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PRESS ADVISORY

June Talks of the UNFCCC
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Partnership between the UN Environment Programme and the Finance Sector launches proposals on how to finance the battle against climate change

The United Nations Environment Programme Finance Initiative (UNEP FI), a large public-private partnership between the UNEP and 180 financial institutions globally, made public on 6 June a set of proposals looking at which elements in a successor deal to the Kyoto Protocol could best mobilise the financial services sector to effectively respond to climate change; a response that according to UNEP FI must include both the de-carbonisation of the economy as well as its adaptation to changing climate patterns.

These practical proposals are catered to climate change negotiators and policy-makers currently gathering in Bonn, for the so-called June Talks of the UNFCCC, to negotiate what is expected to become an international deal underpinning the future international climate change regime. With this intervention UNEP FI wants to provide a basis for discussions between finance practitioners and climate change negotiators with a view to inspire measures under the Convention best suited to mobilise the necessary capital for both mitigation and adaptation.

The proposals are based on the shared acknowledgement of both UNEP and the financial institutions it partners with that urgent and serious action is needed through the agreement of ambitious emissions reductions over the short, medium and long term; that the lion´s share of the capital expenditure needed for the implementation of these commitments will have to be sourced from the private sector; and that the priority of policy action should especially address the mobilisation of mitigation and adaptation funding towards developing countries.

Concretely, the proposals consist in:

1. The creation of a risk transfer mechanism to reduce the risks of GHG emissions reductions projects in developing countries as perceived by carbon investors. By means of this mechanism the home country of investors should issue ***Carbon Credit Guarantees*** covering the variety of risks characteristic to de-carbonisation projects in developing countries.
2. Such *Carbon* ***Credit Guarantees*** could specially facilitate private investment into small-scale mitigation projects if the future climate change regime provides the possibilities for the aggregation of many such projects into larger *Programmes of Activities (PoAs)*. Project aggregation mechanisms such as PoAs are needed to reduce - through economies of scale - the transaction costs of small individual projects to levels acceptable for project sponsors and carbon

investors. The enhancement of the project-based flexible mechanisms from where they currently stand will especially be necessary in order to ensure their expansion to geographies and project types that, as a result of high transaction costs and perceived risks, have so far not seen much carbon finance activity.

3. The establishment of public-private ***Venture Capital Funds*** for the continued development of low-carbon technologies as well as ***Private Equity / Corporate Finance Funds*** for the effective deployment of such technologies into developing countries. Through public contributions "at the margin" such funds could leverage and mobilise flows of private capital many times larger than the actual public component.
4. The creation of a pubic-private ***Carbon Insurance Vehicle*** (or a suite of vehicles) to provide still insufficient insurance cover for the specific risks of climate change mitigation projects in developing countries.
5. A greater focus of the Convention and the upcoming climate change deal on the potentials for GHG emissions reductions in the property / real estate sector through the improvement and standardisation of metrics on sector emissions and the further development of demanding and extensive standards and building codes. A better inclusion of the property sector into the *Clean Development Mechanism* should be enabled.
6. The creation of two Insurance Pillars under a private-public ***Multilateral Adaptation Fund*** as suggested by the *Munich Re Climate Insurance Initiative*, one for prevention and risk assessment in vulnerable regions, the other offering insurance cover for extreme weather events and support for new public-private disaster insurance systems. Also, innovative risk pooling and risk transfer mechanisms with private participation such as catastrophe bonds, weather derivatives and micro-insurance schemes should be integrated into the adaptation efforts of the Convention.

The *Green Paper* outlining and elaborating on these 6 Proposals can be downloaded from: www.unepfi.org. In the course of the next months and following an intensive review process involving finance sector practitioners and government negotiators the *Green Paper* will become a final *White Paper*.

ABOUT THE UNEP FINANCE INITIATIVE

The United Nations Environment Programme Finance Initiative (UNEP FI) is a strategic public-private partnership between UNEP and the global financial sector. UNEP FI works with over 170 financial institutions that are Signatories to the UNEP FI Statements, and a range of partner organisations, to develop and promote linkages between the environment, sustainability and financial performance.

Through a comprehensive work programme, regional activities, training and research, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.