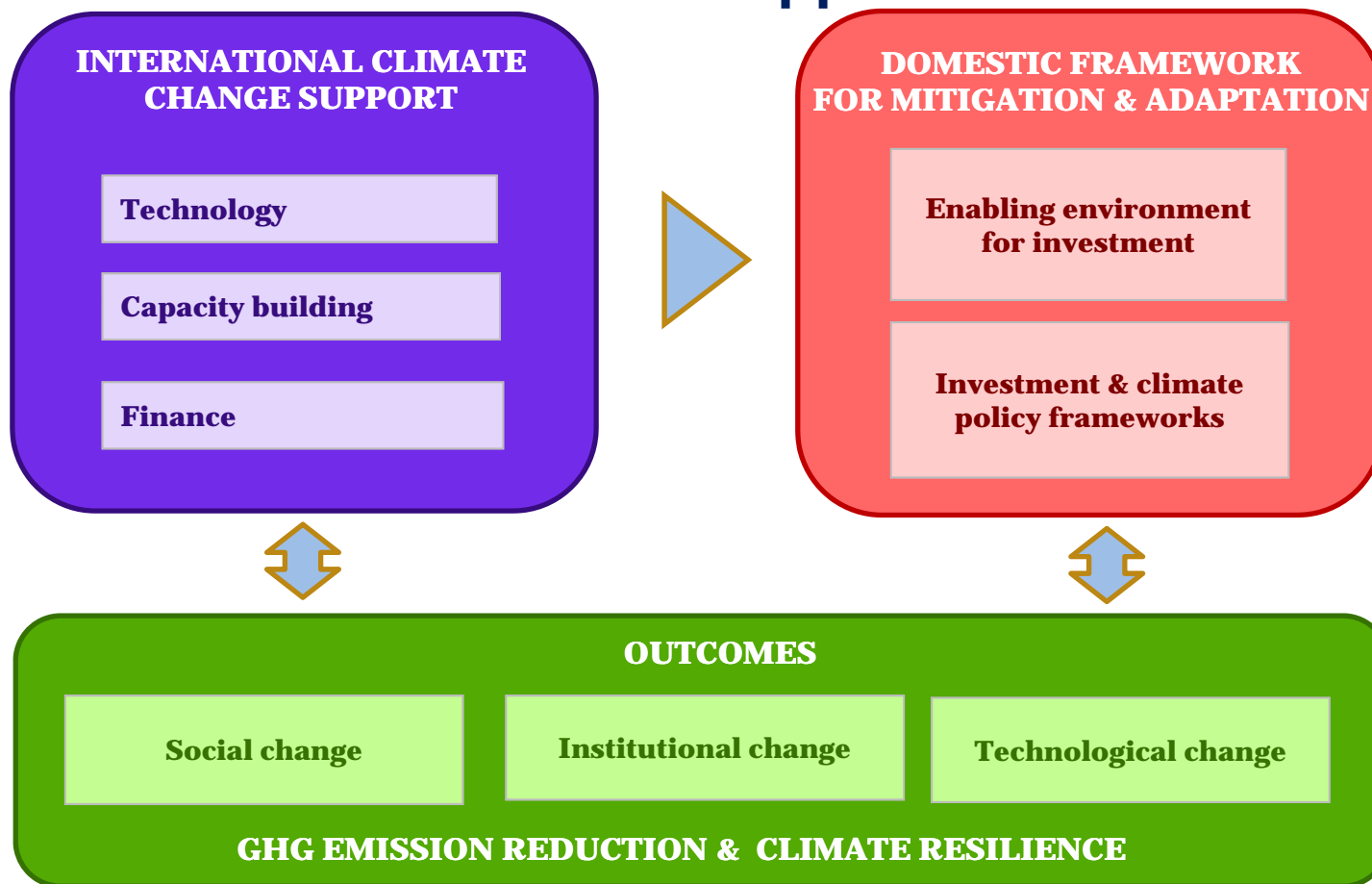
# Two Part Presentation

1. Some thoughts on why, what and how to track climate finance
2. OECD statistics on aid flows targeted to climate change mitigation and adaptation

## OECD work on climate finance focused on a number of questions

- How to improve effectiveness of international climate finance?
- What goals and pathways for climate change support ?
  - Finance, capacity building and technology support
- What is the baseline for climate change finance today?
  - How much money in absolute and relative terms is already flowing to mitigation and mitigation relevant sectors today?
- How to develop a comprehensive system of MRV of support to build trust and accountability?
- What do we know about the GHG performance of these flows?

# The domestic policy framework is central to driving private investment and a target of international “support”



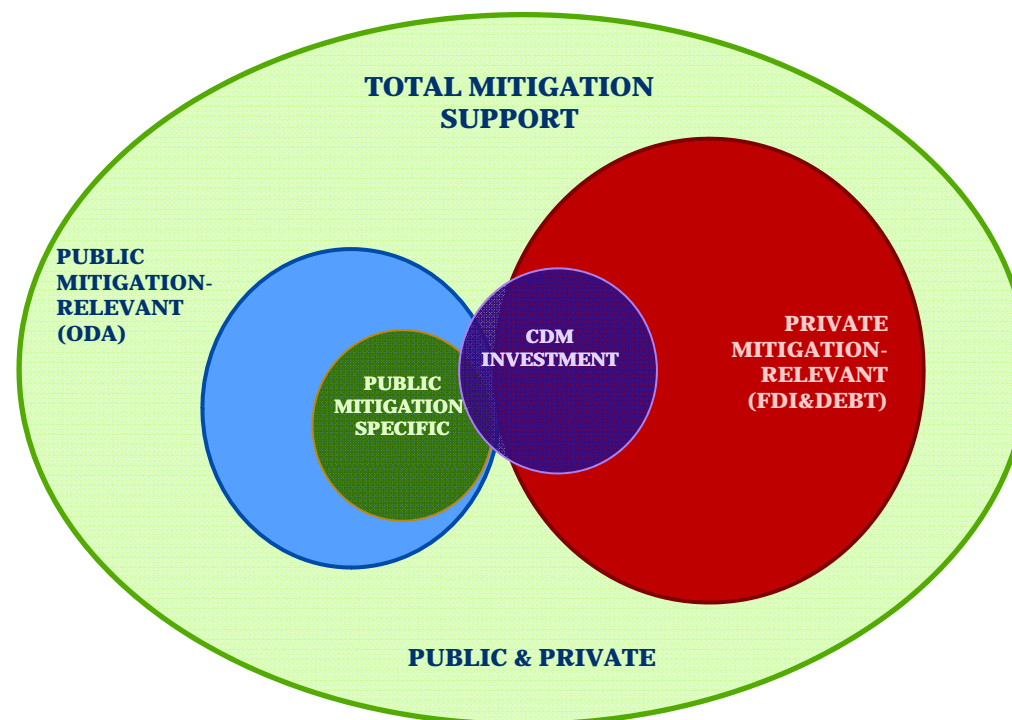
Source: Adapted from Corfee-Morlot, Guay & Larsen 2009

A central goal of international public climate finance is to work in partnership with developing countries to build capacity and momentum to integrate climate change considerations into domestic policy frameworks

# Multiple origins and channels for climate change support

- North-South, South-South and domestic are relevant
- Public, private and public-private
- Public finance is bilateral or multilateral, ODA or non-ODA
- Private flows are much greater than public flows e.g. CDM
- Not much is known about the GHG performance of the largest (private) flows of “support”

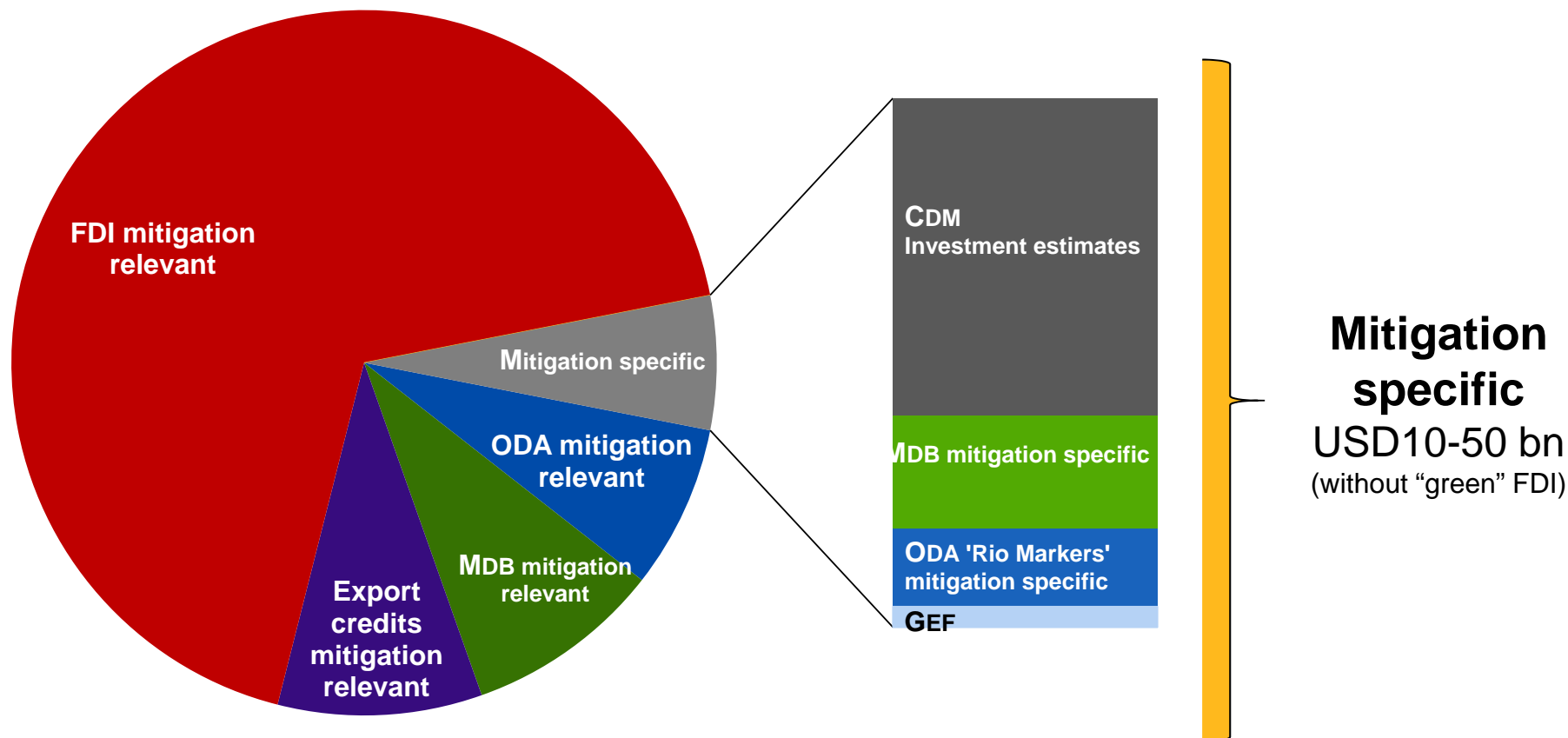
## Types of support



Source: Corfee-Morlot, Guay & Larsen 2009

# Mitigation “relevant” sectors and mitigation “specific” flows

North-South investment flows, mitigation specific and other mitigation relevant in 2007: total est. about 310 billion USD

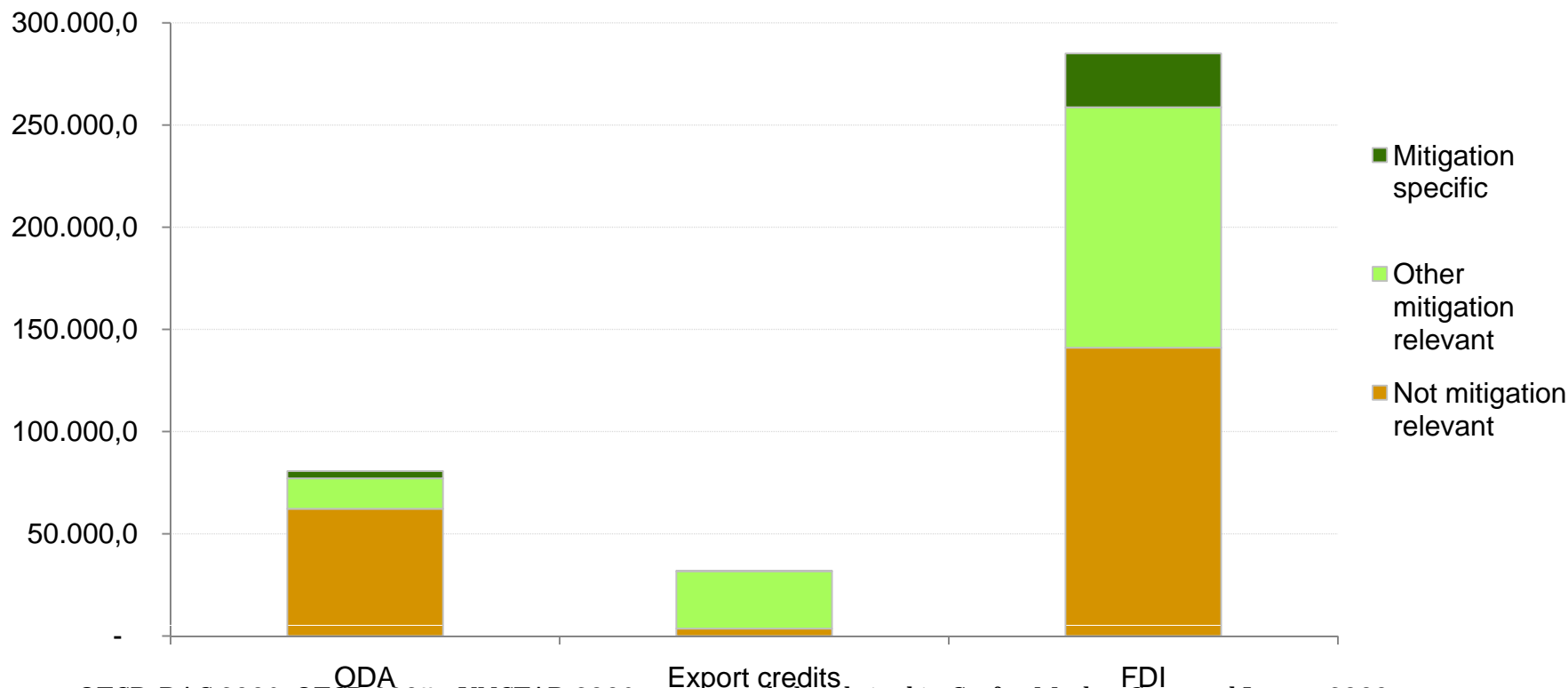


Source: Corfee-Morlot, Guay and Larsen 2009

**The vast majority of relevant support is not properly monitored or tracked for GHG performance**

# How much do mitigation relevant flows represent compared to total flows?

Mitigation specific and mitigation relevant ODA, Export Credits and FDI to developing countries (average 2003-2005, thousands)



Source: OECD-DAC 2006, OECD 2007c, UNCTAD 2006 – as compiled and cited in Corfee-Morlot, Guay and Larsen 2009

**A significant share of export credits and FDI are mitigation relevant – a few hundred billions of USD per year**

# Understanding climate support in context

## Mitigation specific

<b>Definition</b>	Financial support that targets GHG mitigation in developing countries
<b>Amount</b>	Roughly <b>USD 10-50</b> billion per year <i>(without FDI)</i>
<b>Type</b>	<b>Public or Public-Private</b>
<b>Examples</b>	Multilateral: GEF, Climate change funds; Bilateral: ODA, non-concessional loans; official export credits (ECA); CDM
<b>Monitoring</b>	<ul style="list-style-type: none"> <li>•Lacks consistency, and/or regularity of reporting</li> <li>•No centralized, comprehensive system even for public finance.</li> <li>•Confidentiality issues - no formal tracking private/CDM flows.</li> </ul>

## Other mitigation relevant (may or may not be green)

General financing for development that shapes mitigation potential, pace and amount of future emissions

**Several hundred billion** USD per year

**Private (mainly), Public-private**

FDI, international private loans, etc. in carbon-intensive sectors. Largest shares of bilateral ODA, OOF, ECA and multilateral flows.

- FDI lacks GHG mitigation markers
- No institution in charge of monitoring.
- No formal definition of “mitigation relevant”
- No methodology to track what is “green” or emission intensity of these flows.



# Different qualities and availability of information - a basis for a more comprehensive framework

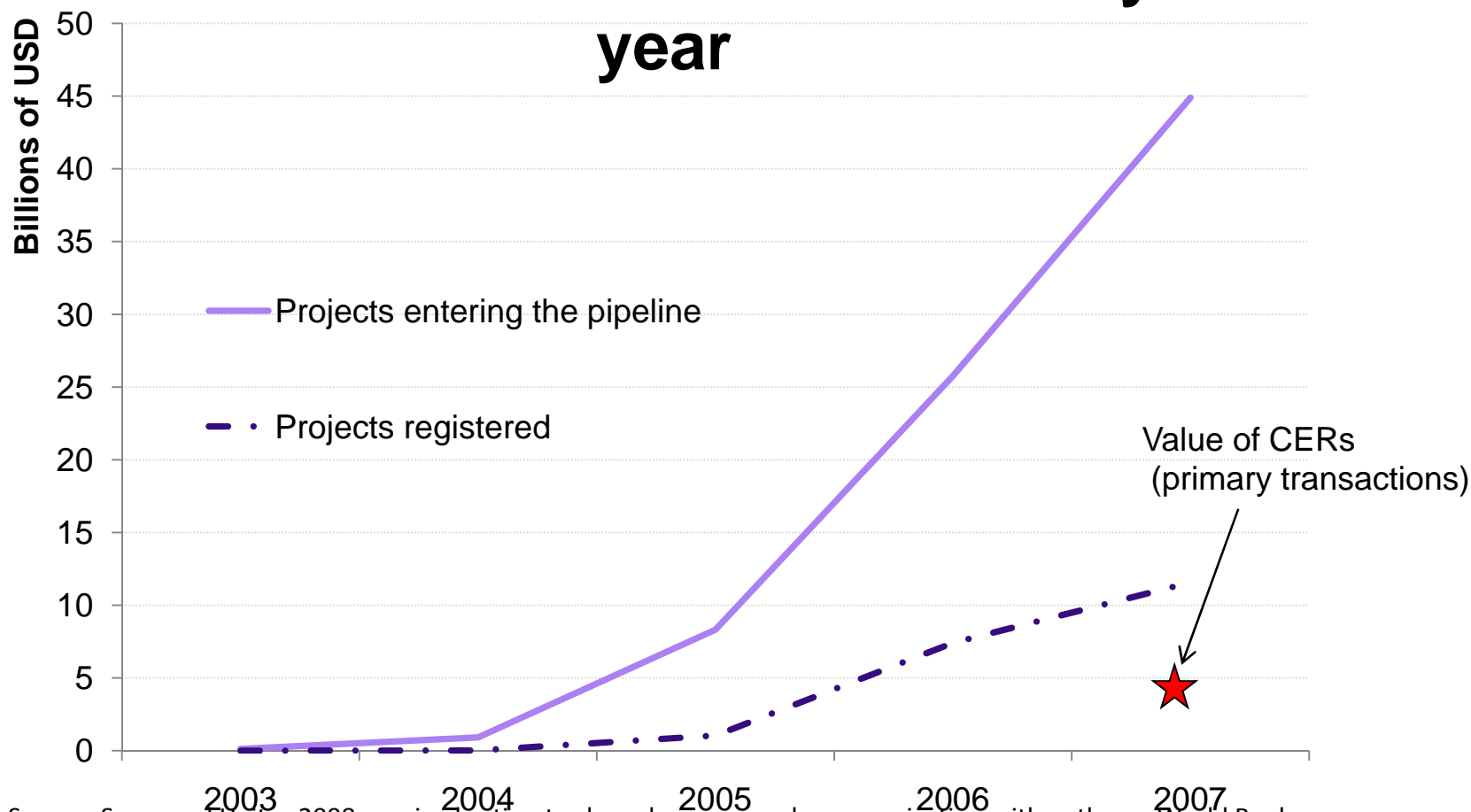
Financial Data Sources	Public Finance		Private Finance	
	Mitigation specific and relevant		Mitigation specific	Mitigation relevant
	Bilateral ODA & other (ECAs)	Multilateral ODA & other	CDM	FDI
Existing institutional data sources/systems	Rio markers OECD CRS	OECD CRS, MDBs	UNEP-Risoe World Bank	UNCTAD, OECD
by source country	++	-	-	++
by recipient	++	-	+	++
by purpose	+	-	+	-
by endpoint	++	-	+	+



# Many outstanding methodological questions – for a more comprehensive framework

Financial Data Sources	Public Finance		Private Finance	
	Mitigation specific and relevant		Mitigation specific	Mitigation relevant
	Bilateral ODA, funds & other (ECAs)	Multilateral ODA & other	CDM	FDI
Existing institutional data sources/systems	Rio markers – OECD CRS	OECD CRS, MDBs	UNEP-Risoe , World Bank	UNCTAD, OECD
Other relevant data, ongoing research	WRI , Project Catalyst (fast start) Climate Funds Update (HBF & ODI), etc		UNFCCC, others RINGOs	UNEP/SEFI, UNCTAD, OECD
Key methodological questions	<ul style="list-style-type: none"> <li>•ODA: How to improve Rio Markers, eg to better account for “climate change” portion of projects?</li> <li>•Bilateral vs. multilateral flows: how to avoid double counting?</li> <li>•How to get comparable MDB “Rio Marker” data into the system</li> </ul>		<ul style="list-style-type: none"> <li>•What / how should financial flows for CDM be accounted for?</li> <li>•CER revenues vs CDM investment (projects registered or in pipeline)? If investment, international?</li> </ul>	<ul style="list-style-type: none"> <li>•How to define what is “green”? Data confidentiality?</li> <li>•Whether and how to monitor carbon intensity?</li> <li>•Who can create &amp; manage “green” FDI data system?</li> </ul>

# Estimated CDM investments by year



Source: Seres and Haites 2008 - revised estimates based on personal communication with authors. World Bank for value of CERs.

## Clean Development Mechanism: two different ways to account for total CDM investment flows over time.

Investment differs from the “value of CERs” approach which is better understood as return on investment. Investments may not be fully attributable to CDM, no data on unilateral and no separation of domestic & international

# OECD climate finance work

## some key messages

- Public funding important but private investment has the greatest influence
  - Need to use public finance to direct and leverage investment
- Domestic policy frameworks are central to attract, direct and “green” private investment
- A comprehensive system of MRV needed to build trust, deliver accountability
  - Build on strengths of pre-existing systems and institutions (not just party to party reporting)
  - Dual accountability needed (both recipients & donors reporting)
  - Track multiple dimensions (i.e. origin/source, goal, end-points); ex ante & ex post for verification purposes
  - Transparency, public access essential – civil society as watchdogs
  - Include private flows (e.g. at least CDM, possibly green FDI)

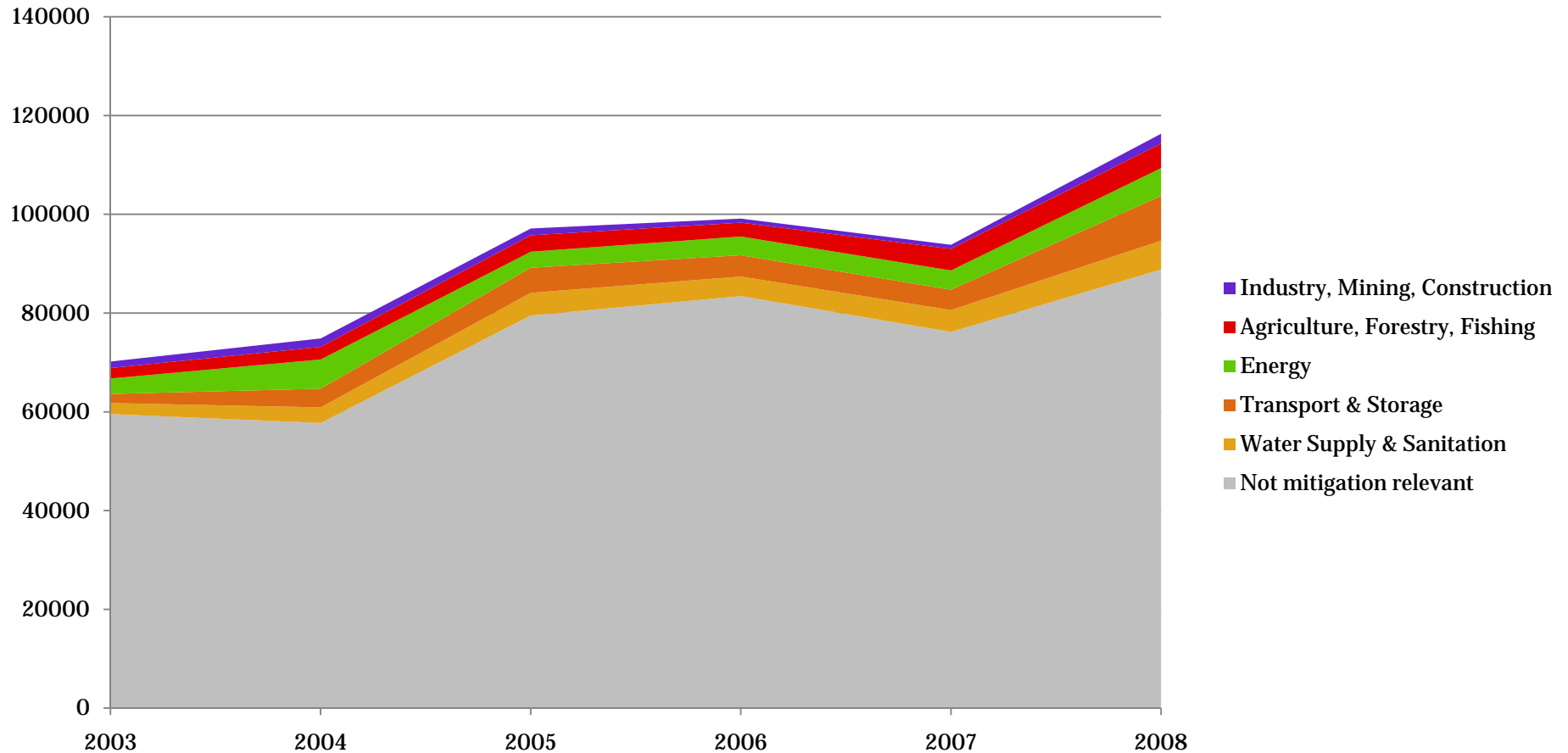
## ■ PART 2:

OECD statistics on aid flows  
targeted to climate change  
mitigation and adaptation

# OECD statistics on aid flows targeted to climate change mitigation and adaptation

- Rio markers - latest developments:
  - Quality review of Rio marker data undertaken in 2009
  - New adaptation marker applicable to as from 2011 reporting on 2010 flows
  - Task Team will continue discussions on quantification of marker data
- Proposal to expand Rio marker data collection to cover (systematically):
  - non-DAC bilateral donors and multilateral agencies' outflows;
  - Non-ODA public funding (non-concessional loans to developing countries)
- In the context of work to improve DAC statistics on non-ODA public and private flows, proposals on how to capture:
  - Public funds used for leveraging private climate finance
  - Climate finance extended through officially supported export credits (as a minimum, "climate-relevant" flows)

Official bilateral commitments (2003-2008 bnUSD)  
 USD 91bn/year on average  
 of which USD 17bn/year is mitigation relevant

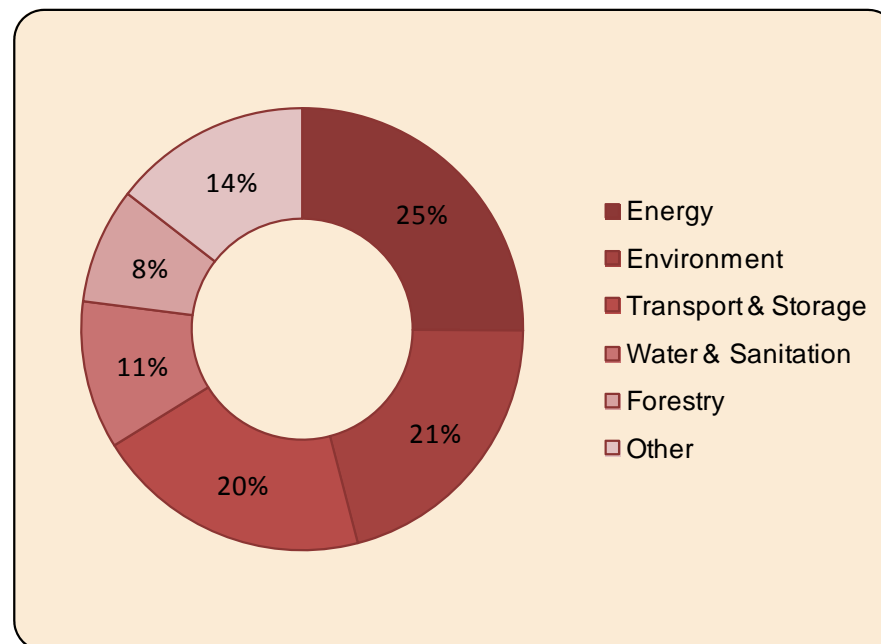
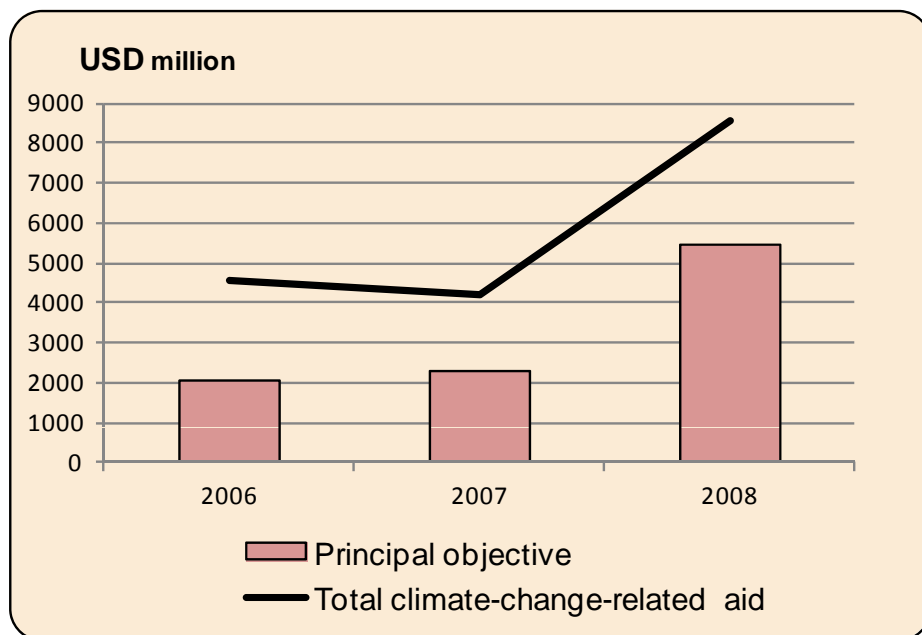


Source: OECD DAC-CRS database 2010.

Mitigation relevant ODA is not necessarily 'green'

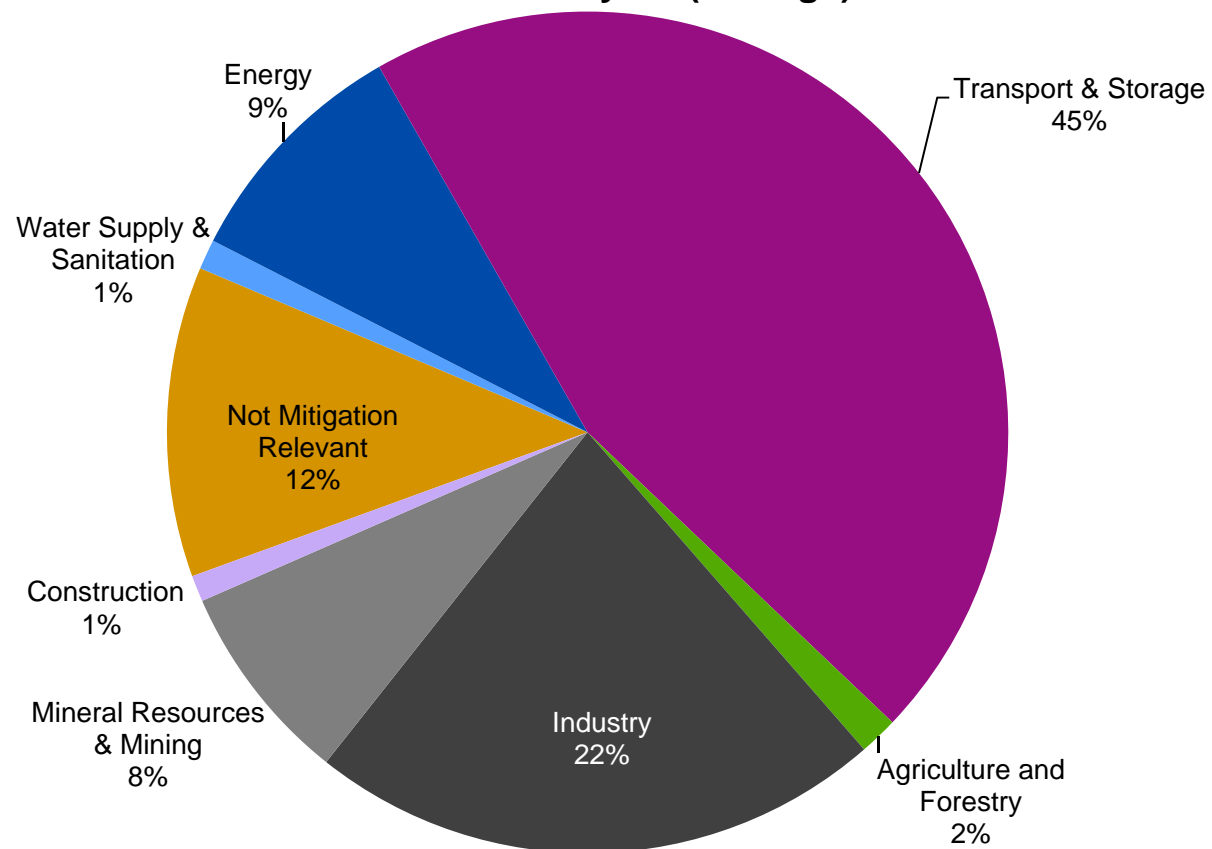
## Mitigation specific bilateral ODA commitments – Rio markers

- 8% of total ODA (2008)
- Climate change specific aid doubled between 2007 and 2008
- Annual average commitment 2003-2008 : **\$4.5 bn**





**Official Long Term Export Credits by Sector (2002-2008)**  
**31.2 billion USD/year (average)**



Source: OECD statistics on export credits, 2009 as cited in Corfee-Morlot, Guay & Larsen 2009

## Export credit operating largely in carbon-intensive sectors

ECs provided officially by OECD members to developing countries

Long term repayment: 5 years or more

Statistics with same level of disaggregation as ODA

# What role for OECD “DAC statistics”? some concluding thoughts

- DAC system / Rio Markers is a good basis to build on for a broader system
- System can be extended to provide consistent statistics on:
  - Multilateral flows
  - Non-DAC donors (e.g. Arab donors)
  - Non-ODA (eg export credits) as well as ODA
- DAC climate markers/sectors could be a model to track private climate relevant/specific flows

- Thank you!

For more information:

[www.oecd.org/env/cc/financing](http://www.oecd.org/env/cc/financing)

[www.oecd.org/dac/stats](http://www.oecd.org/dac/stats)