Innovative Financing Mechanisms - The ICI

Plenary 5: „South Africa, COP-16 and the post-2012 future of carbon markets“
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Presentation Outline

1. Introduction
2. Bilateral partnership MRV
3. Challenges
4. ICI in a nutshell
5. Project activities Africa
1. Introduction: ICI

- **Aims:**
  - Enhance transition to low carbon economy
  - Strengthen bilateral cooperation with developing countries, advanced developing countries and transition countries: Bali Action Plan / MRV
  - Launch 2008: Negotiation context
  - Future carbon market development
  - Mobilising private investment
  - Important partner country: South Africa
2. MRV Partnership with South Africa

- MRV / NAMAs and financial support
- MRV Partnership launched in Bonn, May 2010: Germany, South Africa, South Korea
- Aim: exchange of practical experience on emission reductions and MRV among partner countries
  - developing green growth plans
  - requirements on MRV mechanisms/institutions (standards)
  - transparent implementation process
- South Africa: important partner for Germany in enhancing MRV developments
- MRV guidelines essential for international negotiations
3. Challenges: Financing requirements

Copenhagen Accord:

• Collective commitment by developed countries: USD 30 billion 2010-2012 for adaptation/mitigation

• USD 100 billion per year needed by 2020 for meaningful mitigation actions
Sources of financing for climate protection

Possible sources of financing:

• Autonomous actions
• private investment (carbon market)
• private investment in climate protection (beyond carbon market)
• public sources (bilateral and multilateral)
Role of provided financing

• Developed and developing countries need to cooperate in building low-carbon, climate resilient, sustainable economies;

To this end:
  – Transfer of know-how, of climate-resilient technologies, and of expertise in climate policy-making
  – Policy support and capacity development
  – Measures to mobilise the finance sector
4. ICI in a nutshell

Investing in Mitigation and Adaptation Measures in Developing Countries, Emerging Economies and Countries in Transition

EU ETS

Auctioning Emission Allowances

ICI

Climate Change
Value added

- Innovative financing mechanism - Germany is the first country to earmark revenues from the auctioning of emission trading certificates for investments in climate protection measures in developing countries and emerging economies
- Targeted collaboration with partner countries
- Additionality of funds
- Open to a broad diversity of international applicants for funding
Thematic priorities of the ICI

1. Promoting a climate-friendly economy
2. Promoting measures for adaptation to the impacts of climate change
3. Promoting measures for preservation and sustainable use of carbon reservoirs/ Reducing Emissions from Deforestation and Degradation (REDD)/REDD+
Overview: Activities

• Activities include:
  – Investment support through grants and concessional loans for pilot projects
  – Technical cooperation, transfer of know-how, access to technology
  – Policy support (regulation, implementation)
  – Capacity development and awareness-raising
Achievements

• Since 2008: 181 projects in 61 partner countries with a total volume of around 357 million Euros
• Overall volume > 1 billion €: project partners‘ own funds, additional sources of public/private finance

Regional:
• Focus on BASIC countries (Brazil, South Africa, India, China) and Russia: 1/3 projects
• Global focus: 17 % of funds
5. Projects: Requirements

- Sustainable Impact
- Innovative potential
- Up-scaling: replicability
- Ownership: partnering with target country
- Coherence with partner country’s strategy
- Preservation of carbon sinks
- ODA eligibility
- Reduce vulnerability of regions/people
Project activities Africa

• Since 2008: 15% in Africa
• October 2010: 34 ongoing ICI projects in sub-Saharan Africa
  – Conserving Mountain Forests in Tanzania
  – Switch of supermarkets from halogenated to natural refrigerants in South Africa
  – 5 regional initiatives: Gold Standard; African Carbon Asset Development
African Carbon Asset Development Facility

- Public-private Partnership BMU, UNEP, Standard Bank
- Ambitious goal: Kick-start African Carbon Market
  1. Facilitate realisation of replicable carbon projects
  2. Capacity Building on carbon finance, African financial sector
- Status: ACAD I – ICI funding granted until 6/2011
- Prospect: Co-Sponsoring fund / self-sustaining business model

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Thank you very much for your attention!

Further information: www.bmu-klimaschutzinitiative.de

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