An Alternative Approach to Climate Finance
What Do We Want?

Overarching Commitment: 1.5 degrees C

What is Objective?

- «Carbon Free» by 2050 (primary energy)
- Protect Natural Carbon Sinks and Resource Consumption (esp water) through Reform of Agriculture
What do We Want for Developing Countries?

• We want to develop the industries of the 21st century in the global South
• We want to co-develop and co-own the technologies of the 21st century
• We want to manufacture these technologies in the global South

Will International Finance Help?
AGF Estimates of Potential Sources of Carbon Finance

A. Revenues linked to Carbon Pricing (assuming $20-25$/ton CO2 equivalent)

<table>
<thead>
<tr>
<th>Est Ann Rev</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>$30 bn</td>
<td>Auctions of emissions allowances and domestic carbon taxes</td>
</tr>
<tr>
<td>$10 bn</td>
<td>International transportation (air and shipping)</td>
</tr>
<tr>
<td>$10 bn</td>
<td>Redirecting fossil fuel royalties</td>
</tr>
<tr>
<td>$10-20 bn</td>
<td>Private net flows</td>
</tr>
<tr>
<td>$30-50 bn</td>
<td>Increased carbon market flows</td>
</tr>
<tr>
<td>$90-120 bn</td>
<td>Total flows dependent on carbon pricing - int'l transfers only</td>
</tr>
</tbody>
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B. Additional Sources -- for which no fixed numbers were provided in the main part of the report

<table>
<thead>
<tr>
<th>Est Ann Rev</th>
<th>Source</th>
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<tbody>
<tr>
<td>1.1X or 3-4X</td>
<td>Net or gross flows from $$ channeled/leveraged through MDBs</td>
</tr>
<tr>
<td>No figure</td>
<td>Direct budget contributions</td>
</tr>
<tr>
<td>No figure</td>
<td>Financial transaction taxes</td>
</tr>
<tr>
<td>∞</td>
<td>Private flows induced by governmental action</td>
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</table>
What’s Wrong with this Approach?

• Fully multilateral carbon pricing is a non-starter – this is about the MDBs
• Use of Public Funds: Grants vs Loans (Sovereign Debt); mobilizing funds vs financial leveraging
• (Motivated) confusion over the source of credit quality (risk is on borrower)
• Financial approach to de-risking...
Hidden (non-financial) Costs of Renewables

Making a market is challenging:

• Different characteristics of the emerging renewable technologies,
• Different business and pricing models,
• Different grid infrastructures,
• Different cost characteristics,
• Ancillary technologies such as storage, etc.
How much money do we need?

Not as much as we may have thought:

• Already, 70 percent of investment in clean energy in the global South;
• We don’t have to financialize transfer of technology;
• We can change the economics of production of clean energy...
«We» have been at it 40 years.

Levelized cost of energy in 2005 ($)

Source: NREL (2005)
Rapid and predictable cost reductions for PV modules
So how much will it really cost?

- $1 trillion (public funding)
- One time
- Over 10 years
- Most of it self-financing.
Elements for Alternative Approach

1. Reposition bargaining on New Terms of Trade
Elements for Alternative Approach

2. Adopt a firm-level, commercial approach to technology sharing – lower transaction costs
Elements for Alternative Approach

3. An open-ended, Convention (under UNFCCC) with a critical mass to achieve market scale.
Elements for Alternative Approach

4. Build out a regionalized infrastructure for knowledge development and experience sharing (CGIAR).
5. Strengthen regional and national financing capabilities.
Elements for Alternative Approach

Implications for Negotiations

1. Plan beats no plan;
2. We need a second track with our own plan.
3. We need to unleash and combine the two most powerful political forces the South has ever known:

   Self-reliance;
   and
   Solidarity.