

is there such a thing as
CLIMATE FINANCE?

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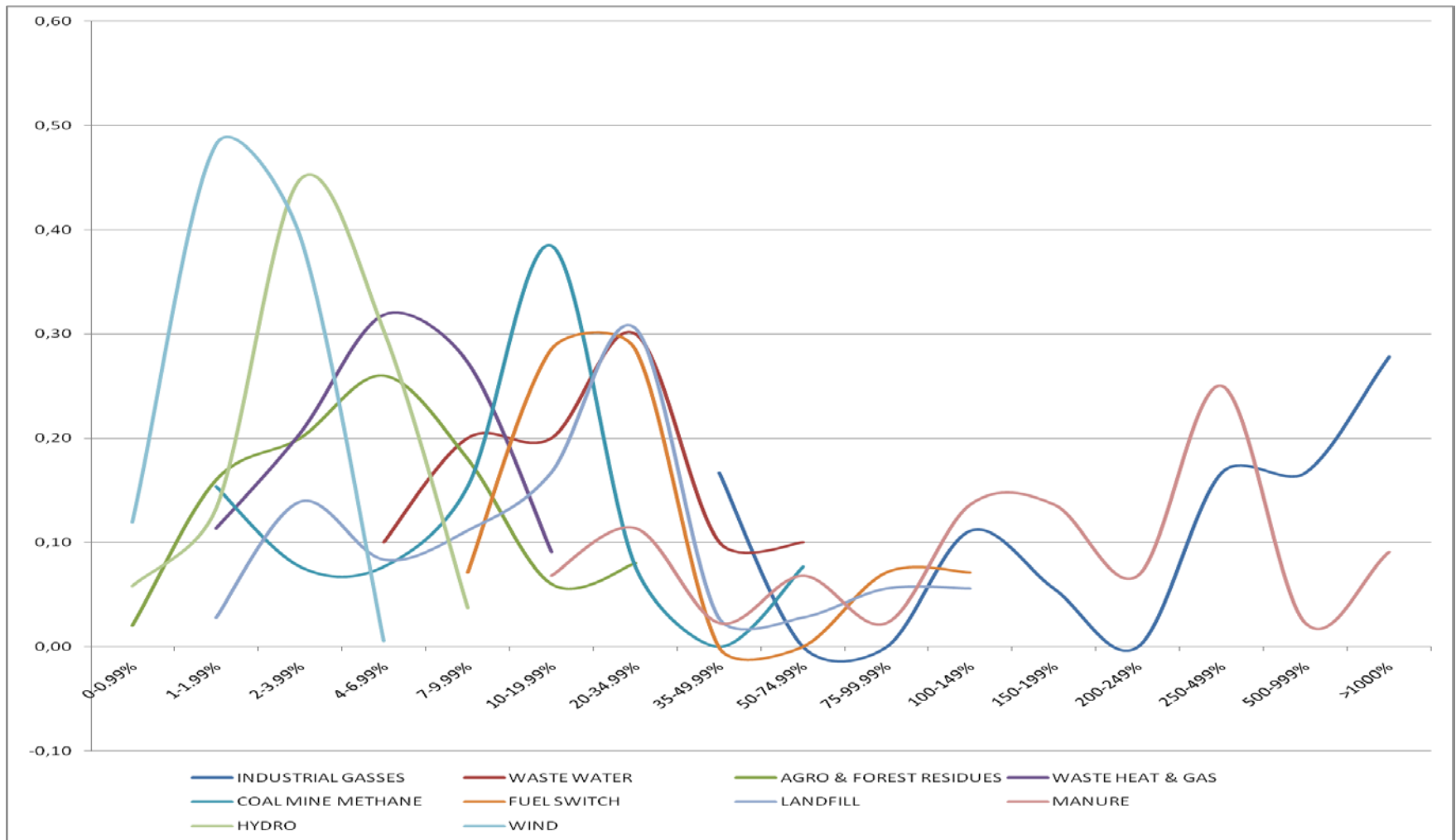
Agenda

- Penny Wise, Pound Foolish?
- Can we fix it?
- A few concluding points

Penny Wise, Pound ... ?

- **CDM = cost efficient emissions reduction ?**
 - CDMpipeline.org
 - CER generation and investment on display
 - 10 technologies
 - 12 USD/CER ?

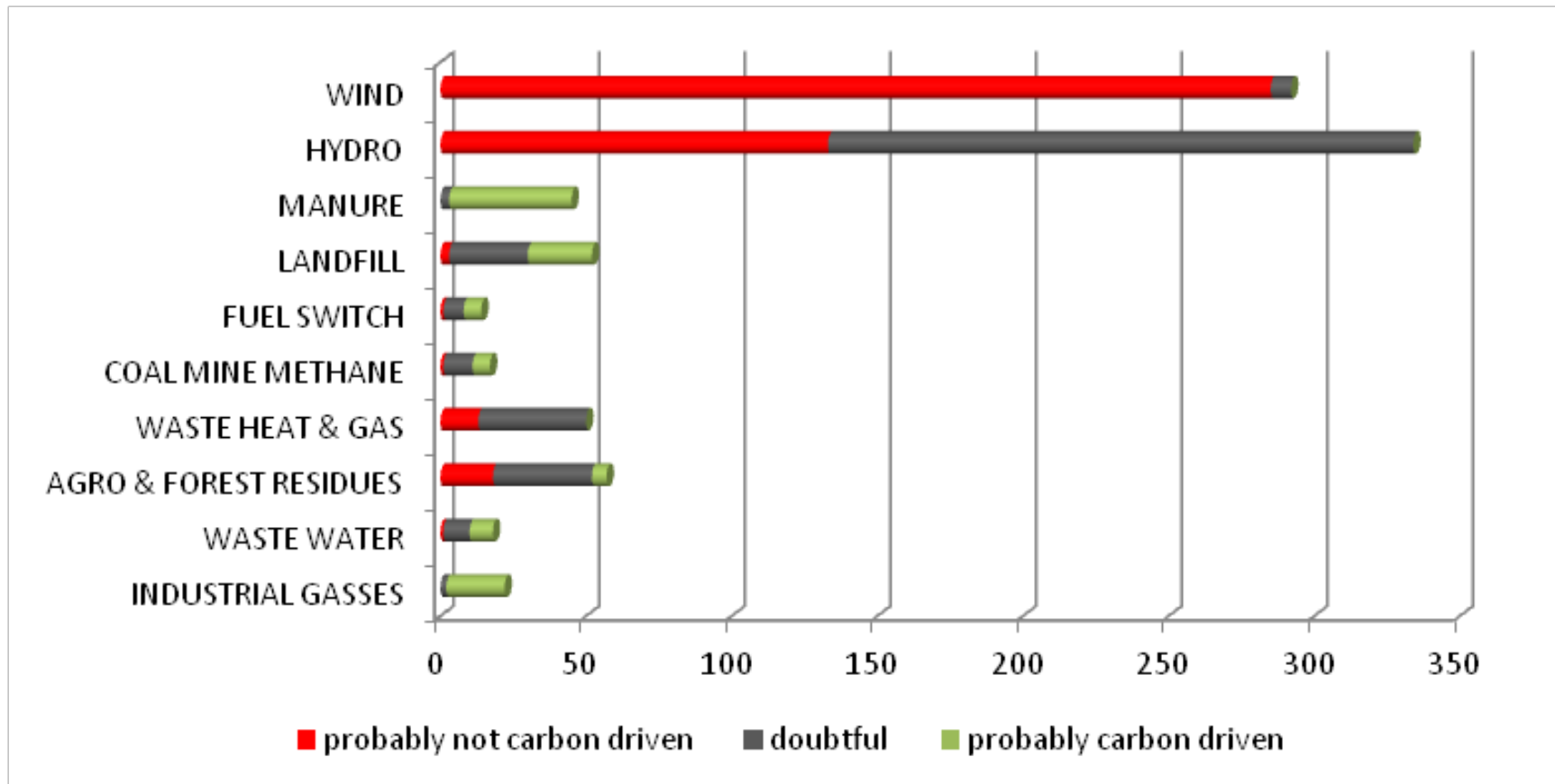
Cash flow contribution – for cost efficient reductions...?



and the numbers...

Obs.	Technology	lowest value	highest value	median @12\$	median @3\$
22	Industrial gasses	7,96%	1719,03%	304,97%	76,24%
45	Manure	5,44%	1162,88%	169,90%	42,48%
14	Fuel switch	2,60%	579,56%	19,62%	4,91%
18	Waste water	0,16%	71,19%	17,65%	4,41%
52	Landfill	0,90%	162,72%	14,18%	3,55%
17	Coal mine methane	1,12%	58,95%	13,10%	3,28%
50	Waste heat & gas	1,04%	18,04%	5,08%	1,27%
57	Agro & forest residues	0,55%	34,17%	4,30%	1,08%
334	Hydro	0,02%	41,30%	3,50%	0,88%
292	Wind	0,03%	5,24%	1,84%	0,46%

Capital destination in CDM



... Foolish ?

- **1% of financial flows clearly motivated by emissions reduction, 23% doubtful**
- **non-carbon Investment drivers**
 - rising fossil fuel prices
 - security of supply
 - so ein ding ...
 - CSR
 - energy access
 - 'real' environment
 - industrial policy
 - technology development
 - regulation
- **Only foolish if you insist on emissions reduction and carbon prices being the investment driver**
- **If you instead insist on investors not being foolish, you have your answer...**

Can we fix it ... ?

- **If we really want carbon financing through CDM we need to overcome the fundamental flaw in the CDM:** To banks (and in reality) CDM is a cost and a risk

- **Recapturing the project cycle:**

PDD – validation – registration – monitoring – verification – issuance

– a conservative CER guarantee

- **The CDM loan scheme** was flooded with 23 LDC and 18 non-LDC applications, signaling the future of CDM. So far LDCs hold 1.2% of recorded CDM activities, but 56% of loan scheme applications. An LDC future for CDM will change its character from an emissions reduction activity to a sustainable development activity with a focus on energy access and efficient use of fuel wood.

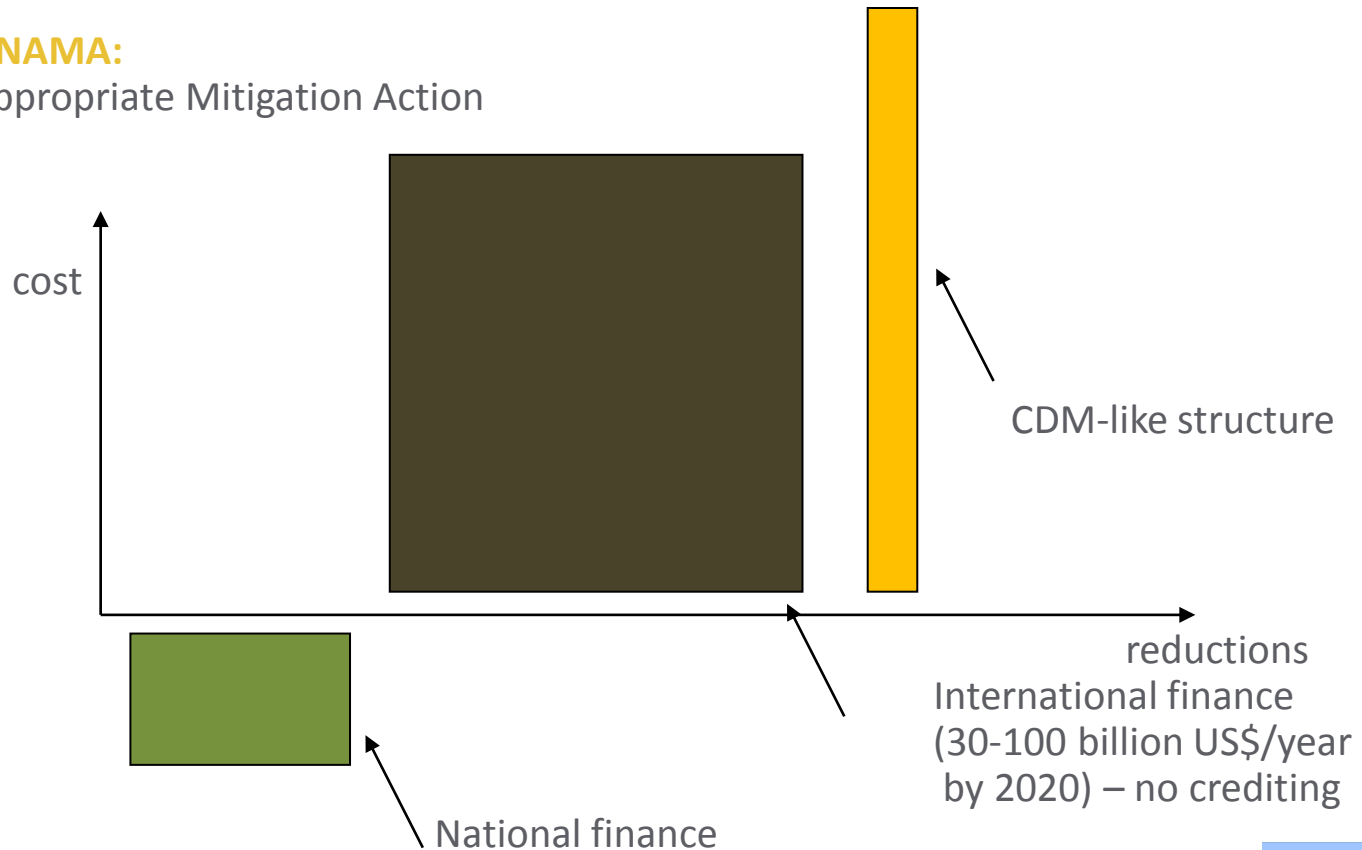
Do we want to fix it... ?

- **Status: 1 billion excess CERs and crashing prices**
 - no need to worry like the EB does. It's a market; live with it. Investors are not foolish, they never needed the income (with some exceptions)
 - Don't increase ambitions to off-take surplus supply – just send the money
 - There are plenty of investment drivers around without the carbon market
 - Mitchell Feierstein, chief executive of Glacier Environmental Funds: 'the CDM has long been overshadowed by bigger opportunities for green investors
 - Investors are not leaving the market. Investments continue, but not driven by the CDM – such investments should not generate internationally tradable credits.
 - Credited NAMAs?

The future carbon finance...?

The start of NAMA:

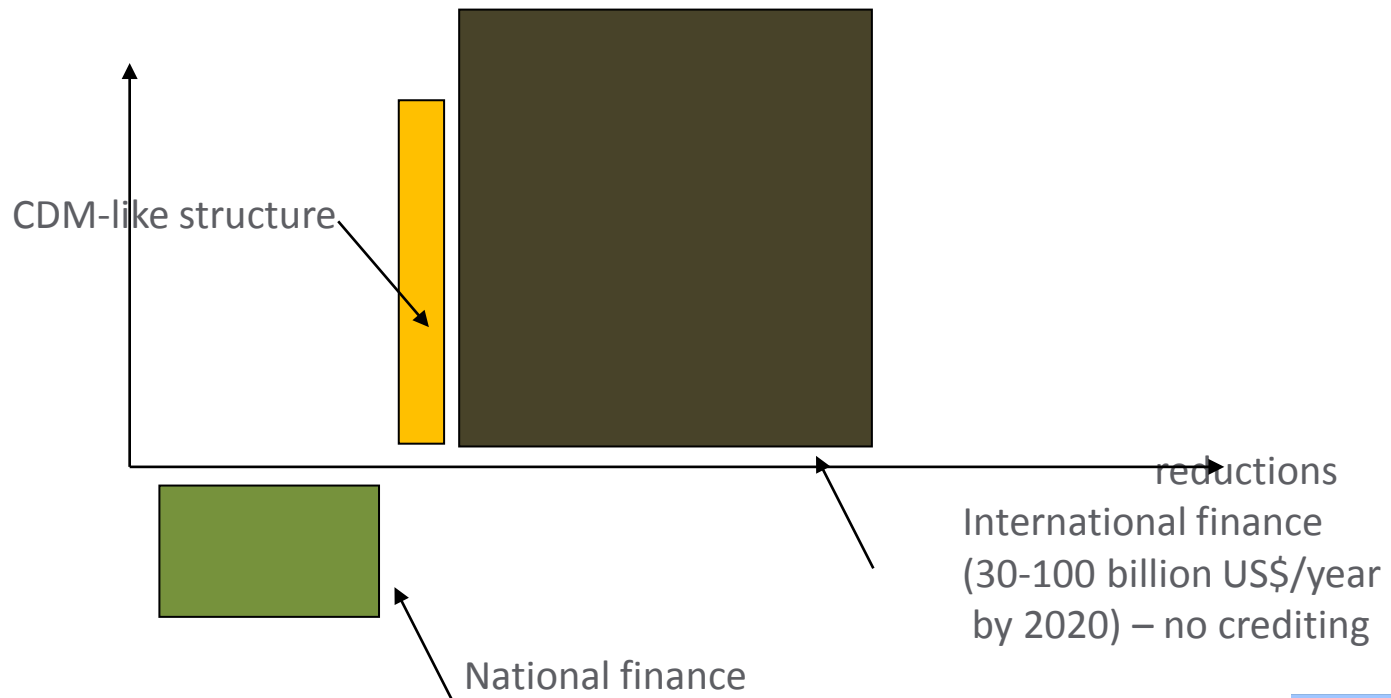
Nationally Appropriate Mitigation Action



The future carbon finance...?

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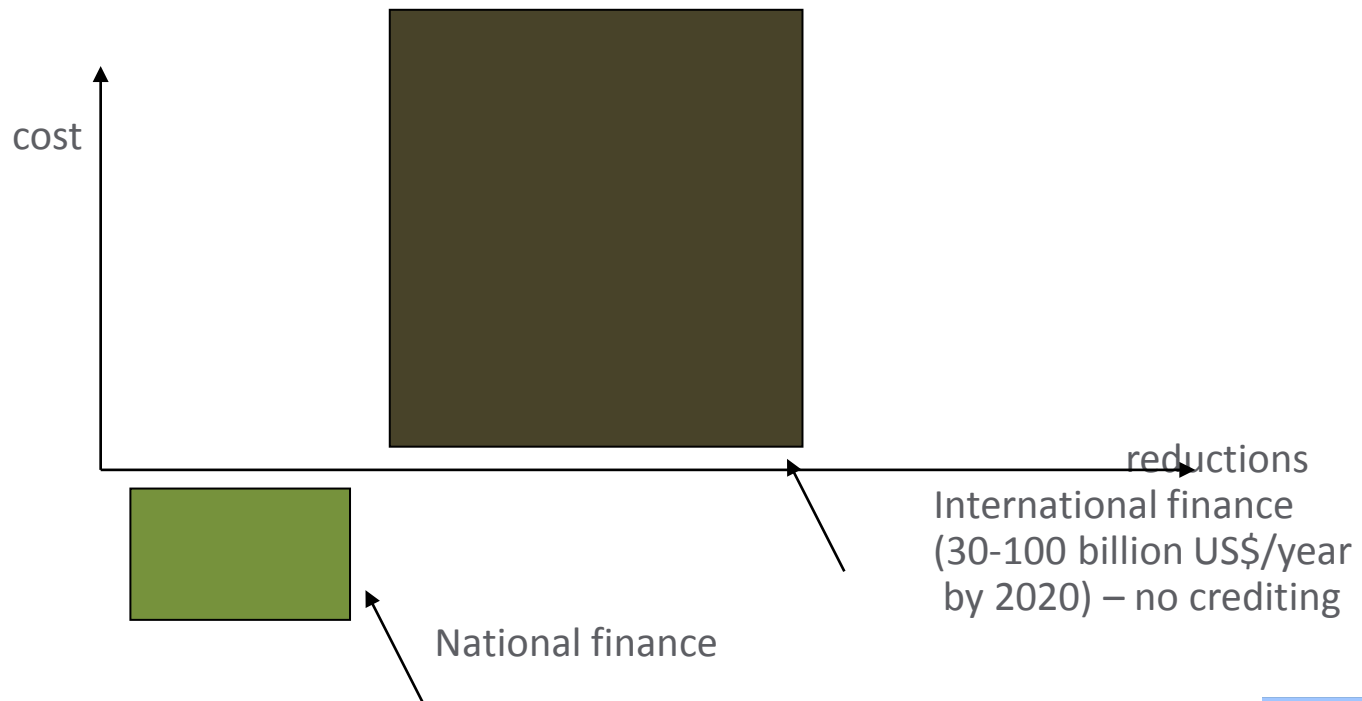
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The future carbon finance...?

The start of NAMA:

Nationally Appropriate Mitigation Action



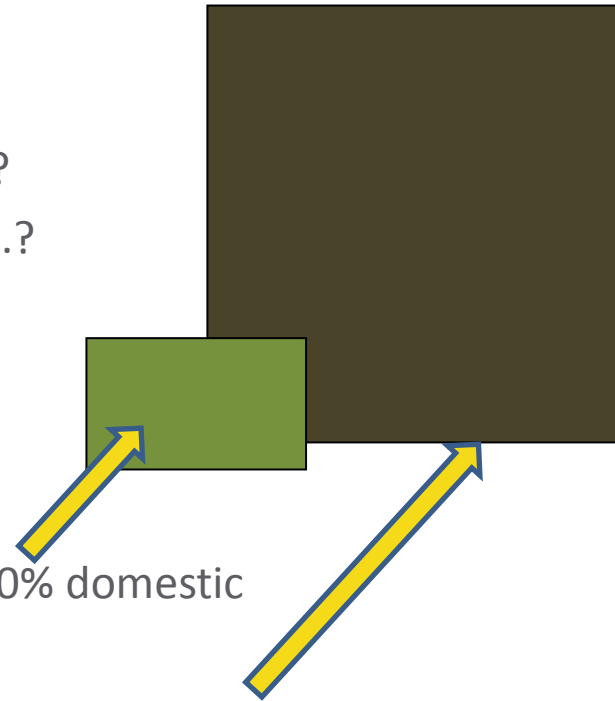
what climate finance ... ?

- **100 billion USD in 2020**

- public, private and innovative sources...?
- creative leveraging or creative labelling...?
- 257 billion for renewables in 2011 – is that climate finance?

- **Look at guarantees in a broader context**

- the CER guarantee will not change the 90% domestic finance in CDM projects
- general (ECA) guarantees (for low carbon investments) will promote general investment (FDI) - with old host country caveats, like restrictions on foreign ownership of core infrastructure



A few fundamentals

- **innovation is to find someone new to foot the bill**
 - Financial engineering of unviable projects
 - Regulation and the embedded willingness (not) to pay
- **one size doesn't fit all**
 - different sectors have different investment drivers
- **CDM methodologies** will remain a foundation for both national emissions trading schemes and for measuring, reporting and verifying NAMAs. The instruments developed under the CDM remain intact and will facilitate at a later stage the connection of nationally developed trading schemes ... if we want
- **keep your feet on the ground**
 - there are limits to the number of purposes you can serve with one instrument
- **stay out of micro management** – allow slack

Thank You

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