10

things to know about climate finance in 2013

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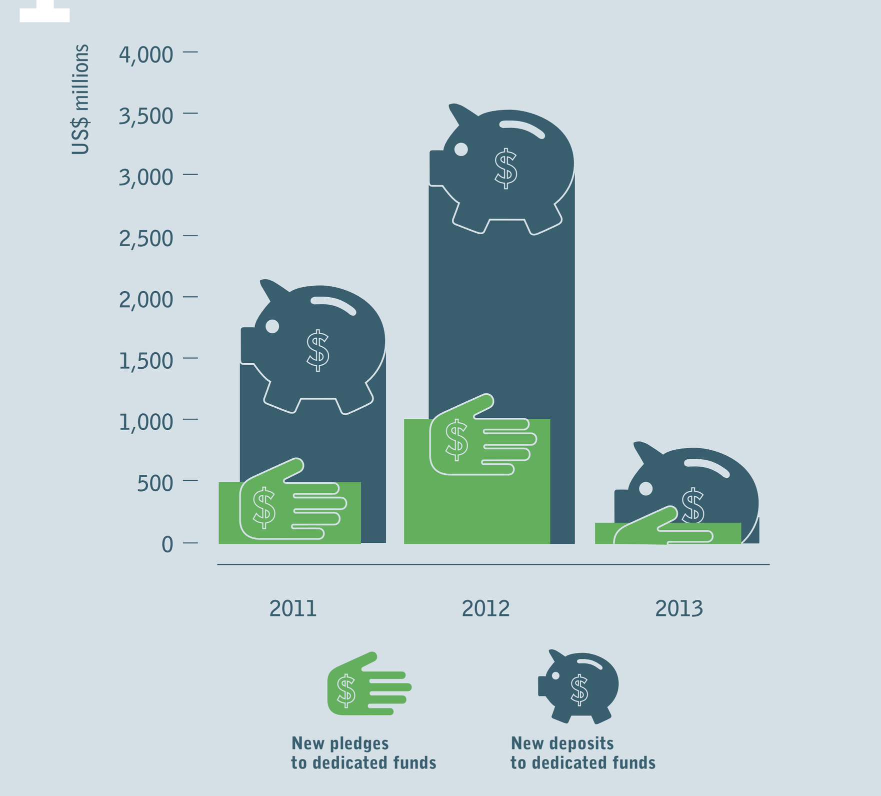
Highlighting the ten most noteworthy insights from our efforts over the past year to monitor climate finance on Climate Funds Update (CFU).

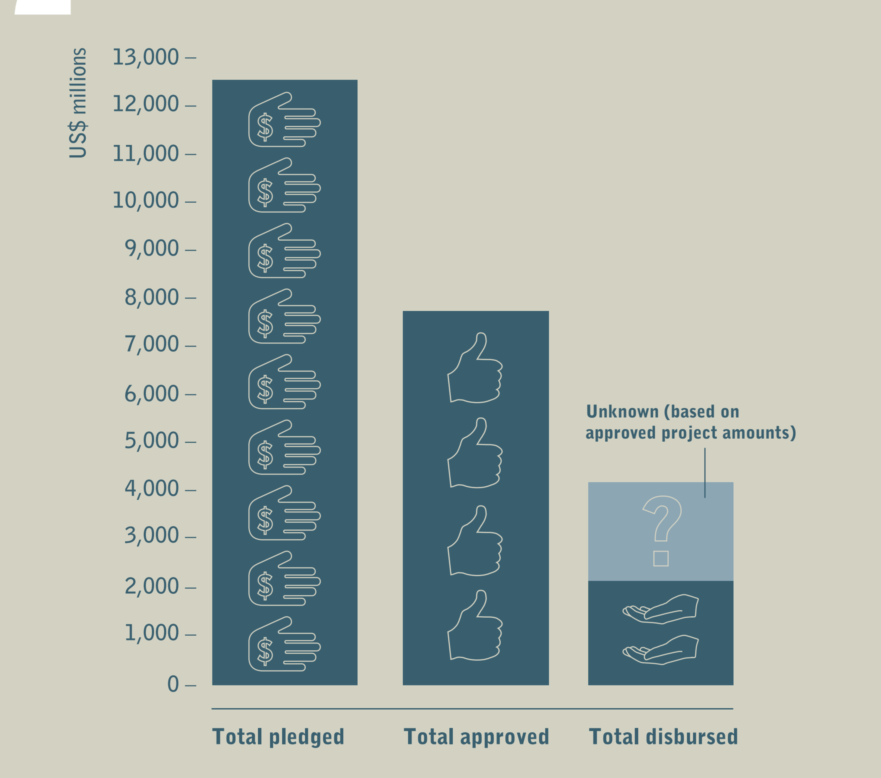
1 Pledges to climate funds fell by 71%



Pledges to climate funds in 2013 are 71% lower than they were in 2012 (so far)

New pledges and deposits were made to multilateral climate funds in 2013, but the US$ 356 million of new finance pledged as of October 2013 was 71% lower than the US$ 1.21 billion pledged in 2012. New pledges are often announced during or right before the UN Climate Convention (UNFCCC) conference of the parties, and are not included in this figure. But this suggests that new commitments of public climate finance to multilateral climate funds may be slowing after reaching a high point during the Fast-Start Finance period, despite global commitments to scale up climate finance from both public and private sources.

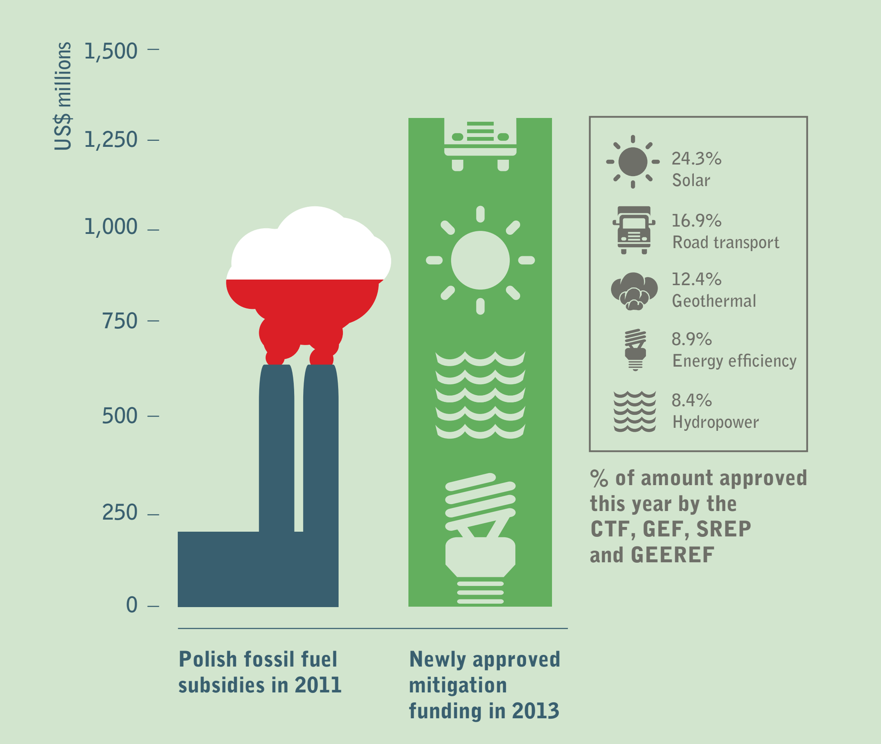
2 Nearly 60 cents of every US$ 1 pledged has been approved for viable projects



Nearly sixty cents out of every dollar pledged has now been approved for viable projects

Climate funds are making progress in allocating available funding. 58% of funding pledged between 2003 and 2013 has now been approved for viable projects (meeting set objectives and standards). On the other hand, it is unclear how much of this funding has actually been disbursed to recipient country institutions. A lack of reporting on disbursement affects our knowledge of climate finance and makes it difficult to understand whether and why delays are happening, and who is actually benefiting from delivered finance. Nevertheless, the approval rate since 2012 has increased substantially, suggesting greater efficiency, and potentially some strengthened capacity in developing countries to implement projects.

3 Poland spends almost as much per year on fossil fuel subsidies as climate funds spend globally on mitigation

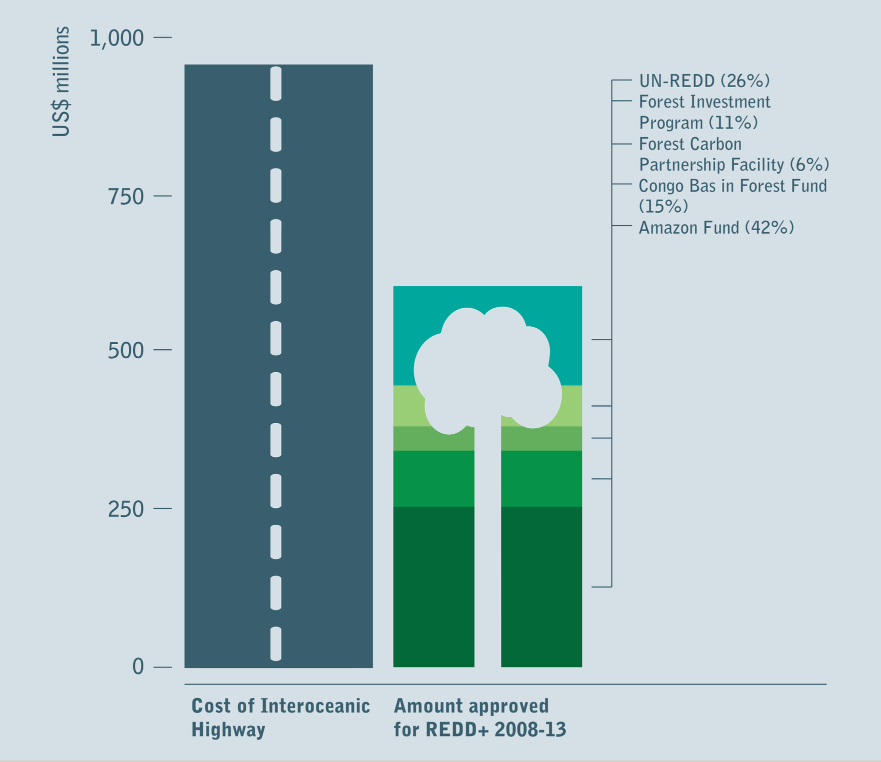


Approved spending for mitigation in the entire developing world in 2013 was only slightly higher than Poland's annual spending on fossil fuel subsidies

Dedicated climate funds approved US$ 1.26 billion in new projects this year. Nearly a quarter of this money funded large-scale solar energy projects – primarily through the Clean Technology Fund.* In addition, US$ 213 million has been allocated to reducing the carbon intensity of urban transport in large developing-country cities as well as US$ 150 million for a geothermal energy project in Indonesia. But the amount of mitigation funding approved for all developing countries was only 15% larger than the amount that the 2013 COP host Poland alone spent on fossil fuel subsidies in 2011. Meanwhile, the need to reform global subsidies to align with climate change mitigation objectives is urgent. In addition, reduced public spending on fossil fuel subsidies could free up much needed finance to invest in climate change solutions.

*Includes CTF projects that have not yet been approved by Multilateral Development Banks.

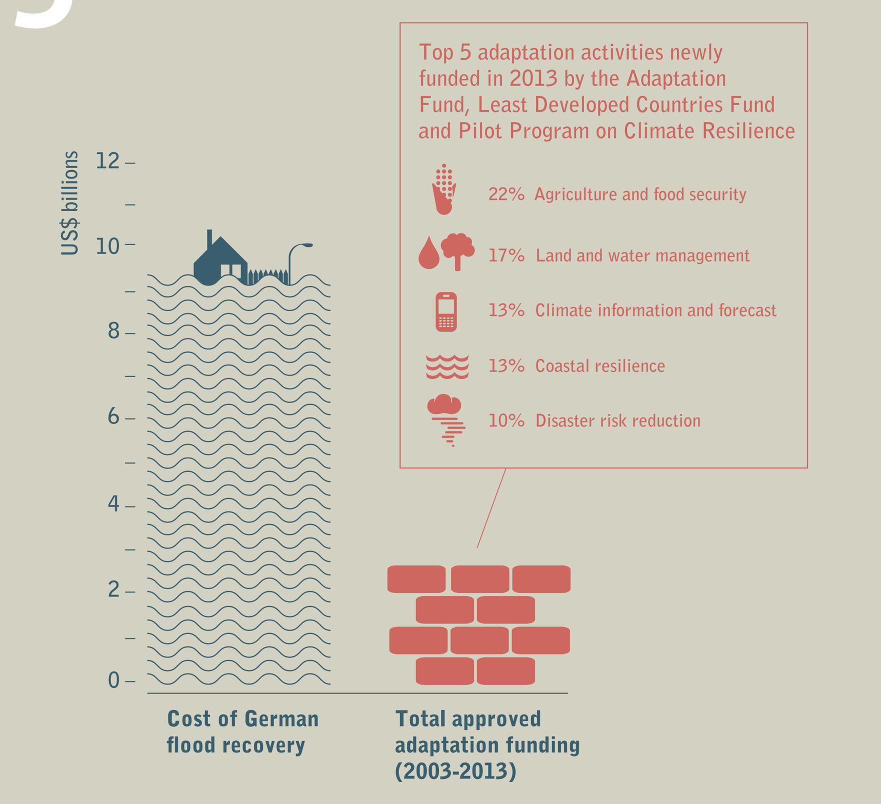
4 One highway in the Amazon cost more than the entire budget for REDD+



Funding to reduce emissions from deforestation and degradation grew to a total of US$ 647 million in 2013, less than was spent on a single highway through the Amazon

Dedicated multilateral funds have received a considerable amount of finance for Reducing Emissions from Deforestation and Forest Degradation (REDD+). Wider changes in policy and spending will be necessary, however, if deforestation is to be avoided. For instance, at least US$ 925.1 million was spent on building the Interoceanic Highway through the Amazon, which links Peru and Brazil. Road building can bring substantial economic benefits, but is one of the most significant factors leading to deforestation.

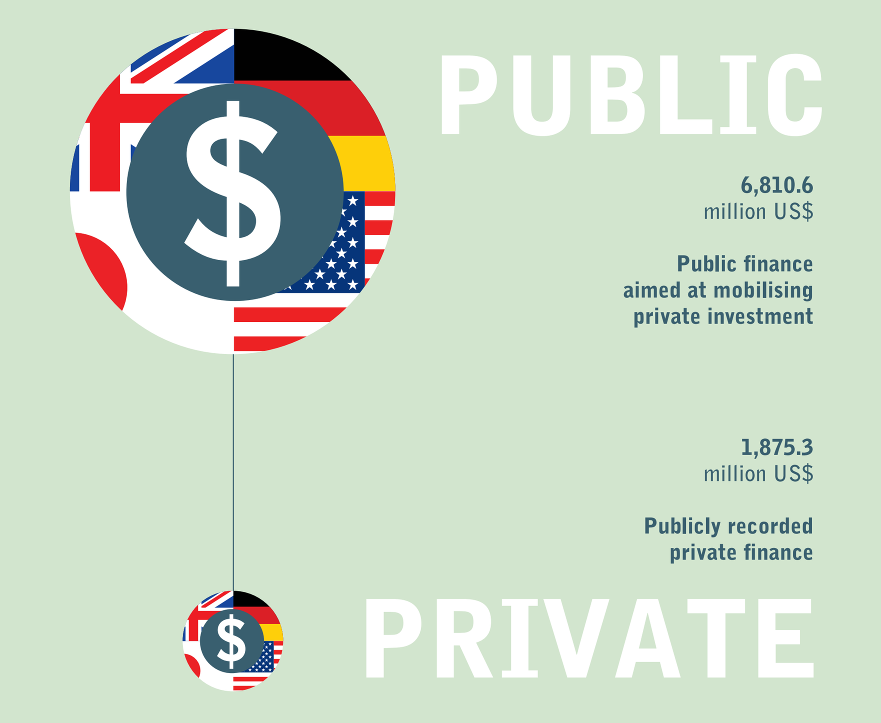
5 Adaptation fund spending since 2003 is a quarter of the 2013 German flood response



Funding in response to German flood damage in 2013 was four times higher than the total sum of funding to help developing countries adapt to climate change since 2003

Adaptation spending continues to increase (albeit from a low baseline), but is dwarfed by spending required in response to climate-related disasters. Approximately US$ 2.8 billion has been approved for adaptation projects since 2003 through the multilateral and bilateral funds monitored by Climate Funds Update. This is less than a quarter of the US$ 10.9 billion made available by the German government to respond to flood damage in May 2013. Projects funded by multilateral adaptation funds this year have focused on agricultural and land management activities. There have also been increases in funding for climate monitoring systems, coastal resilience and disaster risk reduction (DRR).

6 Public funding has not yet attracted as much private investment as expected

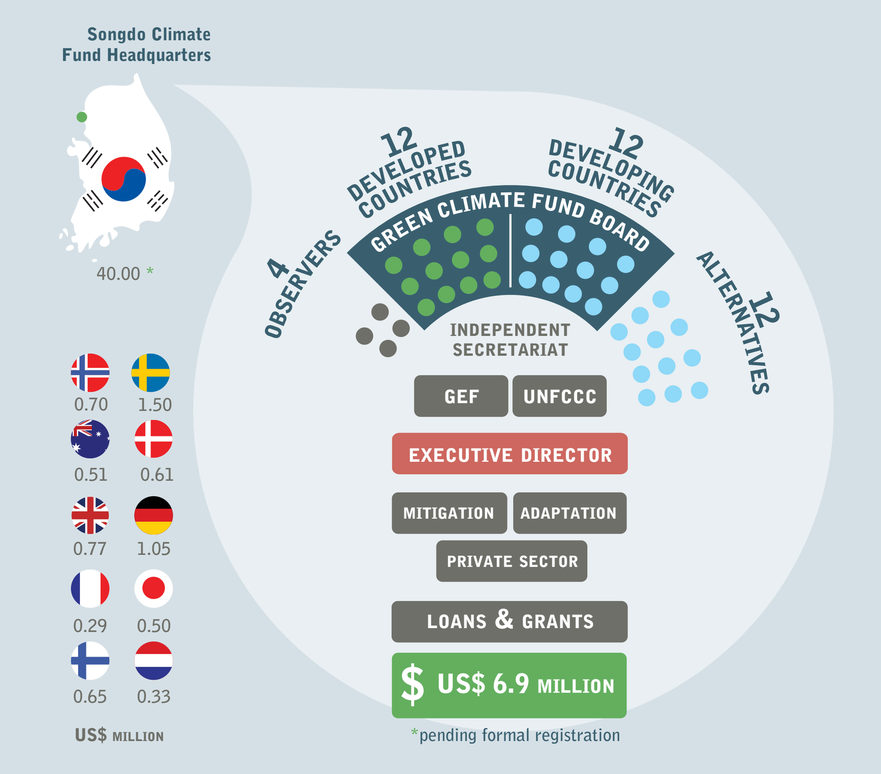


Public funding has not yet attracted as much private investment as expected: for every US$1 spent between 2010 and 12, only US$ 0.25 of private finance had been drawn in as of the beginning of 2012

One set objective for public climate finance has been to mobilise co-finance and incentivise private investment in mitigation and adaptation activities. During the period 2010-2012, at least US$ 6.8 billion of public finance from Japan, the US, Germany and the UK was spent with this express objective, but ODI's review of publicly available data suggested that as of the beginning of 2012 only US$ 1.7 billion in private finance had been raised.* Many of these programmes are still in their early stages, so it is too soon to reach definitive conclusions. Furthermore, there is often limited disclosure on these initiatives for business confidentiality reasons. This can make it hard to understand how best to use public finance to attract private finance to tackle climate change.

* The US reports leveraging US$ 2.7 billion through the Overseas Private Import Corporation's investments as of 2013, however.

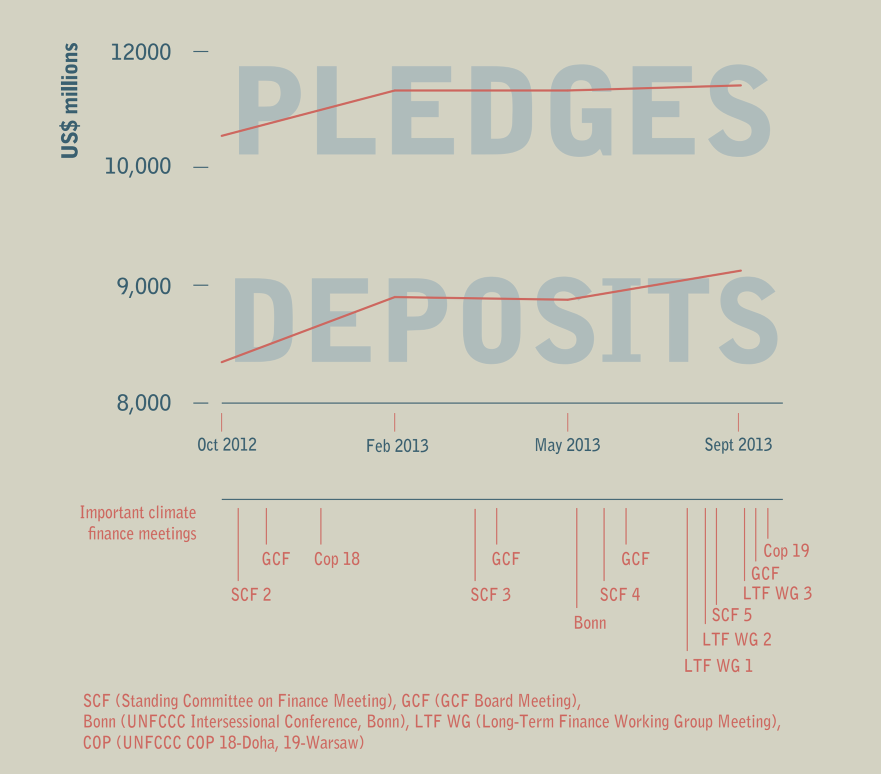
7 Korea has pledged more to the Green Climate Fund — US$ 40 million — than any developed country



Korea has pledged the most to the Green Climate Fund to date – US$ 40 million – ahead of all developed countries

Work to design the Green Climate Fund (GCF) has continued in 2013, with intensive deliberation over its business model. There has been particular interest in the role that it might be able to play in supporting private-sector investment. The process has taken time, and there is not enough clarity on the levels of funding that will be entrusted to the Fund. Progress was made in appointing an executive director, establishing an independent secretariat and identifying options to support 'readiness' activities to prepare countries to make effective use of GCF resources. A growing number of countries have committed significant funding to support the design and operationalisation process. In 2013, its host country Korea pledged US$ 40 million to the fund, although this has yet to be formally registered with the GCF trustee. The pledge is particularly significant given that Korea is a developing country with no obligations to provide climate finance under the UNFCCC.

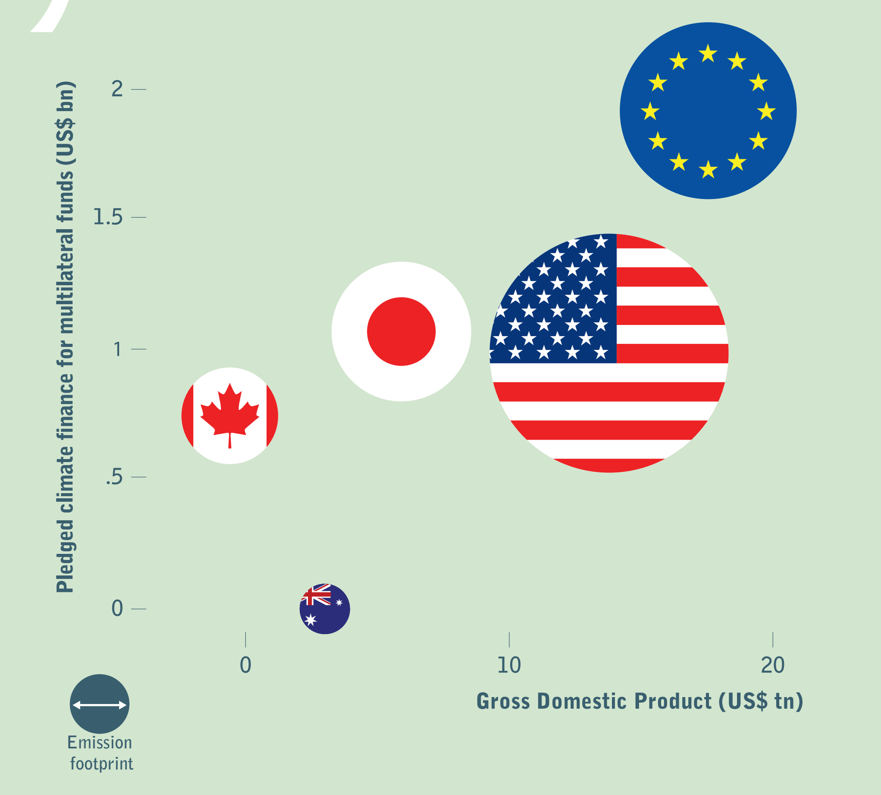
8 The future of Long-Term Finance is uncertain



Despite many meetings, we still don't know where Long-Term Finance – which is supposed to deliver US$ 100 billion by 2020 – will come from

It has been a busy year for the international community on climate finance, given that the 2012 Doha COP at the end of the Fast-Start Finance period did not clarify mid-term goals for scaling up finance. In 2013, a work programme on Long-Term Finance (LTF) was extended into a second year, with a goal of offering technical insights on how to scale up climate finance. In addition, the Standing Committee on climate Finance (SCF) continued to meet, aiming to take stock of the current investment architecture for climate change, promote coherence and coordination and measure and verify finance delivered. In parallel, the board of the Green Climate Fund (GCF) has also continued to meet. But so far, the UNFCCC negotiations have proceeded without definitive outcomes. Clarity is needed on the public contribution to scaling up long-term investment in climate change activities. The 2013 COP in Warsaw has the potential to send a strong signal on this.

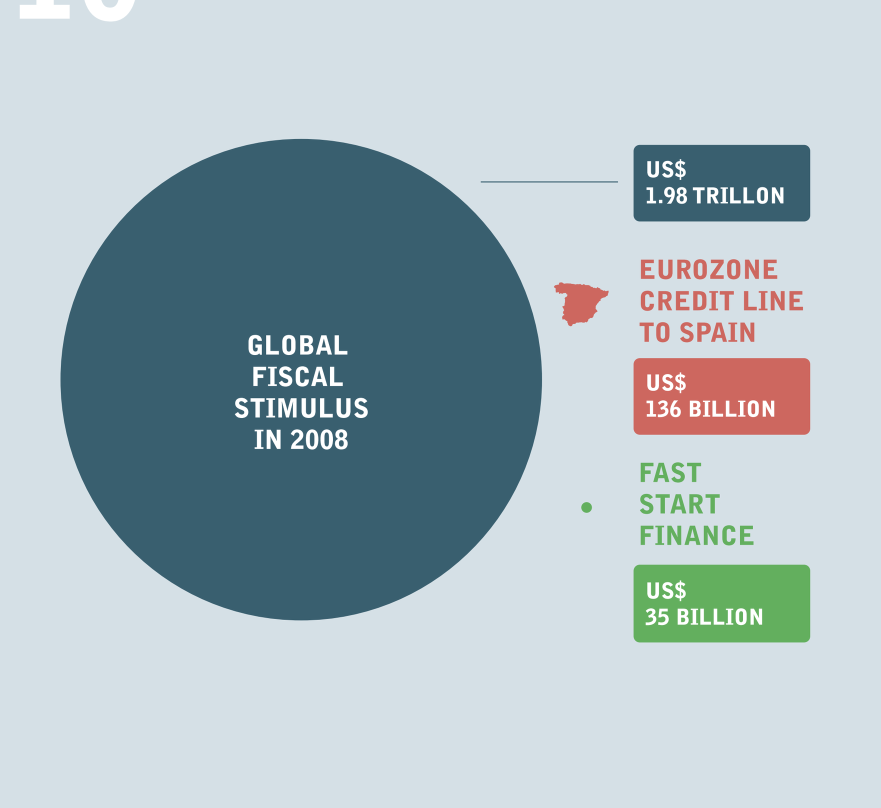
9 Europe has championed multilateral climate funds



Despite increasing austerity, Europe remains a leader on climate finance, providing 61% of total funds for multilateral finance to date

European countries have been the largest contributors to multilateral climate funds as of October 2013, delivering US$ 3.4 billion since 2008. They also provided US$ 9.77 billion in Fast-Start Finance between 2010 and 2012. Most of this finance was made available as grants and capital grants, and offered to countries on a concessional basis, with the potential to help meet the additional costs of investments in climate change. The largest contributors were the UK and Germany. This funding has been delivered despite significant economic challenges and fiscal austerity. Furthermore, reporting on climate finance coordinated by the European Union has increased transparency by ensuring project-level disclosure on how much finance was provided, the instruments used and the channelling institutions. This leadership has been important and positive. It needs to be sustained in pursuit of an ambitious global agreement on climate change by the next European COP in Paris in 2015.

10 Fast-Start Finance was less than 2% of what we spent responding to the 2008 financial crisis



Total spending on Fast-Start Finance represents just 1.76% of global funding to respond to the 2008 financial crisis

Ultimately, climate finance aims to support the paradigm shifts necessary to realise climate-compatible development; an enormous and ambitious undertaking. But the volume of climate finance being spent in developing countries is tiny in comparison to public spending on economic reconstruction and stimulus packages. The US$ 35 billion in public finance that countries delivered during the FSF period is less than one third of the US$ 136 billion offered by the Eurozone countries as a credit line to Spain in 2012 to help it deal with its economic challenges. It is also equivalent to only 1.76% of the US$ 1.98 trillion in global economic stimulus spending to respond to the global financial crisis. Addressing climate change needs to be central to global economic recovery efforts, and support for developing countries needs to be a priority.

Climate Funds Update

HEINRICH BÖLL STIFTUNG NORTH AMERICA

ODI

CFU is a joint initiative of the Overseas Development Institute (ODI) and Heinrich Böll Stiftung (HBF). Since 2009, we have monitored dedicated public climate funds from the point when donors pledge support, through to the actual disbursement of finance for projects in developing countries.

www.climatefundsupdate.org