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## Fast Start Finance and then what?

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Cancun Messe

December 3, 2010

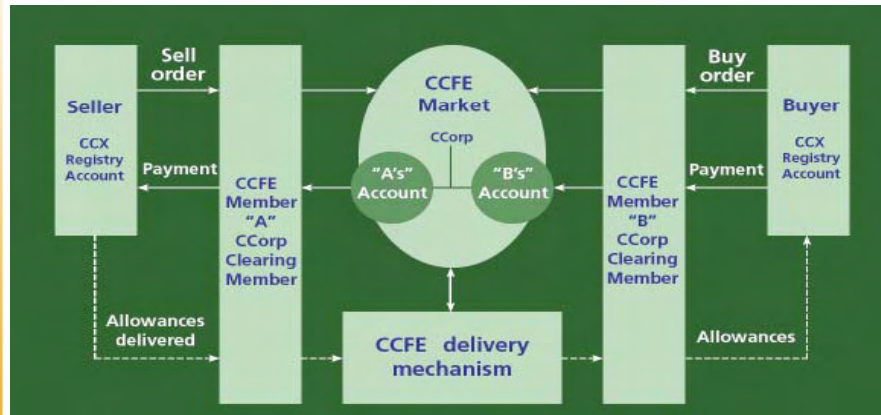
## Four theses

- Carbon markets: no reliable and sufficient price signal for low carbon investment
- UN advisory group reliance on markets for \$50 b.+ of annual \$100 b. climate finance is utopian (Copenhagen Accord)
- “fast start” finance (\$30 b. pledged 2010-2012): channel to UNFCCC Adaptation Fund
- “fast start” finance is most effectively used for agricultural adaptation: the co-benefits



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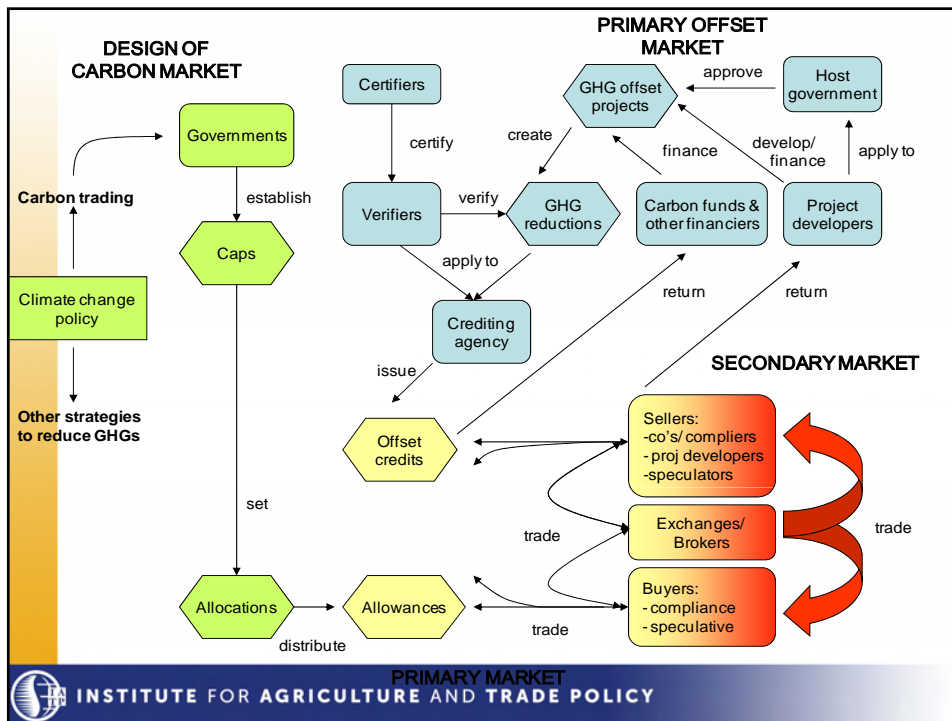
## How carbon is traded: the theory



Chicago Climate Futures Exchange, 2007



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## The “private” carbon market without government subsidies, supply and demand



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## Secretary General's High Level Advisory Group on Climate Finance (AGF)

- \$100 b. annually by 2020: “challenging but feasible”
- \$50 b. + depends on 10% revenue from auctions of carbon credits at \$20-25/mt.
- Econometric assumptions and projections are not realistic or reliable (AGF criteria)
- Reasons for EU Emission Trading Scheme volatility
- Over the Counter (unregulated “dark market”) trades about 40 % of ETS trades
- The fight to keep OTC trading advantage

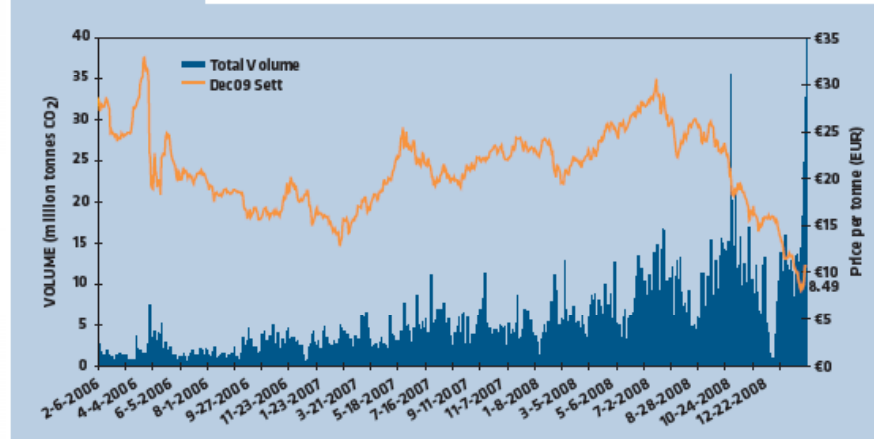


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## Price and volume volatility in the EU's ETS trades: 2006-2008 (J. Mason)

**Figure 2**

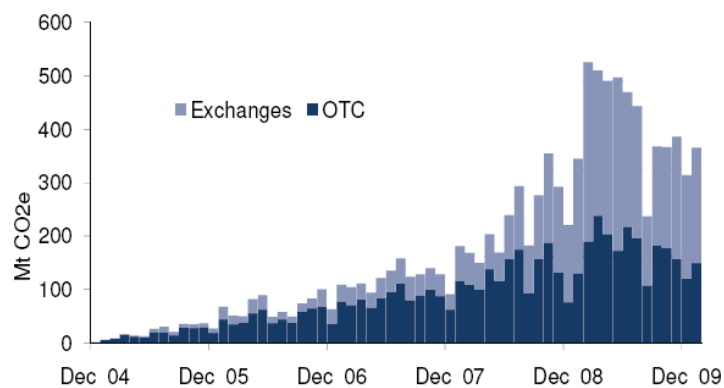
Price and Volume of Exchange Futures Contracts for 2009 Settlement



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## OTC metric tons of carbon vs metric tons in regulated exchanges

**Figure 2.2: Monthly EUA volumes**  
OTC and exchanges, 2004-present



Source: Point Carbon



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## **Urgent: build Adaptation Fund and finance adaptation projects**

- A public climate finance model : the AF
- AF revenue stream: 2% of CDM revenues
- 16 AF projects: \$52 million vs \$60-100 b. need
- What if donors channel 10% of fast start through AF? i.e. \$3 billion in 2010-2012
- Why not channel through “existing institutions” and bilateral aid?
- SIDS, LDCs, Africa: the vulnerability debate
- Confidence building towards long-term finance



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## **Adaptation Fund project challenges**

- Do vulnerable states prefer mitigation funds?
- Too many adaptation needs to prioritize?
- Too many adaptation projects for AF Board to assess and facilitate?
- Projects too small to assess?
- Too many adaptation projects for National Implementing Entities?
- Too many projects for NIEs to evaluate?



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## Agricultural adaptation challenges

- 85% of farms smallholder, i.e. < 2 hectares
- Where do projects begin? Research? (CGIAR) Food security? (FAO) Site/ community specific?
- Which appropriate technology?
- Which time scale? Dr. Malthus, I presume?
- Using IPCC data: what we don't know about climate
- Soliciting and using traditional knowledge
- Biases against women farmers and natural resource managers



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## Beyond survival: adaptation co-benefits

- Livelihoods: the next generation of farmers
- Mitigation benefits
- Preventing environmental migration
- Replication of traditional knowledge, e.g. farmer seed enterprises (FAO)
- Rediscovery of orphaned crops and livestock varieties
- Diet variety, nutrient density and health



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