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The Mosaic of Climate Finance

Sustainable Asia Leadership Programme

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Outline

- Climate finance : Definition
- Climate finance: The numbers , sources
- Accessing Climate Finance

What is climate finance

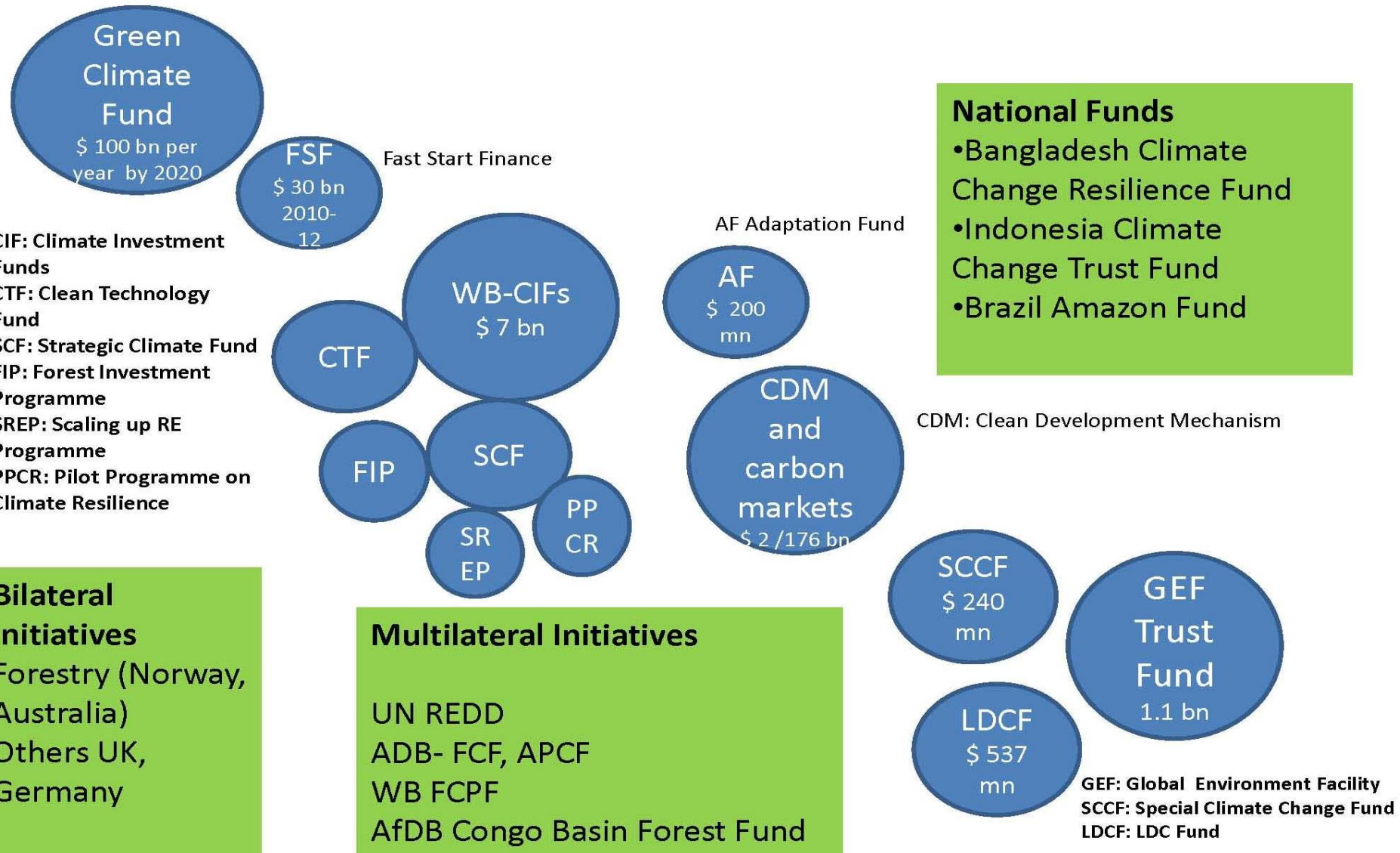
From the UNFCCC

- Article 4.3: Provision of **new and additional financial resources** to meet the ***agreed full incremental costs of implementing commitments*** under the Convention taking into account the need for adequacy and predictability in the flow of funds
- Article 4.4: Assist the developing country ***Parties that are particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation*** to those adverse effects.
- Article 11: Defines ***the financial mechanism under the Convention***; operation entrusted to existing international entity/entities ***bilateral, regional and other multilateral channels.***

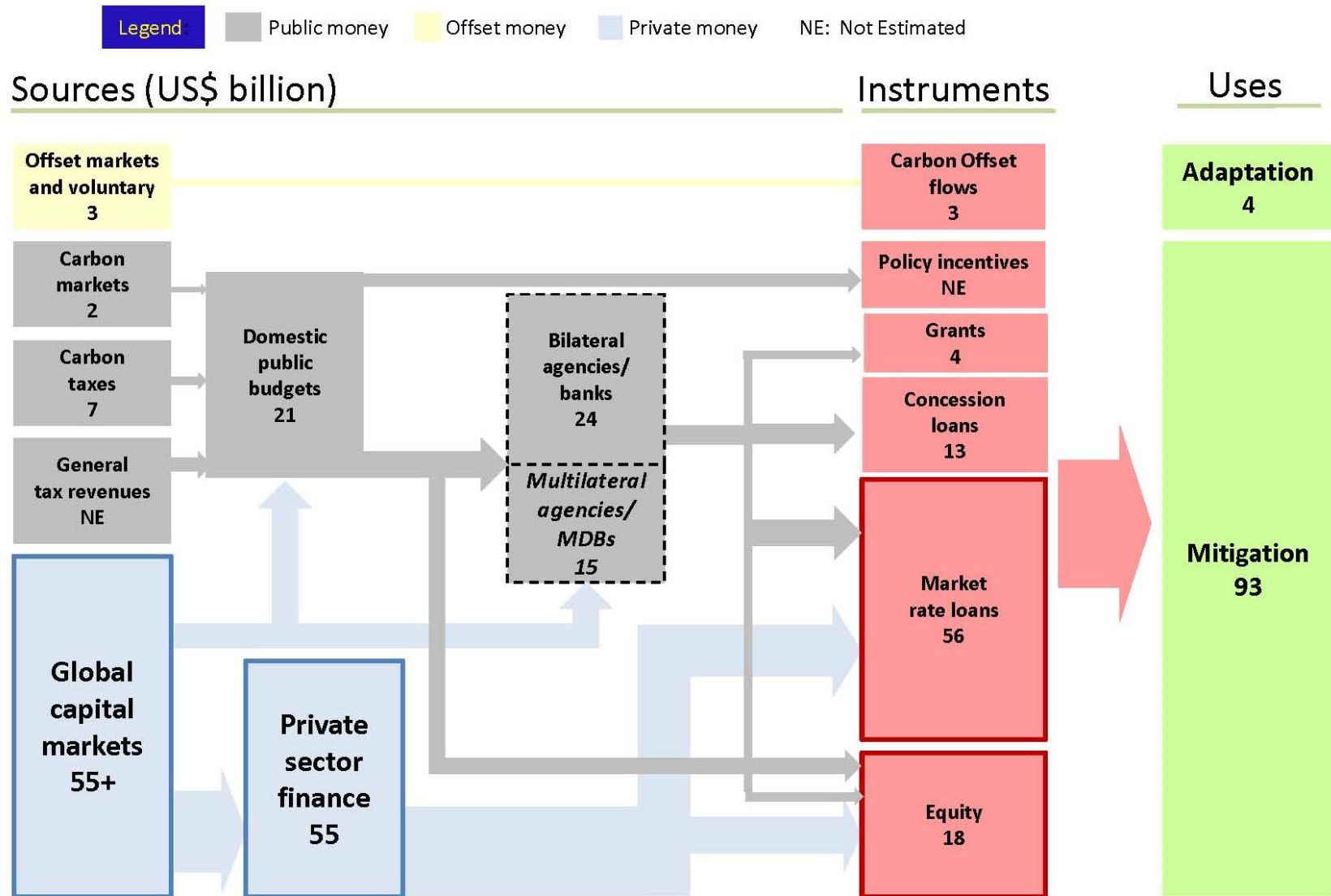
What is Climate Finance

- Mosaic of all financial flows
 - For What (mitigation and adaptation)
 - By Whom (Public, Private, Public-Private)
 - How (through Bilateral, Multilateral channels)
 - Type of sources (Carbon markets, tax revenues, capital markets)
 - Financing what (Incremental costs, investment capital)
 - By Modes (Grants, concessional loans, cofinancing)

Evolution of the Climate Finance Architecture



Climate Financing for Developing Countries: \$55b of \$97b from the Private Sector



Source: Climate Policy Initiative, 2011 (Boxes and flows not drawn to scale)

Challenges and opportunities

- Mobilising finance to meet needs estimated at \$ 200-400 bn
- Role of Direct budget contributions?
- Innovative sources of finance
- Public private leveraging

Sources of finance

| 2020 est, \$ bn | Carbon Price (\$15) | Carbon Price (\$25) | Carbon Price (\$50) |
|----------------------------------|--|------------------------------|---------------------|
| AAU/ETS auctions | 2-8 | 8-38 | 14-70 |
| Offset levies | 0-1 | 1-5 | 3-15 |
| International transport | 3-8 | 6-11 | 11-25 |
| Carbon tax | Approx 10 for every \$1/t of CO ₂ e | | |
| Wire charges | 5 for \$.0004/kWh or \$ 1/t CO ₂ e | | |
| Removal of fossil fuel subsidies | 3-6 | | |
| Fin transaction tax | 2-27 | | |
| IFIs | For 10 in capital replenishment approx 30-40 | | |
| C market offsets | 8-12 | 38-50 | 150 |
| Public private leverage | 200 for medium carbon price | | |
| | | Source: Romani , Mattia 2012 | |

Accessing Climate Finance: Ground realities

- Through different funds
- Through different channels—bilateral, multilateral
- Through different entities—implementing agencies of funds that include MDBs, regional and national entities

Through innovative and transformative projects and programmes

ADB's CIF Engagement

- CIF has become the largest source of co-financing for ADB's climate change program
- ADB set to receive approximately \$1.5 billion in cofinancing
- ADB is the largest conduit of CIF resources to DMCs

Clean Technology Fund (CTF)

| Country | Total CTF Funding for IP | CTF Funding Administered by ADB |
|---------|--------------------------|---------------------------------|
| IND | \$ 775 | \$ 550 |
| INO | \$ 400 | \$ 200 |
| PHI | \$ 250 | \$ 125 |
| THA | \$ 170 | \$ 100 |
| VIE | \$ 250 | \$ 150 |
| | \$ 1,845 | \$ 1,125 |

Total CIF CoFinancing for the region
\$ 1.8 billion

CTF CoFinancing to be administered by ADB
\$1.1 billion

Strategic Climate Fund (SCF)

| SCF Window | Country | Total SCF Funding for SPCRs/IPs | SCF Funding Administered by ADB |
|--------------|---------|---------------------------------|---------------------------------|
| PPCR | BAN | \$ 110 | \$ 71.5 |
| | CAM | \$ 86 | \$ 86 |
| | NEP | \$ 110 | \$ 47.2 |
| | PAC | \$ 10 | \$ 4 |
| | PNG | \$ 25 | \$ 25 |
| | TAJ | \$ 75 | \$ 21.4 |
| | TON | \$ 15 | \$ 15 |
| | | \$ 431 | \$ 270 |
| SREP | MAL | \$ - | \$ - |
| | NEP | \$ 40 | \$ 23 |
| | | \$ 40 | \$ 23 |
| FIP | INO | \$ 30 | \$ 17.5 |
| | LAO | \$ 30 | \$ 13.3 |
| | | \$ 60 | \$ 31 |
| Total | | \$ 531 | \$ 323 |

Total SCF CoFinancing for the region
\$550 million

SCF CoFinancing to be administered by ADB
\$366 million

Thank you

For further information contact:

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Regional and Sustainable Development Department
www.adb/climate-change.org

