

An Alternative Approach to Climate Finance

What Do We Want?

Overarching Commitment: 1.5 degrees C

What is Objective?

- «Carbon Free» by 2050 (primary energy)
- Protect Natural Carbon Sinks and Resource Consumption (esp water) through Reform of Agriculture

What do We Want for Developing Countries?

- We want to develop the industries of the 21st century in the global South
- We want to co-develop and co-own the technologies of the 21st century
- We want to manufacture these technologies in the global South

Will International Finance Help?

AGF Estimates of Potential Sources of Carbon Finance

A. Revenues linked to Carbon Pricing (assuming \$20-25\$/ton CO2 equivalent)

<i>Est Ann Rev</i>	<i>Source</i>
\$30 bn	Auctions of emissions allowances and domestic carbon taxes
\$10 bn	International transportation (air and shipping)
\$10 bn	Redirecting fossil fuel royalties
\$10-20 bn	Private net flows
\$30-50 bn	Increased carbon market flows
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\$90-120 bn	Total flows dependent on carbon pricing - int'l transfers only

B. Additional Sources -- for which no fixed numbers were provided in the main part of the report

<i>Est Ann Rev</i>	<i>Source</i>
1.1X <u>or</u> 3-4X	Net or gross flows from \$\$ channeled/leveraged through MDBs
No figure	Direct budget contributions
No figure	Financial transaction taxes
∞	Private flows induced by governmental action

What's Wrong with this Approach?

- Fully multilateral carbon pricing is a non-starter – this is about the MDBs
- Use of Public Funds: Grants vs Loans (Sovereign Debt); mobilizing funds vs financial leveraging
- (Motivated) confusion over the source of credit quality (risk is on borrower)
- Financial approach to de-risking...

Hidden (non-financial) Costs of Renewables

Making a market is challenging:

- Different characteristics of the emerging renewable technologies,
- Different business and pricing models,
- Different grid infrastructures,
- Different cost characteristics,
- Ancillary technologies such as storage, etc.

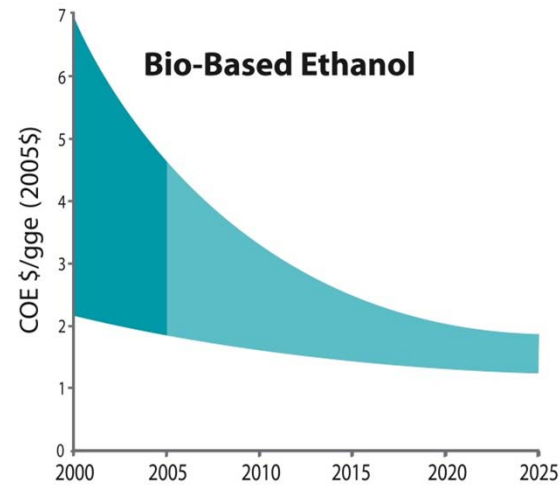
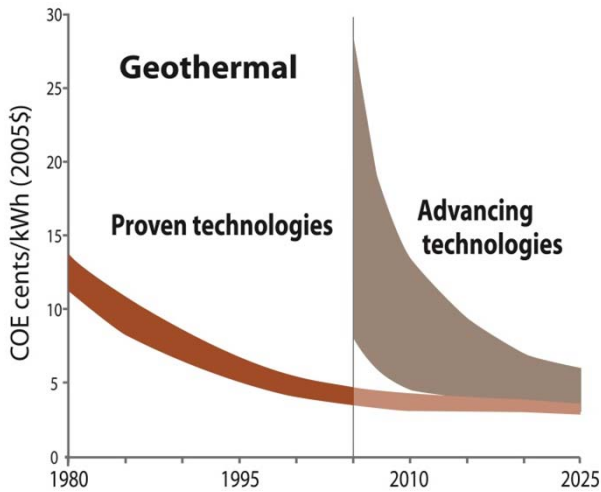
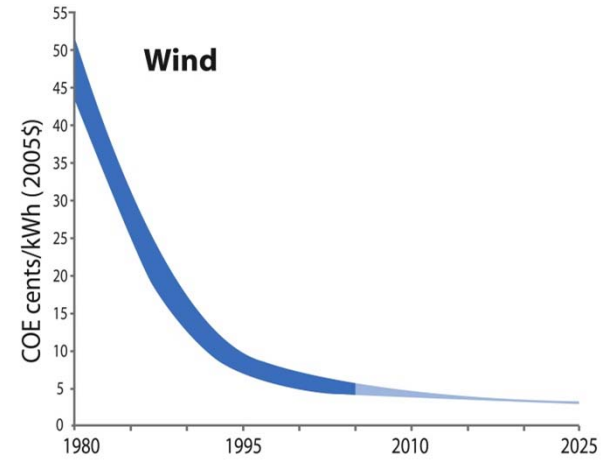
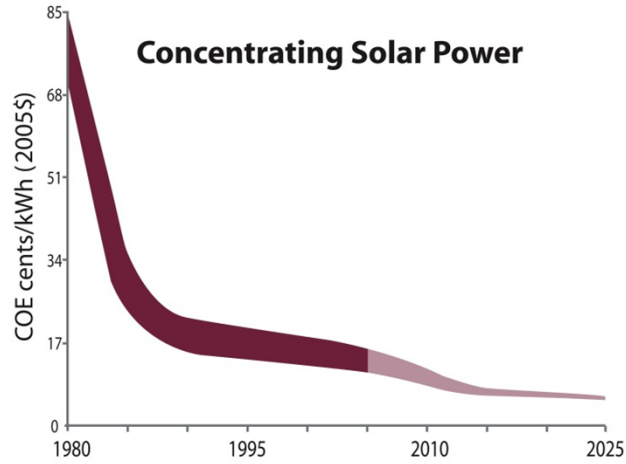
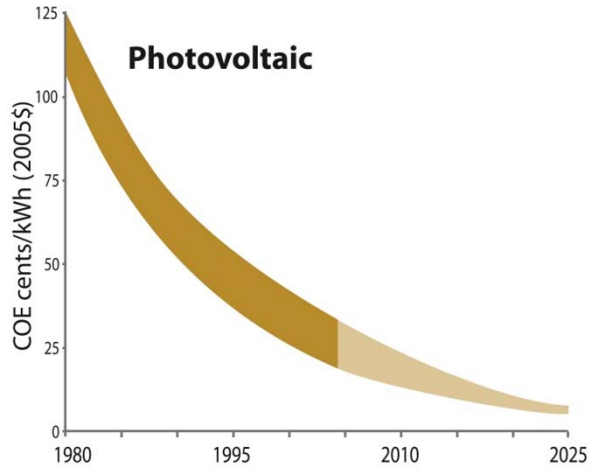
How much money do we need?

Not as much as we may have thought:

- Already, 70 percent of investment in clean energy in the global South;
- We don't have to financialize transfer of technology;
- We can change the economics of production of clean energy...

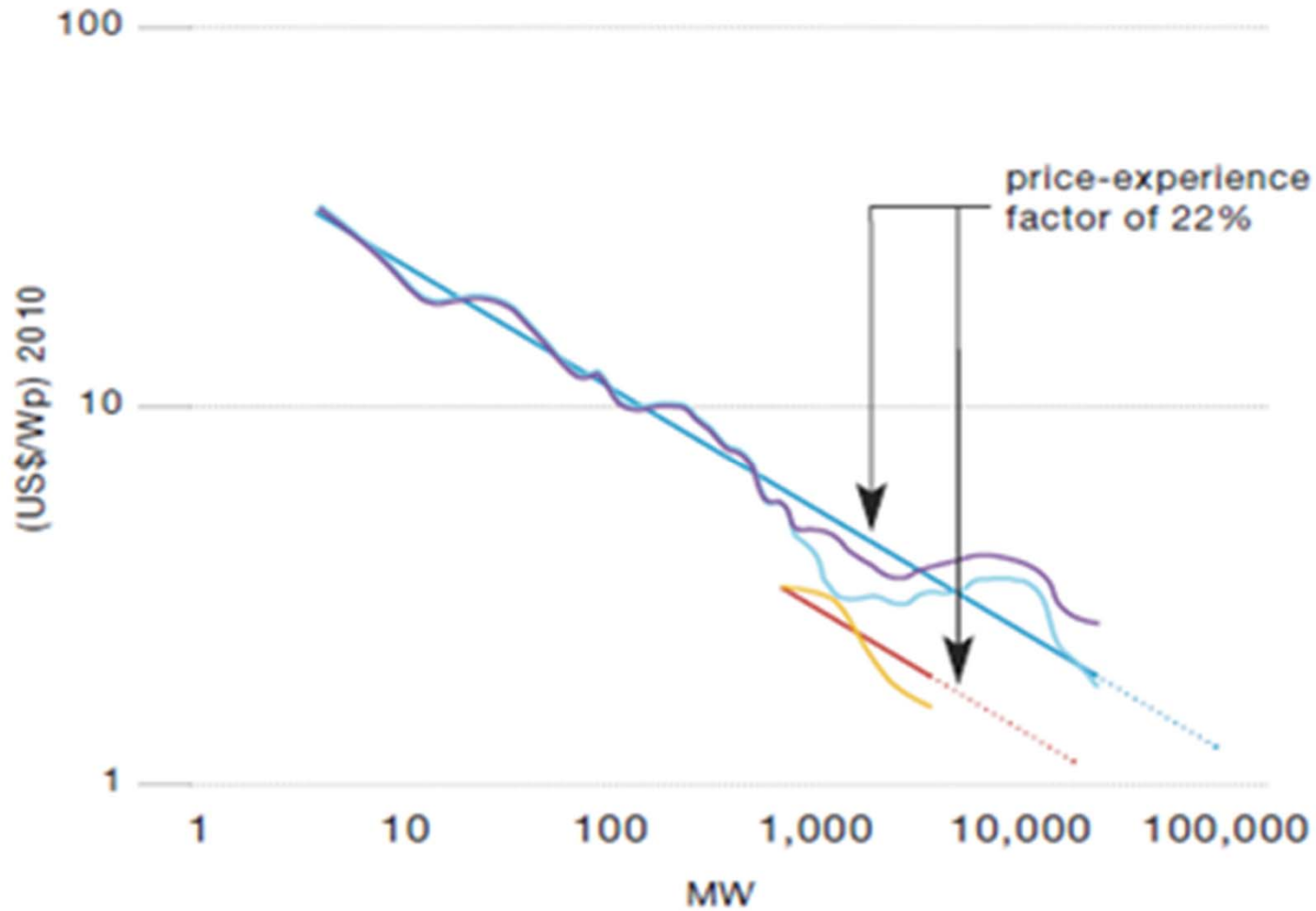
«We» have been at it 40 years.

Levelized cost of energy in 2005 (\$)



Source: NREL (2005)

Rapid and predictable cost reductions for PV modules



So how much will it really cost?

- \$1 trillion (public funding)
- One time
- Over 10 years
- Most of it self-financing.

Elements for Alternative Approach

1. Reposition bargaining on New Terms of Trade

Elements for Alternative Approach

2. Adopt a firm-level, commercial approach to technology sharing – lower transaction costs

Elements for Alternative Approach

3. An open-ended, Convention (under UNFCCC) with a critical mass to achieve market scale.

Elements for Alternative Approach

4. Build out a regionalized infrastructure for knowledge development and experience sharing (CGIAR).

Elements for Alternative Approach

5. Strengthen regional and national financing capabilities.

Elements for Alternative Approach

6. Link international public finance to eco-equity.

Implications for Negotiations

1. Plan beats no plan;
2. We need a second track with our own plan.
3. We need to unleash and combine the two most powerful political forces the South has ever known:

Self-reliance;

and

Solidarity.