



Climate Finance Thematic Briefing: Mitigation Finance

Sam Barnard, Alice Caravani, Smita Nakhooda, ODI and Liane Schalatek, HBF

Climate Finance Fundamentals 4

DECEMBER 2014

The need to mitigate the effects of climate change grows more urgent by the year, particularly as progress in making ambitious emission reductions has been slow. Climate finance can play a crucial role in assisting developing countries in making the transition to more environmentally sustainable systems of energy production and use, while also addressing developmental priorities of energy security and energy poverty. CFU data through October 2014 suggests that the largest sources of public finance for climate mitigation in developing countries are the World Bank administered Clean Technology Fund (CTF) and the Global Environment Facility (GEF), while the EU's Global Energy Efficiency and Renewable Energy Fund (GEEREF) and the World Bank's Scaling up Renewable Energy Program (SREP) provide mitigation financing on a smaller scale. 53% of total climate finance since 2008 has been approved in support of mitigation activities in fast growing countries, primarily for the development of renewable energy technologies. The amount of finance approved for mitigating global emissions has grown in the last year from USD 5.72 billion in 2013 to USD 6.63 billion until October 2014.

Overview

There is a global consensus confirmed by the recent 5th Assessment of the Intergovernmental Panel on Climate Change (IPCC) that the temperature rise due to climate change should be restricted to two degrees Celsius if the most dangerous impacts are to be avoided, with the window of opportunity to act closing fast. It is predicted that global greenhouse gas (GHG) emissions would have to decline by 40-70% by 2050 compared to 2010 levels in order to meet this goal (IPCC, 2014). The bulk of the burden for GHG reductions rests on the shoulders of developed countries, but it is also essential that developing countries incorporate climate mitigation into their development plans by pursuing comprehensive low-carbon development strategies. International climate finance can assist developing countries in implementing priority mitigation actions including renewable energy and energy efficiency programmes, and more sustainable transport.

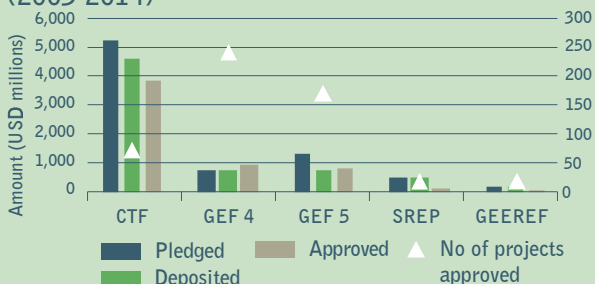
What are the main dedicated climate funds that focus on mitigation finance?

Table 1 presents the dedicated climate funds that primarily support mitigation actions in developing countries. Funds differ widely in the scale of mitigation projects and programs they can accommodate and the number of developing countries they support. For example, the 69 approved projects benefitting just a small number of

Table 1: Funds primarily supporting mitigation (2003-2014)

Fund	Pledged (USD M)	Deposited	Approved	No of projects approved
Clean Technology Fund (CTF)	5,242	4,599	3,840	69
Global Environmental Facility Trust Fund (GEF 4)	754	754	956	240
Global Environmental Facility Trust Fund (GEF 5)	1,350	777	799	232
Global Energy Efficiency Renewable Energy Fund (GEEREF)	170	164	89.07	11
Scaling-Up Renewable Energy Program for Low Income Countries (SREP)	521	506	135.99	14

Figure 1: Funds primarily supporting mitigation (2003-2014)¹

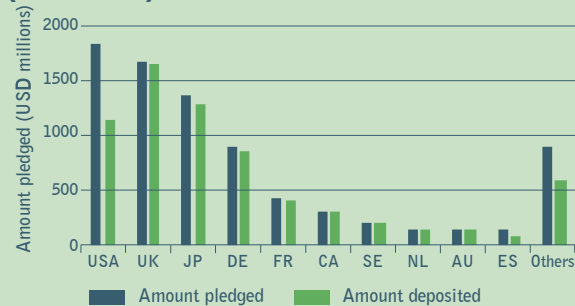


emerging market economies under the Clean Technology Fund (CTF) comprise USD 3.8 billion approved finance in largely programmatic, loan funding. By contrast, the over 400 individual grant-financed projects under GEF 4 and 5, which cover most developing countries, account for less than half of this amount. The GEF-5 System for Transparent Allocation of Resources (STAR) has tripled the number of eligible countries from 50 to 144, allowing developing countries with low per capita income to access small scale mitigation grant finance from the Fund (GEF, 2011). On the other hand, the CTF aims to use the larger sum of loan funding at its disposal to achieve scaled-up action in a select group of pilot countries.

The Scaling-Up Renewable Energy Program (SREP) of the CIFs, which focuses on increasing renewable energy generation and improving energy access in poorer developing countries, has approved 14 projects as of September 2014 but has not yet started disbursing project funds.

Who pledges and deposits to mitigation funds?

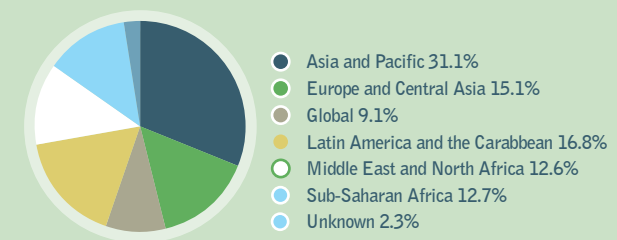
Figure 2: Pledges and deposits to mitigation funds (2003-2014)



To date, the USA, Japan, UK, Germany and France's pledges to the five designated funds in Table 1 account for 77% of the USD 9 billion committed in total. About USD 5.3 billion of the amount pledged by these countries has actually been deposited to the funds. USD 5.8 billion, or 86%, of the amount deposited by all donors has been approved for supporting projects or programmes.

Who receives the money and what kinds of mitigation projects are funded?

Figure 3: Regional distribution of mitigation finance



Mitigation finance has been distributed fairly evenly across developing country regions. Funding has been less evenly distributed at the country level, however, with twenty countries receiving 88% of total mitigation funding. Rapidly developing countries with substantial mitigation need and potential such as Morocco (USD 615.51 million), India (USD 592.08 million), Mexico (USD 570.98 million), South Africa (USD 485.81 million), and Indonesia (USD 382.86 million) are the top recipients of approved mitigation finance. There may be tensions between realising large scale GHG mitigation opportunities in fewer countries and investing in smaller scale solutions from which all developing countries can benefit. Many GEF and SREP supported projects have sought to improve energy access for the poor by supporting rural electrification using renewable energy technologies.

The majority of mitigation projects receiving finance promote renewable energy projects or energy efficiency measures, given that more than 40% of GHG emissions result from energy production and use. Morocco and India, for example, have had over USD 400 million approved between them within the last year for projects to scale up the deployment of concentrated solar power. Another emerging focus of mitigation finance is to support more sustainable low carbon transport solutions, specifically urban transport infrastructure.

References

- CIF. (2009) Clean Technology Fund Investment Criteria for Public Sector Operation.
- GEF (2011). *System for Transparent Allocation of Resources (STAR) FAQ*. GEF Policy Paper.
- IPCC (2014). *Climate Change 2014: Synthesis Report*.
- Climate Funds Update: www.climatefundsupdate.org (data accessed in November 2014)

End Notes

1. Japan's bilateral FSF is excluded here as what it counts as climate finance is not comparable with other bilateral contributors of climate finance. For a detailed analysis of Japan's FSF and other top contributors of climate finance see: <http://www.climatefundsupdate.org/global-trends/fast-start-finance>

The Climate Finance Fundamentals are based on Climate Funds Update data and available in English, French and Spanish at www.climatefundsupdate.org