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Fresh Takes From Experts And Reporters At The U.N. Summit

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Pushing Public, Private Funding

By **Graciela Chichilnisky**

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At this stage, one of the best possibilities to reach an agreement in Copenhagen is to engage the private sector in the equation. This is possible due to the carbon market that I designed and drafted into the Kyoto Protocol, which creates private business incentives and profitable opportunities for clean energy projects that were not possible before.

I refer to my recent proposal for a \$200 bn/year private/public fund to build green power plants in developing nations - in particular in low emitting nations in Africa, Latin America and the Small Island States. This proposal is gathering support from a number of nations, and from conversations with the US delegation here in Copenhagen, it agrees with the US policy of involving the private sector and following market based solutions.

In practice, the proposal is as follows.

Energy demand is rapidly increasing in the world economy. But most of the increase comes now from developing nations. The energy industry is aware of the strategic opportunity this creates for expanding their profitable activities into new developing regions where the demand is strongest. Yet lack of funding in developing nations can be a problem. This problem can now be resolved by building "green" power plants with funding provided by the carbon market and its Clean Development Mechanism.

The technology was recently advocated by Dr. Pachauri, Chief of the IPCC, who said that "sucking carbon from air" is now necessary for averting catastrophic climate change risks. With this approach one could make green power available for economic development, and for adaptation and mitigation against climate change in developing nations -- while averting climate change risks. Because air is available uniformly around the world, the raw material for sucking carbon is readily available to all nations. These power plants can enable countries to suck more carbon than they emit, and therefore the solution can bring funding to low emitter nations in Africa, Latin America and the Small Island States that until now got relatively little resources from the CDM.

I have recently proposed an innovative financial mechanism that can provide private/public funding for the purpose of building green power plants in developing nations, focused on low emitting nations in Africa, Latin America and the Small Island States. The financial mechanism consists of \$200 bn/year fund for the purpose of building green power plants in developing nations. The fund relies on the carbon market that I designed and drafted into the Kyoto Protocol, and its Clean Development Mechanism, and is therefore based on legally binding emission limits on industrialized nations, satisfying the aims of most of the Parties of the climate negotiations including the G77. At the same time the solution will raise funding from the private sector to greatly amplify Annex 1 pledged resources, and this will satisfy the fiscal constraints faced currently in Annex 1 nations. As the technology is particularly favorable to low emitters, the plan would also meet the aims of, and bring substantive CDM funding to the Small Island States, Africa and Latin America - regions that until now got little support from the CDM.

The financial mechanism will work as follows. Annex 1 nations will underwrite and guarantee a \$200 bn/year fund contributing for this purpose their pledged funds (approximately \$10 - 25 bn) that will be used to cover the lowest 'riskiest slice' of the fund. The second riskiest

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slice will be covered from pension funds within the Annex 1 nations, who are required to green their portfolios. The rest of the funding will come from global capital markets, thus greatly amplifying the public funds. The energy industry in OECD will contribute technology, know-how and training for developing nations to running and future development of their own plants, and is also expected to support the effort in legislative circles. The main beneficiaries will be the lowest emitting nations of Africa, Latin America and the Small Island States where most of the plants will be built. For this purpose recent wording was introduced in the CDM WG last week that, if adopted, will allow the CDM to accredit 'carbon negative' projects, which reduce more carbon in the atmosphere than what they emit.

Investment bankers in the US and the UK have already expressed great interest in raising the private funding that the fund will require that they considered quite realistic, all within the restrictions that the UNFCCC and its carbon market and CDM will impose as the administrators of the fund.



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