

Implications of Financial Flows Overview

What do you see

1. A flowchart that gives an overview of current financial flows from Annex 1 to non-Annex 1 countries, including pledged funding. Amounts pledged and available have been normalised by dividing the amounts through the five years of the first commitment period. This makes it possible to compare the UNFCCC finance figures for 2030 with current figures.
2. A flowchart comparing current funding (pledged and actually available) with future needs.
3. An Excel sheet in which finance and investment figures comparing available funding with needs are analysed. It includes options for scaling up funding. This is the background for the flowcharts.

GAP analysis flowchart

Non-Annex 1 countries will need at least US\$133 billion in 2030 for mitigation and adaptation. Currently a maximum of \$25 billion is expected to be available – including CDM, Adaptation Fund and pledged funds.

Conclusions

Comparing future financial needs for mitigation and adaptation in developing countries, with finance expected to be available in the first commitment period of the Kyoto Agreement, illustrates that there is a gap of \$108 billion a year. To breach this gap between the finance needed and the finance expected to be available, funding needs to be increased by at least a factor 4.

While the financial needs for mitigation and adaptation in developing countries are roughly equal, the currently available finance strongly favours mitigation measures. The difference between finance expected to be available and what is needed is a factor 3 for mitigation finance and a factor 62 for adaptation finance. (Adaptation finance needed in 2030: \$67,63 billion a year, adaptation finance expected to be available in first commitment period: \$1,09 a year. Increase of factor 62 needed. Mitigation finance needed in 2030: \$65,30 billion a year. Mitigation finance expected to be available in first commitment period: \$22, 74 a year. Increase of factor 2.87 needed).

Policy proposition

- Finance and investment for mitigating and adaptation measures in developing countries should be substantially increased.
- Adaptation funding should be a political priority in the Poznan negotiations because the difference between what is expected to be available and the need is largest.

CDM

CDM can potentially provide a substantial amount of finance necessary for non-Annex 1 mitigation needs. This is especially true if leveraged finance is included. The distribution among recipient countries is structurally unequal (75% of CER from just three countries).

Conclusion:

- Without reform and added criteria, CDM will continue to benefit only large countries.
- Without clear steering, there is a real possibility that new funds will follow the CDM trend in favouring large countries.

Policy Proposition:

A political priority for Copenhagen should be reform of the CDM so that the benefits can be spread more equitably.

New Funds

The amount of pledged and available funding outside the UNFCCC (+/- \$5,15 billion) is almost double that within the UN system (+/- \$1,55 billion).

There is a large diversity of funds outside the UN system.

Conclusion:

- There is a real danger that UN negotiations can become sidelined by new funds that have a larger influence through delivering “hard cash”
- Diversity of funds can lead to inefficiencies

Policy Proposal:

A decision should be made concerning the relationship between funds outside the UN process and the COP.