Financing transition to Green Economy: Issues and Challenges

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The Crisis: Developmental

- Global Food Crisis: more than 1 bn people at risk—hunger and malnutrition
- 1.2 bn people live in extreme poverty
- 2.6 bn w/o sanitation, 1.3bn w/o electricity, 0.9bn w/o drinking water
- Increase in wealth inequality—80% world pop.
- 200 million jobs lost between 2009-2011
- Every 1% fall in growth—20mn people consigned to poverty
The Crisis: Environmental

• Dependence of nat res: 70% of 1.2 bn poor

• Ecological footprint: 52% more than absorptive capacity

• GHG emissions reaching 400ppm in 2013

• Total carbon budget available till 2050: ~ 700GTCO2eq

• Ensuing GT gap of 8-13 GTCO2 by 2020
The Crisis: Financial

• 2008 financial crisis cost: 2.3 trillion USD

• debt to GDP ratio—218% in 2000 to 266% in 2010

• 37 govt spend 409 bn for lowering price of fossil fuels

• 2.8 bn in 2010—40 fold increase in FF loan by Bank—25 mn tonnes of CO2 per yr
Concept of Green Economy

- Captures economic dimension of sustainability

- Economic growth and environmental stewardship—complementary strategies for governments

- Holistic development—economic, social, environmental—particularly environmental equity

A green economy is different way of doing things. It is about recognising that our economies need to be guided by different goals, need to be sustained by different activities, and need to deliver different results.
A holistic view: Green Economy

Sustainable Development

MDG’s

Green Economy

James Gustave Speth
“a sustaining economy”

Kyoto+ Target

JC Kumarappa
“an economy of permanence”
Macroeconomic dimensions of transition

• Inter-temporal welfare—how the welfare of future gen is taken into account in current economic decision

• Effects of degradation on agg ss and effects of environmental protection spending on ss and dd

• Effects of structural changes in productions and consumptions and their effect on economy

• Global institutions and their re-organisation affecting the transitions
Demonstrating that Greening is a new engine for growth, sizing sectoral opportunities, addressing hurdles & enabling conditions.

Demonstrating the value of ecosystems & biodiversity, capturing these values, and reversing the vicious cycle of environmental losses and persistent poverty.

Sizing and incentivizing growth in green & decent jobs.

Structural form of initiatives

- Green Economy:
  - Demonstrating that Greening is a new engine for growth, sizing sectoral opportunities, addressing hurdles & enabling conditions.

- Enviro side:
  - Demonstrating the value of ecosystems & biodiversity, capturing these values, and reversing the vicious cycle of environmental losses and persistent poverty.

- Green Jobs:
  - Sizing and incentivizing growth in green & decent jobs.

- Decent jobs from Community-based Conservation
Demonstrating that Greening is a new engine for growth, sizing sectoral opportunities, addressing hurdles & enabling conditions

Sizing and incentivizing growth in green & decent jobs

Green Economy Report

Demonstrating the value of ecosystems & biodiversity, capturing these values, and reversing the vicious cycle of environmental losses and persistent poverty

...the global Network of Institutions

UNDP

UNEP

ILO

ITC

G8+5, G20

Countries

Regional Forums

Universities

Business & Civil Society Groups

Multilateral Institutions

UNSD

UNECE

UNCEB

UNDES

UNSCD

TEEB

Green Jobs
Implementing the Green Economy

Technology Development and Transfer
  Development of eco-friendly technologies, energy efficiency, renewable energy tech
  Global technology Roadmap and R&D
  Enabling environment for affordable access

Financing
  creating investments
  creating green finance policies
  creating enabling environment
The financial obligations

G20, G8+5
- Subsidies
- Stimulus packages

CBD
- New Additional Cover agreed full incremental costs
  - Adequate, predictable, timely flow

ODA
- 0.7 percent for development

UNFCCC
- Full Incremental cost
- Adaptation costs
- Actions linked to funds
Financing: Enablers of Change

Current economic conditions across many parts of the world are demanding policy-makers to stimulate job creation and economic growth for their regions. At the same time recent weather shocks such as the floods in Thailand, the Philippines and Pakistan, combined with droughts in China, Africa and Brazil have cost the economy billions of dollars, disrupted major supply chains, and have created devastation for local farmers and communities.

We must find a new model for economic growth that does not further aggravate our climate and environment. Addressing climate change, can help grow green-technology sectors, create jobs and stimulate local economies – while at the same time securing a sustainable future. Many cities are changing their approach to economic growth, choosing a design that is more sustainable, with resilient pathways to economic growth. This strategic shift has been termed as "greening the economy" or making a "green growth" transition. This is creating a new opportunity that generates numerous co-benefits for all actors:
Problem of Financing

• Transition requires urgent green investments— but economic crisis, tightening fiscal situations— the scale of funds needed is difficult to mobilise

  85% of financing must come from the private sector (UNFCCC)

• Leverage private sector through public sector funding is crucial— significant private investment absent because of perceived risks

  government intervention critical to leverage this opportunity

• Required new financing mechanism, directing subsidies in the right way

  global reforms of financial policies
The existing financing policies

- **Taxes**
  - Property Taxes
  - Licence Fees
  - Entertainment tax
  - Sales tax

- **Grants**
  - Funding from National, State or Provincial governments

- **User Charges**
  - Water
  - Sewerage & Drainage
  - Tolls
  - Fares etc.

- **Lease Income**
  - Lease rental from land
  - Lease rental from markets
  - Lease rental from projects
Innovative financing for Green Economy

National Governments
- Greening public spending / procurement
  - Redesign grant-making based on local performance or ambition
  - Facilitate access to new forms of green finance

Climate Finance
- Urban use in carbon markets - CDM & JI
  - Local Offset Mechanisms and/or urban cap-and-trade schemes
    (e.g. Tokyo & Seoul)

Green Funding
- Green bonds help finance infrastructure projects to support climate mitigation
  - Green Infrastructure Banks
  - Multi-lateral Development Banks / Regional Development Banks (e.g. JESSICA by the European Investment Bank; Revolving Funds by the ERBD)

Partnerships & Self Finance
- Energy Savings Contracting (ESCOs)
- Public-Private Partnerships (PPPs)
- Green Growth Partnerships (City to City or City to Business)
- Real Estate Funds – energy efficiency or green buildings
- Venture capital funds
Private sector initiatives

United Nations Principles for Responsible Investment (UN PRI) has gone from 50 signatories in 2006 to 1000 signatories in 2012, with assets of over US$30 trillion.

Equator Principles has gone from 9 signatories in 2002 to 74 signatories in 2012.

The CDP project is supported by 655 institutional investors – with assets of over US$78 trillion.

In less than a decade, the number of companies following GRI’s reporting guidelines has risen from 50 in 2000 to over 1500 by 2010.
The probable role for governments

• Develop transition roadmap for each major sector, through national regional multi-stakeholders dialogue

• Improve the quality of public services

• Right-direct the subsidies—only 15% of fossil fuel subsidy reaches to the poor (IEA 2013)

• Enabling environment for the green sectors through fiscal policies—support for innovation, minimise risk of green innovation