

Financing Low Carbon Climate Resilient Development In the Caribbean

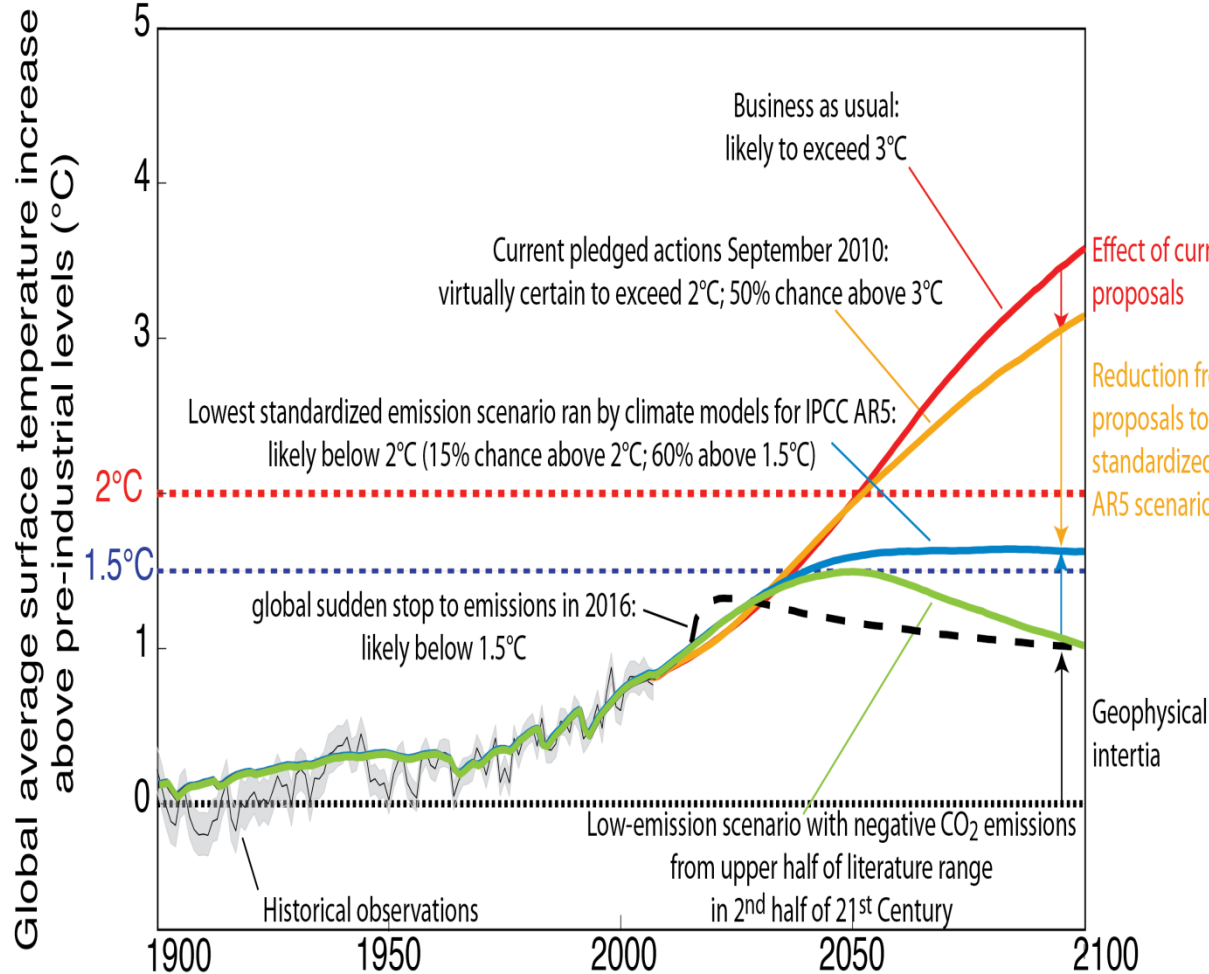
**The 2013 High-Level Caribbean Forum
Nassau, Bahamas**

**Selwin Hart
Climate Finance Advisor
Office of the Vice-President Operations**

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Heading Towards 4°C?



Source: Schellnhuber et al., 2012
World Bank Scoping Study

- **The world now:**
 - Temperatures about +0.8°C above preindustrial
 - CO₂ emissions: record levels and rising
 - CO₂ concentrations: record levels
 - >400 ppm-CO₂ (higher than last Million years)
 - Ocean acidification (rate unprecedented in at least 55 Million years)
 - Rate of sea-level rise accelerating (regional variations, observed levels at the higher end of the range projected in 4th Assessment Report of the IPCC)

- **Driving forces:**
 - **Low ambition:** Increasing gap between emission reduction pledges for 2020 and 1.5 and 2°C pathways
 - **Energy trends:** Coal is growing faster than renewables (Coal met almost half the rise in global energy demand in the last decade)



CC Impacts in the Caribbean

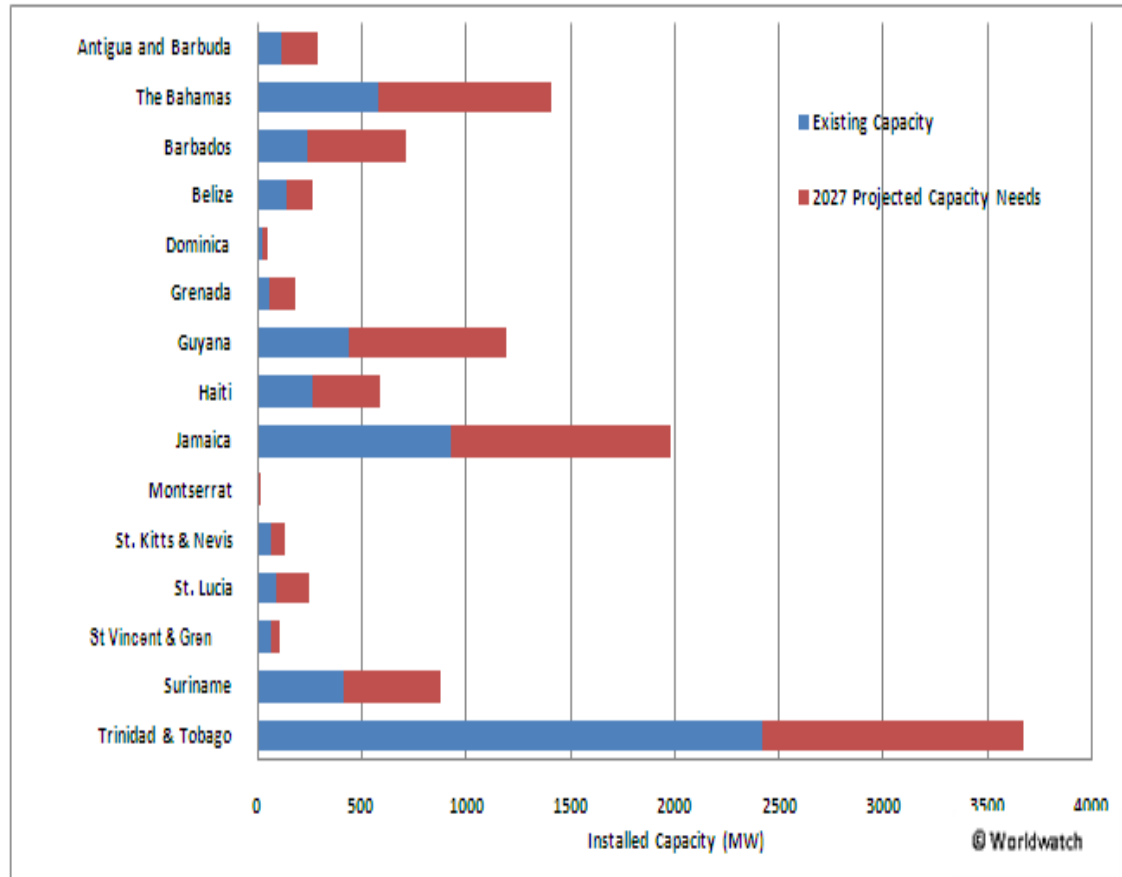


- ❑ **Agriculture**
 - Decrease in the average yields of key crops – potential impact - US \$85 million & \$243 million p.a.
- ❑ **Water Resources**
 - Decreased precipitation, reducing surface water reserves and groundwater recharge; drought; saltwater intrusion
- ❑ **Coral Reefs**
 - The ecosystem services (Tourism and Fisheries) provided by coral reefs in the Caribbean are valued at US\$ 1.5-3.5 billion/annum
- ❑ **Sea Level Rise**
 - GDP loss = > US\$ 1.2 billion per year (cumulatively US\$30 billion if 1m SLR occurs in 2075)
 - Permanently lost land value = US\$ 70 billion +
 - Reconstruction / relocation costs = \$ 4.64 billion
- ❑ **Escalation in the intensity of tropical storms and hurricanes**
 - **5-30 % of GDP by 2050**



Key Energy Challenges in the Caribbean

- Vulnerability to imported fossil fuels
- High electricity tariffs
- Grid Instability/Aging Energy Infrastructure
- Policy and regulatory gaps
- Access to finance
- Lack of indigenous RE research and development



Existing capacity and projected capacity needs in 2027, business-as-usual scenario notwithstanding future efficiency and saving policies and measures

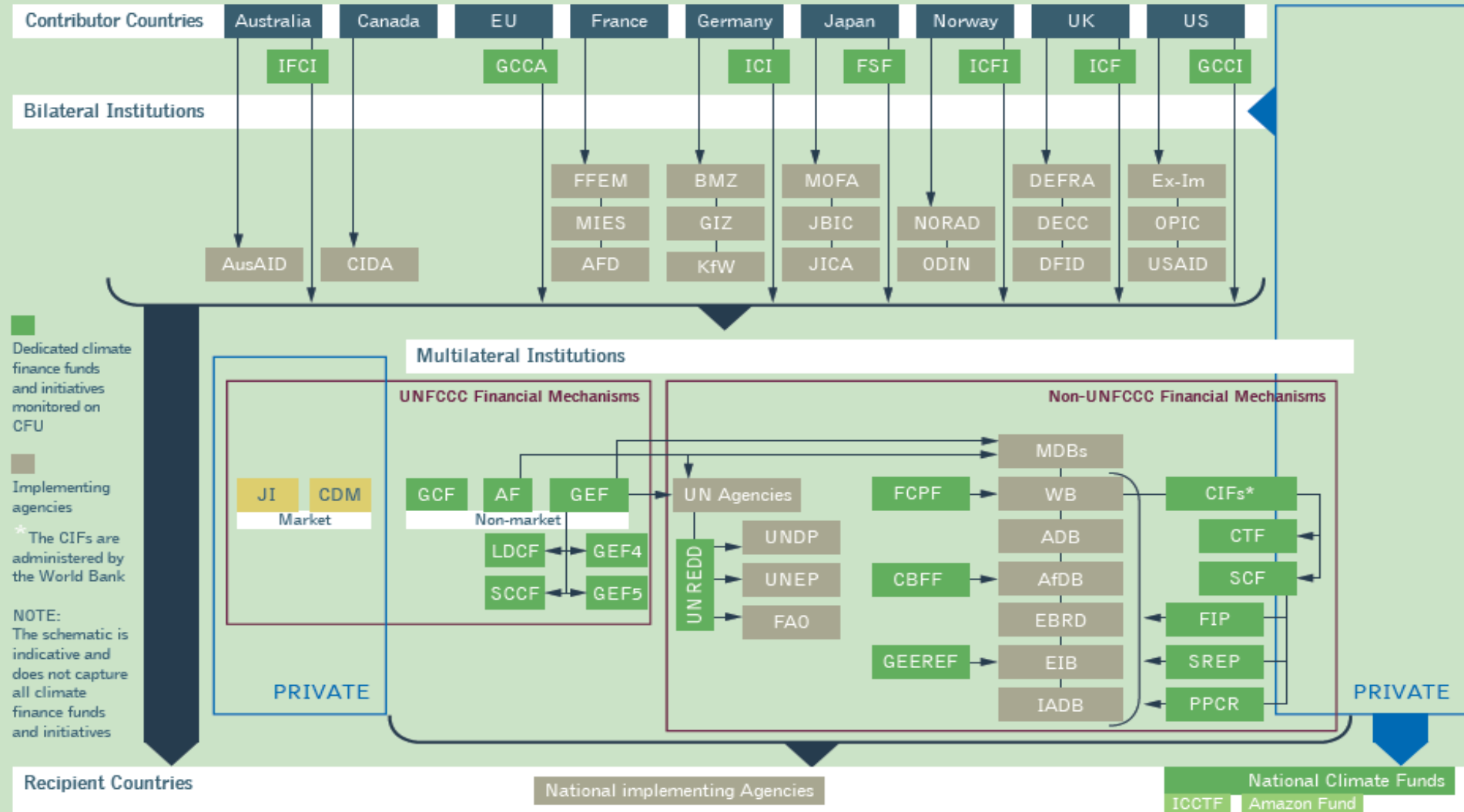


Regional Policy Environment

- **Caribbean Community Climate Change Centre (CCCCC)**
- **The Regional Framework for Achieving Development Resilient to Climate Change - 2009**
- **The Implementation Plan (IP) for the Regional Framework - Defines the regional strategy for coping with Climate Change over the period 2012-2022**
- **CDB's Climate Resilience Strategy 2012-2017**
 - Capacity development
 - Resource Mobilisation
 - Prioritization of climate sensitive sectors including water, agriculture, energy, physical infrastructure (coastal and river defences, roads and drainage)
- **CARICOM Energy Policy – March 2013**
 - Regional targets for Renewable Energy (RE) contribution to total electricity generation in CARICOM – 20% by 2017, 28% by 2022 and 47% by 2027



The Climate Finance Architecture





Accessing Climate Finance The Caribbean's Experience

	GEF Trust Fund Grants (1991-2012)	LDCF	SCCF	AF	Pilot Program for Climate Resilience
Global	694 national projects USD 2.5 billion	158 Projects USD 504 million	39 Projects USD 135 million	28 Projects USD 184 million	Total Pledges USD 1.3 billion
Caribbean	33 National Projects USD 23.7 million <i>(grants)</i>	3 Projects USD 6.4 million <i>(grants)</i>	1 Projects USD 715,000 <i>(grants)</i>	1 Project* ^o USD 9.96million <i>(grants)</i>	Caribbean Program USD 60-75 million <i>(grants)</i> USD 36 million (other concessional resources)

* + one endorsed concept for Belize

^o direct access project in Jamaica



Constraints Faced by CARICOM SIDS in Accessing Climate Finance

External

- Donor focus on larger emerging economies
- Under-financing of regional priorities at the global level e.g adaptation
- Burdensome access criteria and procedures
- Lack of understanding of SIDS issues at the International level
- Use of per capita income rather than climate vulnerability as criteria for accessing climate finance

Internal

- Lack of capacity and in-country expertise to **plan for**, **access**, **deliver** and **MRV** climate finance
- High transaction costs
- Weak in-country coordination systems and mechanisms between ministries of finance and planning, environment and sectoral ministries
- Absorptive capacity
- Capacity deficiencies in meeting internationally agreed fiduciary standards and environmental and social safeguards
- Private sector not aware of funds available
- High debt and lack of fiscal space



CDB/GIZ Regional Workshop on Climate Finance Readiness - 15-16 July 2013



- ❑ Priority Areas Identified by High-Level Officials from Ministries of Finance and Planning:
 - ◆ Coordination
 - ◆ Planning/Budgeting – Identification of priorities
 - ◆ Access
 - ◆ Implementation – Absorptive capacity
 - ◆ Results-based Management





Resource Mobilisation

- **Importance of grant and other concessionary resources**
 - CDB as the regional financial intermediary for global mechanisms (e.g. Green Climate Fund)
 - Climate Action Line of Credit (USD 65 mn) (EIB)
 - + TA Capacity development Euro- 4- 5 mn)
 - Community Disaster Risk Reduction Fund 23.5mn (CIDA/DFID)
 - New instruments for climate risk transfer
 - Facilitating the Role of private sector for CC
 - Renewable Energy and Energy Efficiency
- **Utilizing regional Institutions to serve as intermediaries with the International Community**
 - Reduce transaction costs
 - Enhance access by capacity constrained countries in the region
 - Opportunities to leverage higher levels of climate finance
 - Maximize the development impact of climate finance



A New Opportunity: Making the GCF fully operational

Work Plan for 2013

The Board met 4 times between August 2012 and June 2013 and agreed on a work-plan:

- Complete the design: agreement on the Business Model Framework.
- Initiate the resource mobilization process.
- Set up the permanent Independent Secretariat.
- Running-start readiness activities.



Business Model Framework

Agreement on a staged- approach to the BMF of the GCF:

Will commence as a fund operating through accredited national, regional and international intermediaries and implementing entities.

Will initially focus on grants and concessional lending and employ additional instruments as necessary.

Will have a strategic focus on delivering climate results.

Readiness activities

Should conclude at Paris meeting in October



“If the Caribbean countries fail to adapt, they are likely to take direct and substantial economic hits to their most important industry sectors ...which are highly climate sensitive sectors. ... and significant losses ... will not only increase unemployment but have debilitating social and cultural consequences to communities.” – Dulal et al 2009

1. Pursuing Low-Carbon, Climate-Resilient Development is not a luxury for the Caribbean but must be its **most urgent priority**. The benefits of acting now far outweigh the cost of inaction or delayed action.
2. The financial requirements are **substantial**, and will require the mobilization of resources on an **unprecedented** scale.
3. Access to **grant and concessionary** resources are crucial, however a range of financing, policy and investment instruments and approaches are required to address policy, risk, costs and liquidity impediments.
4. The development community must focus on **facilitating access** to resources by these countries to avoid climate-induced instability in the region.
5. Countries and regional organizations must “**ready**” themselves
6. Engaging the **private sector** must be an urgent priority