Division 44
Water, Energy, Transport

Accessing Climate Finance for Sustainable Transport: A practical overview

Sustainable Urban Transport Technical Document # 5

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giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

On behalf of
Federal Ministry
for Economic Cooperation
and Development

Bridging the gap

Pathways for Transport in the Post 2020 Process

An initiative of GIZ, Veolia Transdev, UITP, ITDP and TRL

Bridging the Gap

This guidance document is based on the work of the Bridging the Gap initiative. 'Bridging the Gap: Pathways for Transport in a Post 2012 Process' is a partnership that was formed at COP14 in Poznan in 2008 to encourage international recognition that land transport should play a more prominent role in addressing climate change and in doing so to bridge the gap between the transport and climate change sectors. The partnership has made significant steps to encourage international action and to slow the growth in emissions from the transport sector over the last two years, and continues to actively develop knowledge in this area.

Bridging the Gap is comprised of five partners:
GIZ, TRL, Veolia Transdev, UITP and ITDP.

For more information about the work of Bridging the Gap visit their website:

http://www.transport2020.org

The Bridging the Gap initiative is strengthened further by its contribution to the Sustainable LOw CArbon Transport partnership (SLOCAT), of which all Bridging the Gap members are a part.

Partnership on Sustainable Low Carbon Transport

http://www.slocat.net

Accessing Climate Finance for Sustainable Transport: A practical overview

Sustainable Urban Transport Technical Document # 5

– updated version as of January 2013 –

This document serves as a practical guide for developing country governments on how to access existing and proposed climate funds to help meet the financial requirements of climate change mitigation activities in the land transport sector.

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Revisions: Millard Katie, Bond Duncan, and Allen Heather of TRL (UK), January 2013

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Cover photo: Bangkok Traffic, ©Ko Sakamoto, 2010

Layout: Klaus Neumann, SDS, G.C.

Eschborn, November 2010
(revised January 2013)

Glossary

ACEF	Asia Clean Energy Fund
ADB	Asian Development Bank
AGF	Africa Green Fund
ALUWG	Adaptation and Land Use Working Group
ASEM	Asia Europe Meeting
AWG KP	Ad Hoc Working Group on Further Commitments under the Kyoto Protocol
BMU	German Ministry for the Environment
BRT	Bus Rapid Transit
CCF	Climate Change Fund
CCP	Climate Change Program
CDIA	Cities Development Initiative for Asia
CDM	Clean Development Mechanism
CE&EP	Clean Energy and Environment Program
CEF	Clean Energy Fund
CEFPF	Clean Energy Financing Partnership Facility
CER	Certified Emission Reduction
CEWG	Clean Energy Working Group
CGCF	Copenhagen Green Climate Fund
CIF	Climate Investment Fund
CLIM	DG Climate Action
COP	Conference of the Parties to the Climate Change Convention
CTF	Clean Technology Fund
DfID	Department for International Development
DMC	Developing Member Countries
DNA	Designated National Authorities
DOE	Designated Operational Entity
DTIE	Division of Technology, Industry and Economies
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EFA	Energy For All Initiative
EU	European Union
EU-ETS	EU Emissions Trading Scheme
FSP	Full Sized Project
GCCA	Global Climate Change Alliance
GEF	Global Environment Facility
GHG	Greenhouse Gas
GPS	Global Positioning System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
ICI	International Climate Initiative
ICCTF	Indonesian Climate Change Trust Fund
IDB	Inter-American Development Bank

IEA	International Energy Agency
IETA	International Emissions Trading Association
ITDP	Institute for Transportation and Development Policy
ITS	Intelligent Transport Systems
JI	Joint Implementation
JICA	Japan International Co-operation Agency
KfW	Kreditanstalt für Wiederaufbau
LDCs	Least Developed Countries
LEDS	Low-Emission Development Strategies
MDB	Multinational Development Bank
MDG	Millennium Development Goals
MDGCF	Millennium Development Goals Carbon Facility
MOFA	Ministry of Foreign Affairs (Japan)
MRV	Measurable, Reportable and Verifiable
MSP	Medium Sized Projects
NAMA	Nationally Appropriate Mitigation Action
NCF	National Climate Fund
NMT	Non Motorised Transport
ODA	Official Development Assistance
PDD	Project Design Document
PIF	Project Identification Form
PIN	Project Idea Note
PoA	Programme of Activities
REDD+	Reducing Emissions from Deforestation and Degradation
REST	Reducing Emissions through Sustainable Transport
REST	Regional Environmental Sustainable Transport Action Plan
SCF	Strategic Climate Fund
SECCI	Sustainable Energy and Climate Change IDB Special Program
SIDS	Small Island Developing States
SLoCaT	Partnership on Sustainable Low Carbon Transport
TNA	Technology Needs Assessments
TRL	Transport Research Laboratory
UITP	International Association of Public Transport
UN	United Nations
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
VCU	Voluntary Carbon Unit
VER	Verified Emission Reduction
VGS	Voluntary Gold Standard

Contents

1. Who and what is this guidance for?

Climate change is an international threat that requires an international response from all sectors of the economy in all countries of the world. In the transport sector energy related CO_2 emissions are expected to increase by nearly 50 % by 2030 and by more than 80 % by 2050. Most of this growth is expected to occur in developing countries[1)] although little has been achieved in terms of greenhouse gas (GHG) reduction in the transport sector. This is linked to a lack of financial resources for implementing measures towards sustainable mobility, and specifically for climate change mitigation activities in the sector.

Photo copyright Ko Sakamoto (2010)

In developing countries, there is a rapidly expanding recognition amongst policy makers of the need for sustainable climate change mitigation transport policies, programmes and projects that deliver low carbon growth whilst delivering environmental, social and economic benefits ('co benefits'). Co-benefits that can be derived from low carbon climate change mitigation transport initiatives include reduced congestion, enhanced accessibility, improved air quality and local employment opportunities.

These interventions require resources and the availability of climate finance is often an incentive for their development. This paper intends to reduce the financial barriers to the development and implementation of sustainable climate change mitigation transport strategies by outlining the climate finance available for activities in the transport sector. In doing so it complements the GIZ Sourcebook Module 1f (see Box 1 overleaf). The nature, availability and eligibility for climate finance is currently dynamic with sources and conditions frequently evolving. This is particularly true owing to numerous unresolved issues relating to the UNFCCC negotiation process, which have direct implications for the international climate finance architecture. This guide should therefore be recognised as providing a 'snapshot' of the current sources of climate

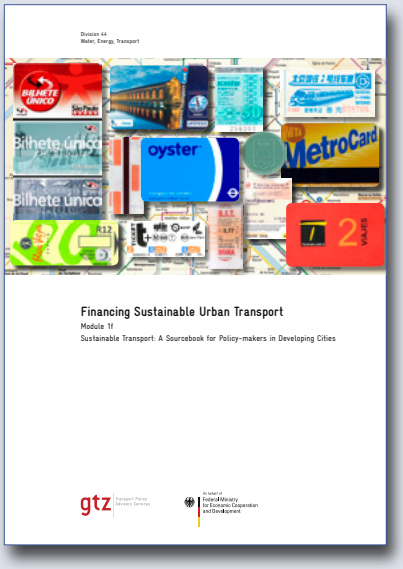
[1)] International Energy Agency (IEA) (2009) *World Energy Outlook 2009*. Paris: IEA.

finance that can be used to support ***land transport climate change mitigation activities in developing countries***.

box 1

Financing Sustainable Urban Transport Guidance

Finance for sustainable urban transport can be obtained from a growing body of institutions and instruments. The GIZ Sourcebook Module 1f contains an overview of those that are available to finance sustainable transport instruments and strategies in developing countries. It contains a section specifically on financing at an international level with a focus on climate finance.



The Sourcebook, which is one of a series designed to support policy makers in developing cities, also details barriers that need to be overcome to obtain support from these sources and optimal ways of combining different finance options.

Download the module from
http://www.sutp.org/index.php?option=com_phocadownload&view=category&download=23:1f-fsut-en&id=23:1f&lang=en

There is a growing body of financial resources that aim to support climate friendly actions. These financial resources are widely referred to as sources of 'climate finance.' This guide has been produced to help policy makers in developing country governments to become aware of the sources of climate finance that are available to support land transport climate change mitigation activities, and to detail how these can be accessed.

This guide contains:

- An introduction to climate finance (Section 2);
- Details of the type of land transport activities that climate funds can finance (Section 3);
- Information on specific sources of climate finance that can support climate change mitigation from the land transport sectors of developing countries (Section 4);
- An introduction to new forms of financial support emerging from the UNFCCC process (Section 5);
- Links to details of other financial sources (beyond climate finance) that can be used to fund sustainable urban transport projects (Section 6);
- A brief outlook to climate finance and the transport sector (Section 7);
- Links to further information about climate finance (Section 8).

box 2

What organisations can use the guidance?

- **Transport ministries** who it can enable to pursue a larger number, diversity and level of ambition in climate change mitigation transport interventions either by acting as, or supporting the attainment of additional, co-funding. Associated technical support that is available for developing and refining concepts and project proposals will also have a positive impact upon the wider transport network beyond the direct activities supported. The data collection and monitoring requirements of various sources of climate finance will also have enduring positive impacts upon the performance of transport systems.
- **Environment ministries** for whom it can support the development of a greater number and diversity of climate change mitigation activities in the transport sector and also outside of it by increasing the total available volume of finance. As for transport ministries technical support and the development of various functions such as environmental data collection and monitoring can also lead to benefits long beyond the life of the project(s) supported by climate finance and also outside of the transport sector.
- **Finance ministries** who can benefit from the additional income and the associated greater flexibility in the allocation of internal resources that might be afforded.
- **Local authorities** who will benefit from an increase in total resources and in the amount that can be done within their boundaries. The climate finance can supplement existing funds thereby having multiple positive environmental, social and economic impacts that could not otherwise have been realised in the same time frame or to the same magnitude.
- **Consultants and academics** who are not the primary target audience of this guidance but who can use it to identify opportunities for partnering to support the development and implementation of climate change mitigation transport activities in developing countries, for identifying sources of co-finance, and also for increasing awareness of the opportunities for developing countries to do so by way of further research or consultancy.
- **Private Sector** who again are not the primary target audience of this guidance but who can use it to identify opportunities for partnering to support climate change mitigation activities in the transport sectors of developing countries and also for obtaining co-finance for such interventions.

2. What is climate finance?

The term 'climate finance' is used to describe funding that can be used to support climate change mitigation and adaptation activities (please note that this guidance only focuses on climate finance for mitigation activities and does not encompass adaptation). More traditional sources of finance can also be used to finance such projects and the volume of climate finance available is relatively small in comparison to these other more conventional sources (see Section 5 of this document). Climate finance can, however, provide considerable resources ringfenced specifically for climate change mitigation activities. It can encompass both public and private sources of finance and can be used to support activities in all sectors of the economy in both developed and developing countries. In doing so it can play a key role in the 'shift and scaling up of funding' for sustainable low carbon transport which, as indicated in Figure 1 below, directly contributes to the enactment of sustainable transport on a larger scale. It can have a particular impact where sustainable transport interventions require funding from a combination of sources and when the availability of climate finance can push an activity beyond the tipping point that determines whether or not an intervention can be implemented.

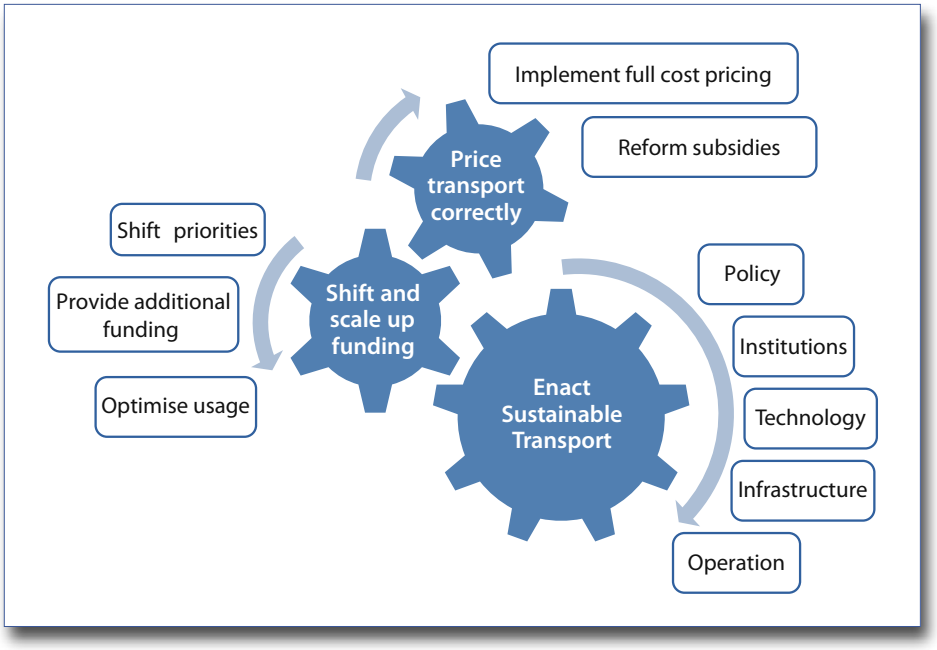


Figure 1

Climate finance can support the turning of the 'shift and scale up funding' cog, which can lead to the enactment of sustainable transport.

Source: Sakamoto in ADB (2009)[2)]

box 3

Incremental costs

Many sources of climate finance can only be used to cover the incremental cost of a low carbon transport intervention. The term 'incremental cost' is used to describe the difference (or increment) in cost between a low carbon intervention and a less sustainable more polluting alternative. To fund only incremental cost is not a reflection on the cost-effectiveness of climate change mitigation activities, many of which are commercially viable. Rather, it recognises the frequent need for upfront investments and capacity building to make climate change mitigation possible.

2) 2+ ADB (2009) Rethinking Transport and Climate Change. Available from http://www.adb.org/documents/papers/adb-working-paper-series/ADB-WP10-Rethinking-Transport-Climate-Change.pdf.

There are many existing sources of climate finance that can be applied to immediately. This guide will focus on current opportunities but will also refer to new and growing sources of climate finance that are expected to be available in the future. The sources of funding that will be detailed in this document are listed in Figure 2.

The volume, nature and terms and conditions for access to these funds are rapidly evolving and this should be recognised both in the use of this guide and also in procedures within developing countries for identifying opportunities for exploiting emerging forms of climate finance.

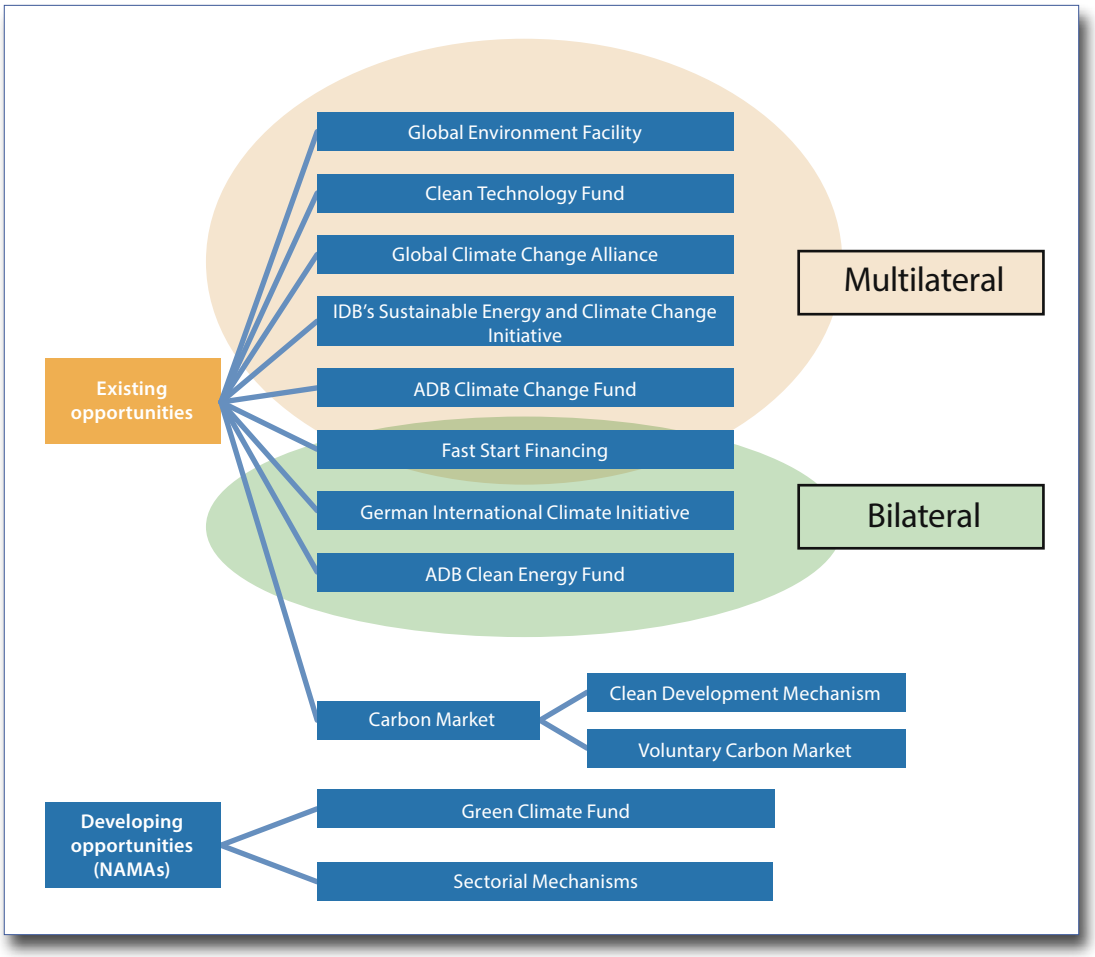


Figure 2
Existing and anticipated climate finance instruments that can finance climate change mitigation projects in the transport sector.

3. What climate change mitigation transport interventions can climate finance fund?

Climate finance can be used to support land transport activities that will reduce GHG emissions. The range of activities that can be eligible is broad and encompasses strategies, programmes, policies, projects and enabling measures. Interventions must be for specific climate change mitigation or adaptation interventions (although please note that this guidance does not cover adaptation but instead focuses on mitigation). Climate funding cannot be used for general budget support or to supplement funding obtained from other sources without being allocated to specified actions. Individual sources of climate finance each have their own eligibility criteria with some requiring that activities must have quantifiable impacts, that the interventions would not otherwise have been implemented, and that only the 'incremental' costs are financed. Sources of climate finance also have different conditions regarding which actors (for example governments, NGOs and consultants in developed and/or developing countries) that they will provide funding to. This report will focus on the climate finance available to national governments of developing countries.

The type of activities that climate finance can be used to fund in the land transport sector can be summarised along three categories, concepts and plans, infrastructure as well as operation and maintenance as shown in Figure 3 below. Within this technology transfer and capacity building are two cross cutting themes that also relates to the building blocks of the Bali Action Plan.

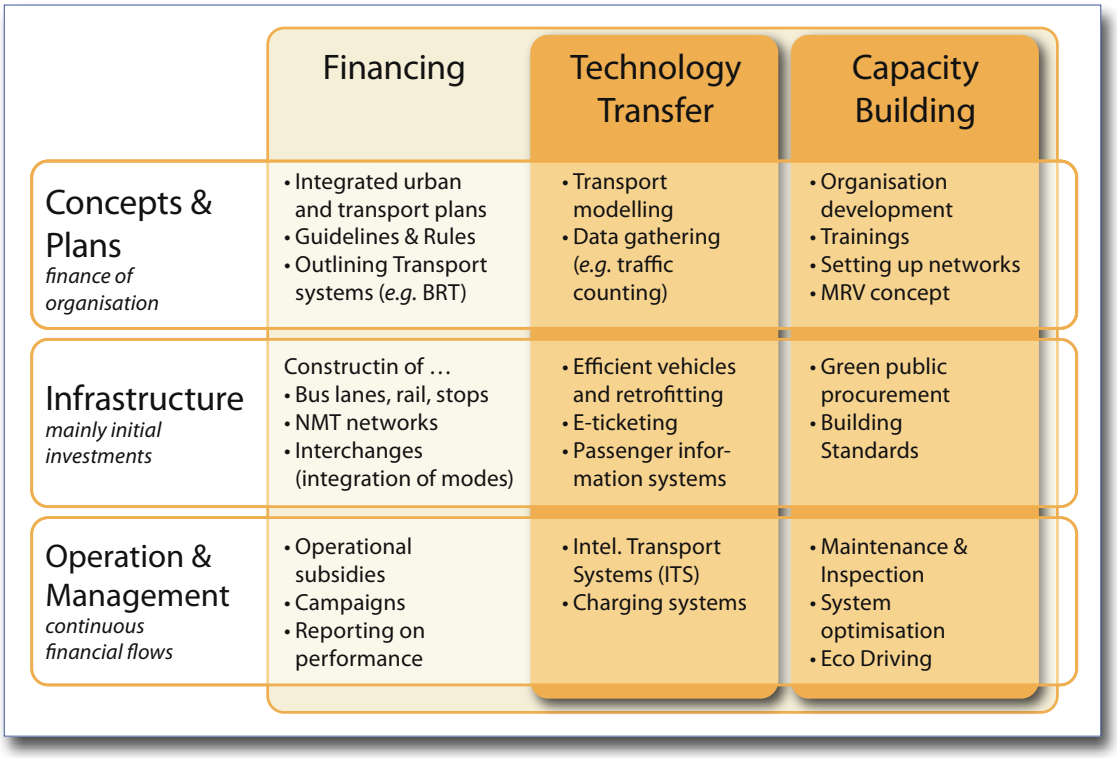


Figure 3
Types of climate change mitigation activities that can be supported by climate finance.

Categories of climate change mitigation activities in the transport sector are:

Concepts and plans. One of the first stages of climate change mitigation activities is developing concepts and plans. They can relate to anything from an individual intervention to a city or nationwide strategy and low carbon transport systems depend upon the effective and informed development of the concepts and plans upon which they are based.

Infrastructure. Transport infrastructure can be broadly defined as the physical transport network that pedestrians and vehicles travel on, *i.e.* roads, railways and other forms of track such as busways. The term infrastructure encompasses the nodes or terminals of these 'networks,' such as railway and bus stations, but also the energy efficient vehicles. Climate finance investment is largely allocated to infrastructure for relatively sustainable modes of transport.

Operation and management refers to the elements that control the infrastructure as well as the vehicles and people that use the infrastructure. Operational interventions focus on road traffic management (engineering and software based) and public transport management (such as integration, scheduling, routing and setting fares). It can also include system wide approaches, such as electronic road tolls.

The overall volume of climate finance available is, however, relatively small in comparison to other more traditional financial flows, and so should be viewed as complementary to other sources of finance. The GIZ Sourcebook Module 1f (see previous Box 1) provides an overview of other such sources that can be used to finance transport activities.

Technology transfer. Developing countries can benefit from technology based on that used in developed countries or developing countries. The latter can be particularly beneficial as solutions that work in developing countries are often different to those which work in developed countries. Technology can take many forms, including concepts and operations.

The UNFCCC has produced a handbook for conducting climate change related Technology Needs Assessments (TNAs) and this contains details of technologies for the transport sector.[2)] Furthermore, the Bridging the Gap Initiative of GIZ, TRL, UITP, Veolia Transdev and ITDP have published a paper on transport related climate friendly technologies.[3)]

Capacity building. Climate finance invested in capacity building is likely to focus on supporting one of the following (each of which could relate to infrastructure, operations and/or technology):

1. The establishment or development of institutions;
2. Training in sustainable transport and related issues; or
3. Processes to enable activities to be measurable, reportable and verifiable (MRV).

Climate finance can also help developing countries to meet the eligibility requirements of other sources of climate finance that require interventions to be conducted in a framework that enables any emission reductions that may result to be measurable, reportable and verifiable (MRV) (see Box 4).

Some sources require that activities seeking support meet relatively sophisticated MRV requirements to help to ensure accuracy and additionality. Meeting these requirements can give projects international accreditation and the locality or region that they're located in the ability to identify the volume of emissions from their transport network and the impact of policies upon it. This can support informed policy and decision making. In many climate finance options the set up of MRV systems is supported as well.

Over 100 countries have responded on Nationally Appropriate Mitigation Actions (NAMAs) with more than half of these submitting proposals for NAMAs to the United Nations Framework Convention on Climate Change (UNFCCC). These range from specific projects to policies and strategies and with varying degrees of detail. The number of NAMAs under

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2) UNFCCC (2009) Handbook for Conducting Technology Needs Assessment for Climate Change. Available at http://unfccc.int/ttclear/pdf/tnahandbook_9-15-2009.pdf.

3) See Bongardt and Schmid (2009) Towards Technology Transfer in the Transport Sector. An Analysis of Technology Need Assessments. Available at http://www.transport2012.org/bridging/ressources/files/1/625,449,TechnoTransf.pdf.

box 4

Measurable, Reportable and Verifiable (MRV)

A pre-condition for accessing many sources of climate finance is that interventions are MRVable. This means that associated measures need to be established or refined, such as data collection and reporting procedures, to certify that activities have in fact led to an actual reduction in emissions. Many providers of finance also require that these procedures are comparable between (and within) countries and that they are transparent to increase their reliability. Experience has shown that reaching MRV in the land transport sector can be challenging. This is linked to a number of factors including:

- The large number of units (vehicles) from which emissions need to be measured and monitored.
- The lack of comprehensive transport data and of data of a sufficient quality.
- Difficulties in defining emission baselines.

A number of MRV methodologies for the transport sector have been developed but they often require many assumptions to be made. This is due largely to the frequent absence of data which can make 'bottom up' assessment of GHG emissions challenging – 'top down' approaches, based for example on fuel sales, can be easier to use as a proxy for emission reductions.

Numerous MRV methodologies for the transport sector have been accepted by the UNFCCC under the CDM. The MRV requirements vary between sources of climate finance but the MRV requirements for the CDM are generally recognised to be particularly high. Examples of methodologies that have been approved under the CDM can be accessed from http://cdm.unfccc.int/methodologies/PAmethodologies/approved.

ADB, ITDP and CAI-Asia have developed an excel-based, free-of-charge spreadsheet model called TEEMP, the Transport Emissions Evaluation Models for Projects. The TEEMP tools are primarily designed to evaluate the impacts of transport projects on CO_2 using sketch models which enable the estimation of emissions in both "project" and "no-project" scenarios. See: http://www.adb.org/documents/reducing-carbon-emissions-transport-projects and http://cleanairinitiative.org/portal/projects/TEEMP.

In the absence of data default values may have to be used, a process which can be supported by the GEF's GHG manual for transport. This manual (which is accessible from http://www.thegef.org/gef/node/4638) contains default values that can be used to indicate the impacts of different interventions in the transport sector.

The benefits of developing reliable data collection, measurement and reporting processes required to satisfy MRV criteria of climate finance extend beyond accessing climate finance. These include enhancing understanding of the specific nature and scale of challenges in the sector, and also the impact of interventions implemented to address them. Further, if a city, for example, were to take a citywide approach to measuring mitigation activities then benefits would be greater still and the resource burden would be spread more widely.

There is a wide range of support available to build MRV capacity. This can take the form of technical or financial support. This guidance document contains the details of a number of sources of climate finance that provide this support.

development has increased significantly, from 30 initiatives in November 2011 to a total of 52 in May 2012, and the list is constantly growing.

The number of transport or transport related NAMAs has also increased substantially in respect to other sectors. This has moved from 13 % to 29 % (May 2012). 28 countries have submitted transport related NAMAs to date with Ethiopia currently requesting assistance. See here for more details: http://www.nama-database.org/index.php/Special:BrowseData/NAMA?NAMAS_by_sector=Transport. An updated list of NAMAs can be found in the NAMA pipeline kept up to date by UNEP RISOE: http://namapipeline.org.

The GIZ led TRANSfer project aims to support decision-makers in developing countries to develop climate change strategies in the transport sector to be registered as NAMAs. The project is working with Colombia, Indonesia and South Africa on reduction potentials and mitigation measures; and to identify the need for international support in terms of technology, capacity building and financing. It is also working on establishing procedures for measuring, reporting and verification. See http://www.transferproject.org.

This guidance document outlines the sources of climate finance that are available to developing countries to support the type of activities outlined in this section. These sources are the 'existing opportunities' listed in Figure 2 in Section 2 of this document. More specific details of what each is able to support are provided in Table 1 below where they are listed in the approximate order of total allocation of climate finance to date (not limited to the transport sector). There is a general lack of consistency in the way in which financial data is reported and presented across

Table 1: An overview of what type of climate finance support is available for what type of intervention

Sub-section of report	Source of climate finance	Nature of support			Type of intervention supported					Modes supported			
		Grants	Loans	Technical	Concepts and plans	Infrastructure	Operations and management	Technology transfer	Capacity building	Road	Rail	Urban public transport	Non motorised transport
4.1.1	Global Environment Facility	✔		✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
4.1.2	Clean Technology Fund	✔ [a]	✔		✔	✔	✔	✔	✔	✔	✔	✔	✔
4.1.3	Global Climate Change Alliance	✔		✔	✔	n/a			✔	✔	✔	✔	✔
4.1.4	IDB Sustainable Energy and Climate Change Initiative	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	
4.1.5	ADB Climate Change Fund	✔		✔		✔		✔	✔	✔	✔	✔	✔
4.1.6	ADB Clean Energy Fund	✔	✔	✔	✔	✔		✔	✔	✔	✔	✔	
4.1.7	Japan Fast Start Fund Initiative	✔	✔	✔		✔		✔	✔	✔	✔	✔	✔
4.1.8	International Climate Initiative	✔			✔	✔		✔	✔			✔	✔
4.2.1	Clean Development Mechanism	✔		✔		✔	✔	✔			✔	✔	✔
4.2.2	Voluntary carbon market	✔				✔	✔	✔		✔	✔	✔	✔

a) It should be noted that grants from this source are only available for project preparation.

the relevant institutions, but Table 2 gives an indication of the relative size of each of the sources of climate finance – the total amount that is available, and where possible the proportion allocated to mitigation activities and the proportion allocated to transport activities.

The sources of climate finance listed in these two tables are introduced in the next section of this document.

Table 1 is a selection of the most important funds but recent information and updates can be found on the following web site: http://www.climatefundsupdate.org.

An indication of the relative scale of each of the sources of climate finance available to the transport sector. Where reliable data is available details are also given of the proportion of finance dedicated to mitigation and to the transport sector. Sources of climate finance are listed in this table order of volume of available funding.

Table 2: Scale of climate finance available to the transport sector

Sub-section of report	Source of climate finance	Total budget	Total budget already allocated	Indicative mitigation component of total budget	Total allocated to transport
4.2.1	Clean Development Mechanism	n/a	USD 72 903 million (as of Sept 2010)	100 %	USD 437.3 million (as of Sept 2010)
4.1.7	Japan Fast Start Fund Initiative	USD 15 billion between 2010 and 2012	USD 5.32 billion	Over 95 % to date	unknown
4.2.2	Voluntary climate market	n/a	USD 3.37 billion in 2009	100 %	unknown
4.1.1	Global Environment Facility	unknown	USD 8.8 billion between 1991 and 2009	31 % by 2009 (USD 2.7 billion)	USD 201 million (from 1999 to April 2009)
4.1.2	Clean Technology Fund	USD 4.335 billion (between 2008 and 2012)	USD 4.149 billion (as of Jan 2009)	unknown	USD 600 million[a] (from 2009 to present)
4.1.3	Global Climate Change Alliance	EUR 140 million (between 2008 and 2010)	Approx EUR 97 million (as of mid 2010)	unknown	unknown
4.1.8	International Climate Initiative	Approx USD 165 million (EUR 120 million) a year since 2008	Approx USD 490 million (EUR 354 million) since 2008	unknown	3 % of projects but value unknown
4.1.4	IDB Sustainable Energy and Climate Change Initiative	USD 31.5 million (between 2007 and 2009) and replenishment of USD 40 million in 2009 (to be supplemented with additional donor funds)	USD 36.95 million (2007 to 2009)	unknown	unknown
4.1.5	ADB Climate Change Fund	USD 40 million in May 2008	USD 40 million	62.5 % (USD 25 million)	USD 2.875 million
4.1.6	ADB Clean Energy Fund	unknown	USD 20.4 million between Jan 2008 and May 2010	100 %	USD 870 000 between Jan 2008 and May 2010[b]

a) This is the amount that's been allocated through country investment plans.
b) Latest information can be found at http://www.adb.org/publications/2011-clean-energy-investments-project-summaries

4. Sources of climate finance and ways to access them

This section contains an introduction to the sources of climate finance available to developing country governments for supporting low carbon transport.

Information about each of the funds is presented to provide a concise overview of the key features of each source of climate finance in relation to the transport sector as well as links to further information. The following information is provided in relation to each of the climate funds:

- An introduction to the fund;
- Key characteristics;
- Support for transport activities (historic, current and where known future direction);
- Criteria for access to funding;
- The application procedure for accessing support;
- Links to further sources of information;
- Contact details for further information.

It is also important to note that a number of these funds are in their initial stages and that their appropriateness to support climate change mitigation activities in the transport sectors of developing countries could therefore change considerably. Funds that are well established also change their priorities and budgets and so all sources of funding, the activities that they can support and eligibility criteria should be recognised as being dynamic and prone to change.

box 5

The role of consultants in obtaining climate finance

When considering climate finance options, as with other types of finance, it is worth noting the role that consultants and other intermediary agencies can play. There are many consultancies that have the expertise to facilitate access to climate finance – these include financial consultants who can:

- Identify the different support options available;
- Assess and evaluate the different sources of finance to determine the most appropriate for the activity seeking finance;
- Help access the recommended source of finance (*i.e.* by checking proposals against eligibility criteria and using experience of financial mechanisms to tailor application forms).

They also include consultants who can provide technical input, such as:

- Propose effective interventions;
- Evaluate the likely impact of different activities on a range of environmental, social and economic objectives and indicators;
- Consult with stakeholders;
- Develop and refine concepts;
- Collect information necessary to meet complex eligibility criteria;
- Complete funding applications.

It is important to note that technical consultants and their equivalents themselves have fees that they charge in exchange for their services. There are many different types of arrangements that can be made depending on factors such as the client, nature of support required, the value of the project and the total amount of finance pursued. Some charge flat rates whilst others request a proportion of finance successfully raised. Employing the use of such consultants can, however, provide access to a wealth of experience that can make the difference between accessing climate finance and missing opportunities or being unsuccessful with applications.

4.1 Climate funds

Climate funds are sources of finance that are earmarked specifically for investment in climate change mitigation or adaptation activities (although please note that this guidance does not cover adaptation). They vary considerably in their scale, scope and in the specific type of climate change activities that they fund, but all activities that they support must address climate change concerns. There are many more climate funds than are outlined in this section as the focus here is specifically on funds that can be accessed to support climate change mitigation in the transport sectors of developing countries. Multilateral climate funds are listed first, followed by bilateral climate funds.

A) Multilateral climate funds

Multilateral climate funds are those where finance is provided by international donors to an international institution that distributes the finance to support climate change objectives. Those with relevance to climate change mitigation activities in the transport sector are listed in this section in order of the relative size of total funds available. They are as follows:

4.1.1 Global Environment Facility (GEF)
4.1.2 Clean Technology Fund (CTF)
4.1.3 Global Climate Change Alliance (GCCA)
4.1.4 IDB Sustainable Environmental Climate Change Initiative (SECCI)
4.1.5 ADB Climate Change Fund (CCF)
4.1.6 ADB Clean Energy Fund (CEF)

In addition, see:

- Fast Start Finance Initiative: http://www.faststartfinance.org/home
- Green Climate Fund: http://gcfund.net/home.html

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4.1.1 Global Environment Facility (GEF)

The GEF is an operating entity of the financial mechanism of the UNFCCC, which means that it supports almost all of the developing countries in the world to promote climate change mitigation (and adaptation) actions under the framework of the UNFCCC. In terms of climate change mitigation and enabling activities, from its inception in 1991 until December 2011, the GEF supported 2 700 projects by providing grants with a total value of USD 10.5 billion to over 165 developing countries and economies in transition.

The GEF was established to tackle environmental challenges whilst also promoting sustainable development. It unites 182 member governments — in partnership with international institutions, non-governmental organisations, and the private sector — to address global environmental issues. The GEF partnership includes 10 GEF Agencies: the UN Development Programme; the UN Environment Programme; the World Bank; the UN Food and Agriculture Organization; the UN Industrial Development Organization; the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank; and the International Fund for Agricultural Development.

GEF has supported sustainable urban transport projects since 1999 and sustainable urban transport is an emerging focus of the GEF interventions. The GEF's aim is to facilitate market transformation (*i.e.* to support a positive shift away from a business as usual or do nothing scenario) for sustainable mobility in urban areas.[4)]

Key characteristics

World Regions covered	International	**Modes supported**	[✔] Road [✔] Rail [✔] Urban public transport [✔] Non motorised transport
Stakeholders eligible for support	[✔] National government [✔] Local government [✔] Regional government [✔] Private sector	**Nature of support**	[✔] Grant [ ] Loans [✔] Technical [ ] Tradeable certificates
Types of support	[✔] Concepts and plans [✔] Infrastructure [✔] Operations and management [✔] Technology transfer [✔] Capacity building	**Size of projects typically funded**	[✔] < USD 10 000 [✔] USD 10 000 – 100 000 [✔] USD 100 000 – 1 000 000 [✔] > USD 1 000 000
Level of intervention	[✔] National [✔] Regional [✔] Local	**Availability**	[✔] Now [ ] Future
MRV requirement	[ ] High [✔] Moderate [ ] Low	**Need for co-finance**	[✔] Yes [ ] No

4) For details of these types of support see http://www.thegef.org/gef/project_types.

Support for transport activities

The GEF just started its 5th replenishment period (known as 'GEF 5,' which covers the period from July 2010 to June 2014) with funding of USD 4.34 billion (the total new donor funding increased by 54 % over the GEF 4). In GEF 5, *"Promote energy efficient, low-carbon transport and urban systems"*[5] is identified as one of the six objectives of the GEF climate change focal area strategy and USD 250 million is planned to be invested for this objective with the aim of mobilising USD 1.2 billion.

Transport technologies could be also promoted under the objective of *"Promote the demonstration, deployment, and transfer of innovative low-carbon technologies."* The GEF provides technical and financial assistance for, among other things: developing and implementing comprehensive transport/urban strategies and policies; investing in sustainable urban transport infrastructures; developing innovative financing mechanisms; awareness campaigns; the development and deployment of technologies. It can therefore be used to support a range of transport activities extending also to cross sector initiatives owing to the impact of other sectors on transport demand.

The broadening of the transport objective under GEF 5 could result in projects that address transport across urban areas as a whole and the near future could see support prioritised for countries with rapidly growing small and medium sized cities. The GEF's strong emphasis on the impacts on the ground through wide range of interventions will continue. The GEF projects will address not only climate change mitigation but also local air pollution, traffic congestion, and access to affordable and efficient transport and public utilities through comprehensive, integrated intervention. There is also increased emphasis on measuring and quantifying global environmental benefits, which will provide a basis for choosing the best sets of interventions to deliver maximum global and local benefits.

Criteria for access to funding

- Projects must:
  a. Be undertaken in an eligible country. To be considered eligible countries should be developing and a Party to the UNFCCC. A list of eligible countries is accessible from page 20 of GEF's '*System for a Transparent Allocation of Resources (STAR)*' document, which is available at http://www.thegef.org/gef/STAR.
  b. Be consistent with national priorities and programmes and be endorsed by the GEF Operational Focal Point(s). Each GEF member country has a 'GEF Operational Focal Point' who is responsible for GEF activities in the country and for ensuring that they're aligned to the needs and priorities of that country.[6]
  c. Be consistent with the GEF's Climate Change Focal Strategy.[7]
  d. Deliver tangible global environmental benefits, including GHG emission reduction.
  e. Seek financing only for incremental costs on measures to achieve global environmental benefits.
  f. Be developed and communicated through one of the ten GEF Agencies. The Agency should be selected based on comparative advantages to promote the activity in the country.

5) http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF.R.5.Inf_.21.pdf

6) For details of GEF Operational Focal Points see http://www.thegef.org/gef/focal_points.

7) For details of the Climate Change Focal Area Strategy and its constituent objectives see http://www.thegef.org/gef/sites/thegef.org/files/documents/document/GEF-5_CC_strategy.pdf.

Application procedure

- Before drafting a proposal but after developing a concept it is recommended that you contact your country's Operational Focal Point to verify that it complies with eligibility criteria.
- Eligible projects should be communicated with GEF Agencies (who include the World Bank Multinational Development Banks (MDBs), and UN organisations) who are the 'go between' for individual countries and the GEF and who can help to develop project proposals. They actively support the project approval process as well as the development, implementation and management of projects. The different GEF Agencies and their comparative advantages are detailed at http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF.C.28.15.pdf.

The next step is to develop a Project Identification Form (PIF)[8] with the GEF Agency and submit it to the GEF Secretariat for approval.

Links to further information

For policies and procedures adopted by the GEF Council see: http://www.thegef.org/gef/policies;

Templates and guidelines needed to support the preparation of project proposals can be accessed from: http://www.thegef.org/gef/guidelines_templates;

An overview of GEF's investment in sustainable transport can be accessed from: http://www.thegef.org/gef/sites/thegef.org/files/publication/Investing-Urban-Transportation_0.pdf;

A general overview of interventions supported by GEF can be accessed from: http://www.thegef.org/gef/sites/thegef.org/files/publication/gef_numbers_10.08.10-CRA-small.pdf.

Contact

For the GEF Climate Change Team see http://www.thegef.org/gef/node/2177;

For National Focal Points see http://www.thegef.org/gef/focal_points_list.

box 6

Sustainable Urban Transport Project in Kathmandu, Nepal

A USD 30 million urban transport project financed by a grant from the Asian Development Bank (ADB) (who contributed 66 % of project funding), the local government (26 %) and the GEF (8 % of project funding) was approved in June 2010.

The aim of the project is to create an efficient, safe and sustainable urban transport system that can reduce GHG emissions from the city of Kathmandu whilst also realising economic, social and other environmental co-benefits, notably an enhanced local economy and improved air quality.

The GEF grant will contribute towards financing the public transport component of this project, particularly the purchase of low emission vehicles to replace the diesel buses currently in use. It will also fund a feasibility study for the reintroduction of trolley buses. It is expected that this component will lead to considerable GHG mitigation and air quality improvements.

See http://www.slocat.net/wp-content/uploads/2010/08/44058-01-nep-rrp.pdf.

[8] See http://www.thegef.org/gef/guidelines for the forms that need to be completed for all types of support – FSPs, MSPs, Enabling Activities and Programmatic Approaches.

4.1.2 Clean Technology Fund (CTF)

The Climate Investment Funds (CIF) are comprised of two different funds – the Strategic Climate Fund (SCF) and the Clean Technology Fund (CTF), the latter of which is the focus of this section.[9] The CIF is an interim source of finance created in 2008 by the World Bank in co-operation with Multilateral Development Banks (MDBs) to bridge the gap between the current and future climate regime under the UNFCCC. Its specific aim was to promote scaled-up financing for the demonstration, deployment and transfer of low-carbon technologies whilst also providing insights into issues such as governance, leveraging and scalability.

USD 4.335 million of this collective pledge was allocated to the CTF, which is the only one of the two funds that currently provides climate change mitigation support for transport activities, and as of 31 January 2010 USD 610 million of this pledged support had actually been received by the CTF.[10]

The CTF, as with the SCF, is designed to complement and leverage additional private sector, bilateral and multilateral sources of finance (*i.e.* development finance) and to assist developing countries to fill funding gaps for initiatives to mitigation against climate change and to strengthen resilience to climate change impacts. The fund, which is disbursed by MDBs, actively co-ordinates with other development institutions to mobilise co-financing and harmonise policy support.

The CTF can provide grants (for project preparation), loans and/or risk mitigation instruments. The funding is provided in the form of both hard and soft concessional finance, depending on the type of intervention supported. These can be used to develop preparation documents, investment plans and projects.

Key characteristics

World Regions covered	International	**Modes supported**	[✔] Road [✔] Rail [✔] Urban public transport [✔] Non motorised transport
Stakeholders eligible for support	[✔] National government [ ] Local government [✔] Regional government [ ] Private sector	**Nature of support**	[✔] Grant[a] [✔] Loans [ ] Technical [ ] Tradeable certificates
Types of support	[✔] Concepts and plans [✔] Infrastructure [✔] Operations and management [✔] Technology transfer [✔] Capacity building	**Size of projects typically funded**	[ ] < USD 10 000 [ ] USD 10 000 – 100 000 [ ] USD 100 000 – 1 000 000 [✔] > USD 1 000 000
Level of intervention	[✔] National [✔] Regional [✔] Local	**Availability**	[✔] Now [ ] Future
MRV requirement	[ ] High [✔] Moderate [ ] Low	**Need for co-finance**	[✔] Yes [ ] No

a) It should be noted that grants are only available for project preparation.

9) Details of the SCF can be accessed from http://www.climateinvestmentfunds.org/cif/node/3. The SCF supports the piloting of new approaches for three programmes, none of which support climate change mitigation actions in the land transport sector.

10) https://www.climateinvestmentfunds.org/cif/keydocuments/CTF

Support for transport activities

The CTF promotes three sectors as having the potential for transformational impacts and one of these is the transport sector, specifically in relation to efficiency and modal shift. This is owing to the ability of transport activities to support long term GHG emission reduction and to be integrated into the sustainable development process. The CTF focuses on national level interventions, although also supports sub-regional and regional initiatives.

The CTF has received a total of nine proposals from five countries and one of these (an urban transport transformation project) is in the land transport sector.[11] It has also approved 15 country investment plans and one regional investment plan, seven of which include actions in the transport sector.[12]

The CTF is now shifting its focus from planning and programming to implementation. The future of the fund is uncertain, although while it operates there will be continued opportunities for activities in the land transport sector.

Criteria for access to funding

To be eligible for funding countries must be eligible for ODA and have an active MDB country programme. The activity/ies must build on existing country owned strategies or action plans and demonstrate how it complements these. For a list of eligible countries see: http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/oda_recipients.pdf. Interventions seeking support should also leverage additional investment (for example ODA could be used as a source of co-finance alongside CTF funds).The CTF Trust Fund Committee reviews all proposals and uses the following criteria to assess and prioritise investments:

- Potential for GHG emission reductions (the CTF will prioritise those with high mitigation potential);
- Cost-effectiveness (to be expressed in terms of CTF investment per tonne of CO_2 equivalent reduced. An analysis of the anticipated reduction in the cost of technology as a result of the project is also required, for example through economies of scale or technological development);
- Demonstration potential at scale (priority will be given to projects that the CTF considers have the potential for significant reductions in GHG emissions as a result of the broader demonstration, deployment and transfer of the low carbon technologies financed by the CTF);
- Additional costs and risk premium (the CTF will provide support for projects that might not otherwise be commercially viable);
- Development impact (the project will be assessed in terms of how it could contribute to the achievement of Millennium Development Goals. The CTF uses standard MDB appraisal criteria for doing so);
- Implementation potential (proposals will be assessed in the context of existing country and sector strategies, institution and implementation arrangements, and long term operation and maintenance provisions).[13]

[11] Project proposals are accessible from http://www.climateinvestmentfunds.org/cif/docs.

[12] http://www.climateinvestmentfunds.org/cif/Country%20Investment%20Plans.

[13] https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Approval_of_revised_investment_criteria_for_CTF_investments.pdf.

Application procedure

1. It should be ascertained whether the country is eligible to apply. For a list of eligible countries see http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/oda_recipients.pdf.
2. The applicant should initially request a joint mission with the World Bank and the relevant Regional Development Bank to discuss the proposed activity/ies with stakeholders and to prepare an Investment Plan.[14] Joint missions are led by the recipient country and focus on engaging government officials, civil society, private industry and other stakeholders to determine how CTF funds can support scaled-up low carbon activities. The Investment Plan is the outcome of this process.
3. The Investment Plan must describe how CTF financing will be used and how it will build upon existing country strategies or action plans, as well as how it will complement activities under other programmes. The Investment Plan must also facilitate prioritisation of projects according to the criteria listed above. Investment Plan should be developed under the leadership of the recipient country. The CTF has a 'Clean Technology Fund Guidelines for Investment Plans' document (2009)[15] and examples of Investment Plans can be accessed from http://www.climateinvestmentfunds.org/cif/Country%20Investment%20Plans.
4. Project documentation must be gathered that demonstrates that the six investment criteria detailed previously will be met by the Investment Plan. It must also be shown that the proposed activity is 'additional' (see Box 11).
5. The CTF Trust Fund Committee will review the Investment Plan along with the Boards of the relevant Multinational Development Bank (MDB). Those that are successful will be endorsed for the further development of activities for CTF financing.

Links to further information

For a detailed overview of the CTF see: http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Clean_Technology_Fund_paper_June_9_final.pdf.

For guidance on how CTF funds can be used in the public sector see the:

- Clean Technology Fund Financing Products, Terms, and Review Procedures for Public Sector Operations (2009)[16]; and
- Clean Technology Fund Investment Criteria for Public Sector Operations (2012).[17]

For guidance on how CTF funds can be used in the private sector see the:

- Clean Technology Fund Financing Products, Terms and Review Procedures for Private Sector Operations (2012)[18]; and
- Clean Technology Fund Private Sector Operational Guidelines (2012).[19]

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[14] Guidance for Investment Plans can be accessed from http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Guidelines_CTF_Investment_Plan_Revised_After_approval_of_Disclosure_policy_FINAL.pdf

[15] http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Guidelines_CTF_Investment_Plan_Revised_After_approval_of_Disclosure_policy_FINAL_0.pdf

[16] https://www.climateinvestmentfunds.org/cif/node/374

[17] https://www.climateinvestmentfunds.org/cif/node/91

[18] https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Financing_Products_Terms_and_Review_Procedures_for_Private_Sector_Operations_revised_OCT2012.pdf

[19] https://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Financing_Products_Terms_and_Review_Procedures_for_Private_Sector_Operations_revised_OCT2012.pdf

Contact

In the first instance contact your national Ministry of Finance or Ministry of Environment to the country office of either the World Bank or the relevant MDB. The individual contact details for World Bank 'country offices' can be accessed from http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/0,,contentMDK:20041066~menuPK:34582~pagePK:51123644~piPK:329829~theSitePK:29708,00.html. A directory of CTF country contacts is also accessible from http://www.climateinvestmentfunds.org/cif/directory.

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box 7

National Environmentally Sustainable Transport Strategy for the Philippines

In 2010 the CTF agreed to an Investment Plan with the government of the Philippines. The CTF has committed USD 250 million to co-finance a programme to increase the renewable energy use of the Philippines and also to implement its National Environmentally Sustainable Transport Strategy (NESTS). The estimated total investment required to implement the Plan is USD 2,750 million. A new element of the NESTS approved in July/August 2012 is to implement an Energy Efficient Electric Vehicle (EEEV) project alongside the urban BRT system under development in the city of Cebu, and also a metro in Manila. It is hoped that the investment will have a catalytic effect and lead to the construction of more BRTs as awareness of the service increases. The cities of Metro Davao, Naga, Bacolod, Iloilo and Cagayan de Oro have all been identified as potential sites for future BRT projects.

http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/CTF_Philippines2-24-10.pdf.

4.1.3 Global Climate Change Alliance (GCCA)

The GCCA was developed by the EC in 2007 in recognition of the need for a 'Global Climate Change Alliance' between the EU and the most vulnerable developing countries. It is managed by the EC and its role is to 'lead EU support and co-operation' with the most vulnerable developing countries to address poverty and climate change and in doing so to support the achievement of the MDGs. The GCCA does this by providing both financial and technical support to beneficiary countries.

The two objectives of the GCCA are to:

- Deepen the climate change policy dialogue between the EU and developing countries (with an emphasis on the UNFCCC negotiations);
- Increase support to specific countries to implement priority adaptation and mitigation measures and to integrate climate change issues into their development strategies.

These two objectives are pursued in line with the GCCA's five priority areas: adaptation, Reducing Emissions from Deforestation and Degradation (REDD+), promoting disaster risk reduction, enhancing participation in the CDM (by building capacities and providing technical support), and mainstreaming climate change into poverty reduction development strategies (in line with the EU's action plan on climate change and development[20]).

The initiatives that have been funded to date range in value from EUR 2 million to EUR 13.7 million and have constituted 9 % to 100 % of total project costs.[21] In 2008 the European Parliament called for the GCCA to have a budget of 'at least EUR 2 billion annually by 2010 and EUR 5 to 10 billion annually by 2020'.[22] The GCCA is financed by the EC and its member states.

Key characteristics

World Regions covered	International	**Modes supported**	[✔] Road [✔] Rail [✔] Urban public transport [✔] Non motorised transport
Stakeholders eligible for support	[✔] National government [ ] Local government [ ] Regional government [ ] Private sector	**Nature of support**	[✔] Grant [ ] Loans [✔] Technical [ ] Tradeable certificates
Types of support	[✔] Concepts and plans [ ] Infrastructure [ ] Operations and management [ ] Technology transfer [✔] Capacity building	**Size of projects typically funded**	[ ] < USD 10 000 [ ] USD 10 000 – 100 000 [ ] USD 100 000 – 1 000 000 [✔] > USD 1 000 000
Level of intervention	[✔] National [✔] Regional [ ] Local	**Availability**	[✔] Now [ ] Future
MRV requirement	[ ] High [ ] Moderate [✔] Low	**Need for co-finance**	[ ] Yes [✔] No

[20] EU (2003) Climate change in the context of development cooperation. Accessible from http://ec.europa.eu/development/icenter/repository/env_cc_com_2003_85_en.pdf.

[21] For a list of all projects supported to date see http://ec.europa.eu/europeaid/what/development-policies/intervention-areas/environment/climatechangealliance_en.htm.

[22] http://www.gcca.eu/sites/default/files/GCCA/gcca_sec20082319_implementation_framework.pdf.

Support for transport activities

The GCCA has not, to date, supported any activities in the transport sector – neither adaptation or mitigation. The fund is, however, relatively new and its remit indicates that support will be available for mitigation activities in the transport sector. One of the GCCA's five priority areas (mainstreaming climate change into poverty reduction development strategies), for example, is based on the EU's action plan on climate change and development.[23] This EU action plan has six priority themes, one of which is 'transport' and 'environment' is highlighted as a 'crosscutting issue.' In terms of 'support for mitigation' the action plan states that '*as far as developing countries are concerned the greater potential for emission reductions through mitigation activities, with good ancillary benefits in terms of sustainable development, exist primarily in the areas of energy supply, energy use and transport. The EU will therefore continue and strengthen its support to actions having both explicit and implicit potential (direct and indirect impacts) for the mitigation of GHG emissions, emphasising these three areas*.' In connection with this it refers specifically to transport interventions that it advocates, which include rail, urban public transport, non motorised transport, other forms of mass transit, clean and efficient public transport, and the provision of 'appropriate' infrastructure and associated regulations, economic measures, traffic management and maintenance processes. This indicates the likely support of transport activities under the fund in the future as does another of the five priority areas of the GCCA – increasing participation in the CDM (see Section 4.1).

Criteria for access to funding

The GCCA states that there is a 'non-exhaustive list' of relevant criteria that are used to prioritise countries in need of support from the GCCA. The following are listed as the most significant criteria, although it should also be noted that some countries are supported even if they do not meet these criteria with beneficiaries selected '*according to their specific profile and needs*:'[24]

- The country is committed to taking measures to respond to climate change;
- Level of motivation of partner governments;
- If the country is actively participating in the UNFCCC negotiations;
- The country already has climate change policies in place;
- The country is a Least Developed Country (LDC), Small Island Developing State (SID), or an African country[25];
- Their level of vulnerability to climate change;
- Whether budget support/co-financing is available.

The GCCA provides support to the countries deemed to be most in need of intervention rather than basing selection upon specific proposals. The GCCA can also offer capacity building and advice on how best to promote and better integrate climate change considerations in selected countries and support to define needs and opportunities for co-operation.

Application procedure

- To obtain support for facilitating access to the CDM and to identify and prepare GCCA activities in particular sectors then contact the GCCA Support Facility directly. The relevant contact details can be found at http://archive.gcca.eu/pages/33_2-Meet-the-Support-Facility-Team.html.

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[23] http://ec.europa.eu/development/icenter/repository/env_cc_com_2003_85_en.pdf

[24] http://www.gcca.eu/about-the-gcca/frequently-asked-questions

[25] This is based on the assumption that these are the most vulnerable countries to the impacts of climate change and that they also have the least resources (both human and financial) to address these challenges.

- There is no clear application procedure or publically available forms to complete. Planning of activities is instead conducted via dialogue with national governments through existing regional and national structures and partnerships, such as the African Union, ACP (African, Caribbean and Pacific group of states), SIDS (Small Island Developing States) and ASEM (ASia Europe Meeting).
- Caribbean and Pacific group of states.
- In the future it is anticipated that there will be formal dialogue about opportunities with national delegations based on 'country assistance strategies' that finance and planning ministries are expected to take the lead on developing. The GCCA is, however, a relatively new fund and as such is continuing to evolve and develop the application procedure and processes.

Links to further information

For an overview of the GCCA see http://gc-ca.org/gcca-home-english/overview.

The GCCA's 'Implementation Framework' can be accessed from http://www.gcca.eu/sites/default/files/GCCA/gcca_sec20082319_implementation_framework.pdf.

For the background and rationale to the GCCA see http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0540:FIN:EN:PDF.

Further information on support facility

See the GCCA support facility
http://www.gcca.eu/intra-acp/achievements-of-the-climate-support-facility.

4.1.4 IDB's Sustainable Energy and Climate Change Initiative (SECCI)

The IDB's Sustainable Energy and Climate Change Initiative (SECCI) was established in 2007. The focus of SECCI is on its four pillars: to increase investment in energy efficiency technologies, to increase investment in renewable energy (particularly biofuels), to increase access to international carbon finance, and to mainstream adaptation across sectors of Latin America and the Caribbean. The two SECCI Funds (SECCI IDB, which comprises of revenue from the IDB, and SECCI Multi-Donor Fund, which is formed of contributions from Spain, Germany, Italy, Finland, the UK and Japan) were established in 2007 to finance SECCI activities. The two funds operate in parallel and finance from both can be used to support the same activity. The SECCI funds also complement other IDB funds, such as the InfraFund (see Section 4.10 of this report), which can also contribute to the same projects financially – *i.e.* in the case of the InfraFund to projects that involve infrastructure investments. One of the aims of the SECCI Funds is also to provide the resources necessary for stakeholders to leverage finance from other sources.[26)27)]

A considerable proportion of the SECCI funds are used to provide support for policy reforms to complement project level assistance. Activities that they support include developing and implementing national assessments, analysing policies, supporting policy reforms required to facilitate the four main pillars of SECCI (as listed above), and supporting project identification, preparation and capacity building.[28)]

Key characteristics

World Regions covered	Latin America and the Caribbean	**Modes supported**	[✔] Road [✔] Rail [✔] Urban public transport [ ] Non motorised transport
Stakeholders eligible for support	[✔] National government [✔] Local government [✔] Regional government [✔] Private sector	**Nature of support**	[✔] Grant[a)] [✔] Loans [✔] Technical [ ] Tradeable certificates
Types of support	[✔] Concepts and plans [✔] Infrastructure [ ] Operations and management [✔] Technology transfer [✔] Capacity building	**Size of projects typically funded**	[ ] < USD 10 000 [✔] USD 10 000 – 100 000 [✔] USD 100 000 – 1 000 000 [ ] > USD 1 000 000
Level of intervention	[✔] National [✔] Regional [✔] Local	**Availability**	[✔] Now [ ] Future
MRV requirement	[ ] High [ ] Moderate [✔] Low	**Need for co-finance**	[✔] Yes [ ] No

26) http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35149039

27) http://www.iadb.org/ar/2009/docs/eng_ar_final.pdf

28) http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35347205

Support for transport activities

There are no readily available examples of transport activities that have been funded under SECCI to date, although there is the potential for activities that enhance the energy efficiency of transport networks to be supported. SECCI could, for example, be used to develop new energy efficiency projects in the transport sector or to scale up energy efficiency transport technologies currently in use. The IDB's 'Analytical Framework for Climate Change Action,' for example, details that there are many technological opportunities for GHG reductions in the transport sector. Stated examples include the application of fuel economy standards, new public and private transport technologies (specifically BRT), improvements in infrastructure, and capacity building in local institutions.

Transport has also been referred to in the context of biofuel projects supported by SECCI, as well as in relation to supporting the development of sustainable transport CDM projects.

In 2010, the Bank launched the Regional Environmentally Sustainable Transport Action Plan (REST-AP) to provide guidance to the client countries and to facilitate the mainstreaming of climate change mitigation and adaptation in IDB's transport operations. In 2010 the Bank approved six loans, with a combined value of USD 650 million, on public transportation reform, expansion, and improvement, as well as 14 technical cooperation grants.

On 20 June 2012, the IDB, together with seven other multilateral development banks (MDBs), declared a strong commitment to sustainable transportation. The eight MDBs pledged that they will invest USD 175 billion to finance more sustainable transportation systems over the next decade, promoting inclusive economic development while also protecting the environment. The pledge was made at the start of United Nations Conference on Sustainable Development (Rio+20).

Criteria for access to funding

Eligibility criteria include the following:

- Consistency with SECCI principles and with countries' medium to long-term energy strategies;
- Evidence of financially viable market opportunities;
- Country or client ownership;
- Degree of innovation and value added;
- Institutional and environmental sustainability;
- Degree of co-ordination and synergies with other funds;
- Public-private sector partnerships;
- Donor co-ordination;

- Priority is given to initiatives with a high social impact and that are targeted to address the needs of the poor;
- A minimum of 20 % co-financing must be raised locally;
- SECCI will only finance technical co-operation (*i.e.* the hiring of consultant and purchase of goods necessary to carry out studies) to a maximum of 30 % of the total budget of the project;
- There must be evidence that other resources are not available to finance the activity for which funding is sought;
- The maximum budget per project is USD 1 million.

Application procedure

- An Expression of Interest Form, which can be downloaded from http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=1194572, should be completed;

- The Expression of Interest Form should be submitted to SECCI@IADB.org, although it is recommended that first the recipient country should contact their country office[29] who can review the proposal and provide information about the IDB process and other relevant information about the country;
- The SECCI Eligibility Committee reviews all forms received according to the eligibility criteria listed above, the project's technical feasibility, SECCI's objectives, the IDB's priority for the recipient country, and the availability of finance.

Links to further information

The homepage of SECCI is http://www.iadb.org/en/topics/climate-change/secci,1449.html.

Contact

The respective IDB country office (which can be identified from http://www.iadb.org/en/countries/select-a-country,1000.html) or contact SECCI at http://www.iadb.org/en/contact-us,1390.html.

[29] http://www.iadb.org/en/countries/select-a-country,1000.html

4.1.5 ADB Climate Change Fund (CCF)

The CCF was established in 2008 to provide grants, technical assistance and co-financing to the ADB's developing member countries. It was established under the ADB's Clean Energy and Environment Program (CE&EP) – the programme under which the ADB conducts its climate change mitigation efforts. It was specifically launched under the 'Energy for All Initiative' – one of seven initiatives of the CE&EP. The aim of the CCF is to facilitate greater investments by providing grants for knowledge, technical assistance and finance. The ADB envisages that 70 % of the support will be comprised of grants and 30 % of technical assistance, all of which will be funded from the ADB's net income.

The CCF has two components: the Clean Energy Working Group (CEWG) and the Adaptation and Land Use Working Group (ALUWG). The former component supports climate change mitigation in the transport sector. USD 25 million of the CCF's initial USD 40 million budget was allocated to mitigation activities in sectors including transport. It is envisaged that approximately 75 % of the CCF's available funding will be allocated to mitigation activities.[30)]

Key characteristics

World Regions covered	Asia	**Modes supported**	[✔] Road [✔] Rail [✔] Urban public transport [✔] Non motorised transport
Stakeholders eligible for support	[✔] National government [✔] Local government [ ] Regional government [✔] Private sector	**Nature of support**	[✔] Grant[a)] [ ] Loans [✔] Technical [✔] Direct charges [ ] Tradeable certificates
Types of support	[✔] Concepts and plans [✔] Infrastructure [✔] Operations and management [✔] Technology transfer [✔] Capacity building	**Size of projects typically funded**	[ ] < USD 10 000 [ ] USD 10 000 – 100 000 [✔] USD 100 000 – 1 000 000 [✔] > USD 1 000 000
Level of intervention	[✔] National [✔] Regional [✔] Local	**Availability**	[✔] Now [ ] Future
MRV requirement	[ ] High [✔] Moderate [ ] Low	**Need for co-finance**	[✔] Yes [ ] No

Support for transport activities

The CCF supports energy efficient transport projects – both infrastructure and capacity building. It currently supports transport projects that decrease energy consumption or enhance energy efficiency (such as railway expansion or improvement/upgrading), and urban projects such as mass transport systems that can demonstrate GHG mitigation. Of the USD 23.9 million of the budget that has so far been allocated to mitigation projects USD 2.9 million (12 %) has been allocated to the transport sector (72 % was allocated to the 'energy'

30) http://www.adb.org/sectors/energy/overview

sector and 16 % to 'multisector' projects).[31] This has been used to support two projects that were both initiated in 2008:

1. 'Urban Transport Strategy to Combat Climate Change' in China (East Asian region). This 'energy efficiency' project was allocated USD 75 000 as a direct charge and has two components – the development of an urban transport strategy and recommendations for how to apply the CDM to public transport in China. The project will include the identification of pilot projects. The output will be used to inform both China's transport sector and the ADB's approach to future transport interventions that aim to reduce GHG emissions and develop comprehensive urban transport strategies.
2. A regional initiative in the transport sector where USD 2.8 million of technical assistance was provided for an 'energy efficiency' project entitled 'implementation of Asian City Transport – Promoting Sustainable Urban Transport in Asia.' The technical assistance was used to develop sustainable urban transport programmes and projects to reduce GHG emissions from the transport sectors of developing member countries. The project is creating examples of energy efficient urban transport solutions, with the aim of scaling up and replicating successful interventions, and assessing relevant approaches for transport in a post 2012 international climate regime.

An additional example is Sri Lanka's Strengthening Capacity for Climate Change Adaptation (CCF: USD 700 000).

The CCF was created to contribute towards making climate change an integral part of the ADB's future development work and as such opportunities under the CCF are likely to increase.

Criteria for access to funding

- Project proposals are reviewed based on the CCF's Implementation Guidelines[32], which detail eligibility criteria.
- Only ADB's Developing Member Countries (DMCs) are eligible.[33]
- Project proposals should:
  - Be consistent with ADB's Climate Change Program (CCP)[34] and ADB's Energy Strategy[35];
  - Be consistent with the country partnership strategy;
  - Introduce innovative solutions;
  - Adopt a participatory approach;
  - Be catalytic
  - Have high demonstration value;
  - Have good replication potential in the region or country.
- The CCF prioritises activities that:
  - Help DMCs achieve energy security and transition to low carbon economics through investments that result in GHG mitigation.

Result in financial, policy, regulatory and institutional reforms and frameworks that encourage clean energy development and access for economically disadvantaged sections of the population.

31) http://www.adb.org/Documents/Clean-Energy/CCF-at-a-glance.pdf

32) http://www.adb.org/sectors/energy/overview

33) For a list of these countries see http://www.adb.org/countries

34) http://www.adb.org/Documents/Brochures/Climate-Change/default.asp

35) http://www.adb.org/Documents/Policies/Energy-Policy/Energy-Policy-2009.asp

Application procedure

1. Co-ordinate with the appropriate arm of the ADB's Operating Department.[36)]
2. Submit project proposals by completing an application form and a concept paper using ADB's templates. For grants and technical assistance these are reviewed by the ADB six times a year. For deadlines see http://www.adb.org/Clean-Energy/cefpf-resources.asp.

Contact

Climate Change Team for further information: https://twitter.com/ADBClimate.

Photo copyright Ko Sakamoto (2010)

[36)] http://www.adb.org/about/departments-offices

4.1.6 ADB Clean Energy Fund (CEF)

This Facility was established in 2007 to support policy, regulatory and institutional reforms that can improve the energy efficiency and security of developing member countries with the ultimate goal of reducing climate change impacts. It was created under the ADB's Clean Energy and Environment Program (CE&EP), as was the previously detailed CCF.

Actions are supported that foster strategic, long-term, multi-partner co-operation and take the form of trust grants, project specific financing (grants, concessional loans or guarantees), knowledge provision and exchange, or '*any other form of co-operation*' for a defined programme of activities. The ADB envisages that approximately 70 % of finance allocated under the CEF will be for grants and 30 % for technical assistance and that, across all sectors, they will give preference to the demonstration and deployment of new technologies and associated capacity building.

The CEFPF is comprised of a multi-donor Clean Energy Fund (CEF) supported by the governments of Australia, Norway, Spain, and Sweden, as well as a single donor Asia Clean Energy Fund (ACEF) supported by the Government of Japan.

The Global Carbon Capture and Storage Institute also supports the CEF grant.

Key characteristics

World Regions covered	Asia	**Modes supported**	[✔] Road [✔] Rail [✔] Urban public transport [ ] Non motorised transport
Stakeholders eligible for support	[✔] National government [✔] Local government [✔] Regional government [✔] Private sector	**Nature of support**	[✔] Grant[a)] [✔] Loans [✔] Technical [ ] Tradeable certificates
Types of support	[✔] Concepts and plans [✔] Infrastructure [✔] Operations and management [✔] Technology transfer [✔] Capacity building	**Size of projects typically funded**	[ ] < USD 10 000 [ ] USD 10 000 – 100 000 [✔] USD 100 000 – 1 000 000 [ ] > USD 1 000 000
Level of intervention	[✔] National [✔] Regional [✔] Local	**Availability**	[✔] Now [ ] Future
MRV requirement	[ ] High [✔] Moderate [ ] Low	**Need for co-finance**	[✔] Yes [ ] No

Support for transport activities

The CEFPF made USD 20.4 million available between January 2008 and May 2010. USD 870 000 of this budget (4.27 %) was allocated to the transport sector where it was used to finance two transport projects. These were both initiated in 2008 and the details are as follows:

1. USD 800 000 of technical assistance linked to loans was given to China to explore energy efficiency improvements in the railway sector. This funding contributed to the Lanzhou-Chongquing Railway Development Project, which is exploring how to increase the fuel efficiency of trains and looking into ways of reducing energy use for lighting, signalling and communication as well as optimizing the use of rolling stock.

2. A regional project was allocated USD 70 000 in direct charges to develop capacity by exploring how emissions and energy use from the sector could be addressed.

Criteria for access to funding

These are the same as for the CCF so please refer to Section 4.8.

Application procedure

The procedure is the same as for the CCF so again please refer to Section 4.8. The relevant forms are different, but they are both accessible from the same links.

Links to further information

For a detailed overview of the CEFPF and funded projects see http://www.adb.org/site/funds/funds/clean-energy-financing-partnership-facility.

Contact

The ADB's Operation Department see http://www.adb.org/documents/clean-energy/CEFPF-CCFCE-CEWG-Reps.pdf.

B) Bilateral climate funds

Multilateral climate funds are those where finance is provided by one country and given to another country. Bilateral climate funds with relevance to climate change mitigation activities in the transport sector are listed in this section in order of the relative size of total funds available. They are as follows:

4.1.7 Japan Fast Start Fund Initiative
4.1.8 International Climate Initiative

4.1.7 Japan Fast Start Fund Initiative

The launch of the Hayotama Initiative was announced in September 2009. It is a national Japanese initiative that aims to support developing countries that are already taking steps to reduce GHG emissions in a way that supports economic growth and/or those that are particularly vulnerable to climate change.

The Initiative is administered by the Japanese Ministry of Foreign Affairs as well as by other public and private organisations including the Japan International Cooperation Agency (JICA). As part of the Initiative, Japan has pledged its fast start financing (see Section 5) to invest USD 15 billion until 2012 (USD 11 billion from public sources and the rest from private). It is not clear how this will continue post 2012.

It was named after the Japanese Prime Minister who announced the initiative but since he has left office it has been more commonly called Japan's Fast Start Initiative. Japan's climate portfolio includes 367 projects implemented in 82 countries with the equivalent of USD 7.2 billion, as of 30 September 2010.

The recipient countries of the Fast-Start Financing (taking into account developments in the international negotiations) are developing countries making efforts to reduce emission (including REDD+) and developing countries being particularly vulnerable to the negative impacts of climate change.

Key characteristics

World Regions covered	International	**Modes supported**	[✔] Road [✔] Rail [✔] Urban public transport [✔] Non motorised transport
Stakeholders eligible for support	[✔] National government [?] Local government [?] Regional government [?] Private sector	**Nature of support**	[✔] Grant [✔] Loans [✔] Technical [ ] Tradeable certificates
Types of support	[ ] Concepts and plans [✔] Infrastructure [✔] Operations and management [✔] Technology transfer [ ] Capacity building	**Size of projects typically funded**	[?] < USD 10 000 [✔] USD 10 000 – 100 000 [✔] USD 100 000 – 1 000 000 [✔] > USD 1 000 000
Level of intervention	[✔] National [✔] Regional [✔] Local	**Availability**	[ ] Now [✔] Future
MRV requirement	[ ] High [✔] Moderate [ ] Low	**Need for co-finance**	[ ] Yes [✔] No

Support for transport activities

The Initiative was announced in September 2009 and whilst it has been stated that USD 5.3 billion has been allocated (as of 30 April 2010) there is not a comprehensive overview of the projects that have been supported. Support for mitigation has, however, been invested in climate change policy formulation and the promotion of renewable energy.

The Initiative plans to make decisions on what projects to support on the basis of bilateral policy consultations between the host country and Japan. This implies that should developing countries request support in the land transport sector then it will be provided.

Criteria for access to funding

These may change as the fund develops but at present it seems that the two core prerequisites for accessing funding are that:

- Climate change mitigation activities requesting support should show that they can also contribute towards sustainable economic growth;
- Applicants should be able to show that they are already pursuing, or are willing to pursue, climate change mitigation activities.

Application procedure

The disbursement of funds will depend upon bilateral policy consultations with Japan, the aim of which is to reach a common understanding on the policies required to mitigate (or adapt to) climate change. Those interested in obtaining funding should therefore contact directly JICA, the Japanese Ministry of Foreign Affairs (MOFA) and/or local government offices, such as Japanese Embassies. The details of the application process for this relatively new fund are not, however, clear and no further details are readily available but it is evident that obtaining funding is a relatively time consuming process that consists of numerous administrative processes.

Links to further information

For details on the Japan International Cooperation Agency's (JICA) support for climate change see http://www.jica.go.jp/english/publications/brochures/pdf/climate_change.pdf.

Fast Start Link diagram for all international fast start initiatives and applications: http://www3.unfccc.int/pls/apex/f?p=116:1:2754428381989563.

Contact

For further details contact the Office for Climate Change at JICA – jicacc@jica.go.jp or visit http://www.jica.go.jp/english.

4.1.8 German International Climate Initiative (ICI)

The ICI was established in 2008 to complement Germany's existing development assistance. It supports climate change mitigation and adaptation in transition (in Central and Eastern Europe), developing and newly industrialising countries. The ICI has a budget of approximately EUR 120 million a year. It focuses on financing activities on both a regional and a thematic level. Its thematic focus is on projects and activities that: promote a climate-friendly economy; promote measures for adaptation to the impacts of climate change; and promote measures for the preservation and sustainable use of natural carbon sinks. At present approximately 60 % of the ICI projects involve measures to reduce emissions, with a particular emphasis on energy efficiency and renewable energy.[37)]

The majority of the 181 projects that have been supported by the ICI since its inception are to build capacity (83 projects). The 44 implementation projects that have been supported focus on implementing innovative pilot measures, although there are an increasing number of policy advisory projects being supported.

Most of the projects supported are bilateral although multilateral projects are also funded.

Key characteristics

World Regions covered	International	**Modes supported**	[✔] Road [✔] Rail [✔] Urban public transport [✔] Non motorised transport
Stakeholders eligible for support	[✔] National government [✔] Local government [✔] Regional government [✔] Private sector	**Nature of support**	[✔] Grant [ ] Loans [ ] Technical [ ] Tradeable certificates
Types of support	[✔] Concepts and plans [✔] Infrastructure [ ] Operations and management [✔] Technology transfer [✔] Capacity building	**Size of projects typically funded**	[ ] < USD 10 000 [ ] USD 10 000 – 100 000 [✔] USD 100 000 – 1 000 000 [✔] > USD 1 000 000
Level of intervention	[✔] National [✔] Regional [✔] Local	**Availability**	[✔] Now [ ] Future
MRV requirement	[ ] High [✔] Moderate [ ] Low	**Need for co-finance**	[✔] Yes [ ] No

Support for transport activities

Under the 'climate friendly economy' theme (which has to date received 60 % of all finance allocated although future priorities could change) 'reduction of emissions in the transport sector' is one of five areas that resources are focused on.[38)] The theme supports projects and activities in the fields of technology transfer, policy advice, research co-operation, capacity building, training, the elaboration of studies and strategies, and interventions that lead to the implementation of energy efficiency improvements – particularly innovative pilot measures. Another core aim

[37)] http://www.bmu-klimaschutzinitiative.de/en/results

[38)] http://www.bmu-klimaschutzinitiative.de/en/theme_and_projects

of the fund is to support developing, transition and newly industrialising countries to achieve emission reductions that are Measurable, Reportable and Verifiable (MRV) (see Box 4). Activities in the transport sector that can enhance monitoring capacities can therefore also be supported financially via the ICI, such as the establishment or improvement of GHG inventories or reporting processes.

The ICI has funded 173 projects since 2008 and eight (2 %) of these have been mitigation projects in the transport sector.[39] These are as follows:

1. Climate protection and electric transport in China (2009–2012 and a value of EUR 4 million including a BMU grant);
2. Promoting low carbon transport in India (EUR 2 million between 2010 and 2012 including a BMU grant);
3. Sustainable urban mobility in the Ukraine (2009–2011 and EUR 1.091 million including a BMU grant – see Box 8);
4. Modernisation of transport in Lviv (Ukraine) (EUR 500 000, including a BMU grant, in 2009);
5. Expansion of the tram system in Lviv (Ukraine) (2010–2013 and EUR 4.962 million including a BMU grant);
6. Reducing greenhouse gases by recovering volatile hydrocarbons at petrol stations in China (EUR 270 000 between 2008 to 2010);
7. Transport demand management in Beijing (China) (EUR 2 million between 2010 and 2014 including a BMU grant);
8. TRANSfer: Transfer of Climate-Friendly Transport Technologies and Measures (Globally) (2010–2013 and EUR 1.5 million including a BMU grant).
   See http://transferproject.org.

The ICI will be key to implementing Germany's fast start finance commitment (see Section 4.2 of this report for information about fast start finance). The ICI's international Advisory Group meets once a year to decide on the direction of the fund, and it appears likely that it will have an increasing emphasis on policy advisory projects.

Criteria for access to funding

- There is a preference for innovative and replicable approaches that have an impact beyond the individual project itself;
- Projects must be integrated within the climate strategy of the respective partner country and be implemented in co-operation with local or regional partners;
- Projects must have a clearly defined goal that can be reached within five years (projects must not exceed this period).

Recipients of project funding must commit to GHG emission monitoring and reporting at regular intervals. Internal knowledge of the ICI also suggests that activities are more likely to obtain funding if:

- Proposals are linked to the ongoing climate negotiations and innovative climate instruments;
- There are clear provisions for the measurement and reporting of emission reduction and that long-term benefits are also highlighted;
- Possible implementing partners are identified, such as GIZ who can facilitate the development and initiative of proposals;
- The programme office in Berlin is contacted before proposals are submitted.

[39] For a list and details of these five transport projects see http://www.bmu-klimaschutzinitiative.de/en/projects?region=region&subject=Climate-friendly+Economy%3A%3ATransport&keywords=enter+keyword&filter=enter+search.

Application procedure

1. Project outlines[40] must be completed and submitted electronically;
2. Project outlines are appraised and those deemed promising by the ICI are requested to submit a formal application for funding.

There are annual calls for proposals and details of the next call can be accessed from http://www.bmu-klimaschutzinitiative.de/en/application.

Links to further information

For detailed selection criteria and procedural requirements: http://www.bmu-klimaschutzinitiative.de/files/foerderinformationen_iki_en_377.pdf;

For details of project reporting requirements: http://www.bmu-klimaschutzinitiative.de/en/reporting.

Contact

See contact details at the bottom of the following link http://www.bmu-klimaschutzinitiative.de/en/application.

box 8

Promoting low carbon transport in India

This project was implemented by GIZ in partnership with UNEP's Division of Technology, Industry and Economics (DTIE). It was commissioned in recognition of the fact that India's economic growth has been accompanied by a corresponding growth in GHG emissions and in the modal share of road traffic (in 2005 the road sector was responsible for 13 % of all CO_2 emissions). This has posed numerous challenges notably congestion, accidents and poor local air quality that are projected to increase in severity as vehicle numbers continue to increase. In this context the project, which has been allocated EUR 2 million between 2010 and 2012, aims to create an enabling environment for co-ordinating sustainable transport policies on a national level and to build capacities in cities to reduce CO_2 emissions from the transport sector whilst enhancing mobility. National and municipal level plans will be developed that encompass fuels, technologies, transport infrastructure, public transport and related policies and a platform will be established to engage relevant stakeholders.

See http://www.bmu-klimaschutzinitiative.de/en/projects?p=1&d=568.

[40] The submission template is accessible from http://www.bmu-klimaschutzinitiative.de/en/selection_procedure

4.2 Carbon market

If carbon emission reductions can be verified to have occurred as the result of an activity (see Box 4 for an introduction to the need for climate change mitigation activities to be Measurable, Reportable and Verifiable (MRV)) then emission reduction 'credits' can be sold on the 'carbon market.' There are two types of carbon market:

1. The '***Compliance***' carbon market. This market was created and is regulated by mandatory carbon reduction initiatives such as the Kyoto Protocol (of which the CDM is of relevance to developing countries). Emission reductions sold on the compliance market tend to be referred to as 'Certified Emission Reductions' (CERs) and there are stringent procedures that need to be followed to certify that they are genuine.
2. The '***Voluntary***' carbon market. It operates on the same principle as the compliance carbon market but it enables organisations, individuals and governments to purchase carbon offsets voluntarily. Emissions on the voluntary market tend to be referred to as 'Verified Emission Reductions' (VERs) or 'Voluntary Carbon Units' (VCUs) depending on the methodology that an independent auditor uses to verify them.

Table 3 below gives an overview of the project based transactions that took place on the compliance and voluntary markets in 2008 and 2009.

Table 3: Project based transactions on the compliance and voluntary carbon markets

Transaction	2008		2009	
	Volume (Megatonnes of CO_2 equivalent)	Value (USD million)	Volume (Megatonnes of CO_2 equivalent)	Value (USD million)
CDM	404	6 511	211	2 678
Joint Implementation (JI)	25	367	26	354
Voluntary market	57	419	46	3 370

Source: World Bank (2010) State and trends of the carbon market. Accessible from http://www.unece.org/fileadmin/DAM/timber/publications/11.pdf.

Stakeholders, including Parties of the Kyoto Protocol, can participate in both markets. Indeed some voluntary projects start as compliance projects under the CDM, for example, but sell the carbon emission reduction 'credits' on the voluntary market while waiting for projects to be registered.

This section gives an overview of the following carbon market mechanisms that developing countries can use to access climate finance:

4.2.1 Clean Development Mechanism (CDM)
4.2.2 Voluntary market

4.2.1 Clean Development Mechanism (CDM)

The CDM operates through the sale of Certified Emission Reductions (CERs) on the compliance carbon market. It was introduced under the Kyoto Protocol to enable activities that can reduce GHGs in a way that can be measured and certified using methodologies approved by the UNFCCC to obtain finance for these activities through the sale of officially certified emission reductions (CERs). These emissions are sold on the carbon market, which is why the CDM is often referred to as a 'market based mechanism,' to private companies and industrialised countries. In this way it enables industrialised countries with an international obligation to meet certain GHG reduction targets to invest in projects that are capable of reducing GHG emissions in developing countries as an alternative to taking action in their own countries.

The CDM started operating in 2006 and has since become one of the main instruments used for the funding of climate change mitigation projects in developing countries. From its inception in 2006 until 1 November 2012 it had registered 4 908 projects, which have collectively led to a reduction of over 1 billion tonnes of CO_2 equivalent (reached in September 2012). The registered projects have collectively obtained USD 72 903 million in investment.[41] In addition, at the beginning of November 2012, there were 9 064 CDM projects in the CDM pipeline of these 42 (0.5 %) were transport related.[42]

However the majority of projects are to be found in Brazil, China and India and there are few successful transport sector projects.

Key characteristics

World Regions covered	International	**Modes supported**	[ ] Road [✔] Rail [✔] Urban public transport [✔] Non motorised transport
Stakeholders eligible for support	[✔] National government [✔] Local government [✔] Regional government [✔] Private sector	**Nature of support**	[✔] Grant [ ] Loans [✔] Technical [✔] Tradeable certificates
Types of support	[ ] Concepts and plans [✔] Infrastructure [✔] Operations and management [✔] Technology transfer [✔] Capacity building	**Size of projects typically funded**	[ ] < USD 10 000 [ ] USD 10 000 – 100 000 [✔] USD 100 000 – 1 000 000 [✔] > USD 1 000 000
Level of intervention	[✔] National [✔] Regional [✔] Local	**Availability**	[✔] Now [ ] Future
MRV requirement	[✔] High [ ] Moderate [ ] Low	**Need for co-finance**	[✔] Yes [ ] No

41) http://cdm.unfccc.int/Statistics/index.html

42) http://cdmpipeline.org

Support for transport activities

The CDM has so far been applied to three projects in operation meaning that as of September 2010 only 0.1 % of all CDM projects were conducted in the transport sector.[43] The registered transport projects are outlined in Table 4.

Table 4: The three transport sector projects that have been registered under the CDM[44]

Project	Location	Year registered	Investment	Estimated annual emission reductions (tonnes of CO_2 equivalent)
Bus Rapid Transit (see Box 9)	Bogotá, Colombia	2006	USD 360.0 million	246 563
Regenerative braking technology equipped on the metro [a]	Delhi, India	2007	USD 51.3 million	41 160
Cable car metro system [b]	Medellin, Colombia	2010	USD 26.0 million	17 290
High Speed Passenger Rail Systems	South Korea	2012	N/A	236
Modal shift transportation for less intensive GHG emission	Brazil	2010	N/A	125
Metrobus Insurgentes	Mexico	2009	N/A	26
AGRENCO Biodiesel Project in Alta Araguaia	Brazil	2009	N/A	335

a) See http://cdm.unfccc.int/Projects/Validation/DB/BFOEEGZQP4CMB2LCIN8T0VXHNC9CRX/view.html.
b) See http://cdm.unfccc.int/UserManagement/FileStorage/NVOQ2UM4DH93P65XS0TWJLFEAYB8IG

A number of other transport measures are expected to be supported in the future with 23 currently being validated by the UNFCCC. These include biodiesels, efficient operation of metro systems, modal shift from road to rail, electric scooters, and the scrapping of old vehicles.[45] These methodologies have not, however, yet been approved and while it is possible to create new methodologies for assessing GHG emission reductions to be achieved by projects they can be difficult to develop. This is particularly true in the transport sector where there are a large number of sources of emissions (vehicles) and where emission reduction depends on the response of a large number of actors.

The CDM is currently undergoing reform with discussions taking place largely in the Ad Hoc Working Group on Further Commitments under the Kyoto Protocol (AWG-KP). As part of this process the Executive Board of the UNFCCC is seeking to make the CDM more accessible to underrepresented sectors, which should increase its suitability for the transport sector.

The reform of the CDM is likely to strengthen the role of Programme of Activities[46] (see Box 10) increase emphasis upon sustainable development co-benefits, and could enable support of sector wide policies. All of these developments would provide enhanced opportunities for the financ-

43) http://cdm.unfccc.int/Statistics/Registration/RegisteredProjByScopePieChart.html

44) http://cdmpipeline.org

45) http://cdm.unfccc.int/Projects/Validation/index.html

46) http://cdm.unfccc.int/ProgrammeOfActivities/index.html

box 9

TransMilenio Bus Rapid Transit (BRT) in Bogota

This BRT was registered as a CDM project in 2006. The project aimed to establish an efficient, safe, convenient and comfortable modern mass transit system. The project comprised of infrastructure measures (dedicated bus lanes and bus stations to support transfer to feeder services) and investment in bus technology (new articulated buses to Euro 2 and Euro 3 standards). It also had a transit management component (an operational centre was established to manage bus dispatch and customer information systems using Global Positioning System (GPS) technology) and a modern and integrated fare system was established to be managed by a private company.

The CDM covered 10 % of total project costs. The other funding was obtained from the national and district government.

See http://cdm.unfccc.int/Projects/DB/DNV-CUK1159192623.07 and Grütter *et al.,* (2010) Monitoring Report. CDM Project 0672: BRT Bogotá, Colombia: TRANSMILENIO Phase II to IV Monitoring Period 1.1.2009 – 31.12.2009.

box 10

The concept of 'additionality'

If an activity is to generate emission reductions that can be sold on the carbon market (*i.e.* the way that CDM projects are financed) then it must be shown that the project and associated emission reductions would not have taken place were it not for the revenue from carbon credits. Those seeking to propose projects must therefore prove that the activities would not take place without the climate finance from the carbon market. If they can prove this then they can be referred to as being 'additional.' The rationale behind this is that if a project would have happened anyway then allowing associated emission reductions to be sold for carbon credits would lead to an increase in total emissions rather than the desired reduction. 'Additional' activities are therefore those that can claim to create more emission reductions than would occur under a business as usual or 'do nothing' scenario. This means that climate change mitigation activities that take place to meet regulations, that can generate strong financial returns, or that can be considered common practice in an industry are unlikely to be funded by a source of climate finance that requires additionality.

ing of land transport activities. These could include the scaling up of individual projects, such as vehicle scrapping and recycling initiatives, such as the PoA currently being validated for Egypt.[47)]

Criteria for access to funding

Detailed eligibility requirements are outlined in Section F of the CDM's modalities and procedures document.[48)] In summary:

47) http://cdm.unfccc.int/ProgrammeOfActivities/Validation/DB/G1NU99KPWG655SQX4X5F0EQE8BNT17/view.html

48) http://unfccc.int/resource/docs/2005/cmp1/eng/08a01.pdf#page=6

box 11

Programme of Activities (PoA)

The concept of Programme of Activities (PoA) is described by the UNFCCC as '*a voluntary co-ordinated action by a private or public entity which coordinates and implements any policy/measure or stated goal… which leads to anthropogenic GHG emission reductions… that are additional to any that would occur in the absence of the PoA.*'

PoAs are sometimes referred to as 'Programmatic CDM' as under the PoA approach the UNFCCC enables a number (programme) of activities to be registered as a single CDM project. Traditionally CDM projects have required emission reductions to be achieved from single projects within single sectors in a single geographic area but PoA enables unlimited project activities in dispersed geographic areas to take place under a single programme. As with other CDM projects a clear boundary must still be established around the implemented measures, but otherwise co-ordinated activities can be grouped together and registered as a CDM project.

1. Projects must be additional (see Box 11).
2. Projects must be voluntary.
3. Projects must contribute to sustainable development.

Developing countries can host CDM projects if they have ratified the Kyoto Protocol and if they designate a national authority for the CDM.[49)]

Developing countries can check whether developed countries meet CDM eligibility requirements (which include demonstrating compliance with necessary inventory, reporting and compliance standards) by checking the UNFCCC website.[50)]

Application procedure

- Applicants can develop a Project Idea Note (PIN). It is not a formal requirement and as such there is no formal template but it can support the conceptualisation of the project, act as a communication tool to support engagement with stakeholders (such as other investors), and can later be used to inform the UNFCCC's 'Project Design Document' (PDD) form that is a formal requirement (see below).
- Use a methodology (either new or existing[51)]) that is approved by the Methodology Panel of the UNFCCC for assessing GHG emission reductions to be achieved by the project. Guidance on how to get a methodology approved and the procedure for submission is accessible from http://cdm.unfccc.int/Projects/pac/howto/CDMProjectActivity/NewMethodology/index.html.
- Document a proposal for submission using the UNFCCC's 'Project Design Document' form.[52)]
- Seek approval for registration from Designated National Authorities (DNAs). DNAs validate proposals and they register those that they support with the UNFCCC.

49) For the contact details of designated national authorities see http://cdm.unfccc.int/DNA/index.html

50) http://unfccc.int/2860.php

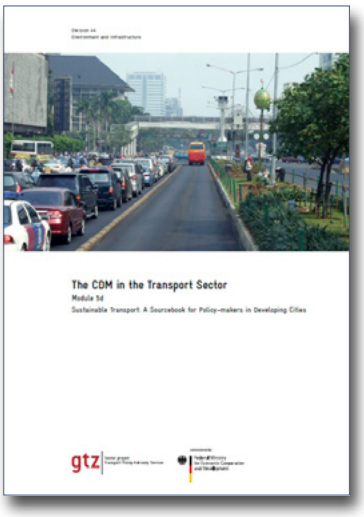
51) Existing methodologies are accessible from http://cdm.unfccc.int/methodologies/index.html

52) The template can be downloaded from http://cdm.unfccc.int/Reference/PDDs_Forms/PDDs/index.html

Links to further information

The UN's 'introduction to the CDM' publication can be accessed from http://unfccc.int/files/cooperation_and_support/capacity_building/application/pdf/unepcdmintro.pdf.

GIZ's guide to the CDM can be accessed from http://www.sutp.org/index.php?option=com_phocadownload&view=category&download=103:5d-cdm-en&id=51:5d&lang=en (see right).



Documents relating to all stages of the CDM policy cycle from project design to verification are accessible from http://cdm.unfccc.int/Projects/pac/index.html.

For transport project design documents see http://cdm.unfccc.int/Projects/Validation/index.html (select Transport in "Sectoral Scopes").

For a guide to the CDM for policy-makers in developing cities see: Grütter (2007) The CDM in the Transport Sector. Module 5d. Sustainable Transport: A Sourcebook for Policy-makers in Developing Cities. Available at http://www.giz.de/Themen/en/dokumente/en-cdm-transport-sector-2007.pdf.

Contact

Contact your Designated National Authority (DNA). The contact details of all DNA's can be accessed from http://cdm.unfccc.int/DNA/index.html.

Photo copyright Ko Sakamoto (2010)

box 12

UNDP Millennium Development Goals (MDG) Carbon Facility

Those considering developing concepts and proposals for CDM projects should be aware of the UNDP Millennium Development Goals Carbon Facility. The Facility was established in 2007 to provide technical assistance to help developing countries to develop projects that meet the standards of the Kyoto Protocol. It was created using a grant from the UN Foundation with the aim of enabling the participation of a wider range of developing countries in the carbon market and contributing towards the achievement of the MDGs.

The Facility can assess the commercial, technical and regulatory viability of individual projects and their likely outcomes (due diligence), as well as help to develop projects that can generate carbon credits and that have additional sustainable development and poverty reduction benefits. It can also establish monitoring systems and reporting processes for projects that are eligible for finance under the CDM or Joint Implementation (this is another mechanism introduced by the Kyoto Protocol although it is for industrialised rather than developing countries) in their first year of implementation. The support provided is entirely technical – no finance is available and the UNDP charges a flat 'Cost Recovery Fee' in exchange for this support.

The Facility works by the UNDP partners with buyers of carbon credits (either government or the private sector) who then purchase the credits generated by the project.

Criteria for access to funding

- Recipient countries must have ratified the Kyoto Protocol.
- The suitability of projects is determined on a case-by-case basis based upon an evaluation of their overall merits. There are no specific exclusions.
- Projects must be financially viable (*i.e.* must generate sufficient carbon credits to cover the transaction costs).

Application procedure

1. An initial application must be submitted for preliminary screening. This involves completing the 'screening' (dark grey) sections of UNDP's Project Idea Note (PIN).
2. If the project is deemed eligible then the rest of the PIN should be completed and sent electronically to the appropriate regional MDG Carbon Facility representative. It is at this stage that UNDP provides the necessary technical assistance to develop and implement the project, as well as paying for the initial validation and verification from a Designated Operational Entity (DOE).

Links to further information

An 'information note' detailing the Facility is accessible from http:// www.mdgcarbonfacility.org/downloads/MDGCF_Information_Note_English_revAug09.docx.

For details of the Millennium Development Goals see http://www.undp.org/content/undp/en/home/mdgoverview.html.

Contact

For general and regional contacts see http://www.mdgcarbonfacility.org/contacts/contact.html.

4.2.2 Voluntary carbon market

The voluntary carbon market enables organisations, individuals and governments to purchase carbon offsets that have been realised by climate change mitigation activities on a voluntary basis. The purchase of emission reduction credits on the voluntary market is not motivated by international legally binding emission reduction commitments, although some businesses have developed their own self-imposed emission reduction commitments using the voluntary market. The motivation for actors to buy emission credits on the voluntary market tends to be driven by marketing or public relation purposes with many organisations and events, for example, choosing to offset their emissions by purchasing credits on the voluntary markets.

Developing countries, even those that are Party to the Kyoto Protocol, can participate in the voluntary market as well as the compliance market. Indeed some voluntary projects start as compliance projects under the CDM but sell the carbon credits on the voluntary market while waiting for projects to be registered. The sale of pre-registration CDM Voluntary Emission Reduction (VER) credits on the voluntary market also means that the project development can be subsidised through the CDM project preparation process.

The voluntary carbon market is still relatively new and considerably smaller than the compliance market. The demand for credits and the price of carbon fluctuate and will continue to do so but it is widely predicted that the scale of the voluntary market will grow. In 2009 the voluntary market is estimated to have offset 46 megatonnes of CO_2 equivalent with a value of USD 3 370 million.[53)]

Key characteristics

World Regions covered	International	**Modes supported**	[✔] Road [✔] Rail [✔] Urban public transport [✔] Non motorised transport
Stakeholders eligible for support	[✔] National government [✔] Local government [✔] Regional government [✔] Private sector	**Nature of support**	[✔] Grant [ ] Loans [ ] Technical [ ] Tradeable certificates
Types of support	[ ] Concepts and plans [✔] Infrastructure [✔] Operations and management [✔] Technology transfer [ ] Capacity building	**Size of projects typically funded**	[✔] < USD 10 000 [✔] USD 10 000 – 100 000 [✔] USD 100 000 – 1 000 000 [✔] > USD 1 000 000
Level of intervention	[✔] National [✔] Regional [✔] Local	**Availability**	[✔] Now [ ] Future
MRV requirement	[ ] High [✔] Moderate [ ] Low	**Need for co-finance**	[✔] Yes [ ] No

53) World Bank (2010) State and trends of the carbon market. Accessible from http://siteresources.worldbank.org/INTCARBONFINANCE/Resources/State_and_Trends_of_the_Carbon_Market_2010_low_res.pdf.

Support for transport activities

The number and value of transport activities that have generated credits on the voluntary market is not clear but any projects that can demonstrate emission reductions can be supported by the voluntary market. The relatively low administrative burden associated with developing projects for the voluntary rather than compliance market can make it particularly suitable for relatively new and innovative transport climate change mitigation activities. It can, for example, be used for piloting projects that might then sell credits on the compliance market.

The standards for verifying emissions on the voluntary market can be similar to those on the compliance market and so some of the same challenges apply to transport projects here as in the CDM (see Section 4.2.1). The voluntary market is, however, less regulated than the compliance market and while it has standards, certification processes and emissions registry services there is no universally accepted standard. This means that transport activity concepts and the methodologies used to prove MRV can be more flexible and the project size smaller.

The slightly lower administrative costs of developing projects where credits will be sold on the voluntary market rather than via the CDM can increase the diversity of transport sector initiatives that can be supported. It must be recognised, however, that for transport interventions to be profitable on the voluntary market the value of emission offsets must be higher than the total project costs. The cost effectiveness of interventions must therefore be checked prior to implementation of projects (particularly for small projects where the transaction costs will constitute a higher proportion of total project cost).

Criteria for access to funding

All stakeholders are able to sell credits on the voluntary market. The criteria for suitability of climate change mitigation projects to sell credits on the market are similar to those for the compliance market, namely:

1. Projects must generate verifiable emission reductions (see below);
2. Projects must be additional (see previous Box 10).

In contrast with the compliance market emission reductions in the voluntary market are not subject to rigorous and universal methodologies for ensuring that the emission reductions are robust. There are, however, a number of voluntary standards that are used extensively in the voluntary market, most notably the Voluntary Gold Standard (VGS),[54] which was created by the WWF-UK in 2006, and the Voluntary Carbon Standard (VCS),[55] which was developed by The Climate Group and the International Emissions Trading Association (IETA).

Application procedure

- Develop a project concept capable of generating emission reductions.
- Estimate the emission reductions that can be generated by the project.
- Assess whether it will be cost effective to obtain finance from the voluntary market (*i.e.* whether the value of carbon emissions offset will exceed the total project cost and transaction costs associated with the voluntary market).
- Get an auditor to validate and verify the methodology used to estimate emission reduction potential.
- Check that project activities do not fall within the remit of the compliance market.
- Obtain forward financing for the project from other source(s) (long term voluntary emission reduction credit purchase agreements can be obtained from some buyers for collateral against

[54] http://www.cdmgoldstandard.org/+%22voluntary+gold+standard%22&cd=1&hl=en&ct=clnk&gl=uk

[55] http://www.v-c-s.org

bank loans). An intermediary can be used to match buyers of carbon credits with those who will be generating them (this is often a bilateral process). There are many 'carbon facilities' or 'brokers' that have an intermediary role matching buyers with sellers of emission reductions. GIZ, for example, has a carbon procurement unit that is an intermediary between India and Germany for CDM based carbon trading. This is one of many initiatives with others including the European Carbon Fund, International Finance Corporation, Ecosecurities Standard Bank Carbon Facility, KfW Carbon Fund, and the World Bank Prototype Carbon Fund.

- When an activity is operational credits will be issued and financial returns generated on the carbon market.

Links to further information

For an introduction to the voluntary market see, for example, WWF (2008) Making Sense of the Voluntary Carbon Market. Accessible from http://www.wwf.org.uk/filelibrary/pdf/carbon_offset_long.pdf.

For a recent analysis of the carbon markets see World Bank (2012) State and trends of the carbon market. Accessible from: http://siteresources.worldbank.org/INTCARBONFINANCE/Resources/State_and_Trends_2012_Web_Optimized_19035_Cvr&Txt_LR.pdf.

Contact

Contact details for the Voluntary Carbon Standard can be accessed from http://v-c-s.org.

5. New forms of financial support emerging from the UNFCCC process

The international climate change architecture is currently the subject of ongoing negotiations under the UNFCCC. There is much debate over the likely nature and effectiveness of the outcome of this process but it will inevitably have implications for the availability of climate finance to support climate change mitigation activities in the transport sectors of developing countries.

The nature of future provisions under the UNFCCC are unclear but it appears that ***fast start finance*** will be made available to support climate change mitigation (and adaptation) activities, and indeed some of this support is beginning to materialise. It also seems probable that ***Nationally Appropriate Mitigation Actions*** (NAMAs) will be the main vehicle for mitigation action in developing countries, and that in the short-term these could be financed by fast start finance. For latest details on the Fast start programme see http://www.faststartfinance.org/home.

Fast start finance provisions and processes are not yet developed to a stage where they can be reported in the previous section comprehensively or with confidence. The exact future role of NAMA and their financing is also not yet clear. They are both, however, likely to become significant in the way that climate change mitigation activities in the transport sector are financed, and so an introduction to both is provided below. Please note that other forms of financial support provided under the UNFCCC will continue alongside new and emerging sources of financial support.

Fast start finance

The Copenhagen Accord[56] is an outcome of the UNFCCC COP15 meeting that was held in December 2009. The Accord states that Parties 'take note' of a collective commitment by developed countries to provide approximately USD 30 billion in 'fast-start' aid for developing countries between 2010 and 2012 (for adaptation and mitigation) and USD 100 billion a year by 2020 (for mitigation). Details of the amount of finance that individual countries are contributing to this target as well as the nature of the activities that they will support are slowly emerging although at the time of writing this guidance remain very limited. It appears that some fast start finance is being distributed via some of the climate funds featured in this report (*i.e.* the German International Climate Initiative and the Hayotama Initiative) but in the absence of a clear picture of how, where and when the pledged fast start finance will be allocated it is not, however, possible to provide a detailed analysis of how it can be applied in the transport sector.[57]

Initial indications are that the fast start finance for 2010 to 2012 will be used to facilitate, initiate and prepare countries for 'transformative actions' (*i.e.* activities that can create a significant positive deviation from a business as usual scenario) post 2012. Capacity building is therefore likely to play a key role in the interventions supported. Fast start finance will support projects, programmes and policies, which are likely to be referred to as Nationally Appropriate Mitigation Actions (NAMAs) (see below). Donors will decide where to allocate the funding and each country is likely to take a different approach.

The Copenhagen Accord is not legally binding and there are no specified funding obligations for individual countries, but a number of countries have stated their intentions to pledge

[56] Accessible from http://unfccc.int/resource/docs/2009/cop15/eng/l07.pdf.

[57] It is of significance to note that the current uncertainty surrounding volumes of fast start finance pledged is linked in part to concerns that fast start finance pledged by some countries is not entirely additional, rather it is transferred from, or may overlap with, traditional Official Development Assistance (ODA) and other bilateral initiatives, such as, for example, the German ICI (see Section 4.1.8) or the Japanese Hayotama Initiative (formerly the Cool Earth Partnership) (see Section 4.1.7). For more information see http://www.climatefundsupdate.org/listing.

commitment. These include the EU, which has pledged EUR 2.4 billion annually from 2010 to 2012, 63 % of which will be allocated to mitigation.[58] For more details of the EU's pledged commitment see Annex A.

The EU will allocate approximately 15 % of their fast start financing for the period 2010 to 2012 to the forestry sector (via the Paris-Oslo process on REDD+). Neither the EU nor other donors have, however, yet pledged specific support to any other specific sector of the economy. This leaves much of the fast start finance yet to be allocated and so as a large emitter of GHG emissions internationally opportunities exist for the transport sector. Developing countries should therefore *"raise their hands"* and demonstrate the need for finance for mitigation activities in the land transport sector. This has already begun with the mitigation actions submitted by Non-Annex I Parties[59] to the UNFCCC for support. As of November 2012, 28 of the 44 NAMA submissions made explicitly referred to actions in the transport sector.[60]

The criteria for access to funding and the application procedure have yet to be confirmed. The only firm international requirement is that actions requesting support will be subject to international measurement, reporting and verification procedures. Fast start finance can also be arranged bilaterally.

For a regularly updated list of fast start pledges made by countries see http://www.climatefundsupdate.org/listing.

For developments check the UNFCCC website http://unfccc.int/2860.php.

Nationally Appropriate Mitigation Actions (NAMAs)

It appears likely that funding will be made available under the UNFCCC process for NAMAs, which are being positioned as the main vehicle for mitigation action in developing countries and that in the short-term they could be financed by fast start finance.

So what is a NAMA? A NAMA is a voluntary emission reduction measure conducted by developing countries and reported by national governments to the UNFCCC via National Communications. A wide range of activities in the land transport sector could be formulated as NAMAs, which is reflected in the diverse nature of the mitigation activities that have already been proposed by developing countries. The importance of identifying potential NAMAs in the transport sector is therefore likely to increase along with the need to disseminate transport NAMAs to increase awareness of the scope for action, supported by climate finance, in the transport sector.

For details of transport NAMA submissions already made see NAMAs, CDM and MRV: the case of transport sector (2012) available at http://enviroscope.iges.or.jp/modules/envirolib/upload/3506/attach/10_namas-cdm-mrv.pdf.

For guidance on formulating NAMAs in the transport sector see Dalkmann *et al.,* (2010) available at http://www.transport2012.org/bridging/ressources/files/1/615,567,Guidance_on_Transport_NAMA.pdf.

For details about National Communications under the UNFCCC see http://unfccc.int/national_reports/non-annex_i_natcom/items/2716.php.

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[58] http://www.climnet.org/resources/external-documents/doc_download/1696-eu-fast-start-finance-interim-report-june-2010.html

[59] Non-Annex I Parties are primarily developing countries and those most vulnerable to the potential economic impacts of responses to climate change. A list can be found at http://unfccc.int/parties_and_observers/parties/non_annex_i/items/2833.php.

[60] For the list of submissions see http://unfccc.int/home/items/5265.php. For an analysis of submissions from a land transport perspective see http://www.transport2012.org/bridging/ressources/files/1/1771,Transport_NAMA_submissions_to_the_U.pdf.

6. Financial resources beyond climate finance

The scope of this guidance has been limited to climate finance that can be used to support climate change mitigation activities in the land transport sector but it is important to recognise that these activities can also be funded from a wide range of sources that extend beyond climate finance. Sources of climate finance are numerous and growing in volume but putting them in perspective the amount of finance available from these sources is dwarfed by that available from other more traditional sources of finance that can in many cases finance the same activities.

This guidance note has been developed primarily for national governments, and larger financial resources can be obtained by national governments from the following sources:

- Official Development Assistance (ODA) (bilateral and multilateral);
- National sources of finance (such as forms of taxation, such as on fuel, vehicles and vehicle purchase, loans and grants);
- National budgets;
- Private sector (these can be accessed at any geographic scale and can take a range of forms including loans, grants and partnerships).

National governments could also increase the total amount of funding available for transport networks within their countries by increasing the awareness of other levels of government of funding mechanisms that are available to them. Regional and local governments can obtain finance through many of the same channels open to national governments but there are also a number of other ways that they can raise revenue. These include through road pricing, land value taxation, parking policies, and public transport revenues and subsidies. See GIZ's 'Financing Sustainable Urban Transport'[61] Sourcebook for more information and case-studies on all of these sources of finance.

Photo copyright Ko Sakamoto (2010)

To maximise success in funding climate change mitigation activities in the transport sector it is important for governments on all levels to be aware of the full range of sources of funding that are available and not to rely too heavily on any one particular source. Developing countries should therefore create funding portfolios that comprise of a range of the aforementioned sources of funding to spread risk, to help to ensure that adequate capital and revenue funding is obtained to support all transport strategy components, and to ensure that transport strategies reflect the 'polluter pays' principle.

Funding opportunities will vary by country and activity. The eligibility criteria and investment priorities of different sources are also prone to change. It is therefore necessary to be familiar with the nature of the different sources of finance available.

[61] Sakamoto, K. (2010) *Financing Sustainable Urban Transport*. Module 1f. Sustainable Transport: A Sourcebook for Policy-makers in Developing Cities. Eschborn, Germany: GIZ.

7. Outlook

Transport is increasingly being recognised as a sector that has been underrepresented in climate finance. Whatever the future of carbon finance it therefore seems likely that transport will play an enhanced role within it and that the volume of finance available from these sources will increase. Climate finance is a dynamic and rapidly evolving area and COP 15 in Copenhagen industrialised countries committed to provide 100 billion USD annually until 2020.

However, with the commitment period of the Kyoto Protocol (the international climate change agreement forged by the UNFCCC) coming to an end in 2012 and no new climate regime agreed, it is not known what form the international climate finance architecture will take.

As of November 2012 there are now 26 Climate funds managed by at least 14 different funding bodies including international funding organisations, the EU and nation states such as Japan, the UK, Germany and Norway. Nationally Appropriate Mitigation Actions (NAMAs) are likely to be a key mechanism for channelling this funding to individual developing countries in the immediate future. The Green Climate Fund adopted in 2011 is aimed at becoming the major multilateral financing mechanism to support climate action; the new board of the fund met in August 2012 and has a goal of making the fund operational by early 2014. It remains to be seen how many will be useful for funding transport projects. See http://www.climatefundsupdate.org/listing.

In the short-term finance for NAMAs could come from ***fast start finance*** mostly bilateral agreements but in the long-term could come from an ***international mitigation fund***, such as the Copenhagen Green Climate Fund proposed in the Copenhagen Accord. This could lead to the phasing out of existing sources of climate finance instruments detailed in this report. These could include the CTF, which currently plays a large role in the climate finance architecture but that was established as an interim measure. Long-term finance could also take the form of ***city wide approaches***, or a ***sectoral mechanism*** and thus transform the CDM and the carbon market.[62)]

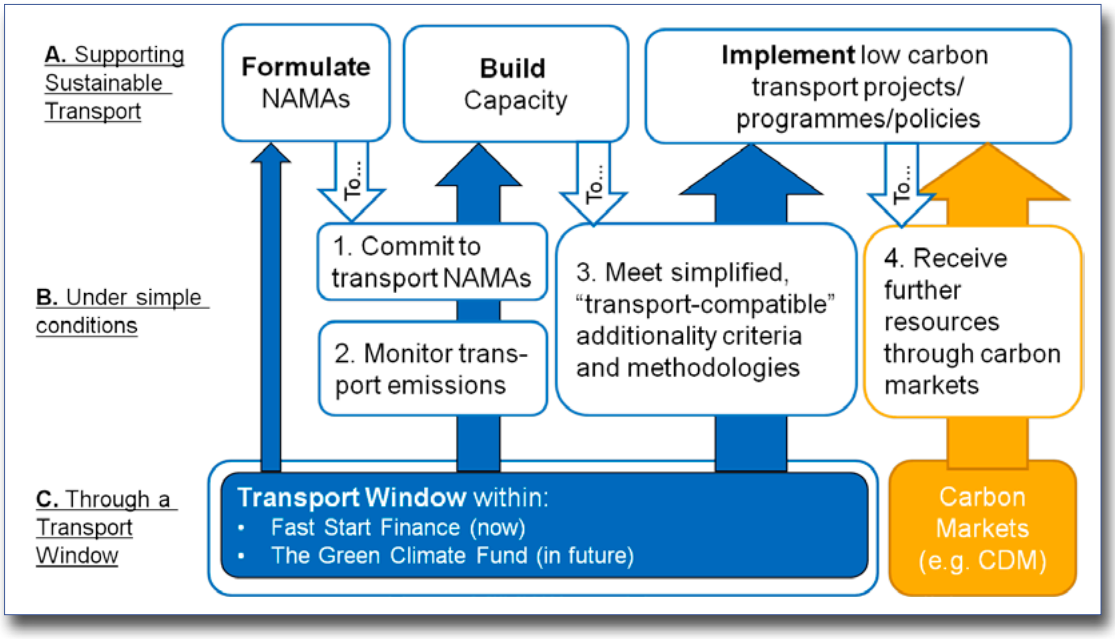


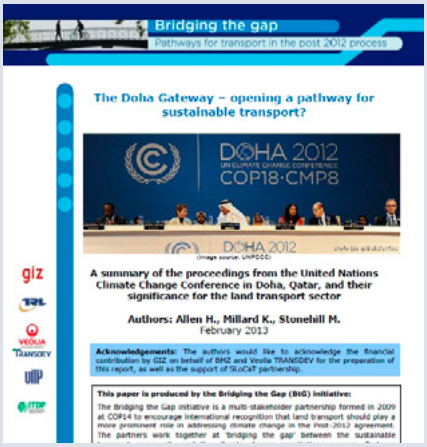
Figure 4
An overview of NAMAs.
Source: TRL (2013)

62) Accessible from http://unfccc.int/resource/docs/2009/cop15/eng/l07.pdf.

The Bridging the Gap initiative has developed a proposal for a sectoral approach for land transport called REST (Reducing Emissions through Sustainable Transport).[63] The approach could support sustainable transport through the formulation of transport NAMAs and see finance for developing, enabling, implementing and monitoring these activities made available by a transport window. It is proposed that this transport window would be created from the financial flows speculated upon above – fast start finance in the short-term and a post 2012 UNFCCC fund in the long-term.

box 13

The Bridging the Gap – report on COP18



The Bridging the Gap Initiative has published its report from COP18, entitled "***The Doha Gateway – opening a pathway for sustainable transport***". The paper is the Initiative's analysis of the COP18's outcomes which are of the most relevance to the land transport sector. The report contains a summary of the proceedings from the UNFCCC in Doha and their significance to that sector. The paper also provides recommendations and suggests opportunities for the land transport community.

The report's key recommendations are:

1. Continue to increase the awareness, build capacity and visibility of the potential of low carbon land transport as a climate friendly mode.
2. Increase efforts on transport NAMAs as credible mechanisms to reduce emissions from the sector.
3. Ensure adequate and appropriate financial resources are channelled into sustainable low carbon transport.
4. Link climate and sustainable development efforts on transport more closely with financing windows and work with the international community on key topics such as the reduction of fossil fuel subsidies.
5. Encourage active engagement, research and sharing of knowledge on the development and diffusion of low carbon technology for transport both regionally and internationally.
6. Work on increasing effort for improved data and statistics on land transport with a view to achieving more robust measurement, verification and reporting of transport impacts both positive and negative.

Previous reports on the climate negotiations by the Bridging the Gap Initiative include "*Did Durban deliver?*" and "*Cancún can – can land transport?*".

Download the BtG COP reports from: http://www.transport2020.org

[63] Accessible from http://www.transport2020.org/bridging/ressources/files/1/817,Transport_sectoral_approach_22.09.20.pdf.

There are signs that as different sources of finance emerge and as the international climate finance architecture evolves there will also be changes to the way that finance is managed. The African Development Bank (AfDB) is, for example, in the process of developing an 'Africa Green Fund' (AGF). It is envisaged that this fund will receive and manage resources that emerge from the Copenhagen Accord (*i.e.* fast track and long-term streams of finance) that are allocated to Africa. The concept has developed in response to perceptions amongst African countries that the CTF and World Bank are not fully responsive to their needs and this is seen as an alternative.

Other countries may chose different ways like the Indonesian Climate Change Trust Fund (ICCTF). This is a national fund ready to obtain international sources of finance but also receives national funding and then channelling it to GHG mitigation and adaptation projects. There is the potential for similar initiatives to develop.

A key tool for countries to manage climate finance is a National Climate Fund. NCFs are nationally-driven and nationally-owned funds that assist countries with collecting climate finance from a range of sources, coordinating them, blending them together and accounting for them. This enables countries to be the drivers, making informed choices for how to target resources toward activities that deliver results on the ground. Well-designed NCFs can better equip countries to blend domestic and international, public and private, and concessional loan and grant climate finance at the national level. In this way, NCFs can help countries achieve results and more efficiently and effectively support the transition toward low-emission and climate-resilient development.

For more information on National Climate Funds see: http://www.transport2012.org/bridging/ressources/files/1/1559,UNDP-Blending_Climate_Finance_Throu.pdf and a publication by the UNDP provides information on preparing for climate finance in a country "*Readiness for climate finance*" http://www.undp.org/content/undp/en/home/librarypage/environment-energy/low_emission_climateresilientdevelopment/-readiness-for-climate-finance.html.

To justify funding is inevitable that developing countries will need to increase efforts to collect data in the transport sector and to monitor and report on core indicators. To be confident that emission reductions are taking place, and to help determine the most effective interventions in the transport sector, robust and reliable processes and procedures will need to be put in place. The benefits of doing so will be felt on all levels from the local to the international both within and beyond climate change mitigation in the transport sector.

8. Further information

The Bridging the Gap initiative is active in the field of climate finance, and specifically in its use to support policies, programmes and projects in the land transport sector. For further information and advice members of the Bridging the Gap partnership can be contacted directly. The e-mail addresses of the partners are detailed on the front page of this report.

Readers are recommended to access the websites of the funds detailed in this report for the most up-to-date information on each of the funds. The websites of multilateral financing institutions, who can provide further support, are detailed below to supplement these:

- World Bank
  http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTTRANSPORT/0,,menuPK:337122~pagePK:149018~piPK:149093~theSitePK:337116,00.html
- Asian Development Bank
  http://www.adb.org/sectors/transport/main
- Inter-American Development Bank
  http://www.iadb.org/en/topics/transportation/transportation,1236.html
- African Development Bank
  http://www.afdb.org/en/topics-and-sectors/sectors/transport
- KfW Entwicklungsbank (German Development Bank)
  http://www.kfw-entwicklungsbank.de/ebank/EN_Home/Climate_Change/Action_by_KfW_Entwicklungsbank/Transport/index.jsp
- European Bank for Reconstruction and Development (EBRD)
  http://www.ebrd.com/pages/sector/transport.shtml

Annex A: Details of the EU's fast start financing pledge

Section 4.1.3 of this report referred to the EU's pledged commitment of EUR 2.4 billion annually from 2010 to 2012 as a contribution to the USD 30 billion that the Copenhagen Accord stated that developed countries should contribute to developing countries between 2010 and 2012. There are still a lot of questions surrounding the EU's financial contribution but details are emerging. These include the following:

- 63 % of the EU's commitment from 2010 to 2012 will be allocated to mitigation actions.
- 61 % will be bilateral financial support and 39 % multilateral.
- Multilateral channels will be the CIF, GEF, Adaptation Fund, Inter-American Development Bank, Consultative Group on International Agricultural Research, and the Forest Carbon Partnership Facility.
- 63 % of bilateral contributions will be allocated to African countries.
- Some bilateral partnership agreements have already been forged, for example see Box 14 below.
- 73 % of all EU funding will take the form of grants.
- Dialogue will be conducted with developing countries to identify needs, expectations and current gaps in funding provision. The outcomes of these scoping studies will have a direct influence on the allocation of the EU's fast start funding. The EC is currently, for example, working with five 'pilot' developing countries (Kenya, Indonesia, Mexico, Peru and Thailand) to identify their specific capacity building needs with the broader aim of identifying recommendations applicable to all developing countries for capacity building programmes. This scoping study is focusing on MRV activities and the design and implementation of NAMAs (Nationally Appropriate Mitigation Actions) (see Section 6) and LEDS (Low-Emission Development Strategies). From 2011 concrete capacity building activities will be conducted in these countries.[64)]

A recent update on EU Fast start finance can be found at http://ec.europa.eu/clima/policies/finance/international/faststart/docs/eu_fsf_report_2012_en.pdf.

64) http://www.oecd.org/dataoecd/25/18/45145609.pdf

box 14

Climate change partnership between the UK and Indonesia

The UK's Department for International Development (DfID) will give Indonesia GBP 50 million between 2011 and 2016 to help it to meet its pledge to reduce GHG emissions by 26 % by 2020 or by up to 41 % if it receives international support. It has been estimated that GBP 19 million of the GBP 50 million will be delivered as fast start finance. This finance will help Indonesia to:

- Manage its forests sustainably and reduce emissions from land-use change;
- Reduce the vulnerability of lower income groups to climate change;
- Realise low carbon growth;
- Establish appropriate instruments and frameworks to leverage and manage additional public and private investment and to introduce appropriate economic incentives.

For more information see http://www.theclimategroup.org/_assets/files/DECC-International-Climate-Change-Action-Plan.pdf.

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