
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
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. €)
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
General criteria:
- the international climate initiative will contribute to increasing the **German ODA quota** as agreed at the EU level
- **coherence** is sought 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
Project implementation:

– existing 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 being limited to certain sectoral or regional focuses or priorities
Current implementation:

- a first set of projects is currently being discussed within the Ministry and Government
- official proposals are being 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)
Thank you.

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