

Financing Climate Change Mitigation

Towards a Framework for Measurement, Reporting & Verification

Jan Corfee-Morlot, Barcelona, 3 November 2009

Presentation of paper co-authored by B. Guay &
K. M. Larsen

www.oecd.org/env/cc/aixg

Jan.corfee-morlot@oecd.org

Main questions & answers

■ Questions

- What are the main ways to support GHG mitigation in developing countries?
- What flows of money are we talking about?
- How much money in absolute and relative terms are flowing to mitigation and mitigation relevant sectors?
- What do we know about the GHG performance of these flows?

■ Answers

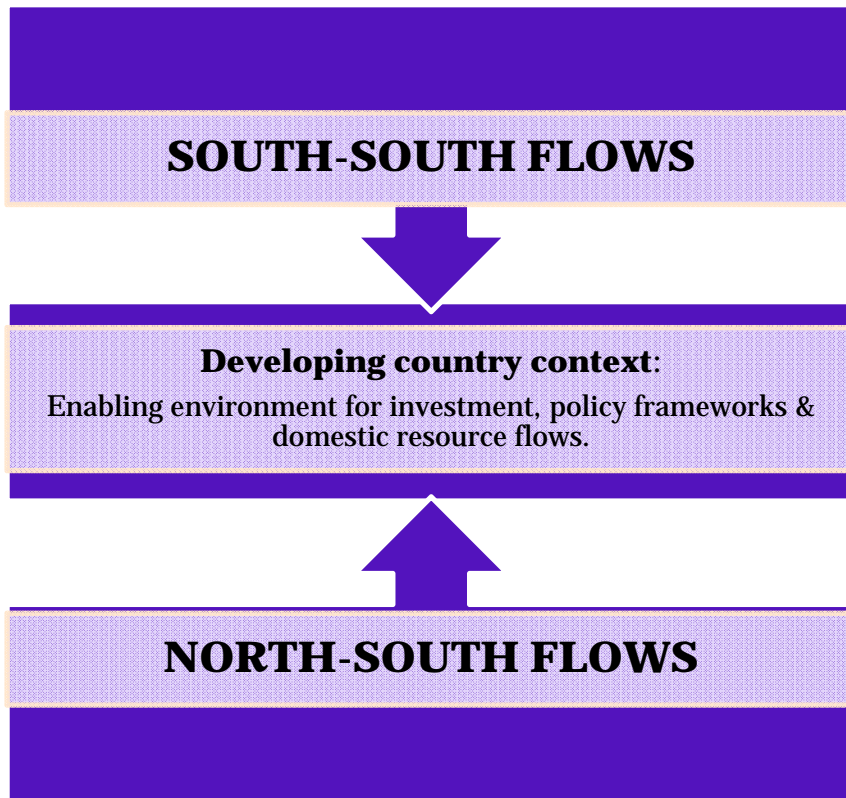
- Financial, capacity building and technological support – paper focuses on financial
- Financial support for mitigation flows through multiple channels: public, private and public-private. Also North-South, South-South and domestic
- Private flows exist at much higher volumes than public flows
- Not much is known about the GHG performance of the largest flows of “support”

Main messages

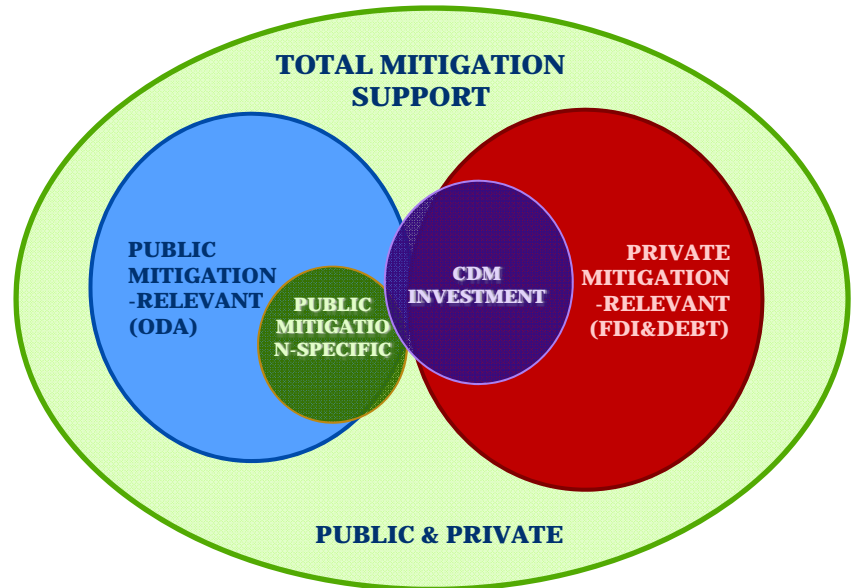
- Challenges for developing countries:
 - How to use *limited public* financial flows to *leverage private flows* to support low-carbon development
 - How to build capacity and develop institutional framework so that existing flows are “clean” rather than “dirty”
- To *improve effectiveness* of mitigation support, Parties need to:
 - Establish a more comprehensive *system of MRV* – with 5 main data parameters:
 - Origin/source, type, recipient, purpose, endpoint/sector
 - MRV of support should include private flows (e.g. at least CDM if not other flows)
 - Reporting by recipient countries is desirable
 - Help developing countries build capacity for tracking

Relevant pathways for mitigation support

Origins



Types



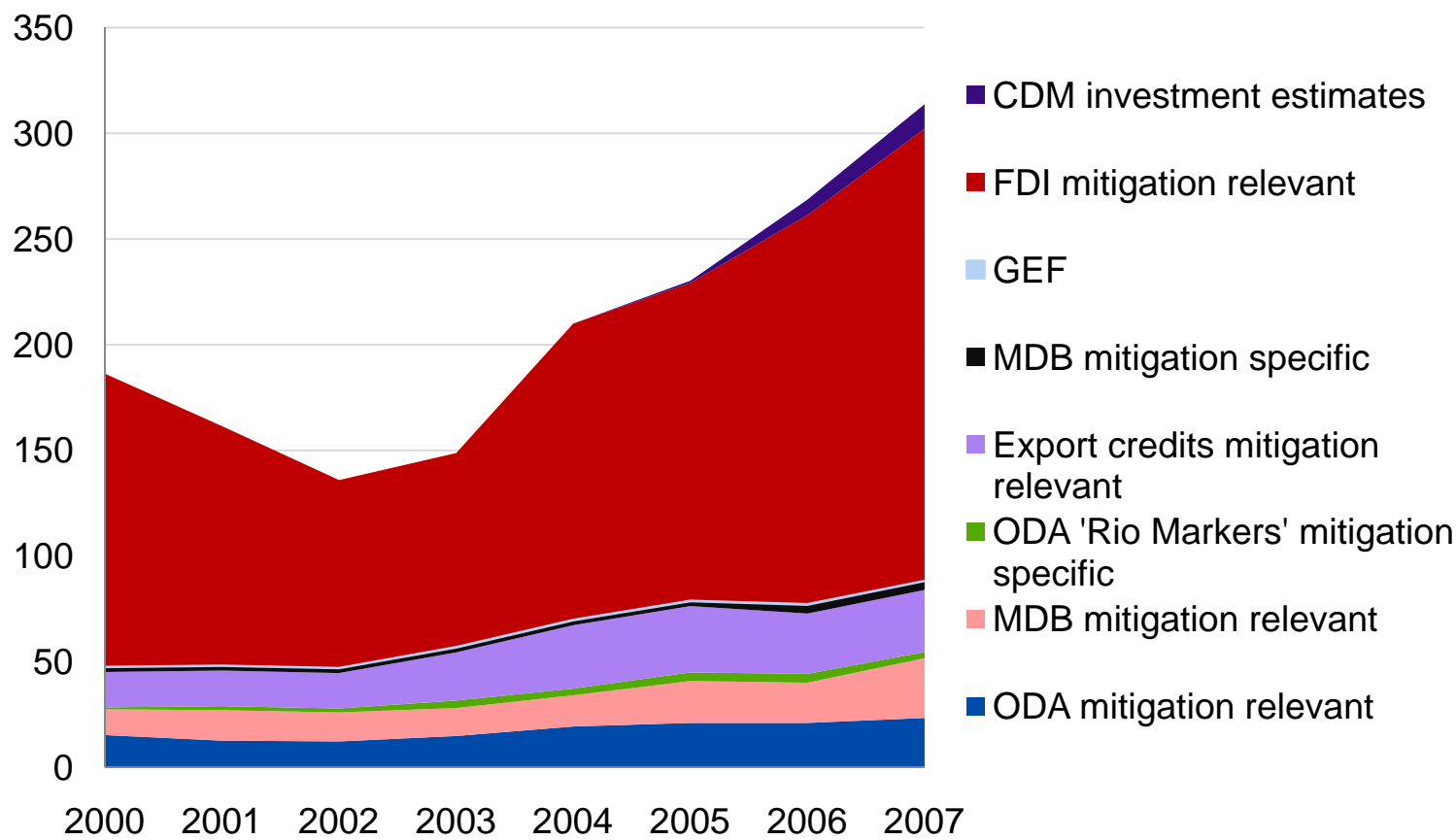
Source: Corfee-Morlot, Guay & Larsen 2009

Two kinds of financial support

Mitigation specific		Other mitigation relevant
Financial support that targets GHG mitigation in developing countries	Definition	General financing for development that shapes mitigation potential, pace and amount of future emissions
Roughly USD10-50 billion	Amount	300 billion USD
Public or Public-Private Multilateral: GEF, Climate change funds; Bilateral: ODA, official export credit; CDM	Type / Examples	Private (mainly), Public-private ODA (multilateral & bilateral FDI, International private loans, etc. in carbon-intensive sectors
Lacks consistency, and/or regularity of reporting; large share of public money but no centralised, comprehensive system	Monitoring	Lacks GHG mitigation markers; no institution in charge of monitoring & reporting

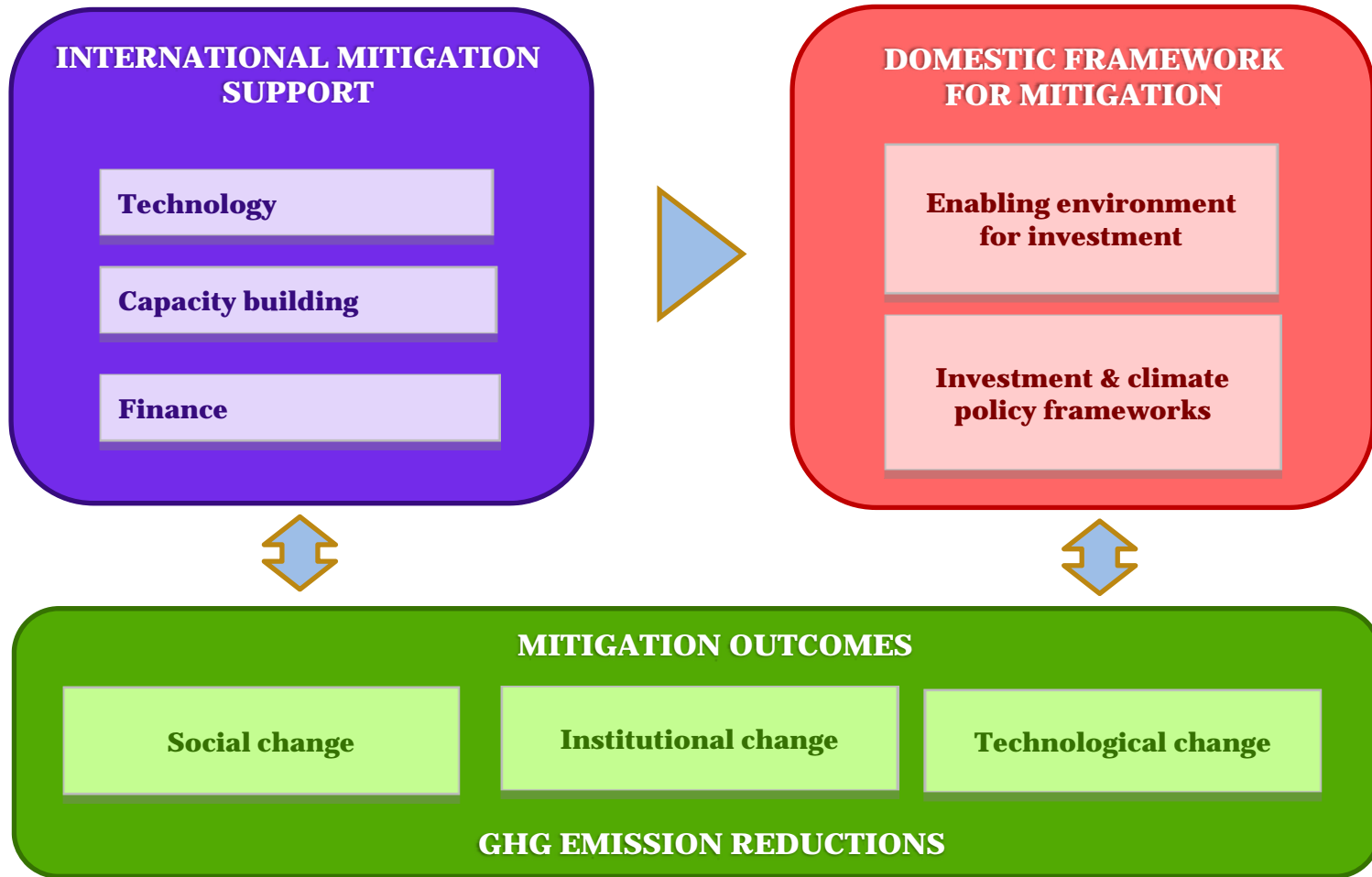
Billions of USD

Estimated North-South mitigation relevant and mitigation specific investment flows: 2000-2007 (2007\$, millions)



Source: Corfee-Morlot, Guay & Larsen 2009

Volume of relevant investment flows - upward trend is driven by FDI



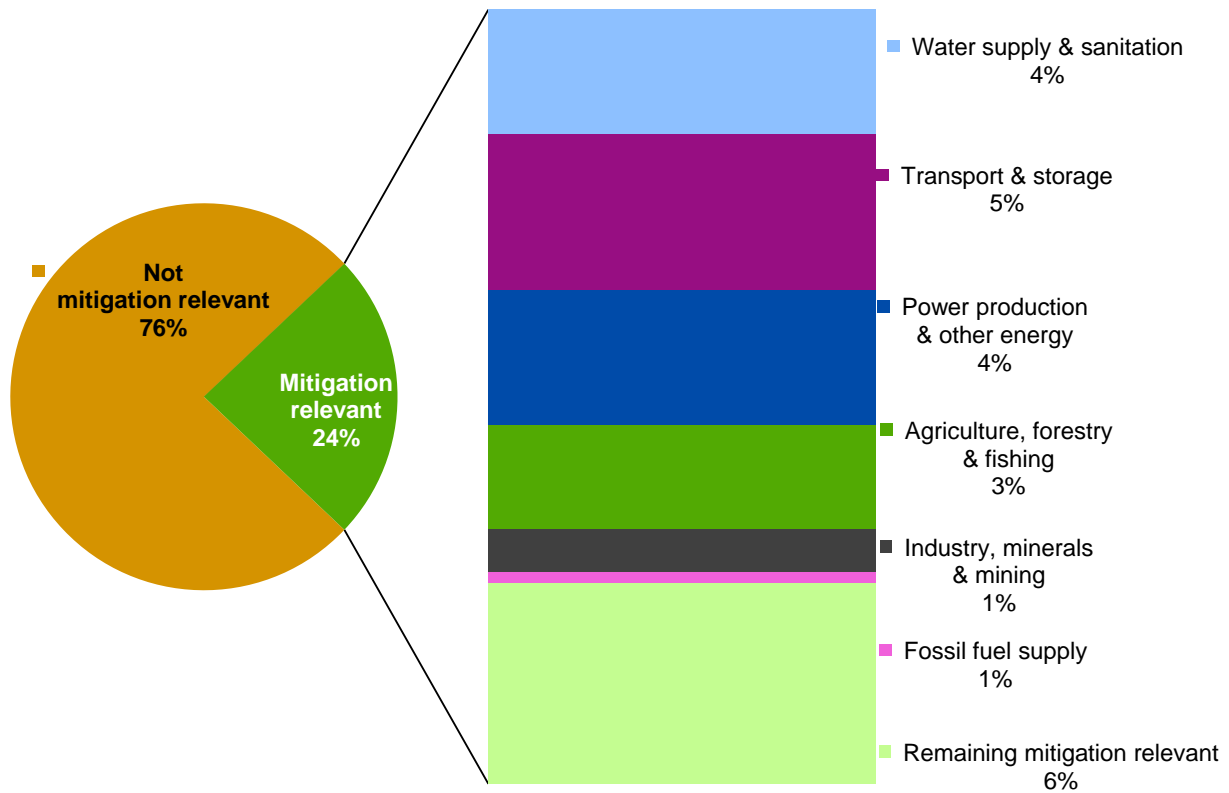
Source: Corfee-Morlot, Guay & Larsen 2009

Support for developing country action – the domestic framework is central to driving mitigation outcomes

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

Bilateral ODA Commitments - by Sector (2003-2007)

104.7 Billion USD/year (average)



Source: OECD DAC-CRS database 2009.

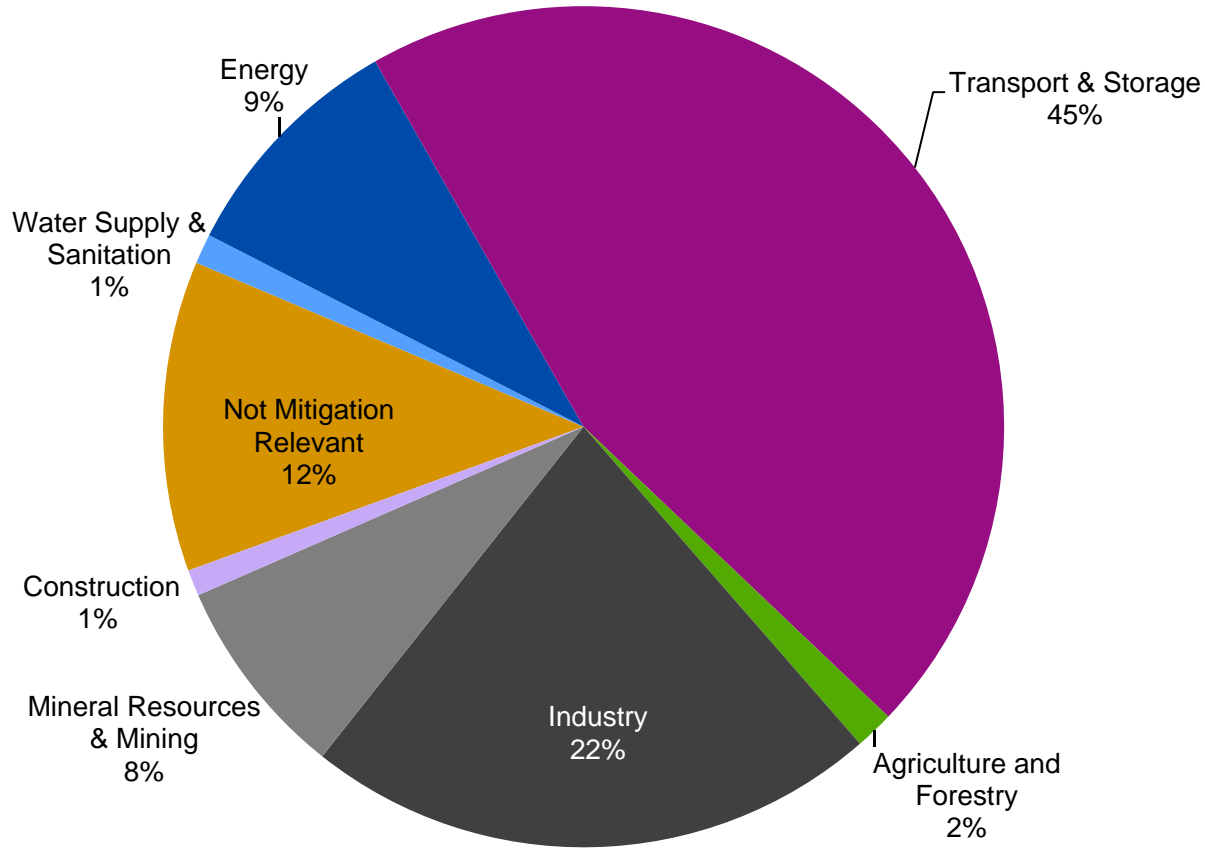
Rio Markers allow Parties to track and monitor ODA aiming to achieve mitigation

Rio Markers system: 2 (mitigation as “principal objective”); 1 (“significant objective”); 0 (mitigation “not targeted”)

June 2008: Rio Markers became mandatory for DAC members

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

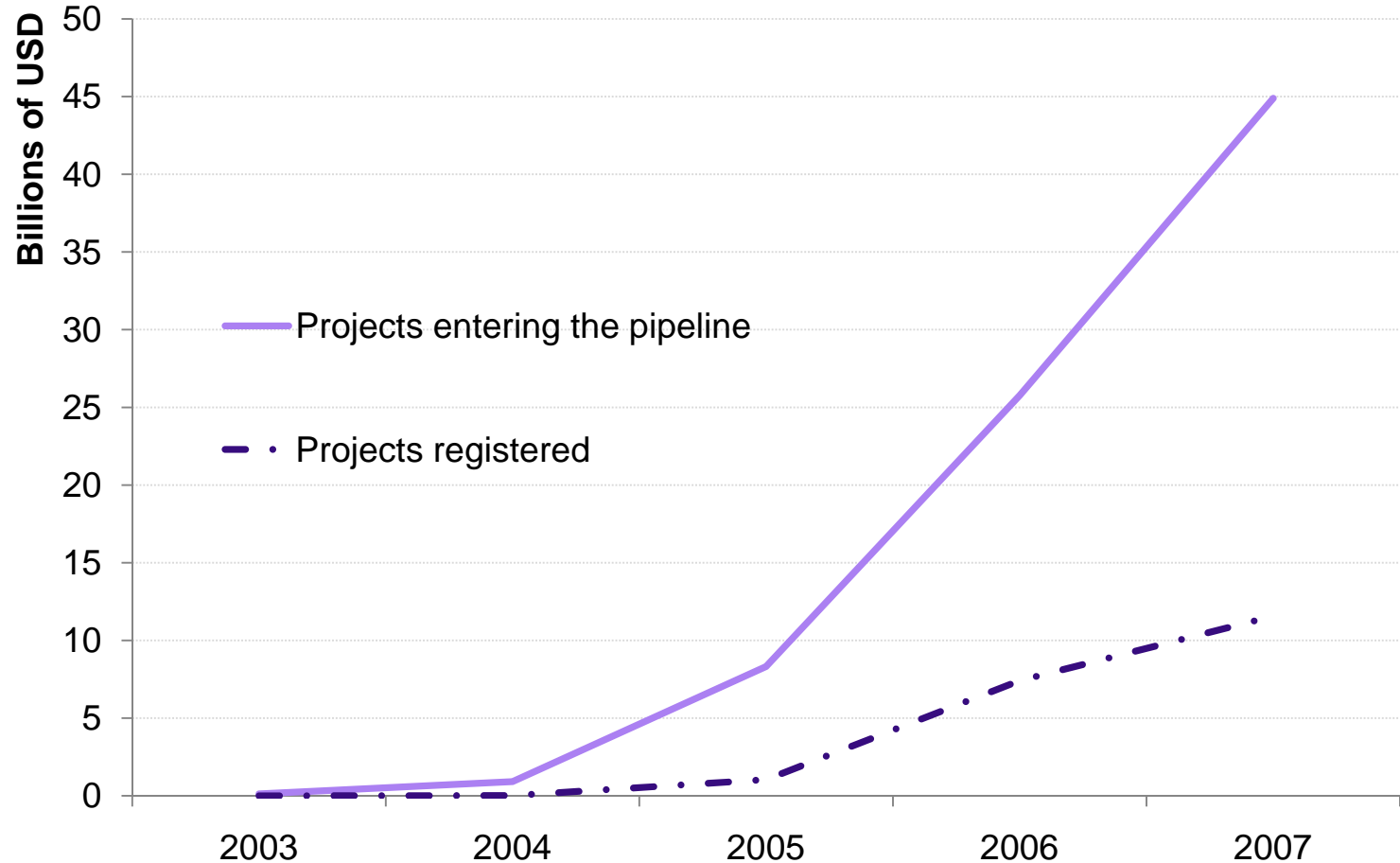
Export credit agencies play a major role in carbon-intensive sectors

ECs provided officially by OECD members to developing countries

Long term repayment: 5 years or more

Statistics with same level of disaggregation as ODA

Estimated CDM investments by year

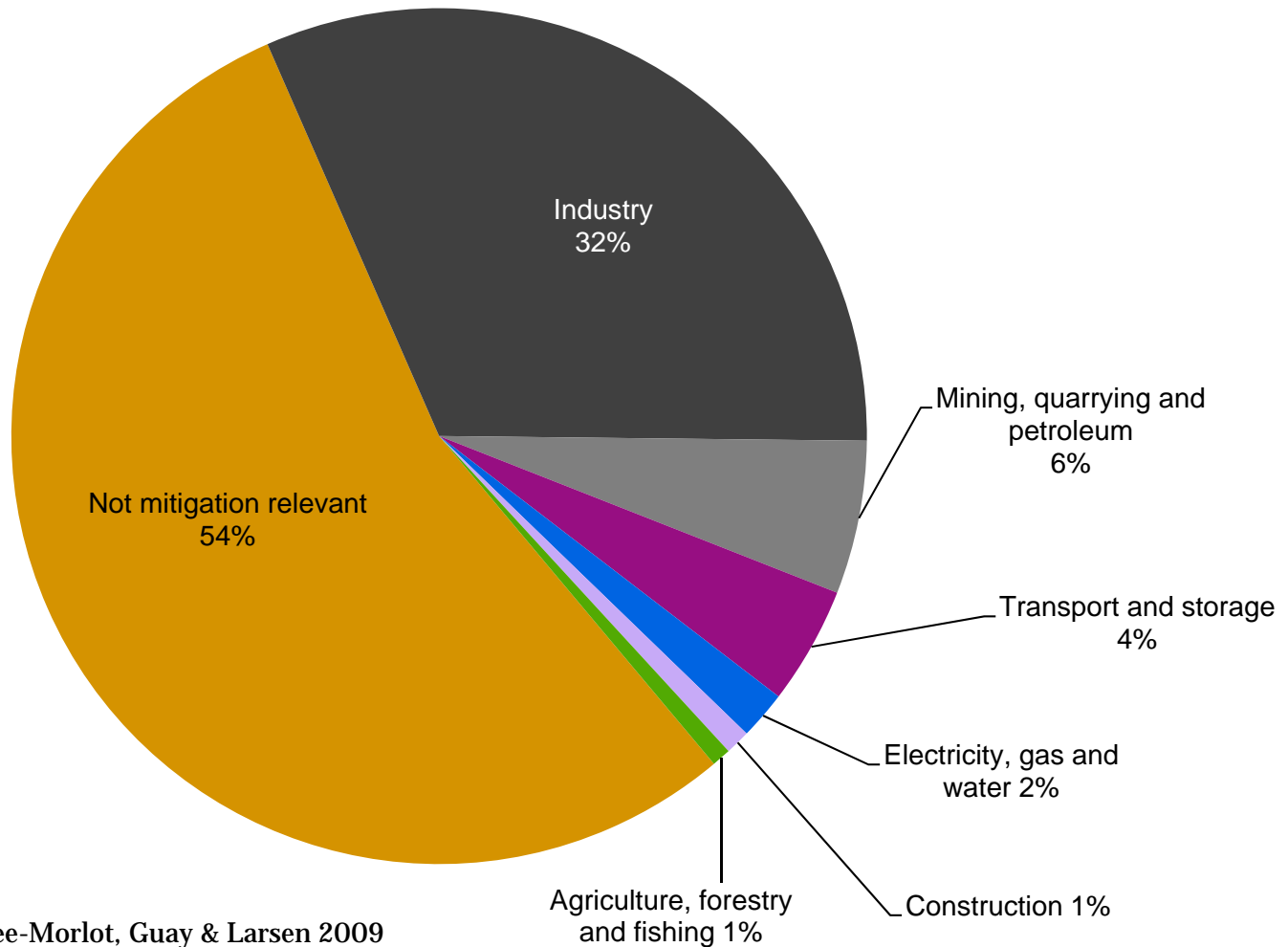


Source: Seres and Haites 2008 - revised estimates based on personal communication with authors.

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

Differs from the “value of CERs” approach which is better understood as return on investment. Note that these investments may not be fully attributable to CDM & also do not account for unilateral projects

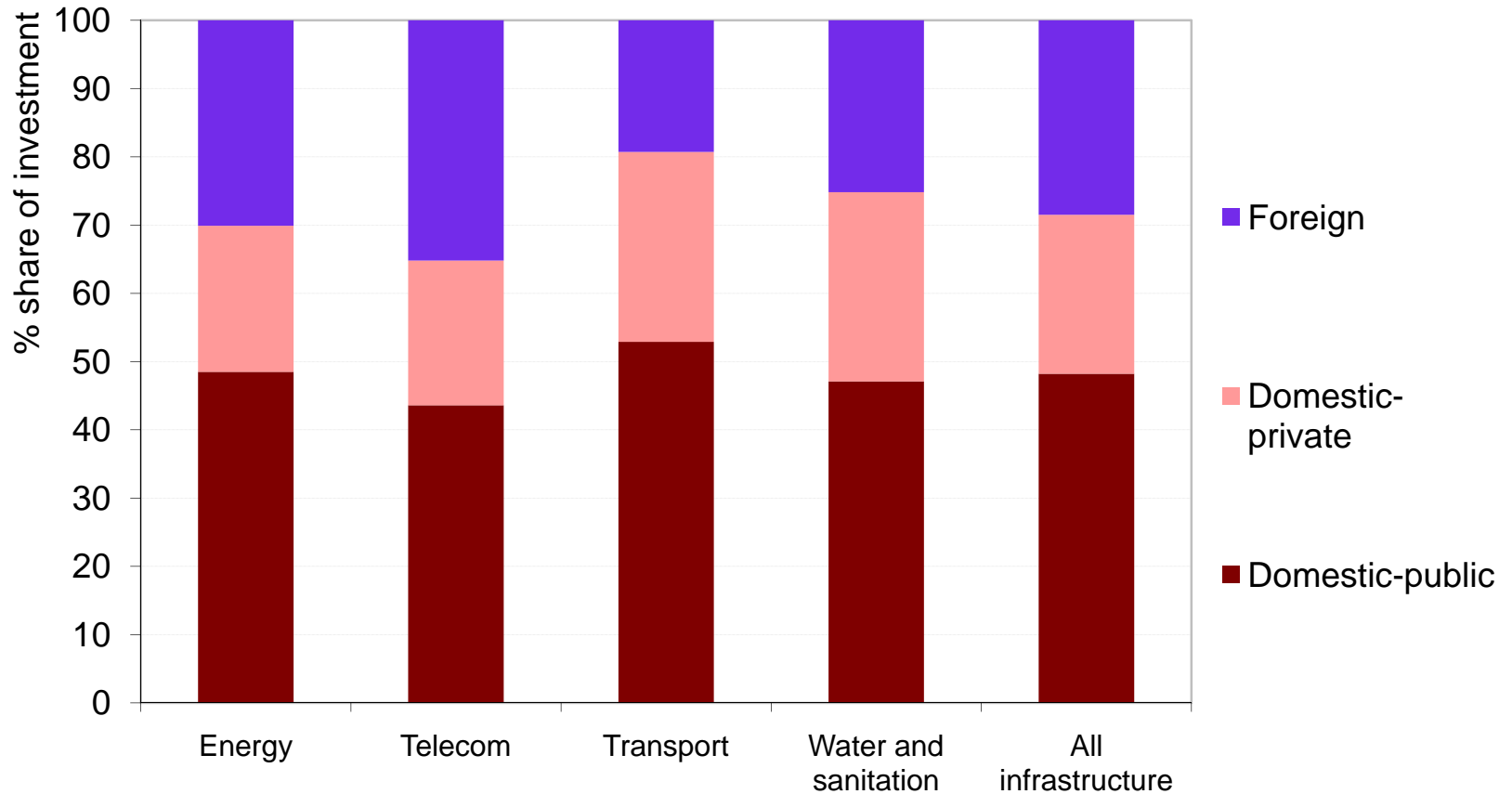
Foreign direct investment by sector to developing countries (2003-2005): 259 billion USD/year (average)



Source: Corfee-Morlot, Guay & Larsen 2009

FDI: most relevant flows are focused on two sectors

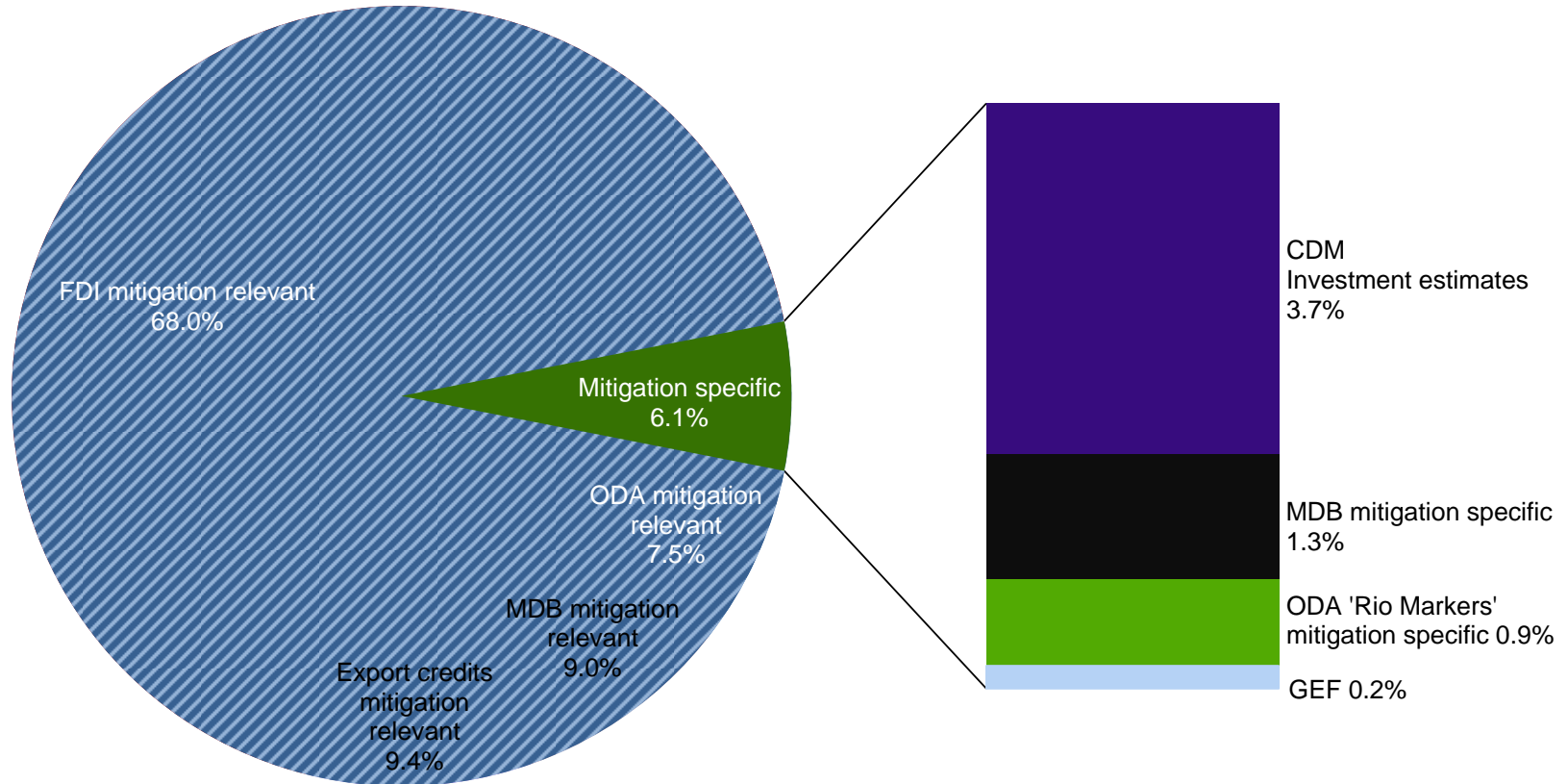
Share of domestic private and public investment and foreign investment in infrastructure in developing and transition economies, by type of infrastructure (1996-2006)



Source: UNCTAD secretariat calculations, based on data from the World Bank's PPI Database; UNCTAD 2007

Investments in infrastructure: foreign and domestic (public, private) – domestic public financing is the largest share.

North-South investment flows, mitigation specific and other mitigation relevant in 2007: total est. 314 billion USD



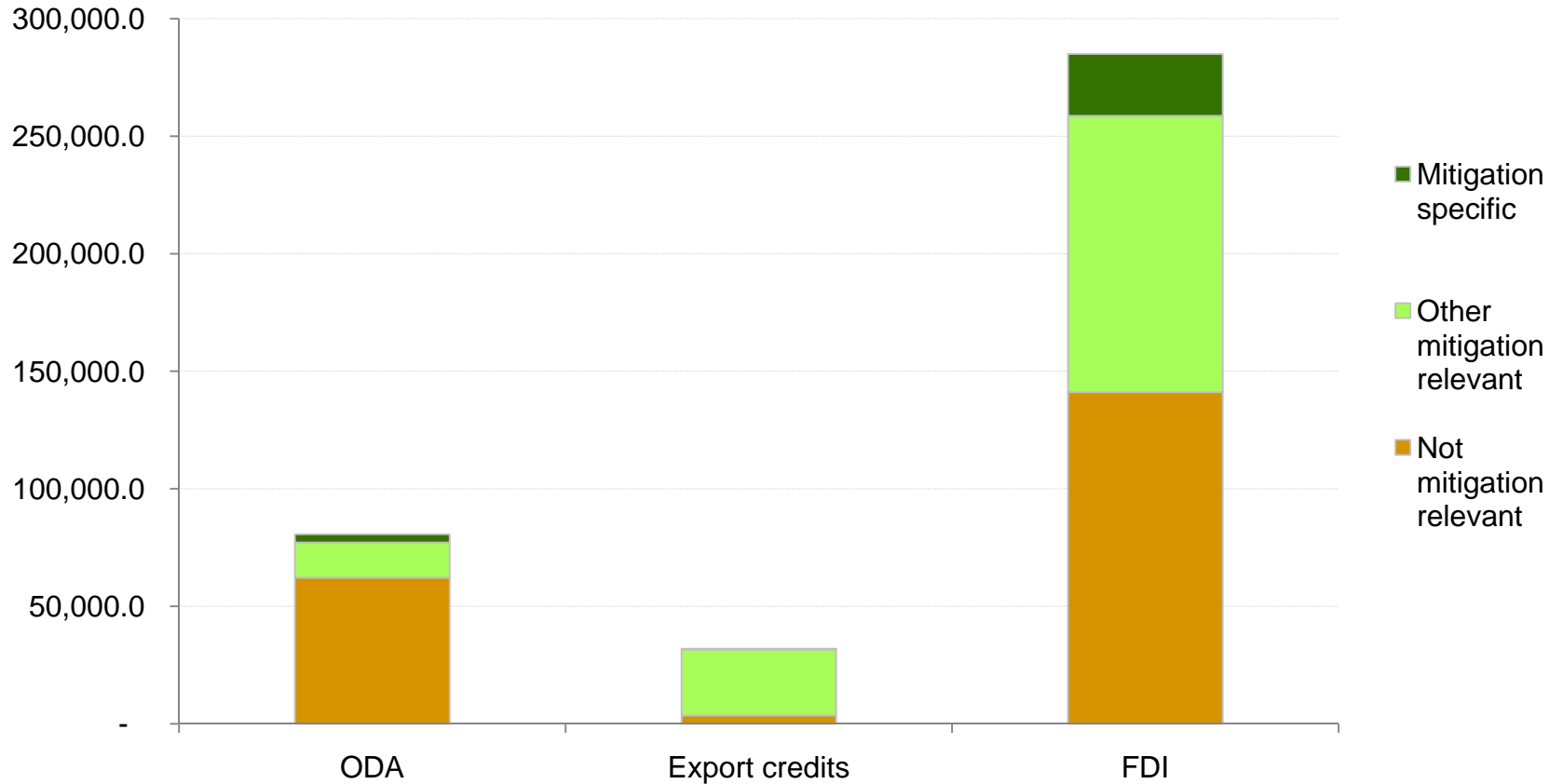
Source: Corfee-Morlot, Guay and Larsen 2009

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

Mitigation specific support: 19 billion USD out of 314 billion (8-53 billion range)

Other mitigation relevant: 295 billion USD

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