Adaptation Finance

The status of climate finance: key issues for Africa

The Energy and Resources Institute

...towards global sustainable development
Contents

• Issues in Adaptation Finance: the African Context
  Recent estimates of Adaptation Costs; Adaptation Finance for Africa; Proposals to generate Climate Finance; conclusion.

• Methods to raise Finance for Adaptation
  The nature of Finance for Climate action; Interaction of business and financial models in implementing adaptation or sustainable development projects; Climate finance flows to developing countries in 2009-10 (in US$ billion);

• Key strategies and options for African negotiators
Recent estimates of adaptation costs for developing countries

<table>
<thead>
<tr>
<th>Assessment</th>
<th>Estimated adaptation costs in developing countries (billion USD per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNFCCC (2007)</td>
<td>27-66</td>
</tr>
<tr>
<td>Parry et al (2009)</td>
<td>(more than) 54-140</td>
</tr>
<tr>
<td>Project Catalyst (2009)</td>
<td>25-76</td>
</tr>
<tr>
<td>World Bank (2010)</td>
<td>75-100</td>
</tr>
</tbody>
</table>

Recent estimates of adaptation costs for Africa (per year by 2030)

Possibly increasing to US$ 60 billion

Watkiss et al (2010)
Watkiss et al (2010) including operational adaptation etc.
World Bank
Grantham Institute for Climate Change and the Environment
Application of 2x-3x multiple to Africa as suggested by Parry et al (2009)
Satterthwaite and Dodman (2009)
Fankhauser and Schmidt Traub (2010) - to 2020

First generation studies
Second generation
Third generation - adjusting for current adaptation deficit
## Adaptation finance for Africa

(in US$ million, as on 28 March 2012)

<table>
<thead>
<tr>
<th>Fund/Programme</th>
<th>Total pledged</th>
<th>Approved for Sub-Saharan Africa</th>
<th>Disbursed to Sub-Saharan Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dedicated funds for adaptation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adaptation Fund</td>
<td>116</td>
<td>34</td>
<td>6</td>
</tr>
<tr>
<td>Pilot Programme for Climate Resilience</td>
<td>1208</td>
<td>73</td>
<td>1</td>
</tr>
<tr>
<td>Special Climate Change Fund</td>
<td>217</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>Least Developed Countries Fund</td>
<td>415</td>
<td>107</td>
<td>75</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>1956</td>
<td>234</td>
<td>98</td>
</tr>
<tr>
<td><strong>Other funds for adaptation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Climate Initiative</td>
<td>851</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Global Climate Change Alliance</td>
<td>226</td>
<td>60</td>
<td>3</td>
</tr>
<tr>
<td>GEF Trust Fund - climate change focal area (GEF5 2010-14)</td>
<td>1.5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>1079</td>
<td>73</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3035</td>
<td>307</td>
<td>102</td>
</tr>
</tbody>
</table>

Source: Climate Funds Update website

Note: GEF5 figure shows funding marked for multiple foci (not specifically adaptation).
Selected proposals to generate climate finance

- **Bunker fuel emissions tax**
- **Norwegian proposal: auction allocations**
- **ET levy**
- **Brendenkamp and Patillo (2010): SDRs and green bonds**
- **Silverstein (2010): Rising global carbon tax**
- **Swiss proposal: global carbon tax**
- **Ward (2010): 2-tier debt-equity model**
- **Border cost levelling**

Source: Adapted from Hof et al (2011) and others
Methods to raise Finance for Adaptation

• Making Adaptation Finance investment grade
• Risk management for Mobilizing Finance for Adaptation
• Characterization of risk
• The role of Real Options
• The role of Financial Gradients
Interaction of business and financial models in implementing adaptation or sustainable development projects
Climate finance flows to developing countries in 2009-10 (in US$ billion)

Key strategies and options for African negotiators

• Raising funds
• Accessing a range of financing sources to scale up adaptation
• Managing risks to attract private capital (or investment grade finance)
• Offering a pipeline of projects
Thank You !!

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