

Five Day Capacity Building Program on Climate Finance

BACKGROUND

With the atmospheric concentration of carbon dioxide touching 400 ppm, a temperature rise of 2 °C appears inevitable. Moreover, global greenhouse gas (GHG) emissions are continuing to rise. Large-scale investments will be required to reduce GHG emissions and to adapt to the adverse impacts of climate change. UNFCCC (2007) estimated 0.3 to 0.5% of the global domestic product and 1.1 to 1.7% of the global investment in 2030 would be needed for mitigation and adaptation.¹ World Bank (2010) estimated that only the adaptation costs in developing countries would be on the order of USD 70-100 billion annually between 2010 and 2050, and that estimate is if global warming is limited at 2 °C.² There is, therefore, an increased focus on international climate finance and ways to mobilize additional resources for climate change. According to the United Nations Framework Convention on Climate Change, signed by 165 countries, funds and technology for climate change mitigation and adaptation should be transferred from developed countries to developing countries.³ But in a broader sense, climate finance may refer to local, national, or transnational financing, which may be drawn from public or private sources of financing.⁴ Further, climate finance may be channelled by national, regional, and international entities for projects and programs linked to action on climate change.⁵

Many innovative financing mechanisms are now emerging in addition to the existing international mechanisms. For instance, Green Climate Fund was established to raise USD 30 billion as 'fast-start' climate finance and a further USD 100 billion annually by 2020 as 'long term' commitment on climate finance. This capacity building and training program aims to build an understanding of these mechanisms, including issues pertaining to access of these funds, to enhance the capacity of national and sub-national policy-makers so as to enable participants with knowledge that can be integrated with policy needs and priorities (action plans and strategies) at the national and sub-national levels.

LEARNING OBJECTIVES

This program is designed such that participants:

- Enhance their understanding of climate finance, from the latest in international negotiations to the practical aspects of project finance for climate action.
- Learn about existing climate finance mechanisms and other potential sources of climate finance, including new carbon market mechanisms
- Are exposed to good practices in managing climate finance at the national level
- Are exposed to the subject of project financing and investment risk management

WHO SHOULD APPLY

The program can accommodate around 30 participants, mostly from India and a few from other South Asian countries. The program will be of direct benefit to government officials who have a prominent role in climate finance in their respective countries at the national or sub-national levels, as a practitioner, advisor, or decision maker.

FORMAT

The training program will be in the form of lectures, case studies, experience sharing, and interactive discussions. A negotiating game will also be included in one of the modules.

DETAILED PROGRAM

The program will be conducted in three modules: Module A will provide an introduction to climate finance, Module B will provide an overview of means to access to climate finance, and Module C will focus on practical examples related to project finance and case studies.

¹ UNFCCC, 2007, Background Paper on Investment and Financial Flows to Address Climate Change

² World Bank. 2010. Economics of adaptation to climate change - Synthesis report. Washington D.C.

³ Article 4.7 of United Nations Framework Convention on Climate Change

⁴ UNFCCC's Finance portal accessed at <http://unfccc.int/focus/finance/items/7001.php>

⁵ Barbara Buchner, Angela Falconer, Morgan Hervé-Mignucci, Chiara Trabacchi and Marcel Brinkman (2011) "The Landscape of Climate Finance" A CPI Report, Climate Policy Initiative, Venice (Italy), p. 1 and 2.

Note: The five day capacity building and training program on climate finance will be organized by TERI in partnership with USAID/ADAPT Asia-Pacific Project. The Energy and Resources Institute (TERI) is an autonomous, not-for-profit, research institute established in 1974. Its research activities are in the field of climate change, energy, environment, water, biotechnology, forestry, policy and the whole range of sustainable development issues. Funded through USAID's Regional Development Mission for Asia (RDMA), ADAPT Asia-Pacific (www.adaptasiapacific.org) is designed to share information and best practices about climate fund requirements and help governments build capacity to access the existing pool of climate change adaptation finance from international and other sources.

MODULE A: AN INTRODUCTION TO CLIMATE FINANCE

This module will begin with a general introduction to the science of climate change and the challenges for which financial resources are required. It will then consider the economic analysis of climate stabilization with a special focus on investment required for a 2°C pathway. The second part of the module will focus primarily on intergovernmental cooperation on mitigation and adaptation efforts. It will start with a thorough review of the incentives for compliance and participation in an international climate agreement. It will then examine the multilateral funding mechanisms of the United Nations Framework Convention on Climate Change and the Kyoto Protocol used to deliver finance to address climate change in developing countries. The third part of the module will explore, in great detail, issues related to the mobilization of climate finance. The first session will analyse the potential sources of public finance, with an emphasis on carbon-linked fiscal instruments. The next session will focus on policies and instruments needed to mobilize private investment in mitigation and adaptation. The last session will discuss the main challenges in the design of the funding mechanism of the Green Climate Fund.

- Introduction
 - Climate Change: The scale of the environmental challenge
 - The economics of climate stabilization
 - The economics of adaptation to climate change
- International co-operation to climate change
 - International collective action: The theory
 - A multilateral response to climate change
 - The role of adaptation finance in international agreements
- Generating the funding needed for mitigation and adaptation
 - Potential sources of public finance
 - Policies and instruments to leverage private and multilateral flows
 - Green Climate Fund (GCF)

MODULE B: ACCESS TO CLIMATE FINANCE

Part one of the module will focus on existing and emerging mechanisms at the international level. This will begin with an introduction to Kyoto and non-Kyoto mechanisms for accessing international climate finance, including an overview of the Clean Development Mechanism, Non-Kyoto mechanisms like NAMAs, BOCM and other new market mechanisms, and REDD plus. Part two of the module will focus on governance of climate finance, primarily focusing on governance at the national level. This session will involve discussions on the emerging institutional arrangements at the national and sub-national level through country case studies of India and Bangladesh. Part three of the module will focus on private sector participation. This session will introduce to the emerging role of private sector and highlight opportunities for climate action through the corporate social responsibility framework.

- Kyoto and non-Kyoto mechanisms for accessing international climate finance
 - The Clean Development Mechanism
 - Non-Kyoto mechanisms like NAMAs, BOCM, and other new market mechanisms
 - REDD +
- Emerging institutional arrangements at the national and sub-national level
- Corporate Social Responsibility, an opportunity for climate action

MODULE C: PRACTICAL EXAMPLES AND CASE STUDIES

The first part of the module will begin with an introduction to project finance with practical examples and methods of financing projects; this introductory session will help participants understand important facets of project finance, including aspects such as recourse and non-recourse loans. The second session of this module will be on investment risk assessment for climate-related projects. This session will be a discourse, not only on assessing risks to investments in climate mitigation or adaptation projects, but also on risk management aspects in these projects. The second part of this module will focus on case studies.

- An introduction to project finance: Covering topics like net present value and internal rate of return, financial structuring as decision making tools in finance; project finance
- Investment risk assessment (sustainability risks, regulatory risks, environmental risks etc.) and risk management (including insurance)
- Case studies
 - Case study 1: Decentralized energy systems, contributing to adaptation and mitigation co-benefits
 - Case study 2: A case study of a cost model of a pure mitigation action
 - Case study 3: GEF projects
 - Experience sharing on REDD+

DATE AND VENUE

The five day capacity building and training program on climate finance will be organized by TERI and will be supported by ADAPT-Asia. The program will be held in the week of 22nd-26th July 2013 at TERI RETREAT, Gual Pahari, New Delhi, India.

CONTACT:

Those interested may write to the following contact with a single-page résumé by 10 June 2013. Selected participants will receive confirmations of their participation and more details about the program by 20 June 2013.

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