

BLOG POST December 4th 2014

# Climate finance: How much is being spent to save you?

Auteur

Sani Zou

-

🕒 Reading time: 3 min



**LIVE FROM LIMA - A multilateral body of government experts under the United Nations Framework Convention on Climate Change? (UNFCCC) released on December 3 a [report](#) assessing how much finance is being invested in climate change mitigation and adaptation globally. An initial range of estimates of USD 340 to 650 billion per year between 2010 and 2012 has been pinpointed, a wide range which can be narrowed down as the methodology becomes more refined.**

This report is a milestone in building a common understanding in the climate change community of what is being discussed under the so far ambiguous term “climate finance”. For the first time ever in the history of the UNFCCC, it provides a definition of climate finance which includes public and private, international and domestic flows. The two

new other elements are a methodology to assess finance flows, and a rough estimate of how much finance is flowing.

The report is the result of two years' work and a new way of working, outside the politicized and time-constrained world of the negotiations. It was produced by a wide range of experts in consultation with practitioners from developed and developing countries, international organisations such as the Organisation for Economic Co-operation and Development (OECD), and multilateral development banks such as the World Bank.

The report is far from perfect but it's a good starting point for discussion. Having answered some questions, however, it raises many more.

Firstly, will the definition of climate finance be adopted at the political level? Having a common definition in the UNFCCC would be a big step ahead. It would help governments, development banks, and the private sector to increase the transparency of their investments with regards to their climate impacts.

Secondly, the report points out the lack of information on private climate finance. Private investment is expected to be the lion's share of finance flows to reduce emissions. Here there is a big need to increase transparency and data collection, to better understand what the private sector is investing in.

Thirdly, the report presents crucial data on how developed countries are going with their Copenhagen commitment to mobilize 100 billion USD for mitigation and adaptation to developing countries, from both public and private sources. The report estimates that the amount of this finance is in the order of 40 to 175 billion USD per year. So on the higher end of the range, the 100 billion USD target has already been achieved. Great! What's next?

More seriously, the wide range of estimates cited above highlights the methodological difficulties that remain in quantifying climate finance. In other words, it will probably not be possible to come up with a precise answer to the question of whether the 100 billion commitment is being achieved. What's more important is to have a general political consensus that investments need to be scaled up. For this to happen, developed countries should be expected to scale up their contributions while developing countries strengthen their domestic policies to attract private capital.

In this regard, it is interesting to note that of the 40-175 billion estimate quoted above, 35-50 billion is public money. Some may argue, however, that this merely represents development aid rebranded as climate finance, which may have been spent even in the lack of climate change. This debate is as old as the climate negotiations—pretty old, in other words.

We need to move beyond the debate that simplistically opposes development and climate change as competing priorities for development aid. Clearly, these two goals are inextricable, but financing for both are falling short of meeting targets. On the road to Paris and Addis Ababa in 2015 and beyond, an *aggiornamento* of the very concept of climate action needs to be established with a low-carbon, climate-resilient development model in its heart.

The report released yesterday shows that significant money is already being invested in a climate-proofed development model, but we still need to work to turn the stream into a flood of clean capital.