



CAP's Priorities for International Climate Finance

A Guide to Keep Us on Track to Stabilize Global Temperatures

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Climate finance that helps developing countries control their emissions and adapt to the effects of climate change is a key component in the fight against global warming. This year's U.N. climate summit in Durban, South Africa made major progress on climate finance when it yielded a final implementing document for the Green Climate Fund that will launch in 2012.

This fund's creation is the first step to fulfilling the pledges developed countries made at the previous Copenhagen and Cancun climate summits to deliver \$100 billion annually by 2020 for mitigation and adaptation efforts in developing countries, which will bear the brunt of climate impacts in the future as well as pump increasingly more emissions into our atmosphere as their economies expand.

As the fund becomes a reality over the next year, the most important question is setting an immediate agenda to use it most effectively in deploying mitigation and adaptation solutions around the planet. In the short term the fund can be used to ramp up funding on the way to helping mobilize \$100 billion that can help reduce emissions through the rest of this decade.

The Center for American Progress previously set out such an agenda in a report released last year with the Alliance for Climate Protection (based on analysis by Climate Advisers and Project Catalyst). We recommended a "ramp-up" period to increase public and private investment from 2013 to 2020 designed to bridge the gap between the "fast start finance" period—the \$30 billion pledged from 2010 to 2012 at the 2009 Copenhagen climate summit—and the target for \$100 billion in climate finance by 2020. We think this is a more practical way to achieve the 2020 target than simply scrambling toward \$100 billion by 2020 with no targets in between.

The report provides concrete goals for scaling up investment in critical areas including clean power, energy efficiency, land use, and adaptation in developing countries, and it specifies the increases in public and private investment necessary until 2020.

As a first installment our analysis demonstrates that an additional \$30 billion per year until 2015 is necessary to stay on a plausible path to stabilize temperature increase at 2 degrees Celsius over pre-industrial levels by 2020, which is what scientists say we need to avoid the worst impacts of global warming. Our report shows that financing this amount will sufficiently accelerate emission reductions around the world that can address the ambitious gap between what most countries have agreed to do by 2020 and the mitigation efforts needed to give the world a shot at climate safety.

Revisiting the goals of that report, which we do below, will help us plot a near-term ramp up for the Green Climate Fund, which plays a role in hitting the ramp-up target.

From the Copenhagen pledges to 2 degrees

The 2009 Copenhagen Accord created the global goal to limit temperature increases to 2 degrees Celsius above pre-industrial levels. By the end of January 2010 more than 80 countries—developed and developing—had submitted their list of greenhouse gas mitigation policies they were willing to take by 2020 in response to this goal.

As we demonstrated previously, these pledges can be divided roughly into two categories: the “low” and “high” Copenhagen scenarios. The low pledges are the reductions parties are willing to take unilaterally on their own with no external cooperation or finance. The high pledges are the reductions parties are willing to take if certain conditions are met, such as financial help to increase that ambition.

If both the high and low emission reduction pledges from Copenhagen are met, then two-thirds of the needed reductions will be achieved by 2020 consistent with staying on a pathway to stabilize temperature at the 2 degree target. But, of course, that doesn't guarantee that this target would be met.

A 2013-2015 finance agenda

Our 2010 report with the Alliance for Climate Protection iterates the investments needed in developing countries to keep a 2 degree pathway viable out to 2020. The report takes into account the finance already committed by parties through the low Copenhagen pledges, since the low pledges are unconditional and those parties submitting them have already signaled that they can pay for them.

Our view is that it is better to start with concrete reduction goals tied to our overall mitigation targets by the end of the decade rather than a simple race to raising \$100 billion annually by 2020.

As a first step toward that goal, we identified investment targets in our report in renewable power, energy efficiency, and forestry and land use change in developing countries that would be required by mid-decade to keep the 2 degrees Celsius target in sight by 2015.

FIGURE 1
Overview of reduction requirements for 2015

2015 objectives (beyond BAU)		
	Abatement Gt CO2e	Description
Power	0.4	<ul style="list-style-type: none"> Install additional 125 GW of low carbon power on top of BAU additions of 145 GW low carbon
Energy efficiency and process reductions	1.4	<ul style="list-style-type: none"> Deliver 2K TWh annual energy savings 4% of BAU Use process efficiency levers to achieve 0.3 Gt abatement
Forestry and land use	2.0	<ul style="list-style-type: none"> Reduce deforestation by 20% equivalent to 3 mHa Improve agriculture processes for 7% of total agriculture land, ~260 mHa to be improved Reforest/afforest ~55 mHa land
Adaptation	NA	<ul style="list-style-type: none"> Develop national adaptation strategies and national adaptation plan implementing agencies for all of the most vulnerable countries Invest in key demonstration activities for various sectors, for example, new disaster risk reduction systems, climate-resilient infrastructure and agricultural products

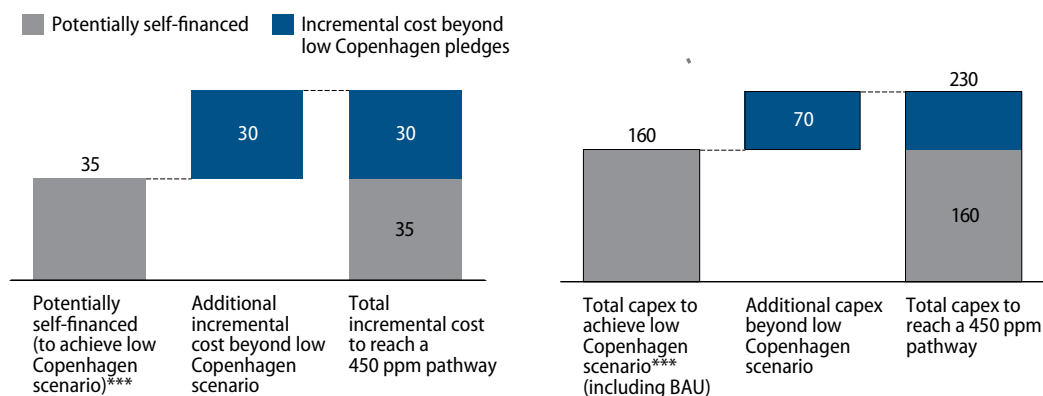
Source: Global GHG Abatement Cost Curve v2.1; Project Catalyst analysis

The total international financing needs for achieving these policy recommendations are an estimated \$30 billion per year by 2015 in public or market financing to cover the incremental costs (or continual operational costs) of climate action and \$70 billion per year during the same period in capital investment. These figures assume that developing countries will self-finance domestic action consistent with the level of effort needed to achieve the low-end of their Copenhagen mitigation pledges.

FIGURE 2
Financing support can accelerate the transition to meet 2013–2015 objectives (indicative)

Developing countries will require \$30 bn in incremental cost to reach a 450ppm pathway in 2015*

Developing countries will require ~\$230 bn in capital investment to reach a 450ppm pathway in 2015**



* Excludes adaptation costs

** Excludes adaptation capex and savings from demand/reduction avoided capex

*** Assumed to be pro-rata based on 2020 targets

Source: Global GHG Abatement Cost Curve v2.1; Project Catalyst analysis

With the Green Climate Fund coming online, but still years away from achieving its goal of mobilizing \$100 billion annually, a combination of more limited donations to that fund from individual countries, combined with unilateral allocations from public sources such as traditional bilateral development assistance (depending on the preferences of each donor party), should aim to ramp up total financing available from \$15 billion in 2013 to \$25 billion by 2015. Additional funding to hit the 2015 goal can come from existing carbon markets, existing development bank lending, and private finance.

FIGURE 3
Recommended Financing Objectives from Different Sources for 2013–2015
(in billions)

	2013	2014	2015
Public financing	\$15	\$20	\$25
Carbon markets	\$5–\$10	\$5–\$10	\$10–\$20
Development bank lending	\$10–\$15	\$10–\$15	\$15–\$20
Private financing	\$40–\$120	\$40–\$120	\$60–\$160

What is needed now is a firm commitment by the international community to move from the mere creation of the Green Climate Fund next year to sourcing it as early as 2013, while staying consistent with agreed-upon goals which are clear with respect to the greenhouse gas reduction goals that we hope to achieve over this time period. This will require a discussion of sources of cooperative climate finance that were not on the agenda at Durban but must be addressed as we move toward the next U.N. climate summit next December in Qatar.

The report concludes by taking on the next challenge—which was discussed but not resolved at the Durban meeting—namely, finding sources for this additional finance.

Andrew Light is a Senior Fellow and Director of International Climate Policy at American Progress.

See also: [The Green Climate Fund Is Good for Business and the Environment](#) by Richard W. Caperton