How to define and calculate finance flows in climate action?

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Financing Needs to Deal with Climate Change

Additional investment needs in developing countries, by 2030

- **Mitigation**: $139–175 billion
- **Adaptation**: $75–100 billion
- **Funding for adaptation and mitigation**: $9 billion

Climate finance covers additional costs and serves to...

- ... to catalyze sustainable investments
- ..enhance capacity & policy
- ... leverage other sources of finance

*Source: World Bank, 2010*
What is climate finance?

Climate Finance is a Catalyst

**Sources**
- Emission cap and trade
- Auctioning of emission rights
- CDM & carbon offset markets, sector crediting
- Carbon taxes
- General taxes and other taxes, special funds

**Uses**
- Climate finance can cover additional cost to...
  - Facilitate enabling policies, regulatory frameworks, institutions and markets in support of adaptation and mitigation
  - Catalyze transformational private and public investments and development programs
    - low-carbon technologies (renewable energies, energy efficiency in industry, water use, transport, buildings...)
    - terrestrial carbon (agriculture and forestry)
    - climate resilience (change practices and factor-in climate vulnerability in infrastructure planning, in agriculture...)
  - Support research, development and deployment of new technologies

“Baseline” Private and public investment
Financial and Inv’t Flows for Climate Action in Developing Countries

<table>
<thead>
<tr>
<th>Type of flow</th>
<th>Amount ($ bln p.a.)</th>
<th>Monitoring issues</th>
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| Carbon markets (avg. 2006-08)                    | 6.6                 | • Multiple and confidential primary transactions  
|                                                  |                     | • Actual payment and investment flows unknown                                     |
| Resources under UNFCCC (avg.)                    | 0.4                 |                                                                                   |
| Climate-specific concessional funds (avg.)       | ~ 4                 | • Consistency and double-counting issues (multiple contributors and channels)  
|                                                  |                     | • Additionality                                                                    |
| ODA (avg. 2005-07)                               | 3.6  105.0          | • Co-benefits of development activities, notably for adaptation  
|                                                  |                     | • MDBs do not report yet, in a consistent manner                                  |
| Non-DAC donor support (2007)                     | ~ 7                 | • Non exhaustive coverage (both sources and recipients)  
|                                                  |                     | • Purposes unclear                                                                 |
| Philanthropia (2007)                             | ~ 49                | • Non exhaustive coverage (both sources and recipients)  
|                                                  |                     | • Purposes unclear                                                                 |
| Domestic resources (core budget, fiscal, and pricing reforms) | ~                 | • Very scarce information, not harmonized                                          |
| Underlying finance (2007)                        | ~ 3,990  522        | • Non exhaustive coverage  
|                                                  |                     | • Purposes unclear                                                                 |
A growing menu of climate finance instruments

**Adaptation**
- The Adaptation Fund
- Special Climate Change Fund
- Least Developed Country Fund
- Global Environmental Facility (GEF)
- Pilot Program for Climate Resilience
- Global Facility for Disaster Risk Reduction & Recovery
- Risk Instruments

**Mitigation**
- Global Environmental Facility (GEF)
- Carbon Funds
- Clean Technology Fund
- Carbon Partnership Facility
- Forest Investment Program
- Forest Carbon Partnership Facility
- Scaling Up Renewable Energy for the Poor
• *New* climate finance relates to *sources* from which they are raised or *channels* through which they flow

• *Additional* climate funds are those which exceed *targets* or *flows*
• Increasingly reliable, comprehensive and transparent reporting is needed to demonstrate that new climate finance instruments are not introduced at the expense of those targeting other objectives
• Exact and comparable figures on additional contributions to fund incremental expenses probably not possible
• Need to continue to develop and improve Rio Markers
NEEDS (2)

- Two-track monitoring system: in addition to improving tracking at source, strengthen developing countries’ capacity to monitor incoming flows and develop international standards
- Non-DAC donors to consider establishing recording and reporting systems comparable to OECD DAC
- MDBs to improve monitoring and reporting on mitigation and adaptation action by refining Rio Markers
- Around 2013-14, more comprehensive system needs to be adopted based on experience gained
- **Key objective of all ODA: Sustainable development outcomes**
• Dedicated non-ODA climate funds
• Dedicated climate funds from ODA
• Share of climate co-benefits in core development assistance in ODA
• Share of climate co-benefits in MDB funds
Development, Climate and Finance Issues Briefs series (started May 2010):

1. Monitoring Climate finance and ODA
2. Making the Most of Public finance for Climate Action
3. Beyond the Sum of Its Parts – Combining Financial Instruments for Impact and Efficiency

Six more planned until June 2011

www.worldbank.org/climatechange
World Bank Portfolio Tracking: Status

• Tracking with appropriate granularity the WBG investments with adaptation and mitigation co-benefits across the entire portfolio and all core funding sources
  o part of broader work on a Results Framework for climate action

• **WB**: Following the sector/theme code model, introduce 2 new SAP fields linked to existing sector codes
  o based on investment activity typologies (to be vetted by respective Sector Boards), TTLs will allocate what percentage of a project’s individual sector allocations could be attributed as adaptation and/or GHG co-benefits
  o tracking for GHG co-benefits is an interim solution and will be superseded by GHG analysis, if and when that is approved for the WB

• **IFC**: GHG analysis already introduced; manual tracking of adaptation investments given small number of projects
Portfolio Tracking: Next steps

• Pilot ready by December 2010
• Coordination with IDB
• Workshop with MDBs, UNFCCC, UNDP, OECD, etc. in Jan.-Feb. 2011
Fast Start Finance

• Transparency and delivery essential for success in Cancun
• Need baseline and tracking system
• [www.faststartfinance.org](http://www.faststartfinance.org) consortium and support group
Facilitating access to climate finance: joint UNDP-WBG knowledge platform

Developing one vehicle for UN agencies and MDBs to provide information and experiences on climate finance and track financial flows

www.climatefinanceoptions.org/cfo