

How can financial mechanisms be included in international negotiations so it facilitates integrated development and climate change actions for both mitigation and adaptation?

Dec. 1/CP.1

- Two track approach
- Convention track
 - Positive incentive for developing countries
 - Mechanism for country specific approaches (reduction of deforestation, CCS, etc)
 - No compensation for AI (no trade, no offset)
- Protocol track
 - CDM (project specific, additionality)

Financing for CC

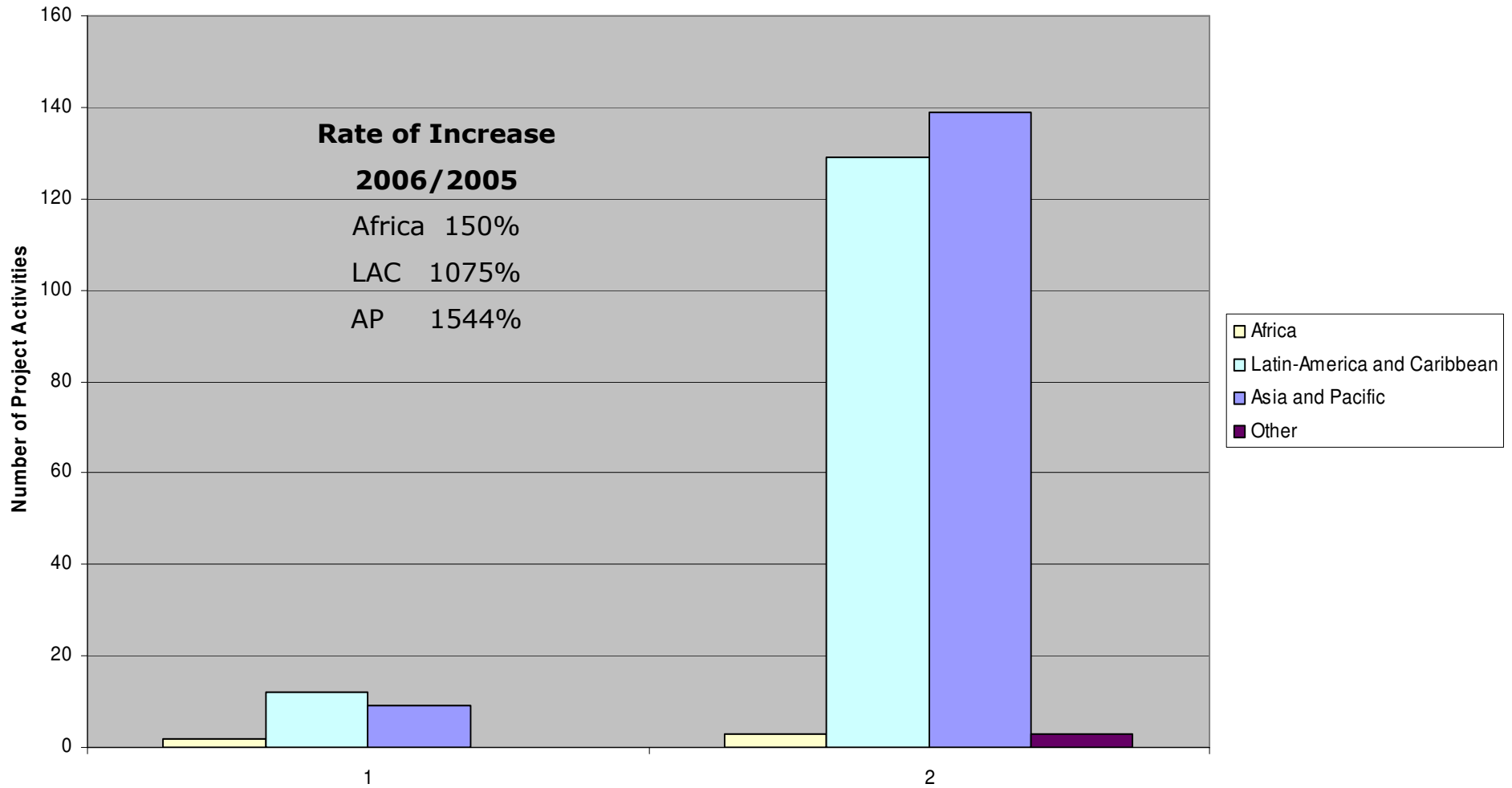
- GEF
 - Since 1991 (15 years)
 - 200 projects
 - ?? tCO₂e emissions reductions
 - US\$ 1.5 bi
- CDM
 - Since nov 2004
 - 1179 projects (299 registered)
 - 1.6 billion tons CO₂e to be reduced in the 1st Crediting Period (1.2 billion tons CO₂e by 2012)
 - US\$ 16 bi (worth US\$10/tCO₂e) (Investments 4-6x)
- GEF most important source of dedicated financing for CC ??

Governance

- GEF Council of 32 “donor and recipient” countries (including non KP)
- Funds from CDM projects activities
 - Registered proj. act. – 44% unilateral
 - Brazilian proj. act. – 66% unilateral
 - Indian proj. act – 80% unilateral
 - not donor funds but private/state companies from developing countries
 - Lack of investments by Annex I (CDM financing is small part of total investment)
- Funds to be applied to most vulnerable NAI Parties (African and SIS)
- GEF is a “leading” candidate (Annex I?) to manage the KP adaptation fund

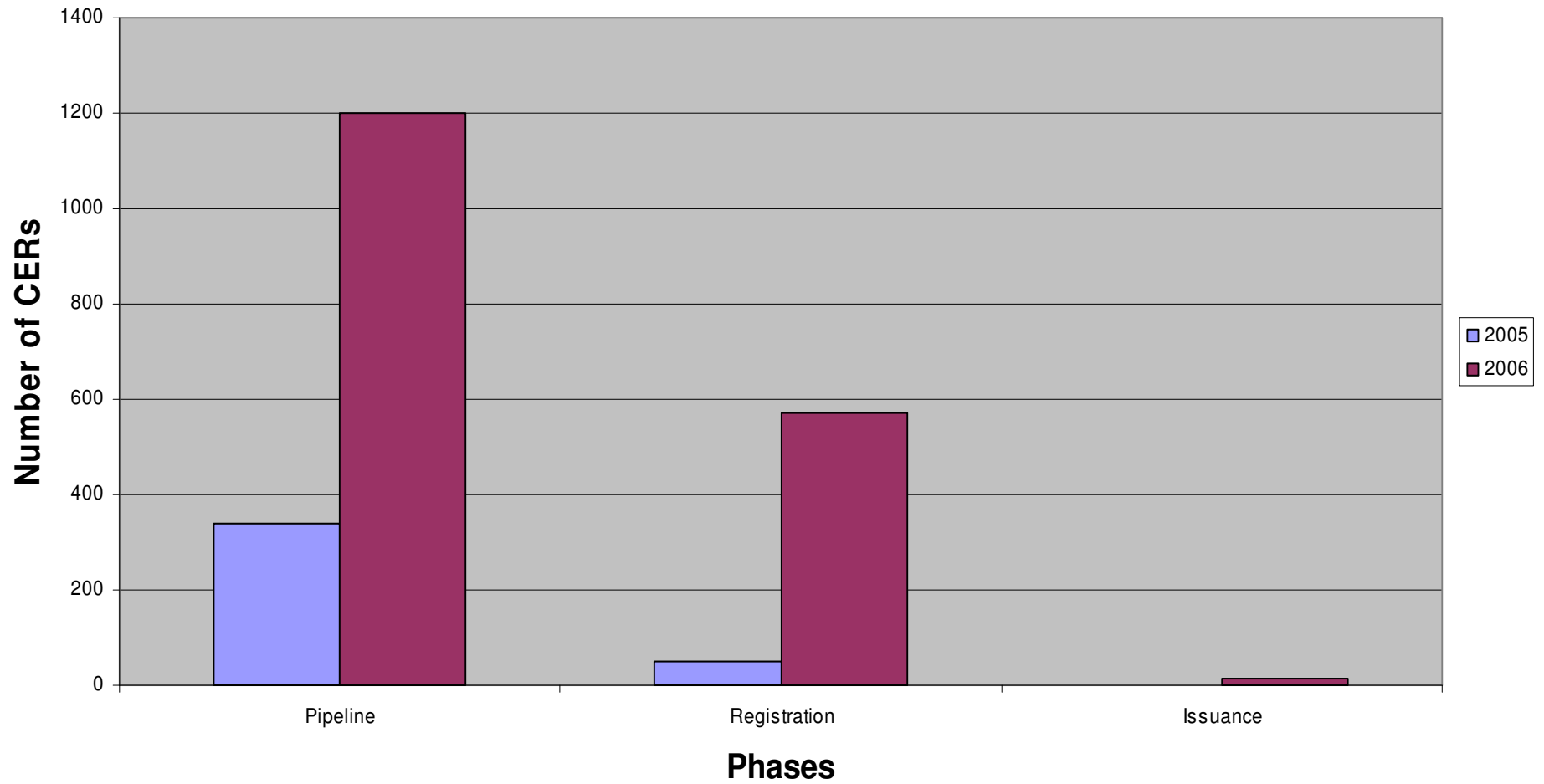
CDM Regional Distribution

Registered Project Activities



CERs by 2012

CDM Cycle



HFCs Proj. Activities

- Only existing plants and operating in the last 3 years allowed by EB
- Not important in number of proj. activ. (few/1100)
- Important because emission reduction
 - GWP convention, not EB governance
 - Good for combating CC
- New plants not allowed by EB
 - Decision pending from COP/MOP
- Non issue (compared to avoided deforestation and CCS)

CDM Portfolio is very positive

- Brazil
 - 70% of project activities in electricity generation/ co-generation using biomass
 - 1300 MW to be installed in registered project act. (1/3 annual need)
 - 70% of emission reductions in landfills and N₂O destruction (GWP of methane is overestimating contribution to CC)

Adaptation Fund

- Art 12.4
 - CDM subject to authority and guidance of the COP/MOP and supervised by an CDM EB
- Art 12.8
 - Share of proceeds to assist developing countries that are particularly vulnerable to the adverse effects of CC to meet the costs of adaptation (no incremental cost!!!)
- EB
 - Adaptation Panel (for applying M&P to be developed)
 - Clearing houses (1/region or several independent accredited by EB) to auction CERs

Gleeneagles Investment Framework

- Top/down from G7
- WB led
- Do not take into consideration perspective of +5