

An Update of Investment and Financial Flows to Address Climate Change- Key findings

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The Mandate

- **Mandate:** An **update** of the technical paper on investment and financial flows to address climate change, taking into account **paragraph 1 of the Bali Action Plan**.
- **Objective:** To present analysis that would move forward the discussion on financing from broad investment and financial needs **to options, tools and mechanisms** for enhancing funding for mitigation, adaptation and technology cooperation for an effective response to climate change;
- **Key Questions**
 - What needs to be funded?
 - How can new and additional funds be generated?
 - What are the delivery issues for financing mitigation and adaptation?



Adaptation

- Current and pledged resources for adaptation are not sufficient (no change from 2007)
- Public funding – domestic and international – important for adaptation
- National policies are key to strategic adaptation planning
- Need political agreement on:
 - Sources of financial support for adaptation
 - Institutional arrangements for adaptation financing
 - Allocation of resources
 - How to effectively access and disburse increased resources for adaptation

Mitigation

- International public finance is **crucial** to fund **RD&D** of technologies addressing new and potentially cheaper mitigation opportunities in the future.
- Deployment and diffusion of mitigation technologies in developing countries primarily through mechanisms, supported by public funding or other means, that leverage private sector flows by incentivizing them through,
 - Carbon markets, powerful tool **to scale up private finance** and **shift** it to cleaner technologies, but **cannot realize the full potential**, e.g. technologies facing **non-price barriers**.
 - Other mechanism that use international public finance to leverage private finance in countries for mitigation opportunities where the **risk/return profile is not adequate to attract private finance**.
- National policies are a crucial element in scaling up and shifting both international and domestic investment.

Mobilizing Additional Financial Resources

- Parties have tabled many proposals to generate financial resources
- Some propose governance of all funds under the Convention; others have suggest to also account those flows that are contribute outside the Convention. Some proposals generate funds internationally; others flow through government budgets
- Parties have submitted many proposals for the institutional arrangements to manage and deliver the funds
- Efficient and effective delivery will be central to global efforts to address climate change
- The financial and economic crisis are not addressed in the report. The Government initiatives to stimulate economic recovery could shift governments' investments on to a **more efficient, lower GHG-emitting and more climate-resilient path, as done by EU and US.**



The way forward

- In order for Parties to agree on an overall financial framework, a number of questions could be addressed, including
 - What should be the principles underlying an overall financial framework?
 - How can coherence be ensured in the proposed financial framework to provide new and additional financial resources and investment, through existing institutional arrangements and any new institutions that may be established?
 - How should financial support for adaptation and mitigation provided through different bilateral, regional and multilateral channels be deployed in a way that supports nationally appropriate adaptation and mitigation actions?