

LEDS Global Partnership

Transport Readiness for Climate Finance

What conditions are needed to access financing for sustainable transport

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- 1.The basics of climate finance for transport**
- 2.Sources of funding
- 3.Seven components of readiness
- 4.Evaluating performance
- 5.Conclusions

Increased Investment is Needed

23%

Share of source energy emissions from transport

2.5

Factor increase by 2050

1

Trillion dollars of global annual transport investment

3

Trillion dollars of investment needed to mitigate emissions growth

What is “Readiness”?

Status Quo

Climate Financiers

Recipient Country/City

“Readiness”

Climate Financiers

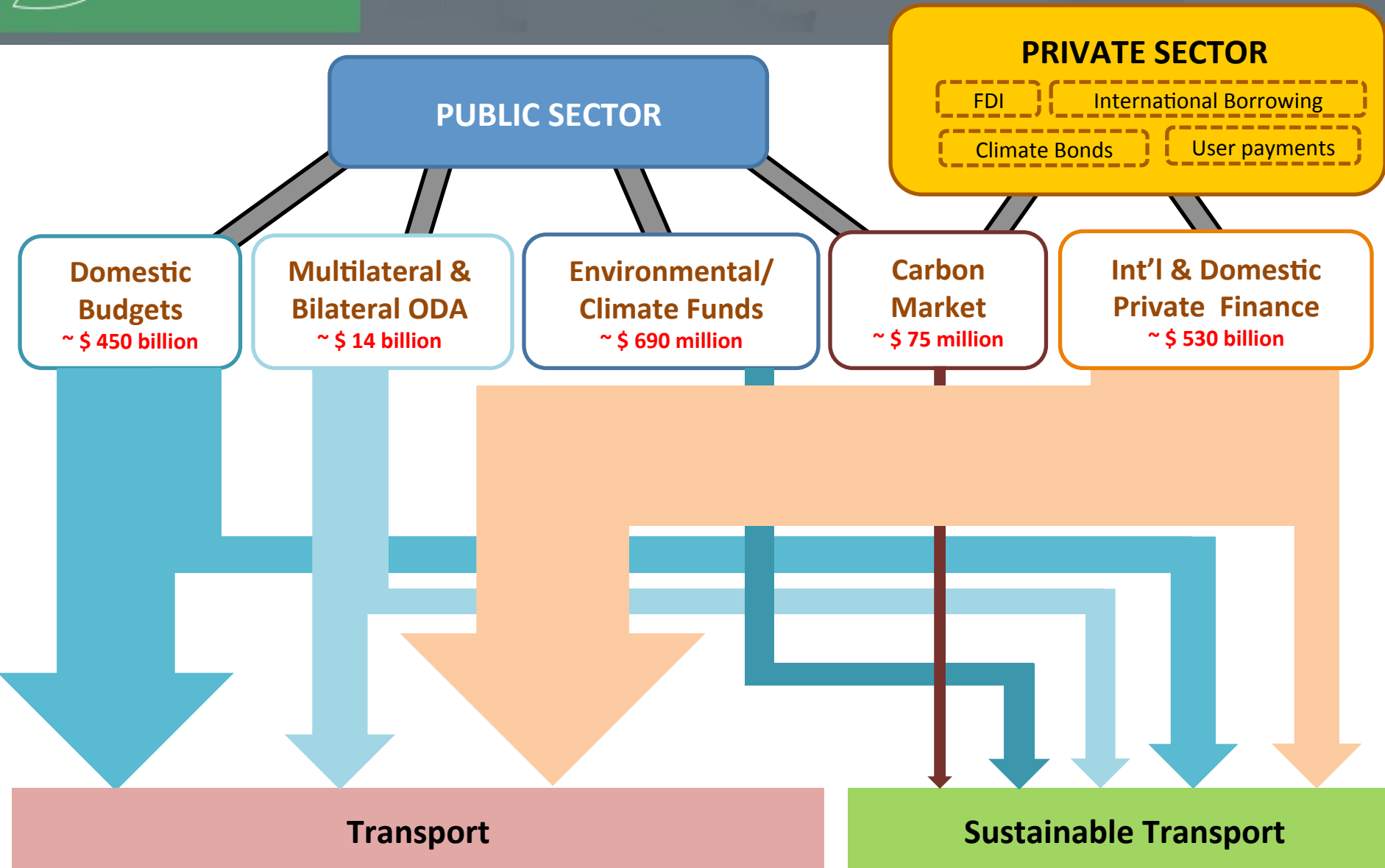
Recipient Country/City

Presentation Contents

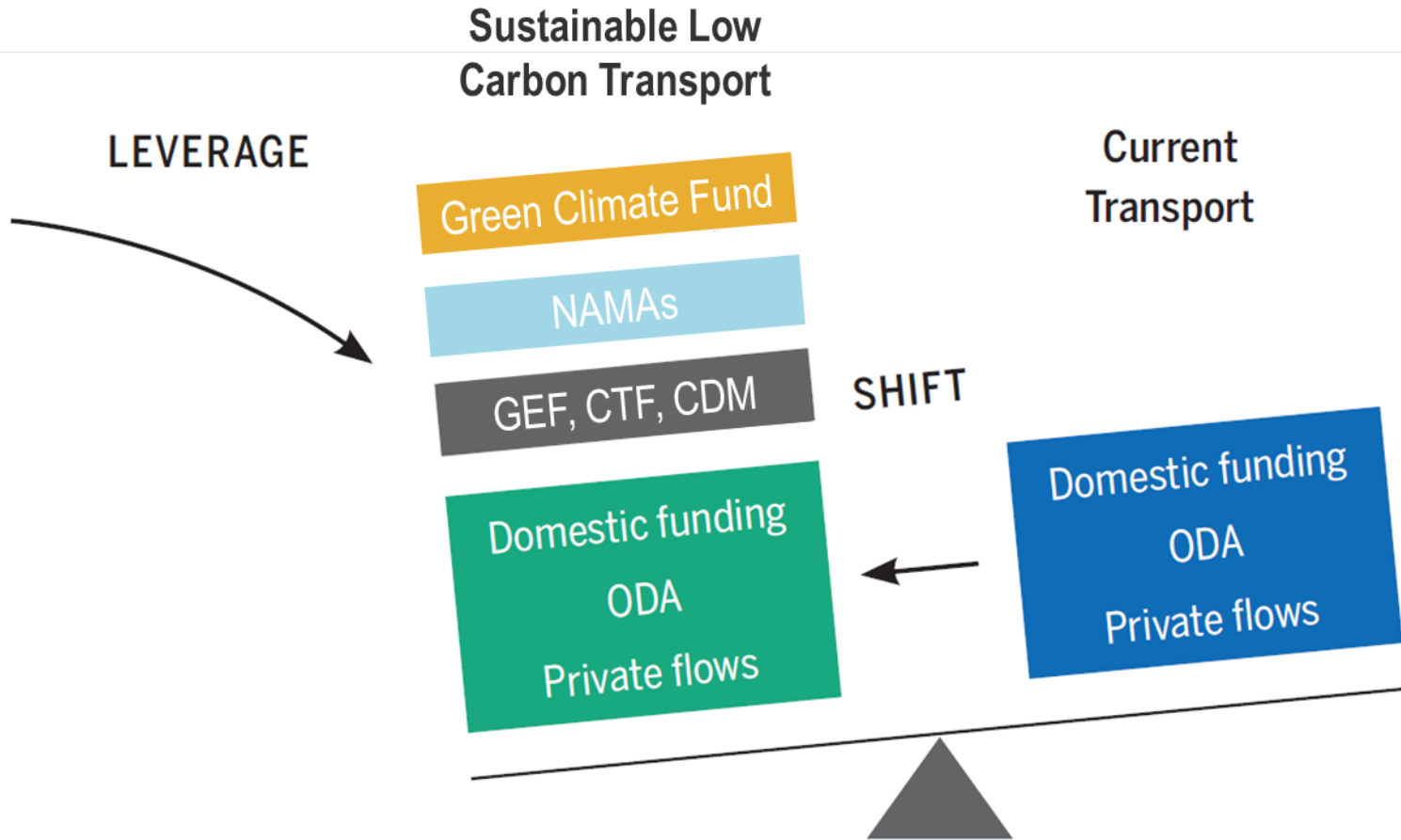
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Global Transport Spending

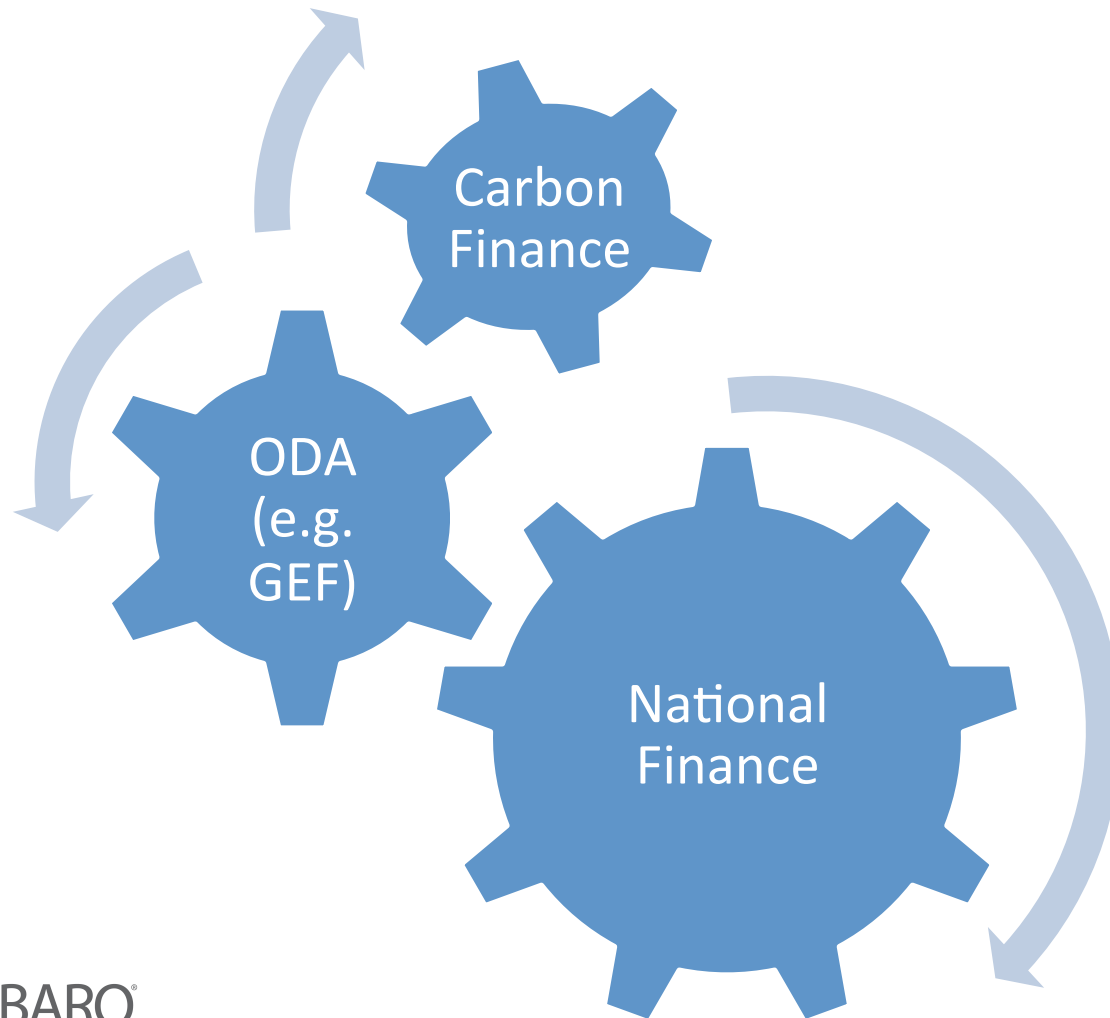
Sources: WRI; OECD CRS, 2010; CPI, 2012; UNFCCC, 2007; IMF GFS, 2011; OECD Stat.



The Big Picture



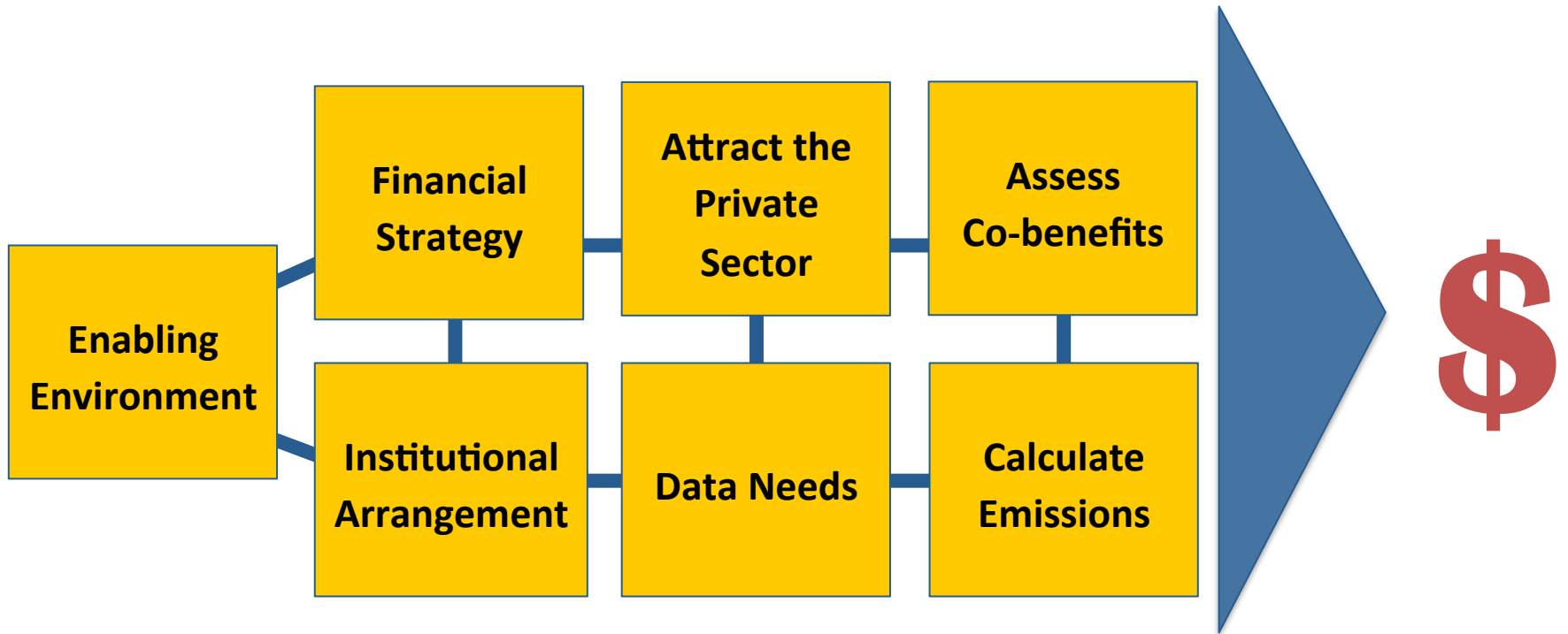
Carbon finance as an incentive not as a silver bullet!



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Seven components of readiness



Enabling Environment

- Low-Carbon Mobility or Transport Plans
- Binding emissions targets

Laws & Policies

- Fuel efficiency standards
- Safety standards
- Financial protections

Regulation

Institutional & Market Capacity

- Managerial and technical skills
- Infrastructure and communications
- Mature project development and financial markets

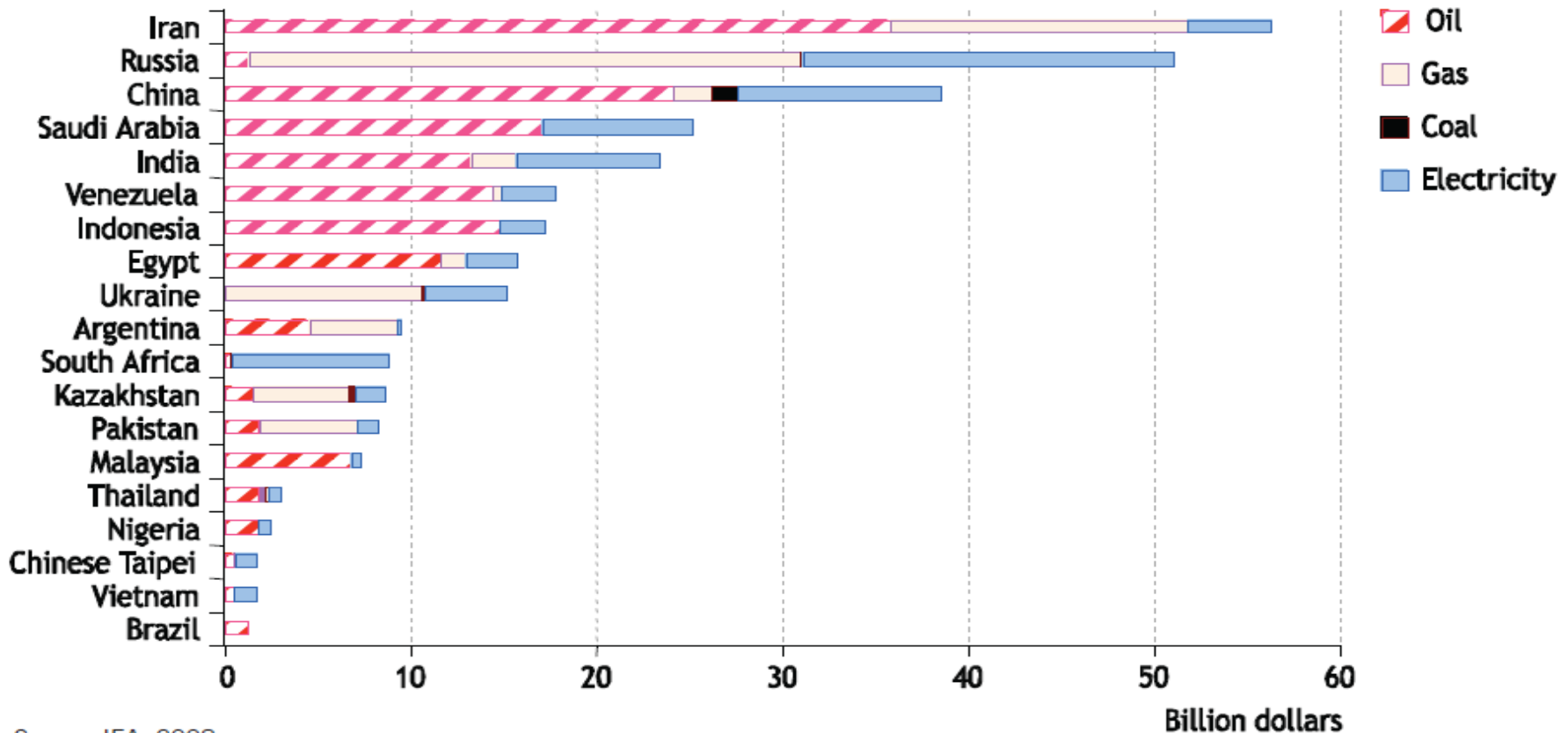
Economic Policy

- Stable fiscal and monetary policy
- Reduced fossil fuel subsidies

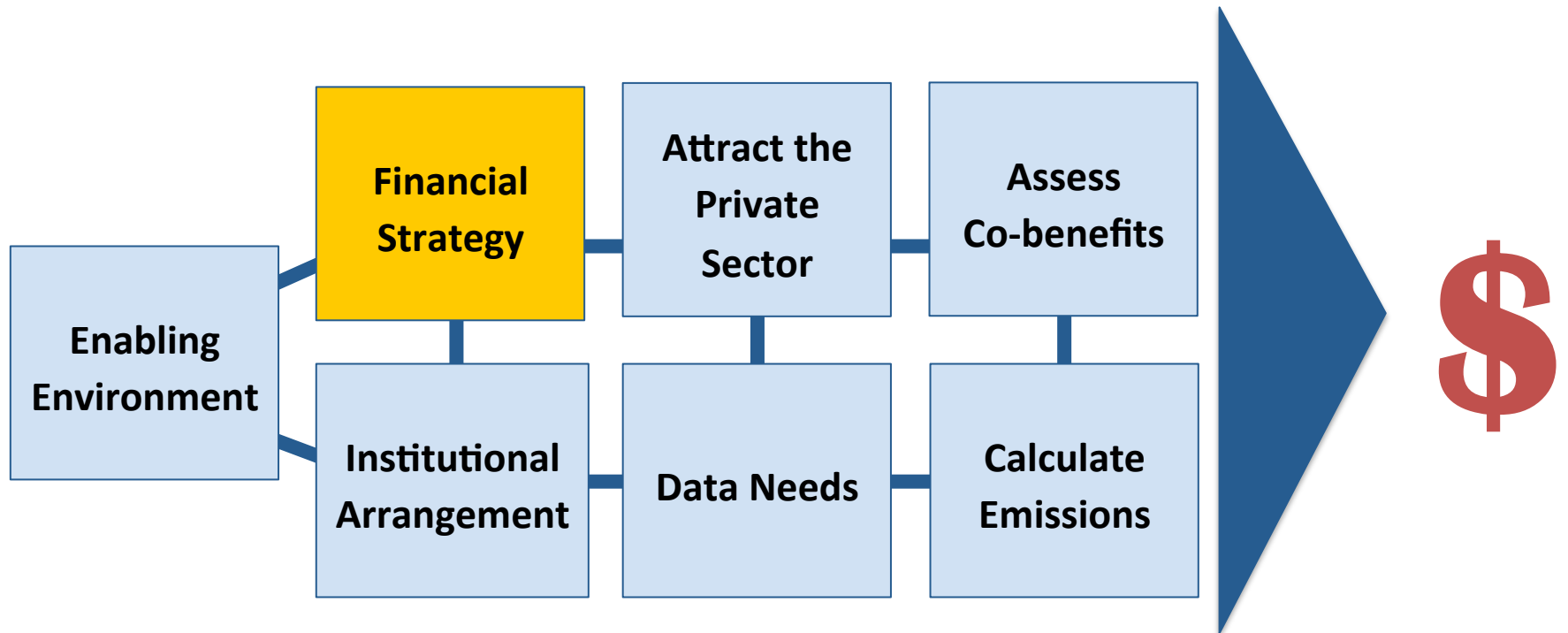
Enabling Environment (EXAMPLE)

ANNUAL FUEL SUBSIDY BY COUNTRY (2008)

\$300 billion fuel subsidies prevent 6% global GHG reduction

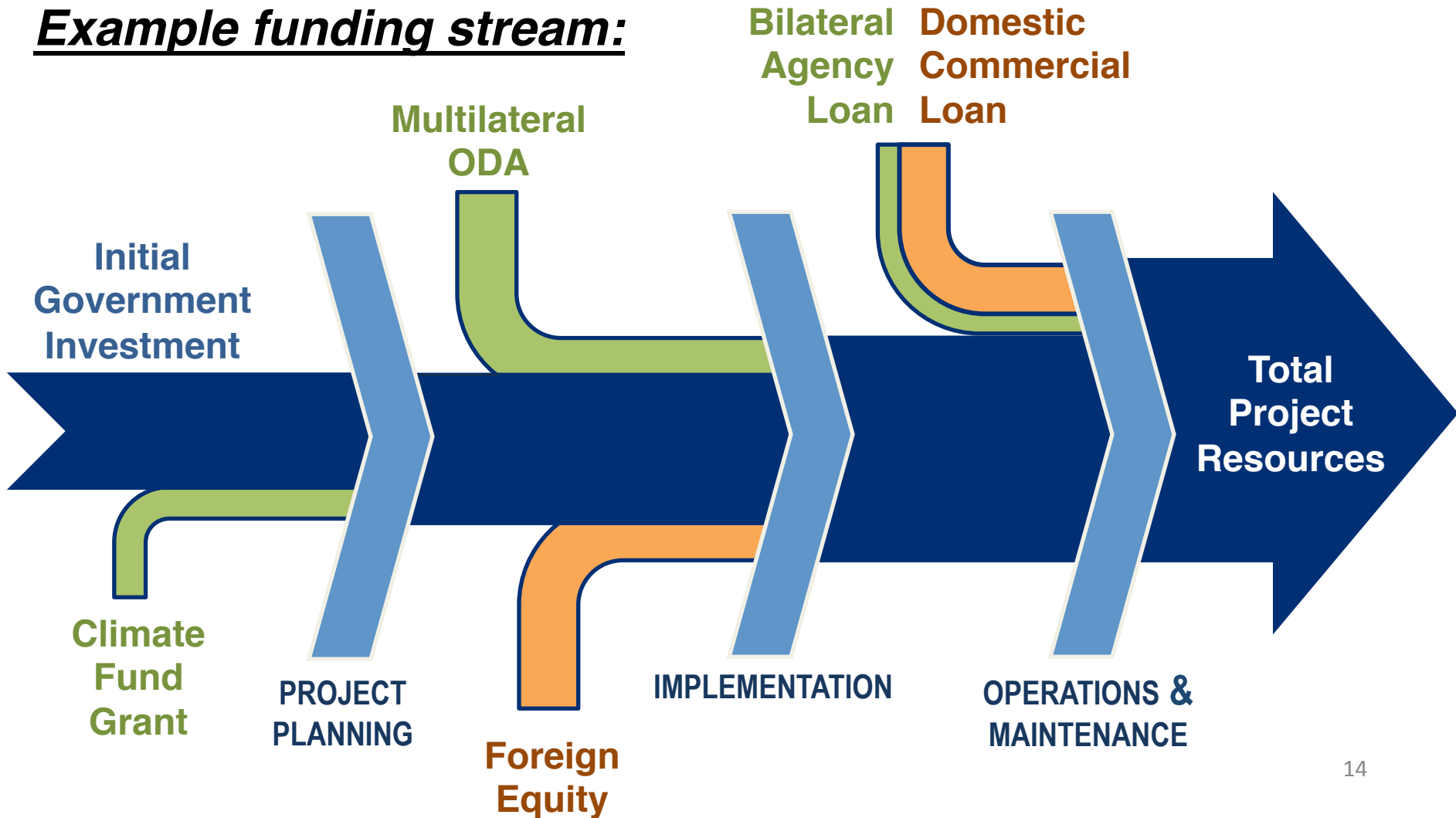


Seven components of readiness

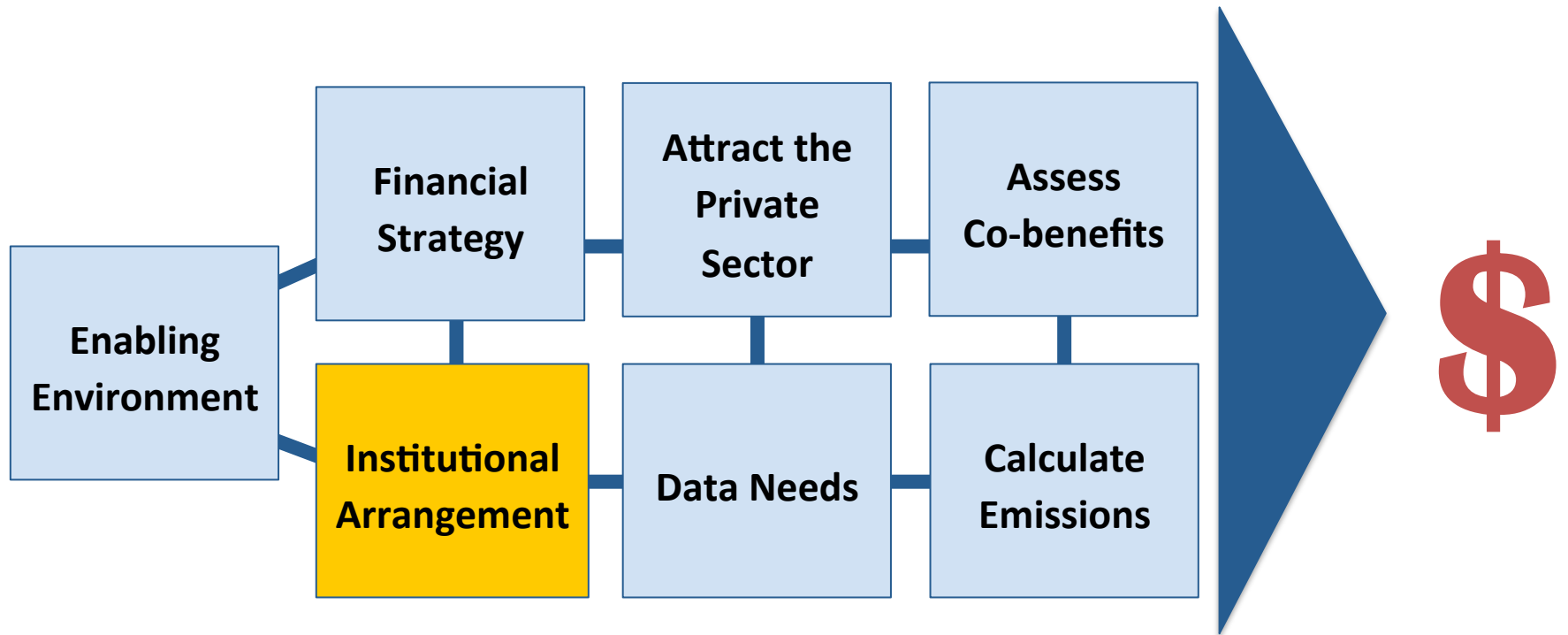


Financial Strategy

Example funding stream:

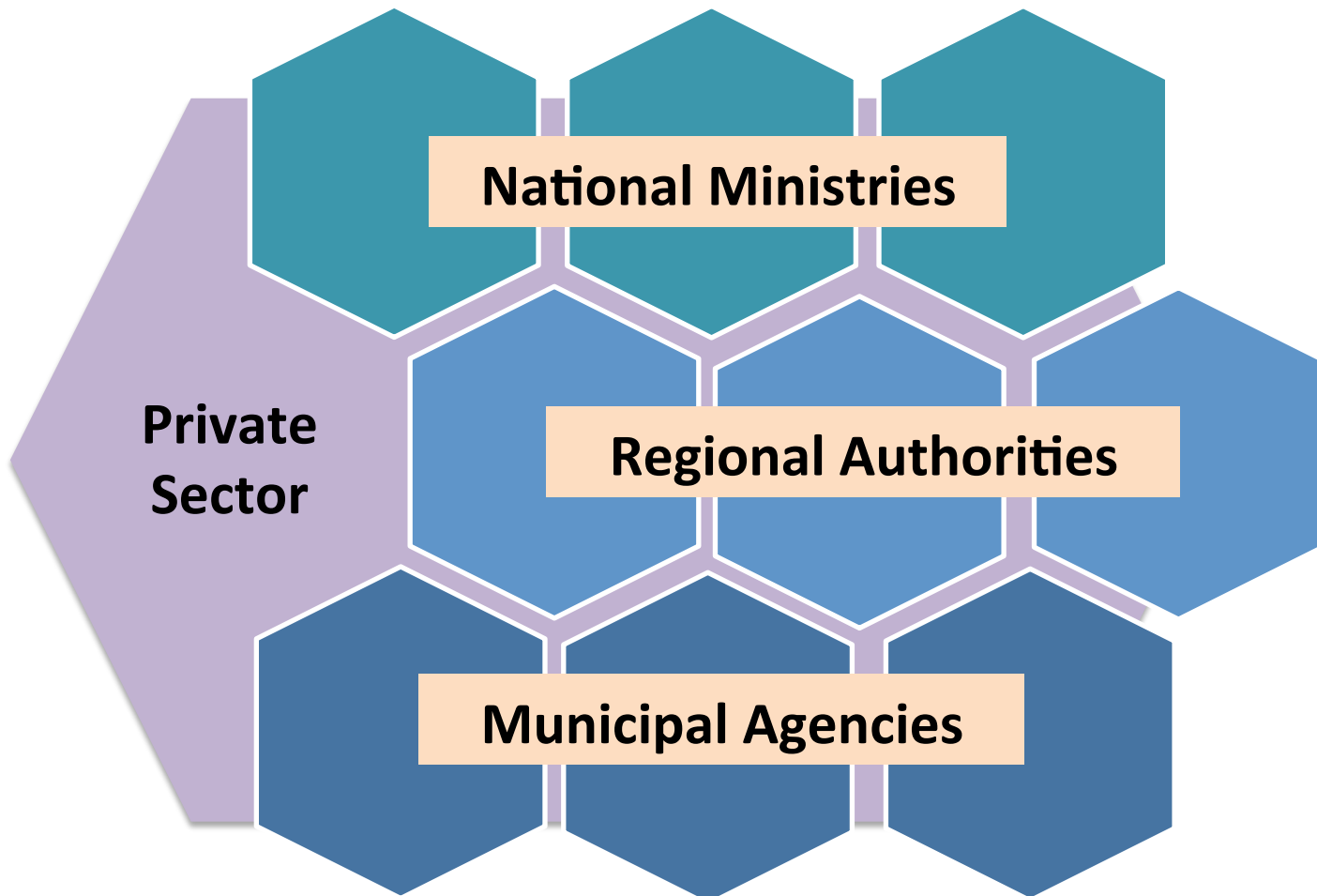


Seven components of readiness



Institutional Arrangement

Coordination, Collaboration, & Knowledge-sharing across sectors and political jurisdictions

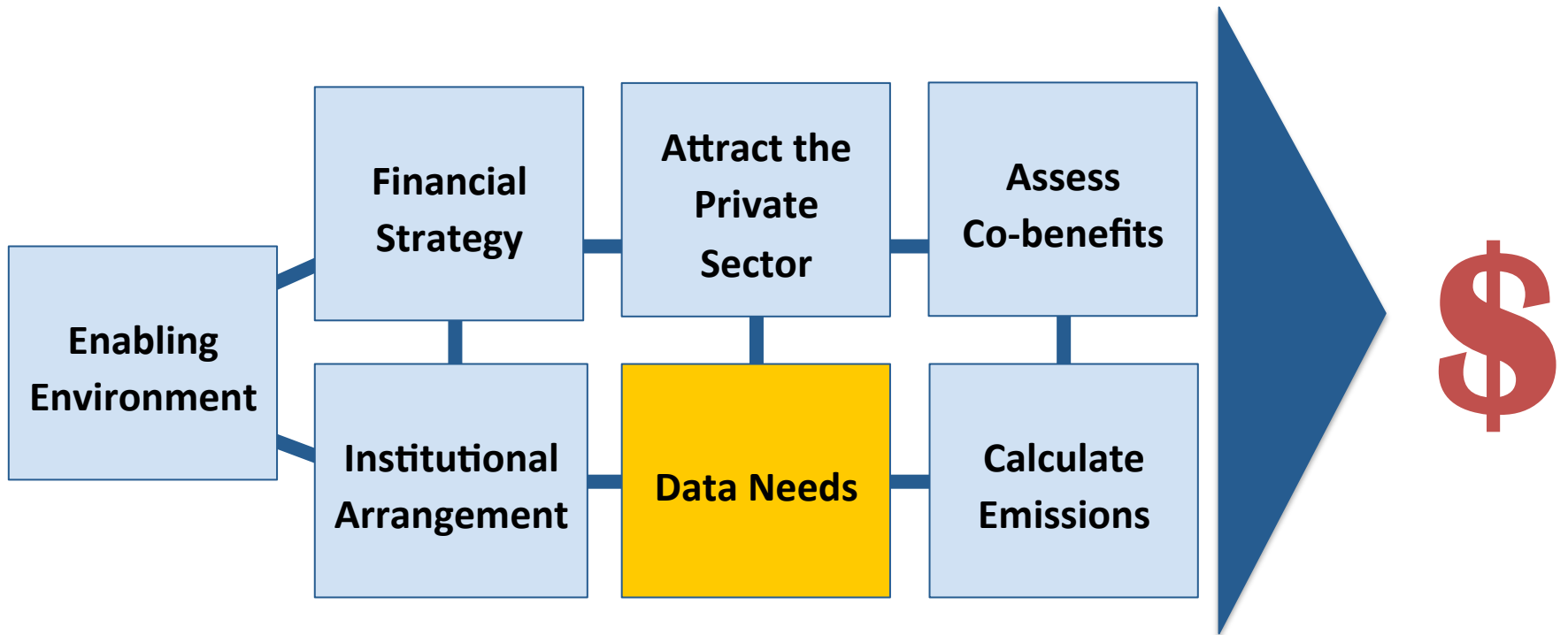


Institutional Arrangement (EXAMPLE)

Data-sharing for Bogota's *Transmilenio*



Seven components of readiness



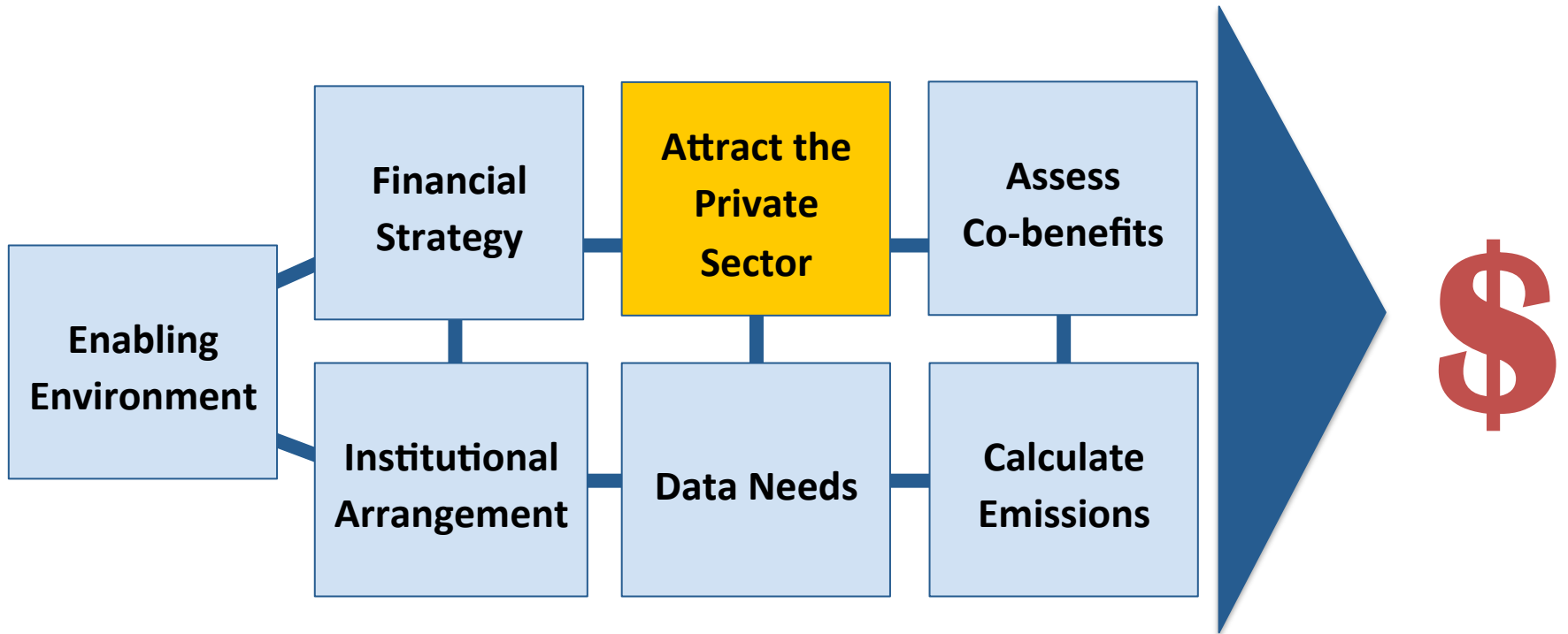


Data Needs

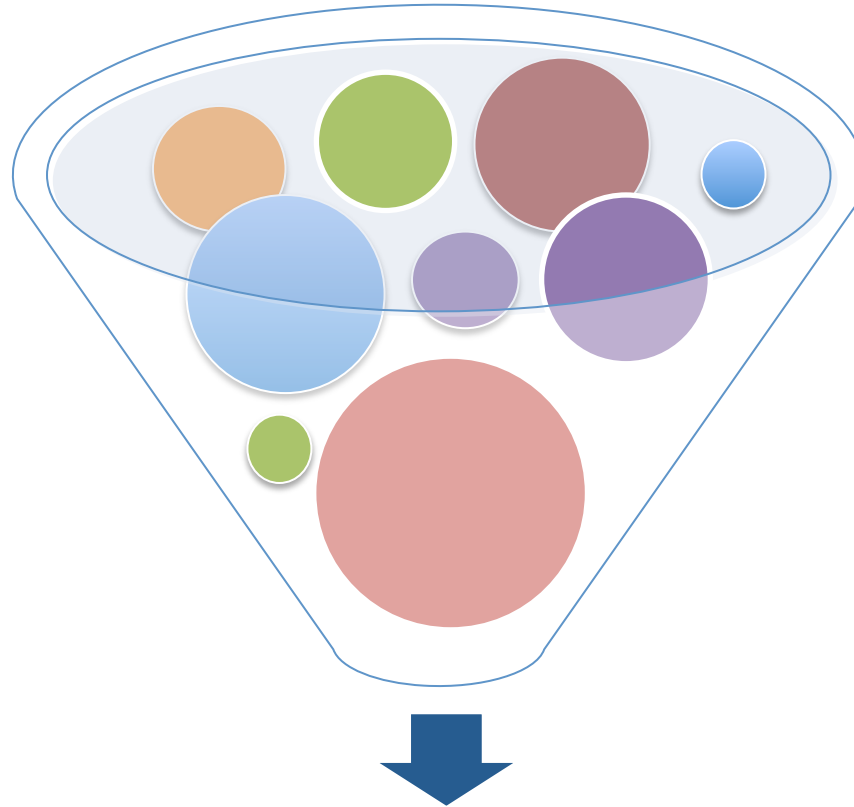
Source: WRI, forthcoming, “Greenhouse Gas Protocol: Policies and Actions Accounting and Reporting Standard.”

Approach	Important data	Direct Data Sources	Alternative Data Sources
Top-down	Total fuel consumption and by fuel type	Fuelling station data	Aggregate fuel sales
		Agency energy statistics	
	Total fuel consumption by vehicle type	Fuelling station data (<i>uncommon</i>)	Estimated national fuel sales
Bottom-up	Vehicle stock	Local vehicle registration records	National or international averages
	VKT by vehicle type	Vehicle inspection records	Estimate from regional or national averages
		Household and/or Commodity survey	Extrapolate from simplified survey
		Traffic counts	
	Fuel efficiency by vehicle and fuel type	Public survey	IPCC default values
Fuel consumption databases			
Emission factor	Local default values	IPCC default values	

Seven components of readiness



Variation in private investment vehicles not so varied in objective

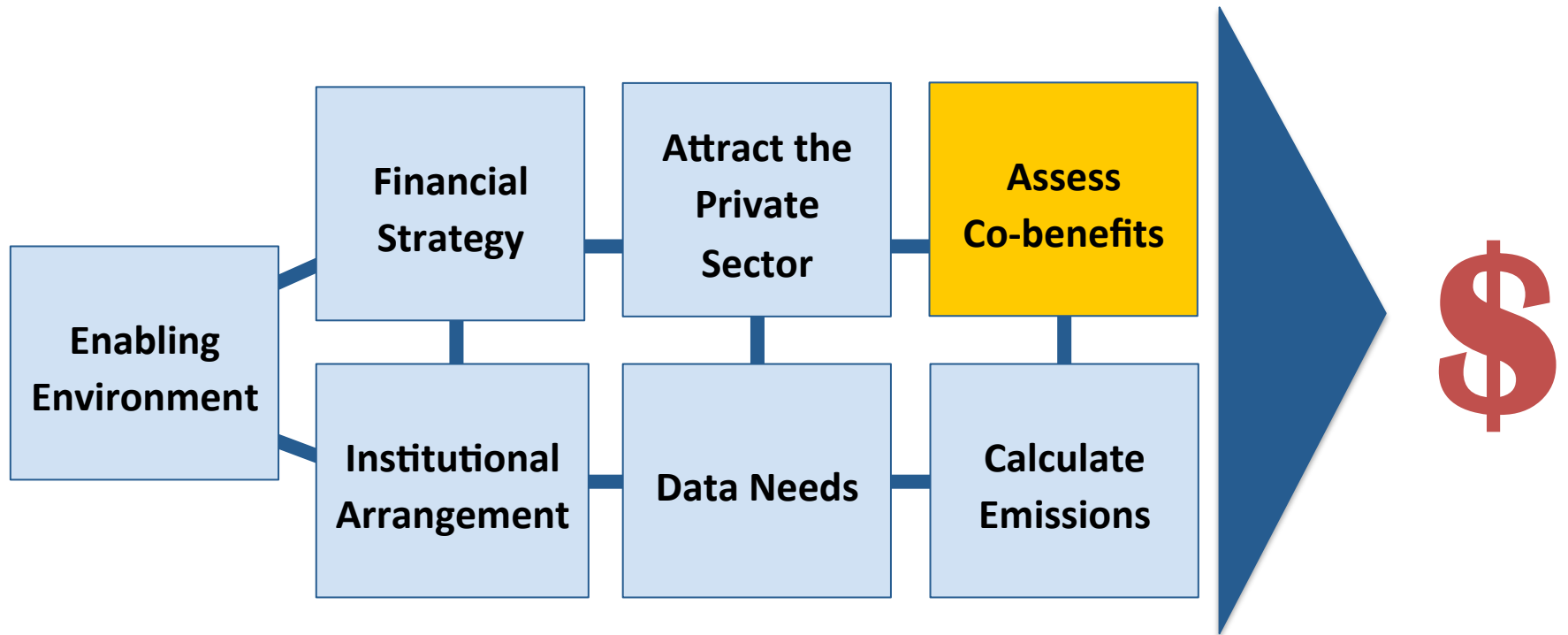


Minimize cost; Maximize return

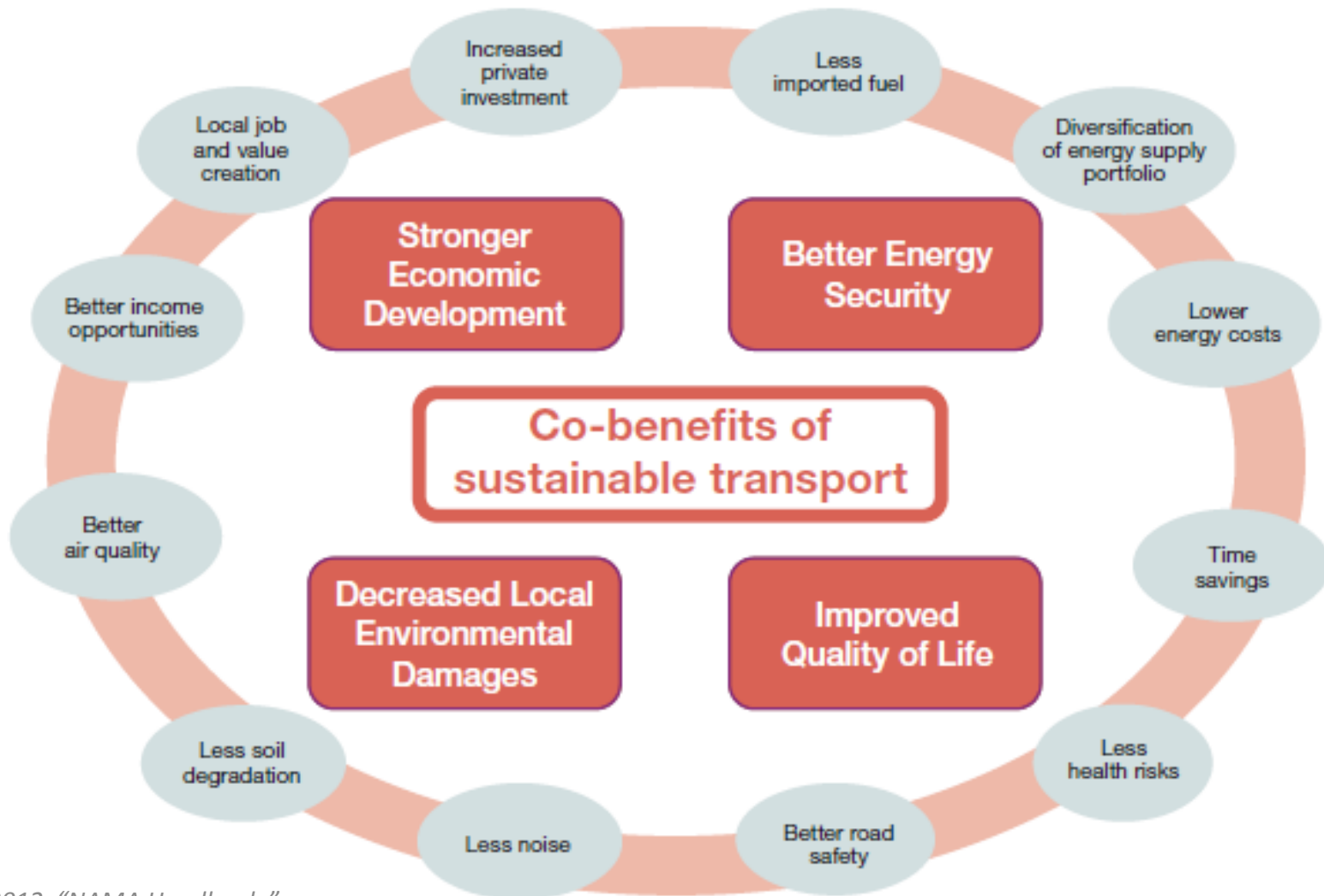
Attract the Private Sector



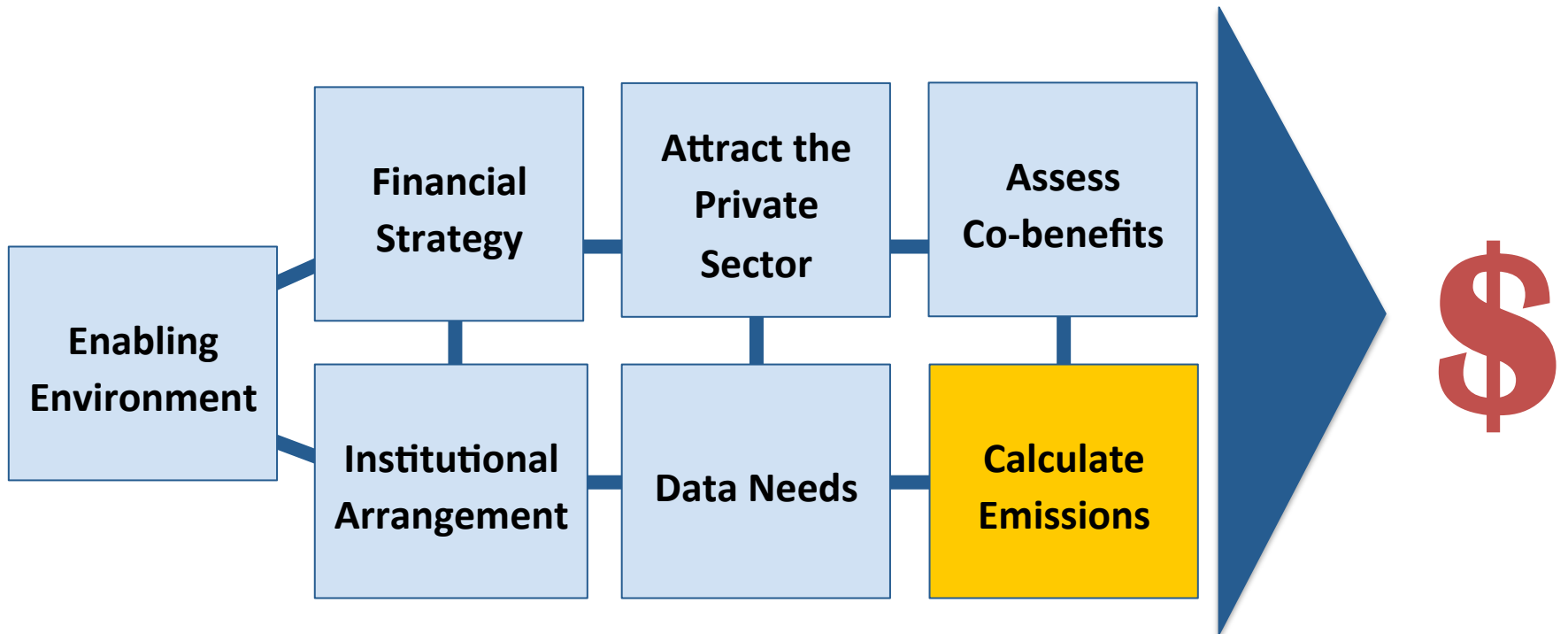
Seven components of readiness



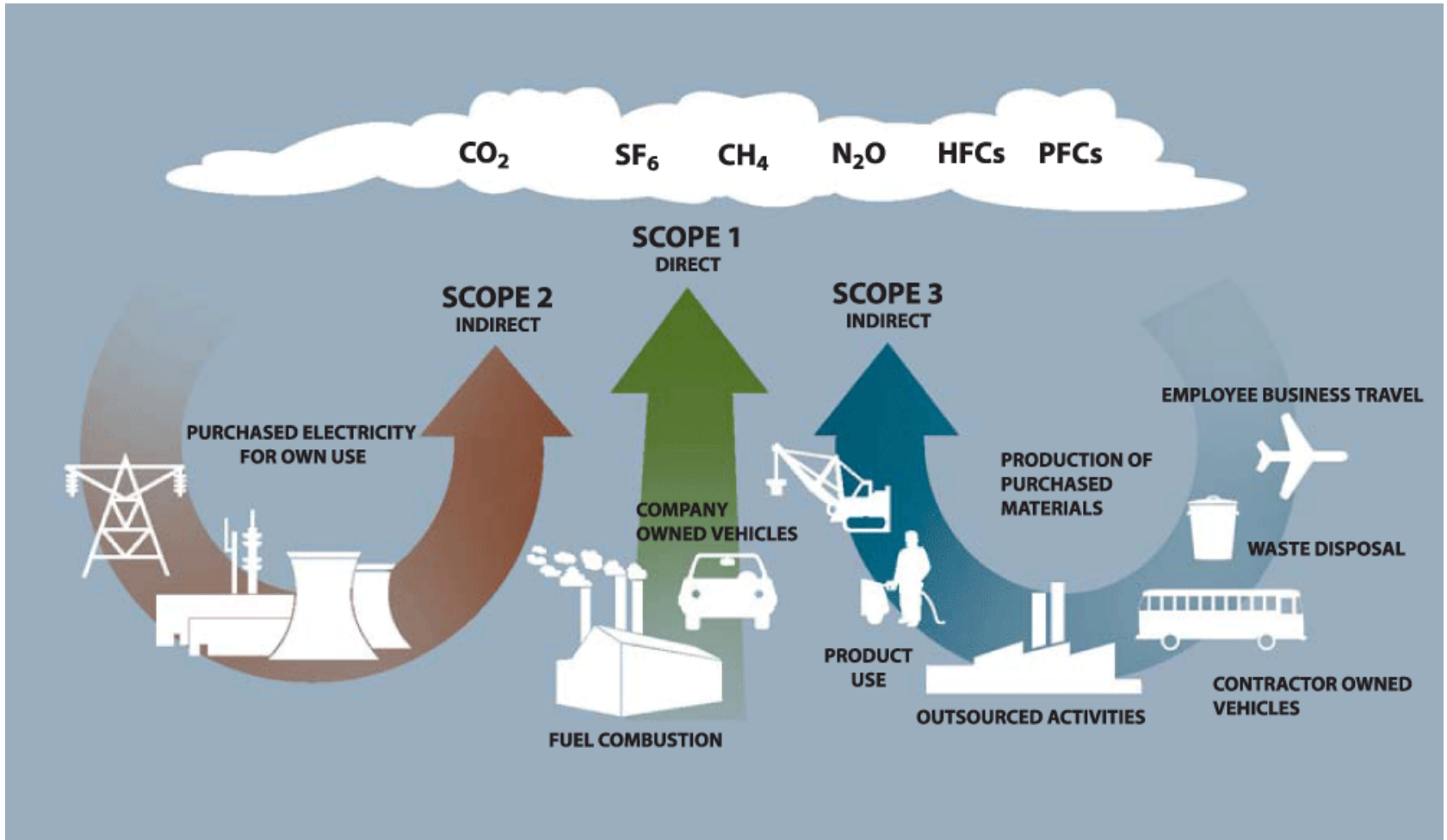
Assess co-benefits



Seven components of readiness



Calculate Emissions



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What and how to measure?

MRV Plan

1. Establish goals, capacity, baseline, boundary, data sources
2. **M**easure, **R**eport, & **V**erify
3. Ex-ante and Ex-post

Outcomes vs. Outputs vs. Process

Direct Indicator (Outcome)	Indirect Indicator (Output)	Process Indicator
<ul style="list-style-type: none"> • Tons of CO₂e gasses abated by new transport fuel or system. 	<ul style="list-style-type: none"> • Changes in mode share • Number of new registrations for more efficient vehicles 	<ul style="list-style-type: none"> • Policy or regulation passed • Number of people trained in capacity-building effort

Methodology selection : WRI/WBCSD, CDM, IPCC, etc.

Putting the “V” in MRV

Verification of climate finance

Assess process as well as outcomes/outputs

Third party

That which actually can be verified

Evaluate the MRV methodology itself

Effectiveness

Difficulty

Data gaps

Completeness



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5 Most Important Readiness Actions

Attract the private market with de-risking instruments and stable local market characteristics

Focus on institutional capacity through gap analysis and dedicated public resources

Plan early and upstream across political levels and institutions

Develop a financial strategy combining public and private resources, climate finance and ODA, and local, regional and international funding

Gather good data and organize the processes of data sharing ex-ante and data collection ex-post

MERCI !

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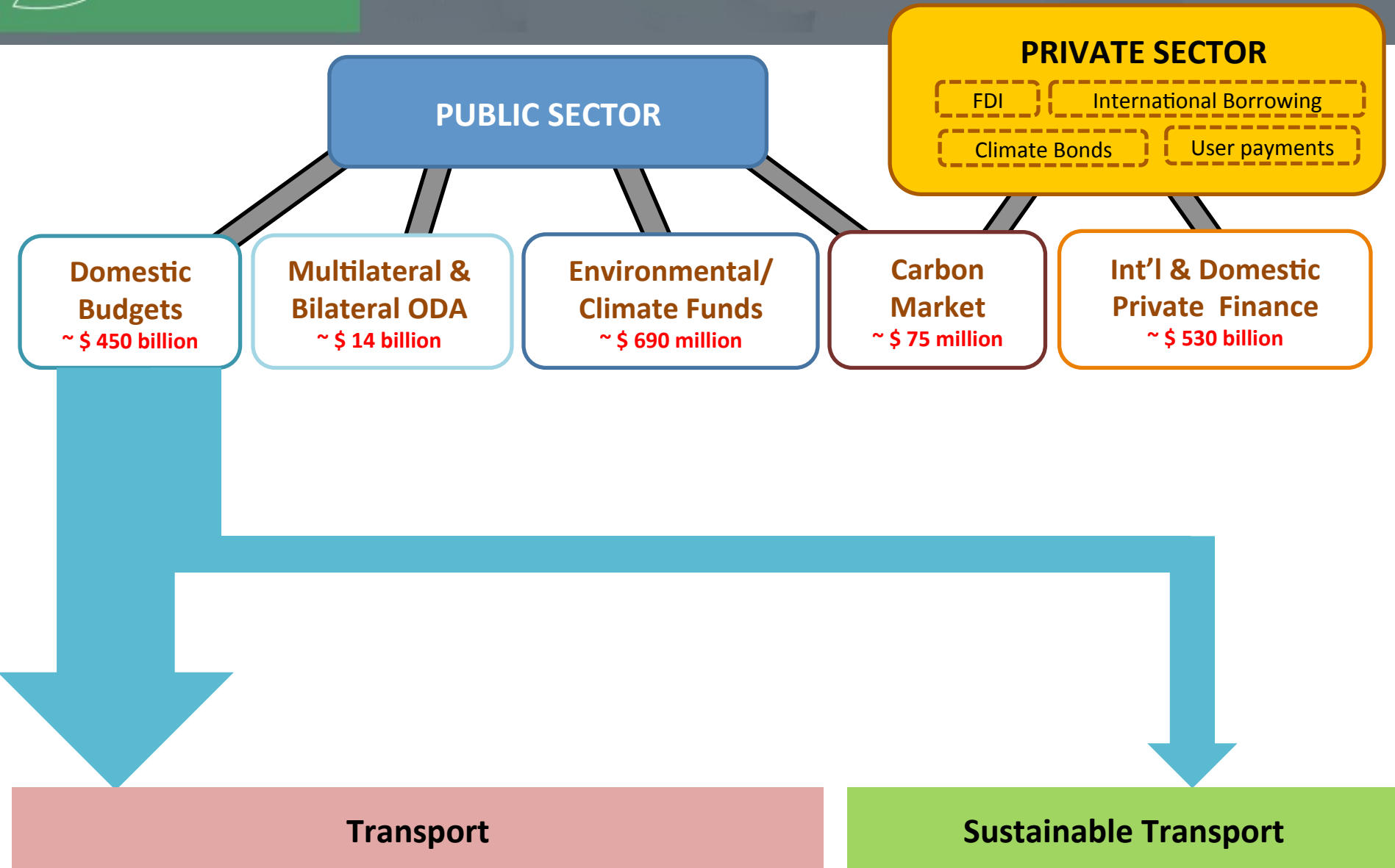
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Domestic Budgets



Leading transport programs:

JnNURM (India)

Budget: ~US\$ 2.1 billion in 2013

- Jawaharlal Nehru National Urban Renewal Mission
- Financing/TA for urban infrastructure in 63 cities

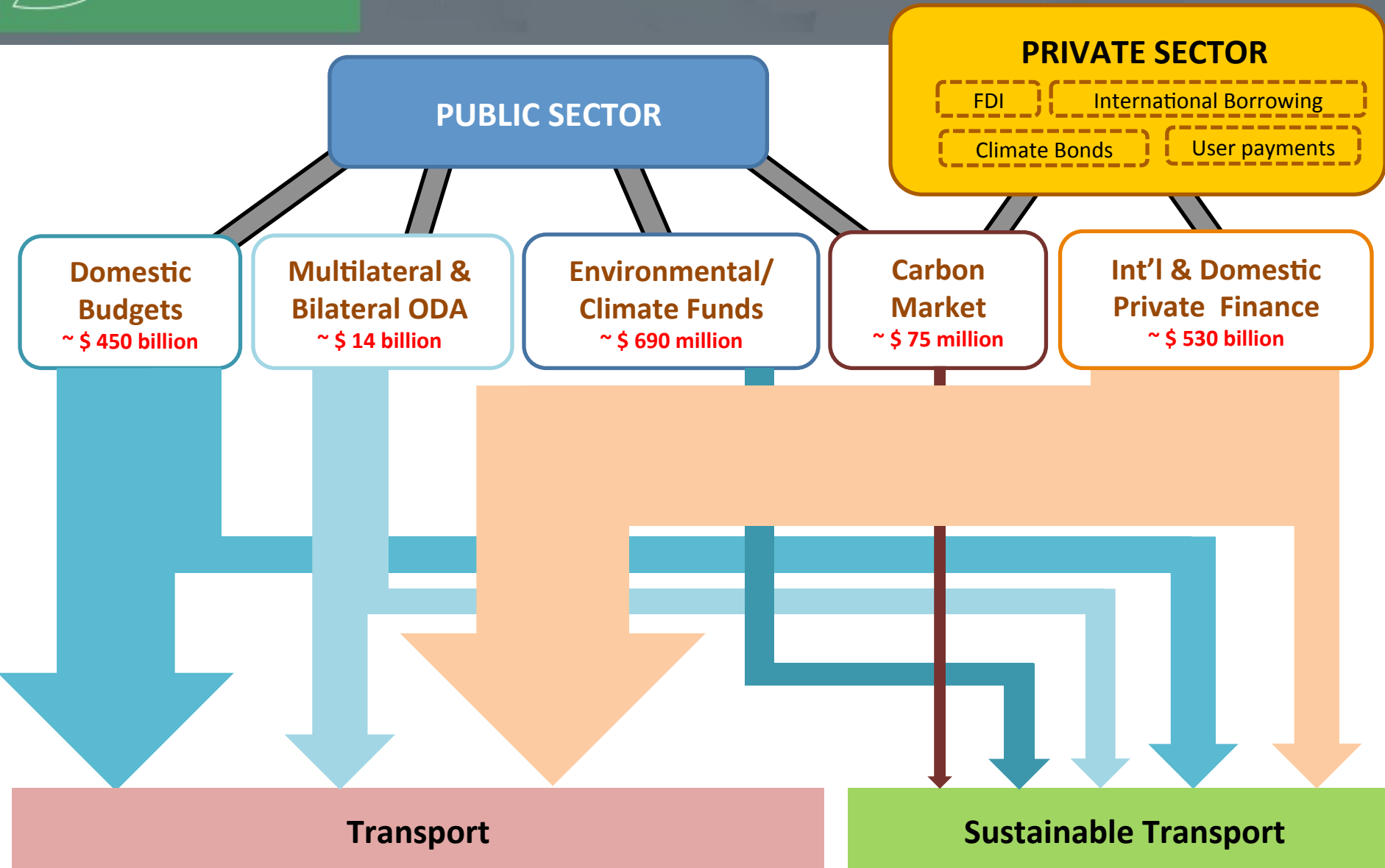
PROTRAM (Mexico)

Budget: ~US\$ 9 billion in 2013

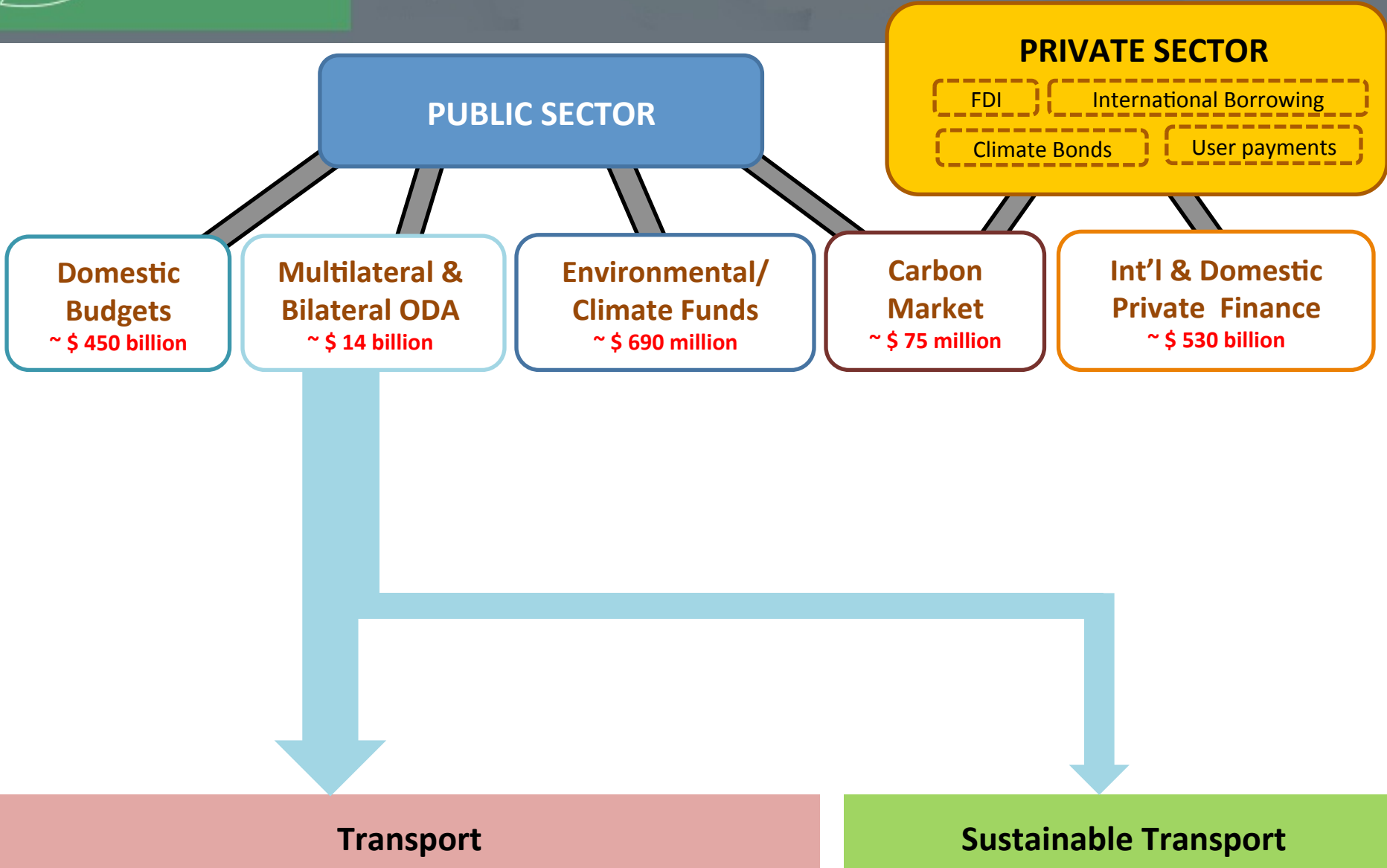
- Federal Mass Transit Program
- Loans/Grants for mass transit activities in cities of 500,000+

Global Transport Spending

Sources: WRI; OECD CRS, 2010; CPI, 2012; UNFCCC, 2007; IMF GFS, 2011; OECD Stat.



Official Development Assistance (ODA)



Official Development Assistance (ODA)

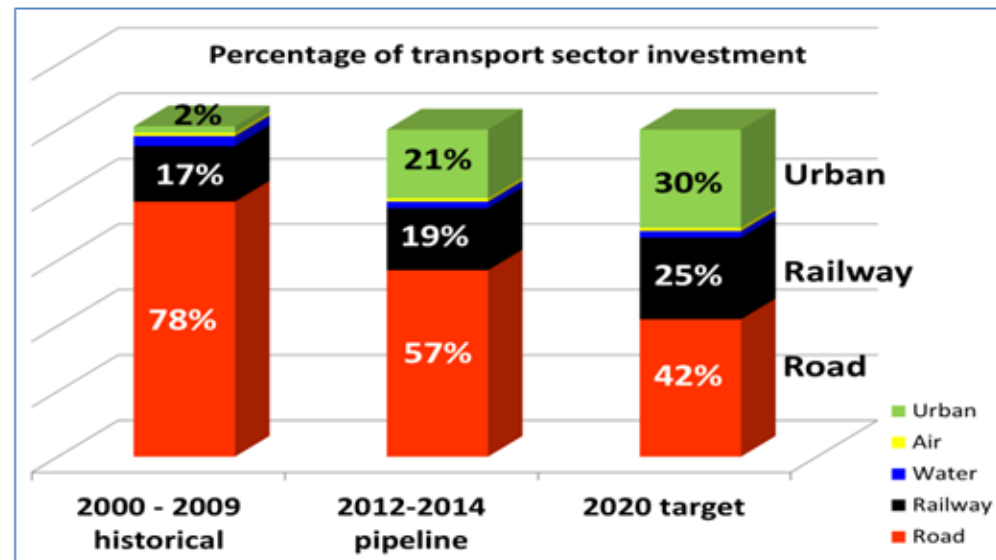
➤ Transport spending is usually non-sustainable, but there is movement toward sustainable modes:

- ADB (graph at right)
- \$175 billion
Rio commitment
- STAR framework (below)

Rating Levels:

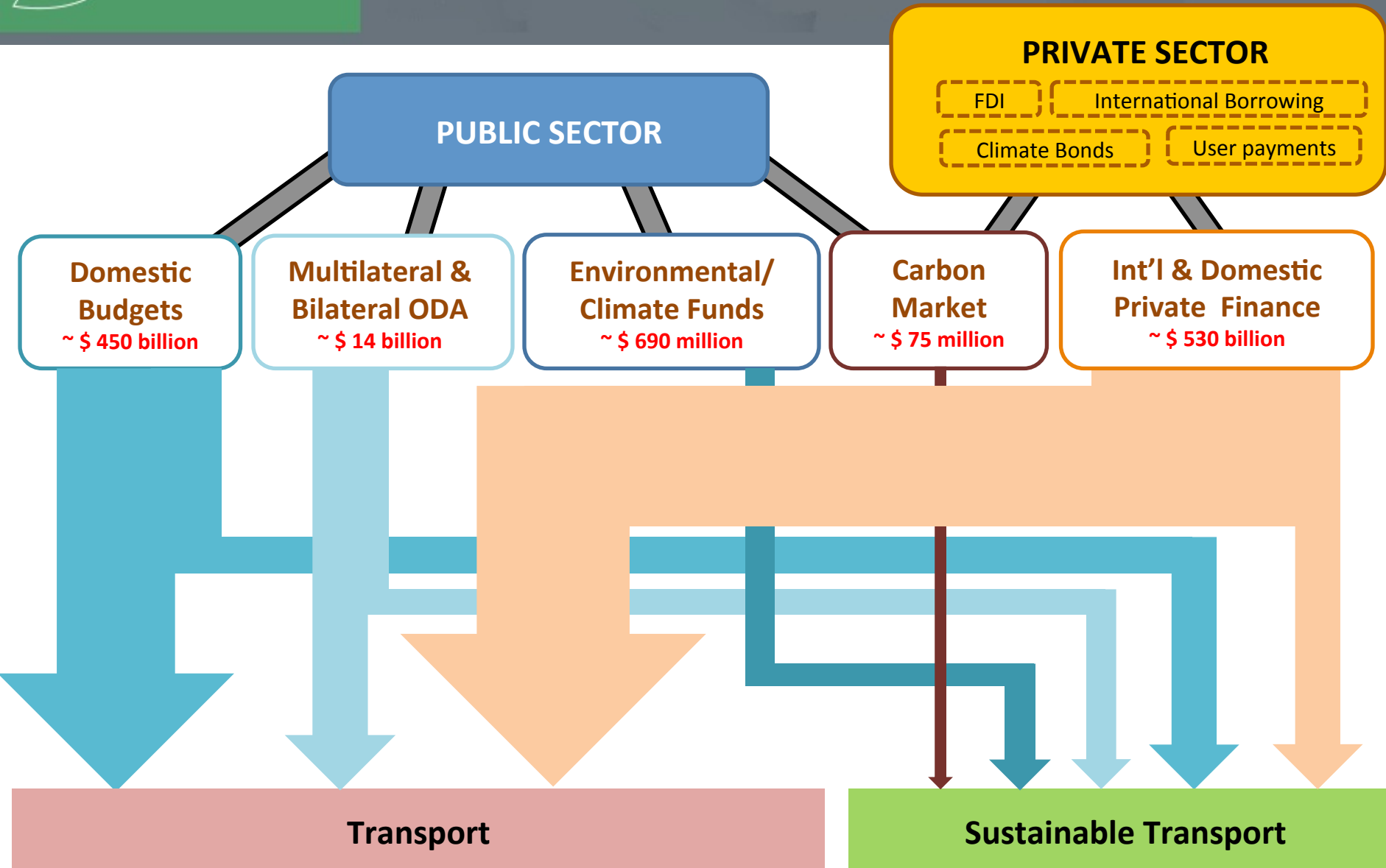
Rating Level	Min. Points
Highly Sustainable	1.8
Sustainable	1.2
Moderately Sustainable	0.6
Marginally Sustainable	0.1
Moderately Unsustainable	-0.5
Unsustainable	-1.1
Highly Unsustainable	-3

Asian Development Bank Spending

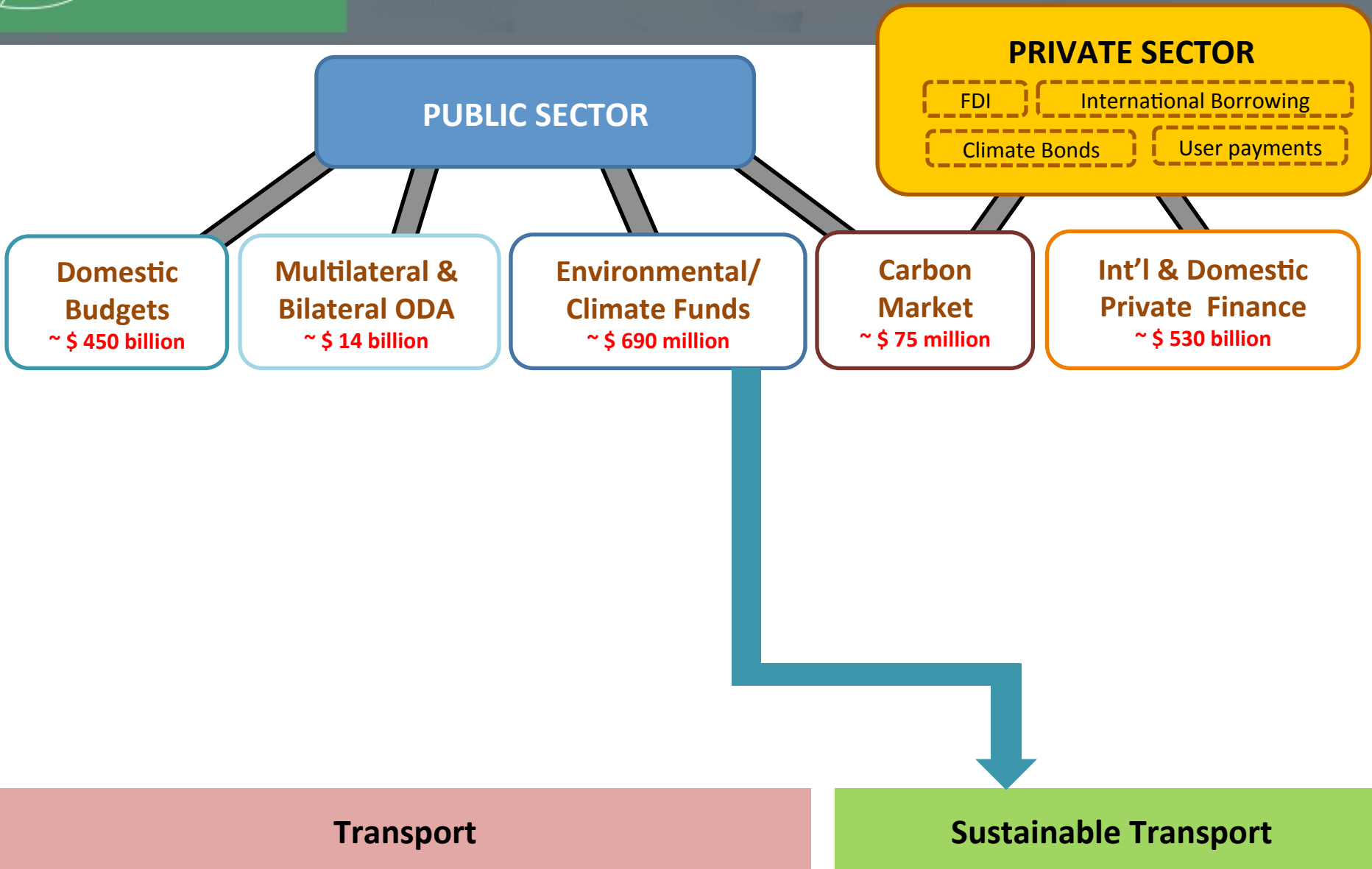


Global Transport Spending

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Environmental/Climate Funds



Environmental/Climate Funds

**Estimated. Sources: GIZ, 2010; 2012 annual reports and related publications from each fund.*

Name	Acronym	Year Created	Admin	Total Spending Approved	Total Spending on Transport	Proportion
MULTILATERAL						
Global Environment Facility	GEF	2010*	WB	\$452 million	\$292.5 million	6.5%
Clean Technology Fund	CTF	2008	WB	\$2.3 billion	\$256.4 million	10.9%
Global Climate Change Alliance	GCCA	2007	EC	\$368 million	\$10 million	2.7%
IDB Sustainable Energy and Climate Change Initiative	SECCI	2007	IDB	\$58.7 million	\$5.2 million**	8.9%
Nordic Development Fund	NDF	1989	Nordic Countries	174.9	10.7	6.1%
ADB Climate Change Fund	CCF	2008	ADB	\$50.1 million	4.7 million*	9.4%
ADB Clean Energy Fund (Partnership Facility)	CEF(PF)	2007	ADB	\$72.3 million	\$2.9 million	3.1%
Partnership for Market Readiness	PRM	2012	WB	\$5.25 million	\$3million	2.7%
BILATERAL						
International Climate Initiative	ICI	2008	BMU	\$900 million	\$20.49 million	2.3%
Japan Fast Start Fund Initiative (8 projects)	n/a	2009	JICA	\$10.8 billion	\$1.4 billion	13%

New Funding Channels

Fast-Start Finance (FSF)

- Pledge from UNFCCC Copenhagen Accords in 2010
- 36 developed countries to quickly put up \$30 billion
- Funds to be distributed through any funding source.
- *Example: Japan's Fast Start Fund*

Green Climate Fund (GCF)

- Goal of sufficient and predictable funding for mitigation/adaptation
- Public and private sector focused
- Aims to be operational in 2013
- Expected total budget of \$100 billion by 2020

Nationally Appropriate Mitigation Action (NAMA)

- Aims to encourage more mitigation action
- Flexible and reduces time/resource barriers to mitigation action.
- 3 types: unilateral, supported, and credited
- NAMA Facility (\$90 from UK and Germany to support NAMA activities)

How to access funds and facilities?

Climate Finance Options

www.climatefinanceoptions.org

Climate Investment Funds

www.climateinvestmentfunds.org

Climate Funds Update

www.climatefundsupdate.org

World Bank Carbon Finance Unit

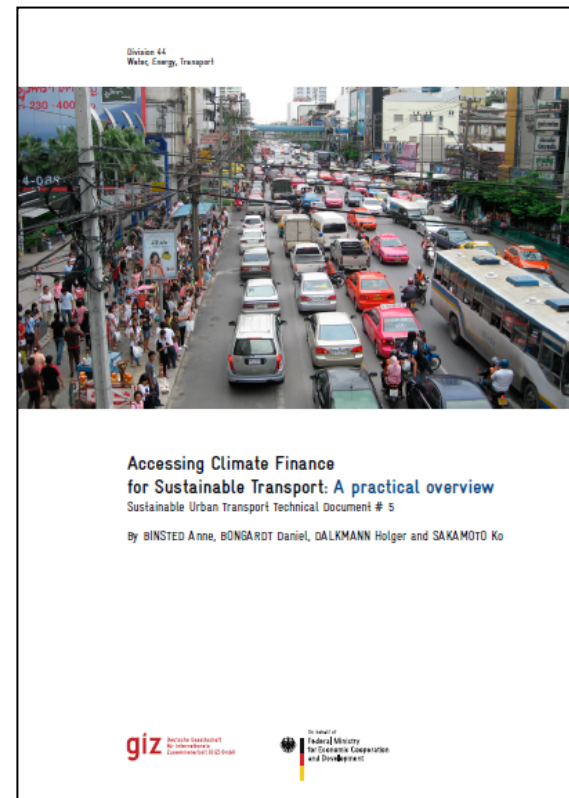
www.wbcarbonfinance.org

UNFCCC Finance Portal

www.unfccc.int/financeportal

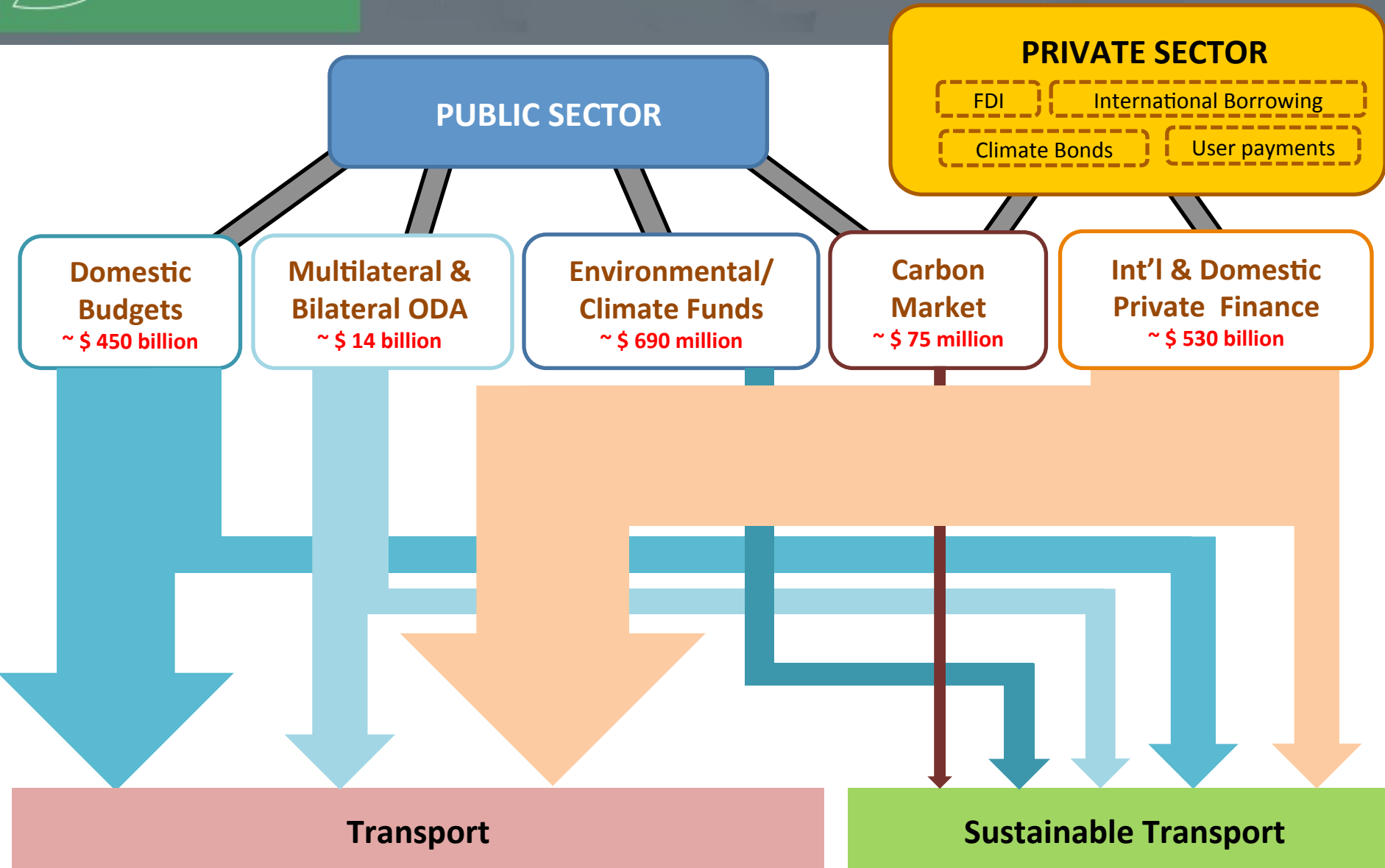
Accessing Climate Finance for Sustainable Transport

SUTP Publication from GIZ

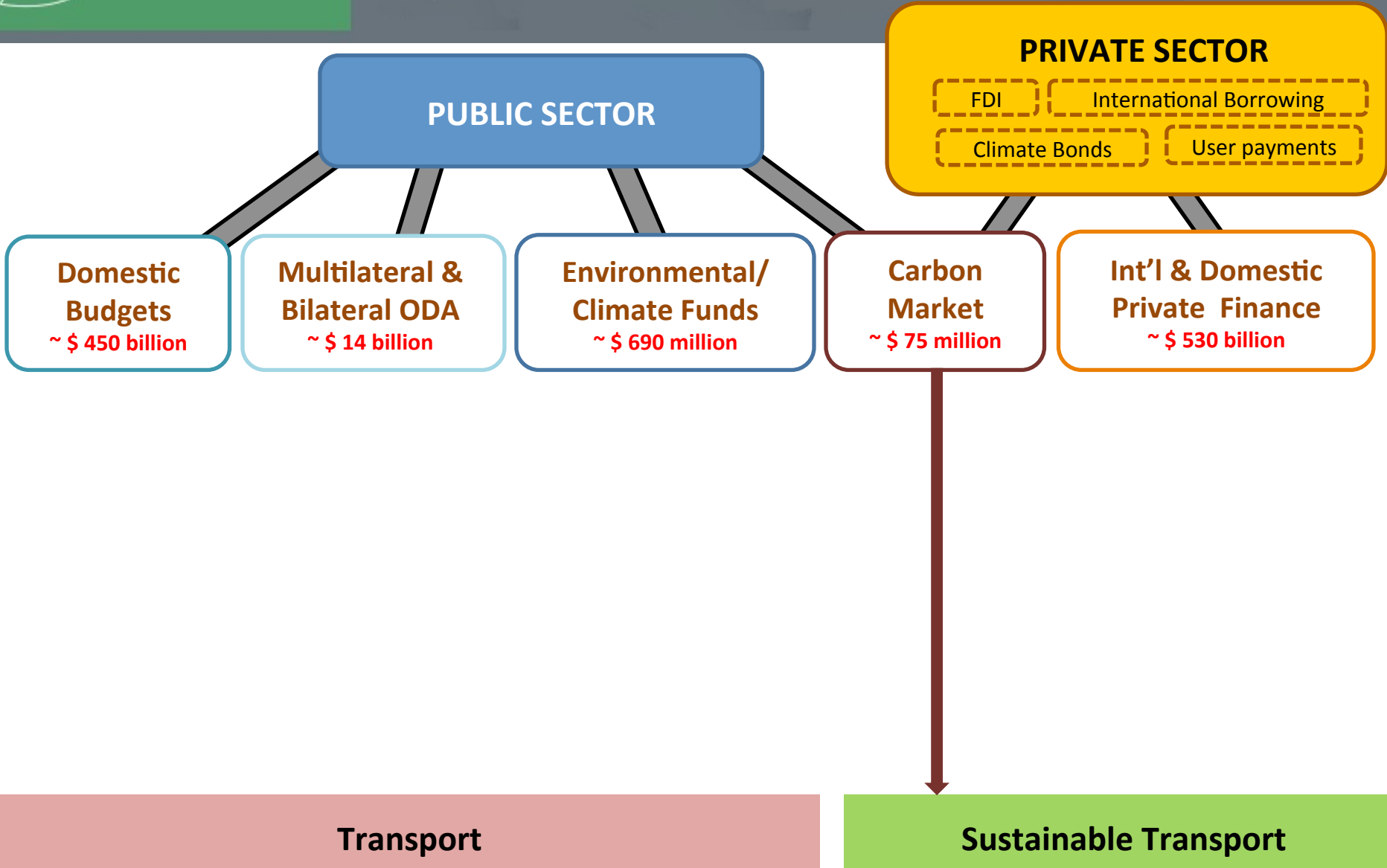


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Carbon Market



Clean Development Mechanism (CDM)

Annex I offset emissions by financing projects in Annex II

Carbon savings is monetized - depends on strong and accurate MRV

0.016% of the CDM supports low-carbon transport

Program of Activities (PoA)

To reduce transaction cost and difficulty of filing CDM projects

Allows groups of projects to be evaluated and submitted together

Joint Implementation (JI)

Annex I countries buying offsets in other Annex I

Very small and rarely transport-focused

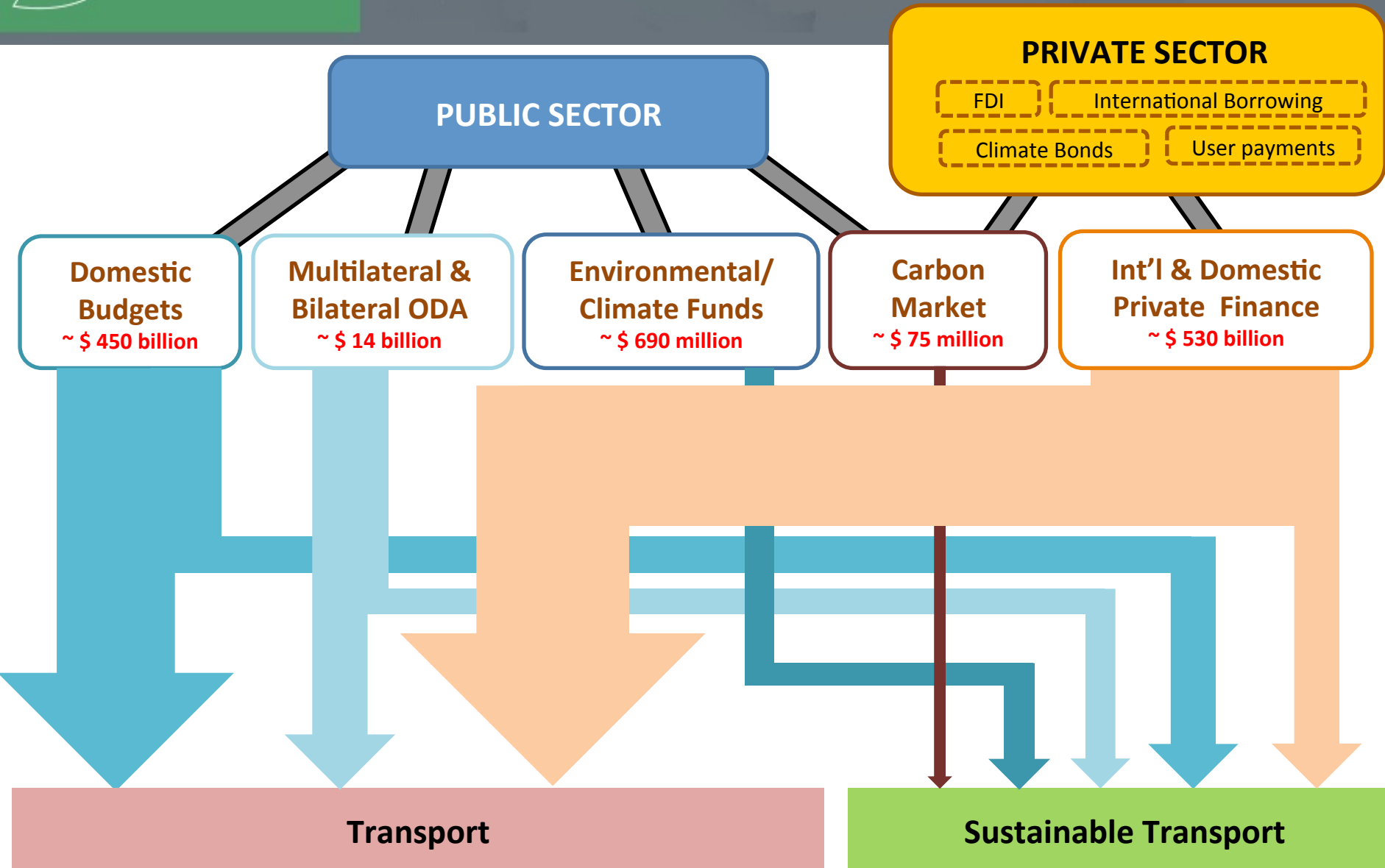
Voluntary Offsets and Emissions Trading

54 million tons of CO₂e traded in 2008

Unpopular for transport projects in Annex II countries

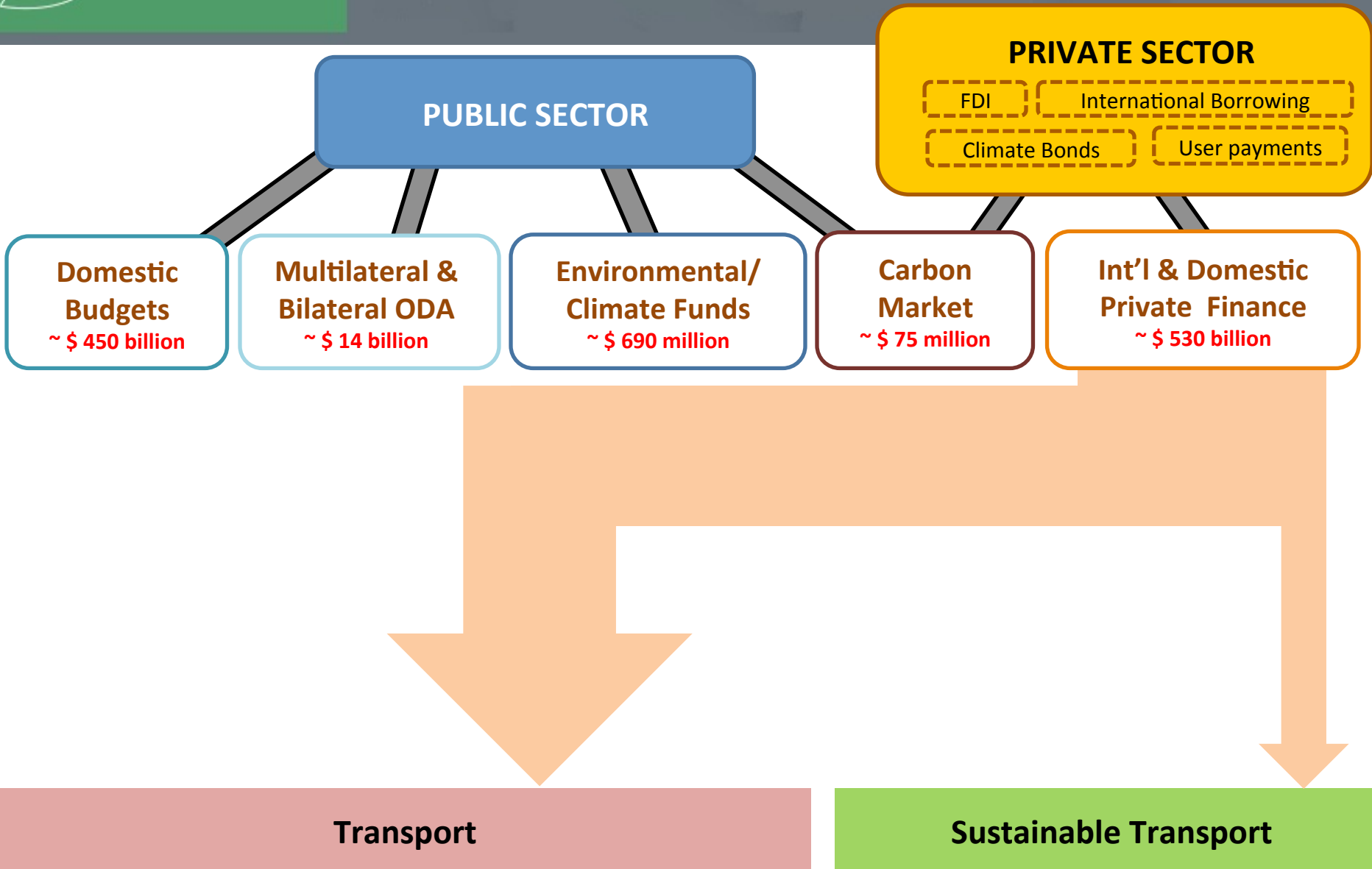
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Private investment

DEBT

Commercial Banks

Cheapest debt available

Climate Bonds

\$174 billion per year (80% corporate),
but only 3% in developing countries

EQUITY

Investment Funds

Several are
sustainability- or
infrastructure-focused

Venture Capital

Assume share of
company

Institutional Investors

\$60 trillion is assets
looking for low-risk
investments

OTHER

Insurance Companies

Vested interest in
mitigation/adaptation

Local Users

Everyday transit riders often serve as
primary payback mechanism