



Session 4: Financing, Technology and Capacity Building

Working Group on Financing

Facilitated by: Ko Sakamoto (TRL)

25 Sep 2009 - Bangkok Thailand



Partnership on Sustainable
Low Carbon Transport



Why financing

- To finance is ***to provide the money needed for something to happen****

- “Something” = Sustainable, Low Carbon Transport

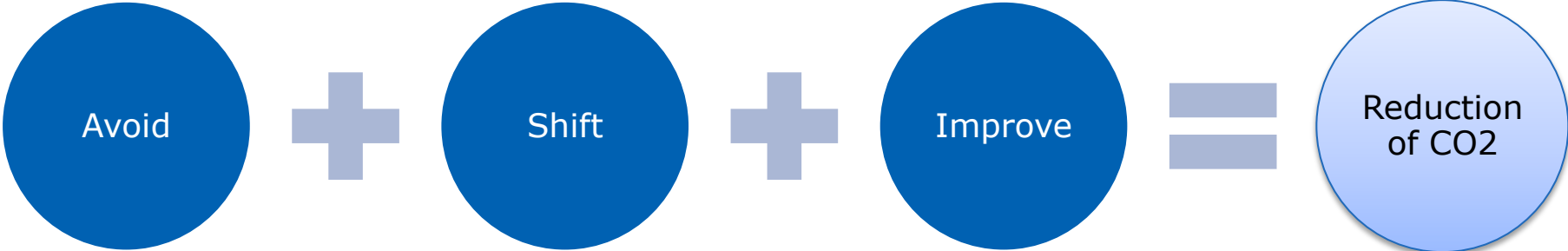


(* Cambridge Advanced Learner's Dictionary)

Question 1:

**WHAT DO WE NEED TO
FINANCE?**

Financing sustainable low-carbon transport



Operation

Technology

Infrastructure

Policy

Institutions

Adapted from:
GTZ/TRL (2007)

What does funding need to cover?

Policy

- Development and implementation of policies and programmes

Institutions

- Strengthening institutional capacity
- Investing in human capital

Operation

- Operation of public transport
- Non-motorised transport services

Infrastructure

- Transport infrastructure that takes into account long-term effects of land/energy use

Technology

- Vehicles
- Infrastructure
- Fuels

Question 2:

**HOW MUCH AND BY
WHOM?**

European Commission Report

- Mitigating emissions and adapting to climate change will cost an estimated **€100 billion** per year in developing countries
- Sources to meet this;
 - **1. private finance from within developing countries themselves.**
 - **2. expanding the international market in carbon credits (could generate up to €38bn)**
 - **3. international finance from public sources**

Also - Introducing a global emissions trading system /levy for **international aviation and shipping**

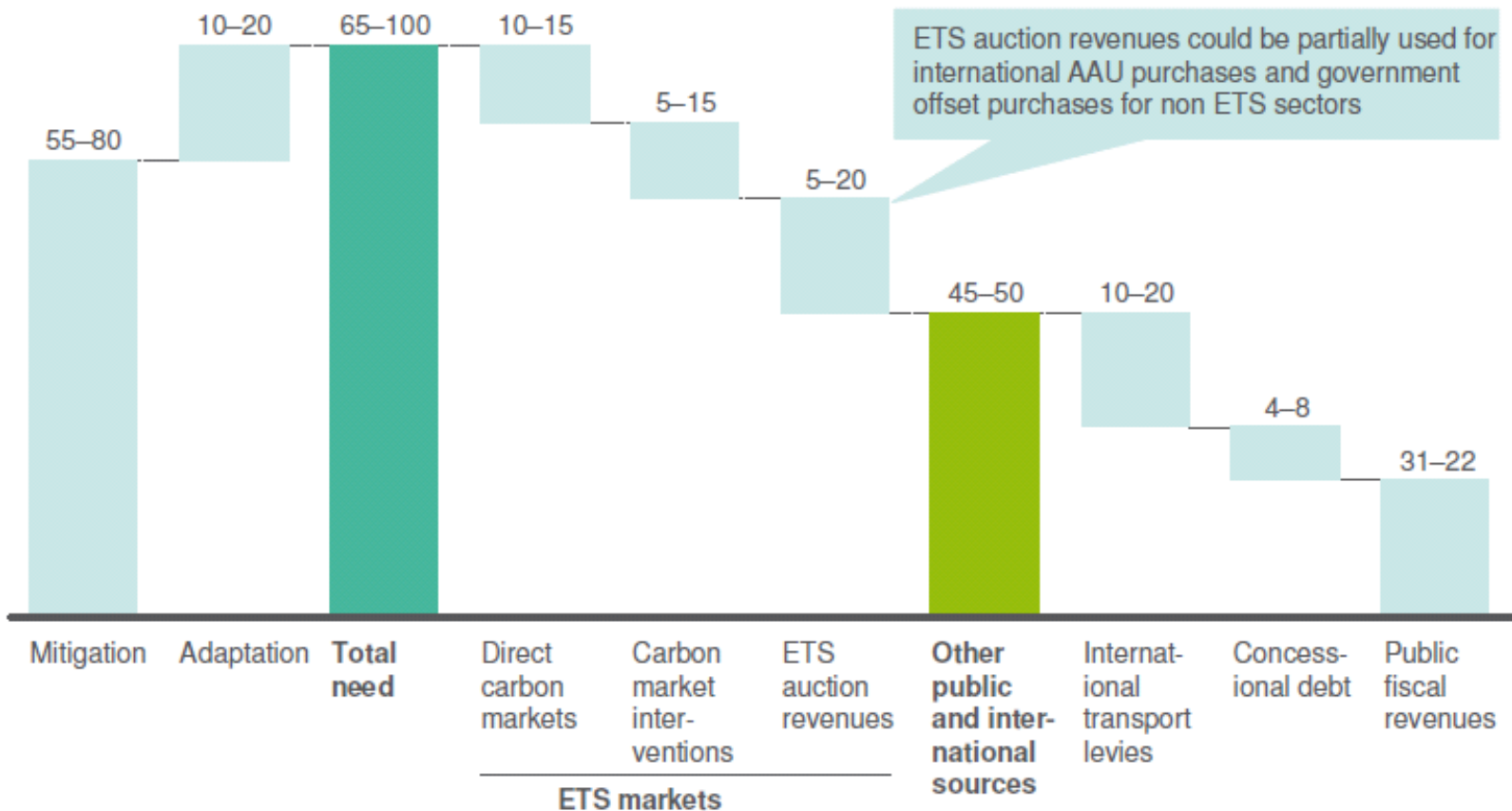
European Commission Report

- €22-50bn per year in international public finance could be needed by 2020
- Developed and higher income developing countries to contribute according to;
 - Amount of emissions
 - GDP

Project Catalyst

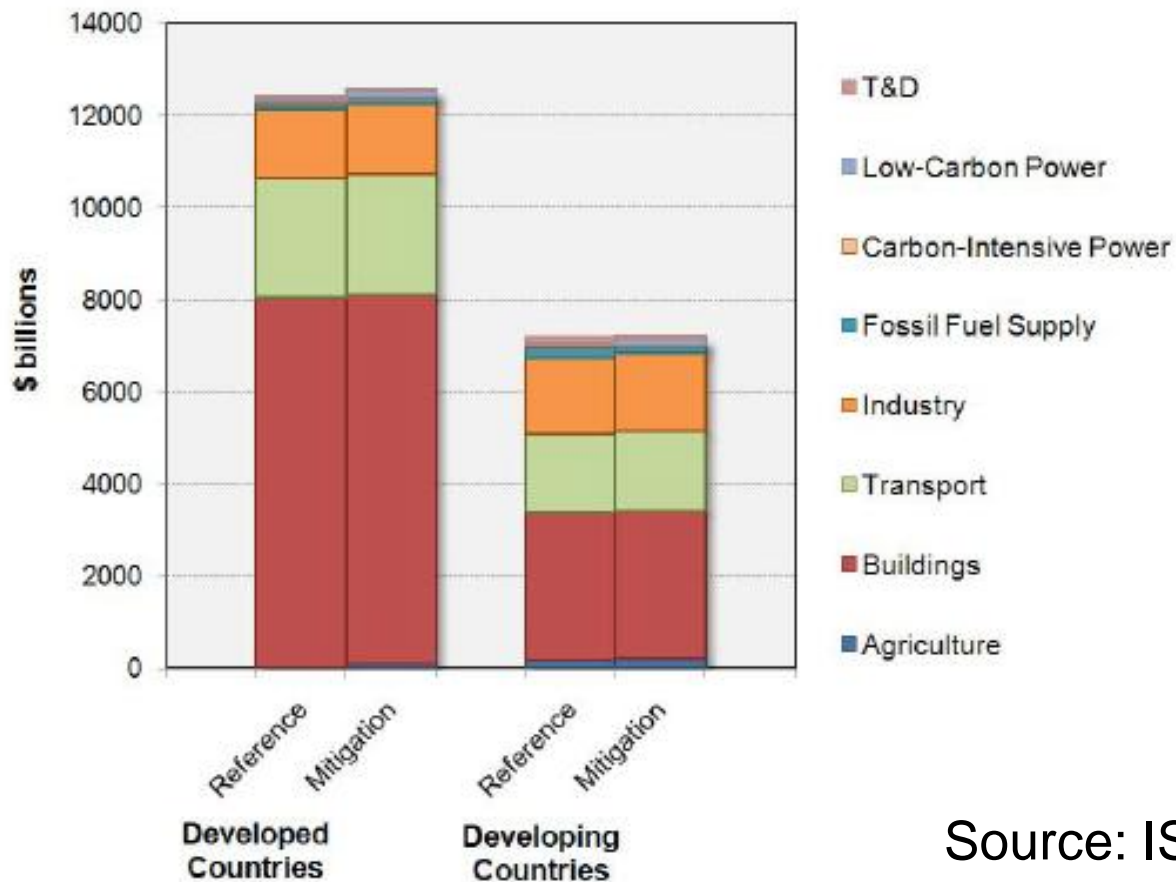
- €65-100bn per year through the period 2010-20

Financing needs and sources assuming 25% caps in developed countries, € billion, annual average 2010-20 rounded to nearest € 5 billion



ISDA report

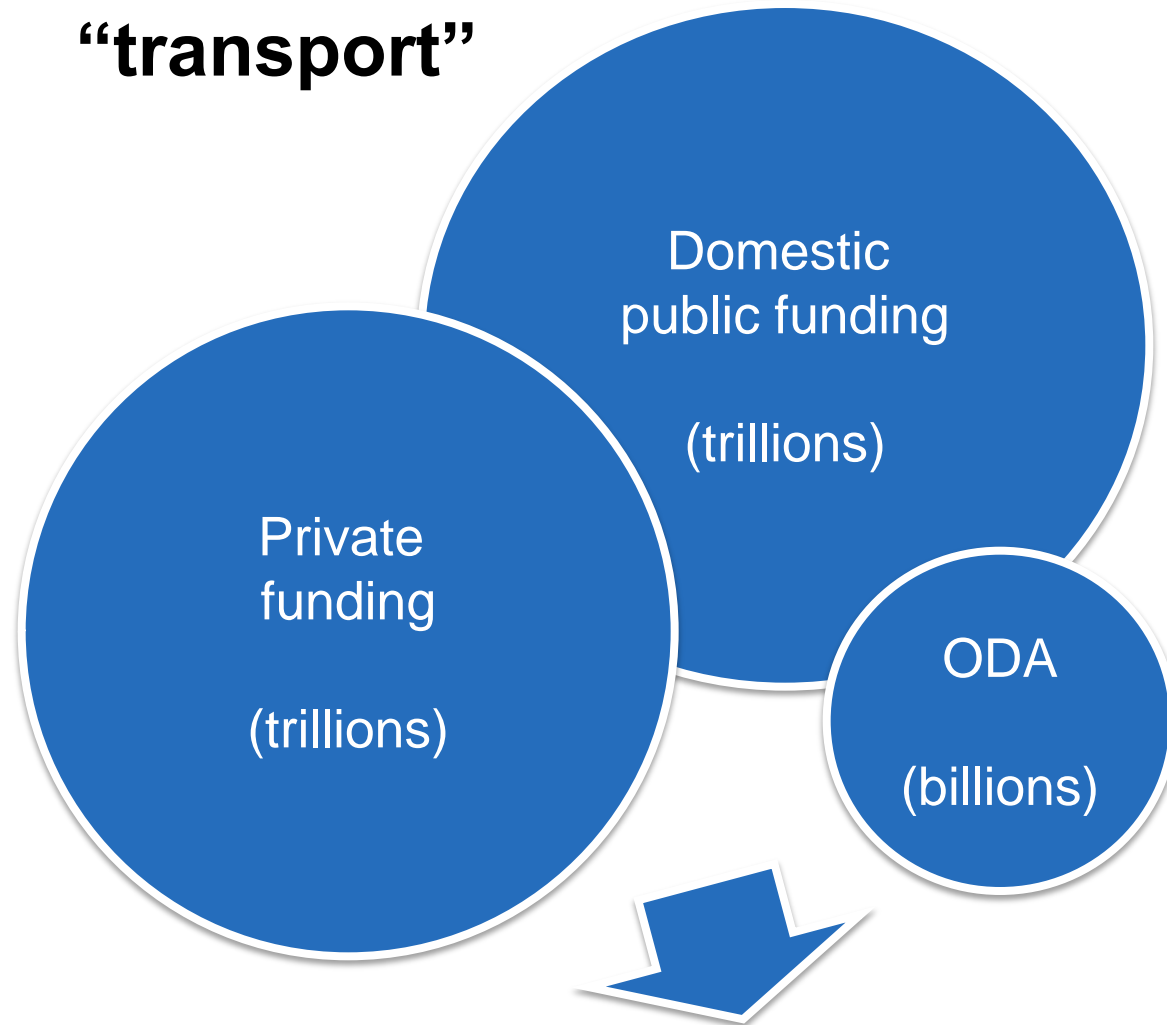
- 240-600 billion per annum



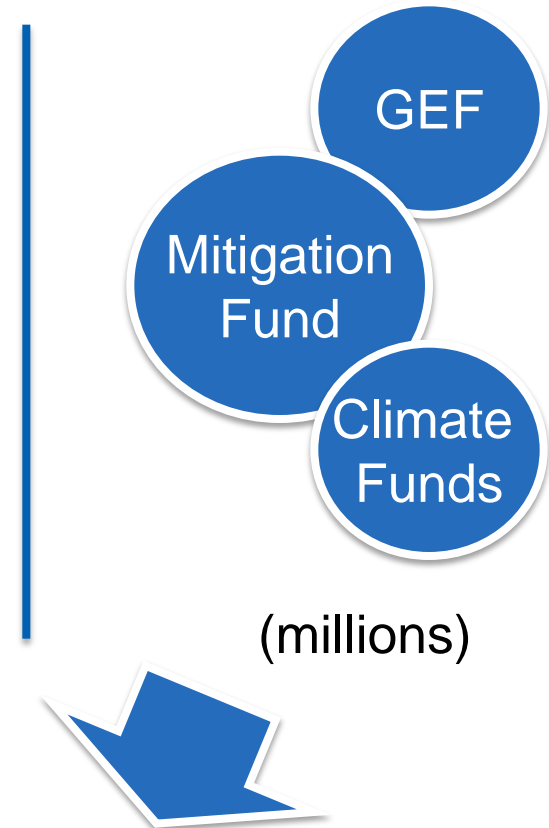
Question 3:

**CAN CLIMATE FINANCE
BUST THE DAM?**

Financial flows for “transport”



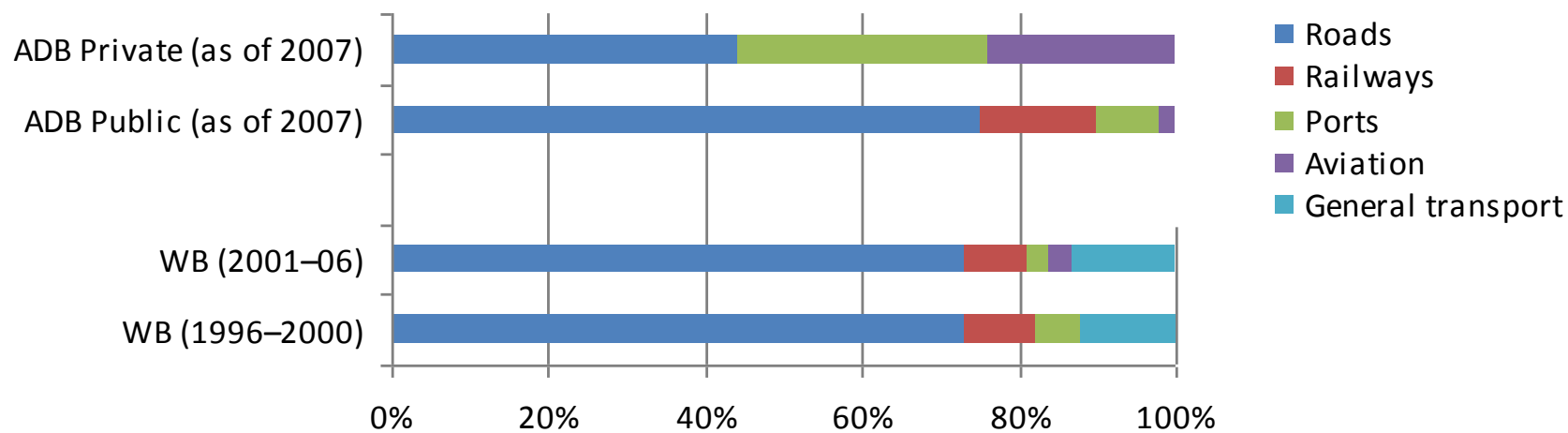
Financial flows for “climate mitigation”



Financial flows “sustainable low carbon transport” ?

Current financial flows for “transport”

Transport lending by ADB and WB by subsector



Source: ADB (2008) and World Bank (2008)

Current financial flows for “climate mitigation”

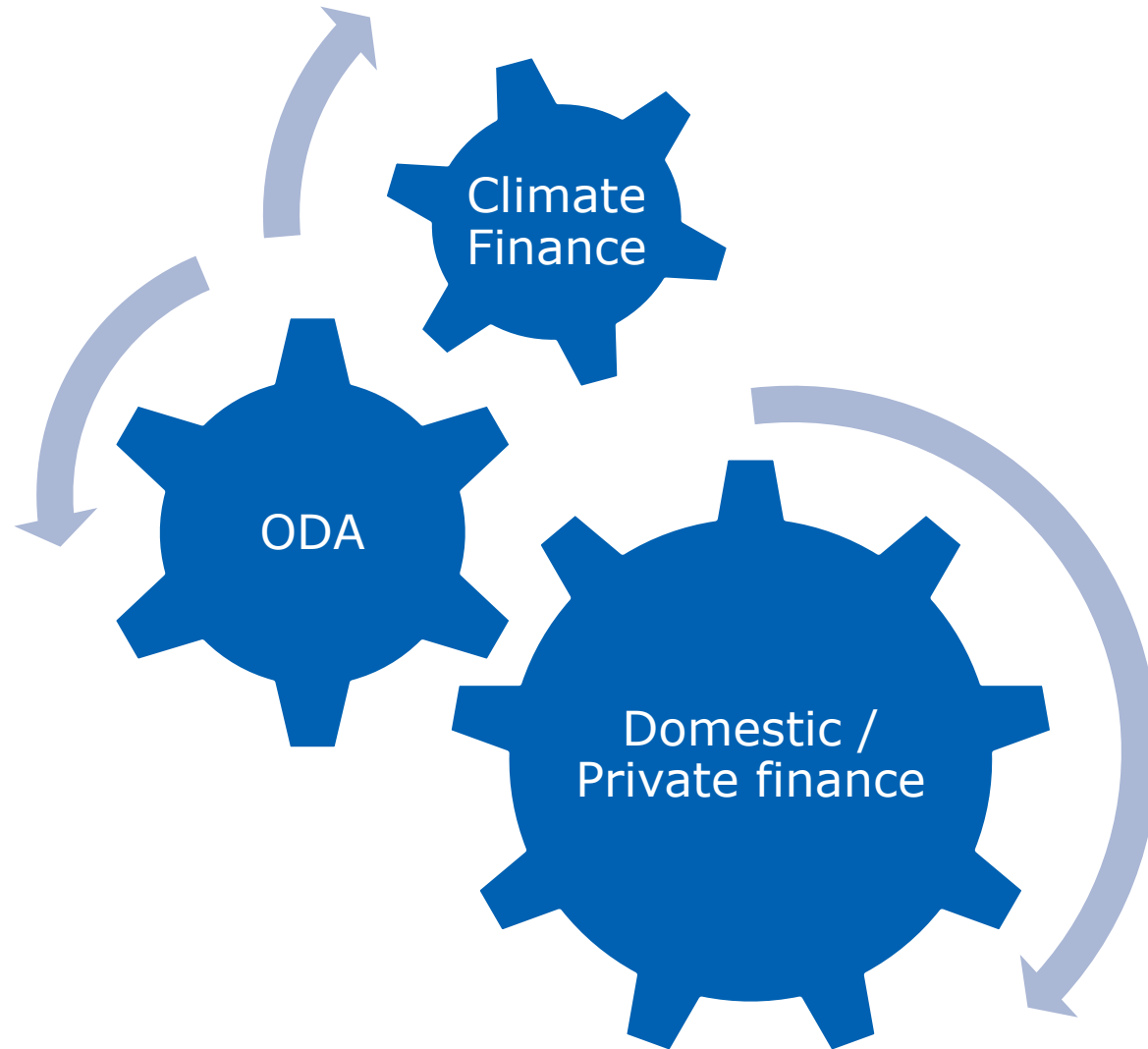
CDM not working:

- 2 transport projects (BRT Bogota, Metro Delhi) out of 1186 registered projects!
- 9 out 4487 projects in the pipeline
- 5 approved methodologies
- 0.1 % of all CERs
- Market share: Ca. 1 million US\$ out of 6.5 bn US\$ in 2008 (World Bank 2009)

No projects under **Joint Implementation**

Transport excluded in **Emission Trading Scheme**

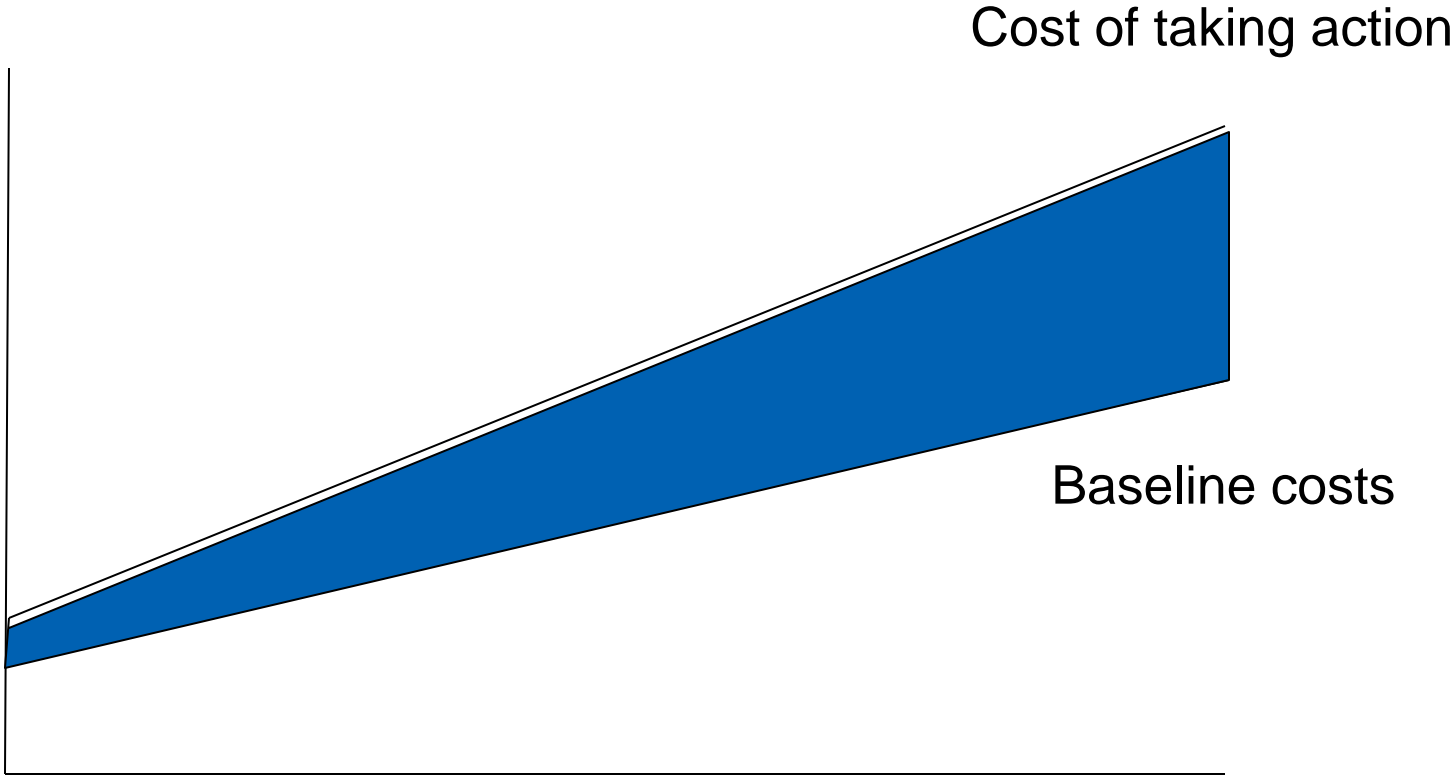
Climate finance as an incentive?



Question 4:

**INCREMENTAL COSTS –
FRIEND OR FOE?**

Concept of incremental costs



Difficulties with incremental costs

- Difficulty in setting baseline
- Difficulty in quantifying effects of policies/interventions
- High upfront investments

Question 5:

**TO CREDIT OR NOT TO
CREDIT (OR BOTH)?**

Financing options in a Post 2012 agreement

Funds:

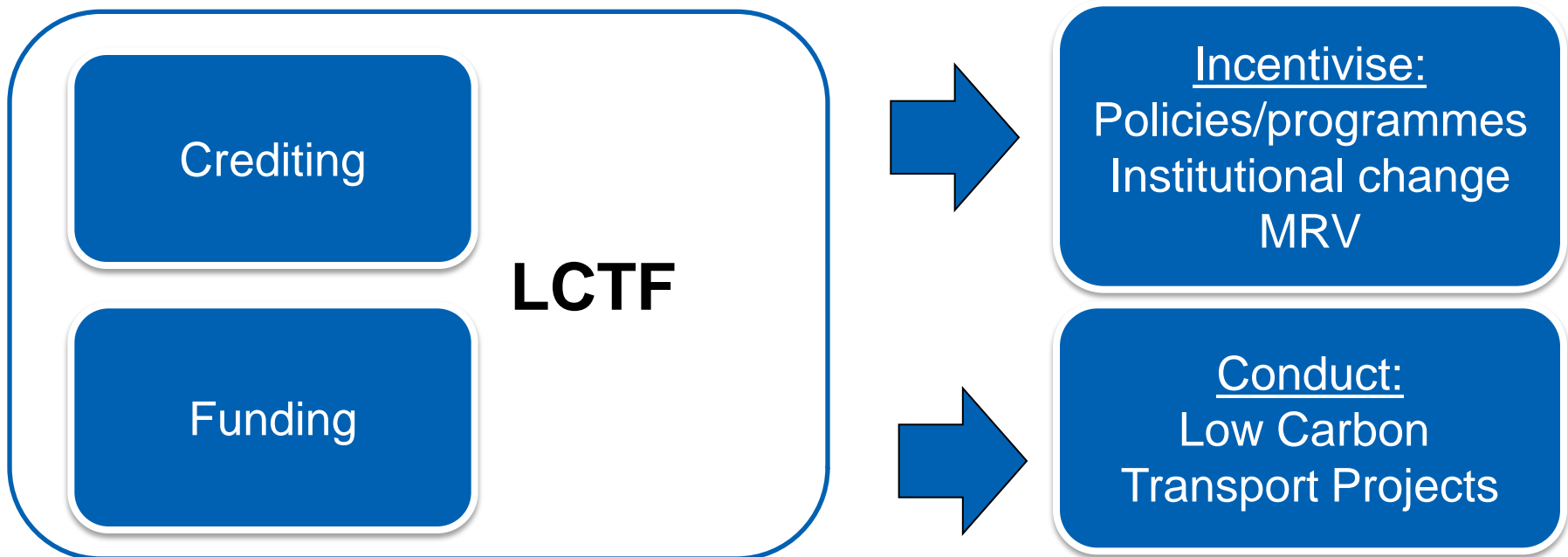
- General **Mitigation Fund**
- Use of **ETS revenue** in developed countries (e.g. out of aviation/maritime ETS).
- A **transport specific mechanism** (such as CTM/LCTF)

Crediting (market mechanisms):

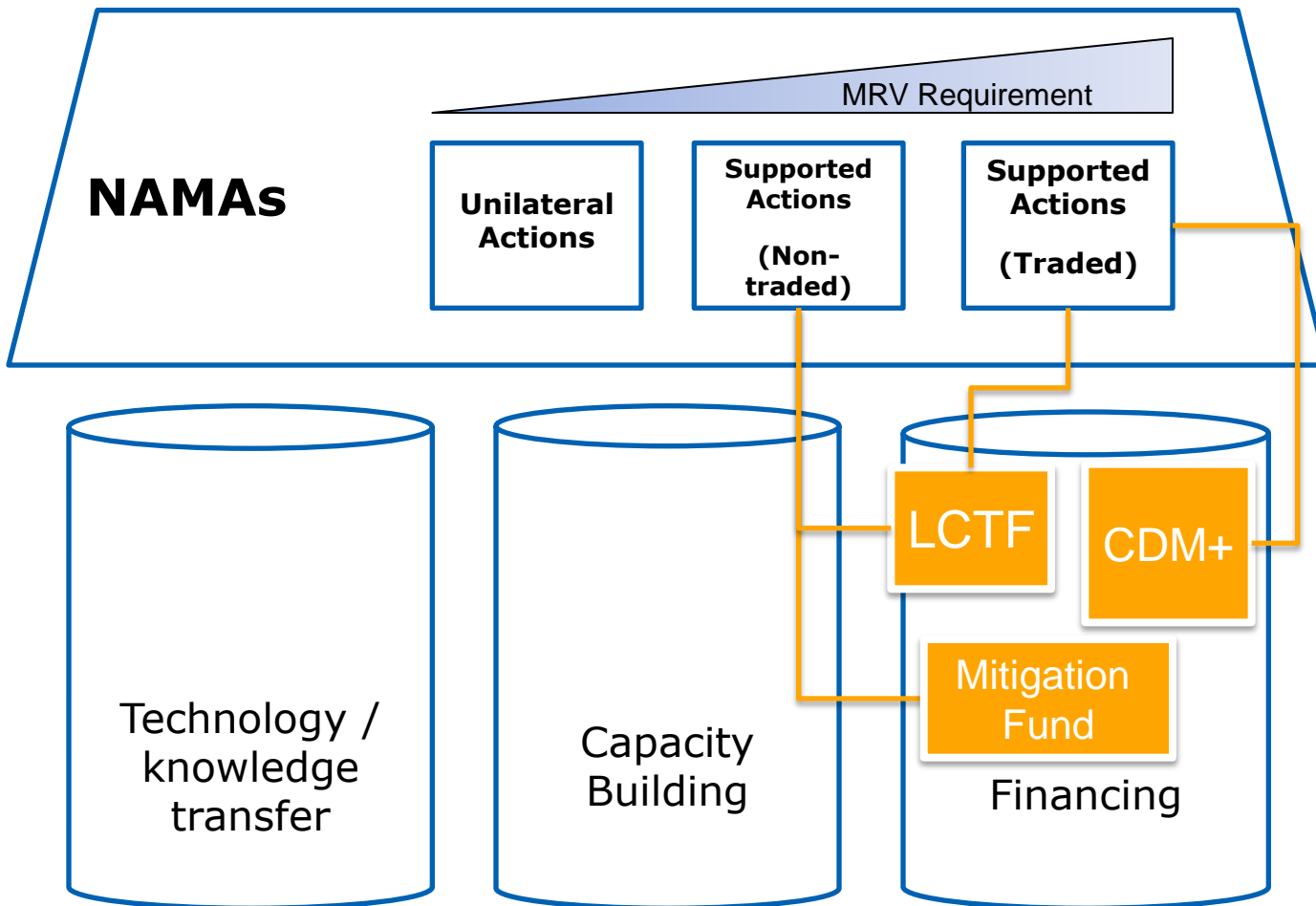
- Upscaled crediting mechanisms (**CDM+**, **Sectoral crediting (no lose)**)

Low Carbon Transport Facility - Principles

- Financial facility unique to the transport sector.
- Incorporate both **crediting** and **fund-based elements** in its revenue generation (i.e. levy on carbon allowance trading, multilateral and bilateral development programmes).



Potential link of the LCTF to NAMAs



Summary of Key questions

1. What needs to be funded?
2. How much and by whom?
3. Can Copenhagen bust the dam? - Climate finance vs. wider flows
4. Incremental costs – friend or foe?
5. To credit or not to credit – is crediting credible?

Thank you – Any Questions?

Ko Sakamoto

Senior Consultant
Transport Research Laboratory

Tel: +44(0)1344770709
Fax: +44(0)1344770356

Email: ksakamoto@trl.co.uk