Bundesministerium
für Umwelt, Naturschutz
und Reaktorsicherheit

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Innovative Finance Mechanisms– The German International Climate Initiative

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Background – the challenge

- to swiftly shift to low-carbon economies in developed countries
- to support developing countries to build and restructure their energy systems in a climate friendly way, by promoting a supportive policy environment and technology transfer
- to increase global justice, adaptation to climate change and the protection of biodiversity is key

- additional investment and financial flows to return global GHG emissions to current levels:

  200–210 billion US $ in 2030 (UNFCCC Secretariat)
- additional investment and financial flows needed for adaptation: several tens of billion US $ in 2030

Auctioning emission allowances

- Germany auctions nearly **10 % of the allowances** from the European **emissions trading** in the period 2008-2012 and will be using parts of the revenues – about 400 million Euro annually starting in 2008 – to finance additional climate protection actions both **domestically** and in **developing countries**
- By February 2008, 7.75 mill. emission allowances (20 %) have been sold by KfW already (total revenue: 165 mill €)
- With up to 100 % auctioning from 2013 on, even more finance will be generated – some billion Euro per year in Germany alone

Public money from private sources – The German International Climate Initiative as catalyser

- 120 million € will be available for projects, particularly in developing countries and economies in transition, on a yearly basis starting in 2008
- The initiative focuses on sustainable energy systems, adaptation projects and protection of biodiversity (carbon sinks, including forests) in developing countries
- the 120 million € will be spend in a way that leverage private investments of a much greater magnitude
- The projects financed by the initiative aim at strategically supporting the UN climate change negotiations post 2012

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two branches:

- 60 mill. € for **sustainable energy** projects (capacity building and investments in renewable energies as well as energy efficiency); projects up to 20 mill. € will support an **export initiative** – a combined effort from the Economic and Environment Ministry
- 60 mill. € for **adaptation** and **biodiversity projects with climate relevance**; at COP 9 (CBD), Germany will officially launch the **Life Web Initiative** (long-term management of protected areas, up to 40 mill. €)

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Multilateral Funds:

- in addition to individual projects, Germany intends to strategically support multilateral activities and funds
- the main focus will be on adaptation and sustainable forest management in cooperation with the international community

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General citeria:

- the international climate initiative will contribute to **increasing the German ODA quota** as agreed at the EU level
- **coherence** is seeked with the German development policy
- key for all projects is to provide a substantial input on **climate policy**:
  - substantial reduction of GHG emissions,
  - adaptation efforts,
  - protection of carbon sinks with rich biodiversity

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Project implementation:

- exisiting structures of developing cooperation will be used for implementation of projects
- GTZ and KfW will play key roles in project settlement and implementation
- projects will complement existing development cooperation with respect to climate change and energy policies without beeing limited to certain sectoral or regional focuses or priorities

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Current implementation:

- a first set of projects is currently beeing discussed within the Ministry and Government
- official proposals are beeing collected in May/June after a preliminary decision for the first set of projects
- the first projects will then start in July 2008
- side event on innovative finance mechanisms including the German International Climate Initiative at SBSTA/SBI 28 (Bonn, June 2008)
- Presentation of some specific projects at COP 14 / CMP 4 in Poznan (December 2008)

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Thank you.

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