



Developing Countries and Climate Finance Architecture (Panel 2)

1. Introduction

The finance mechanisms set in force by the Kyoto Protocol were insufficient or ineffective to mitigate and/or to halt the expansion of GHG emissions in Brazil, mainly due to imperfect ruling.

- Missing extensive LULUCF
- Carbon projects from cleaner energy matrix (case of Brazil) was in disadvantage (lower emissions baseline)
- Many projects on biofuels, reforestation and power generation could not be considered due existence to previous government decision

2. Developing country priorities (Brazil)

Therefore, there is a need for various sources and options to scale up the generation of new, additional and adequate financial resources. Needs are for:

- Forest protection (projects of *avoided deforestation* and conservation) by means of REDD mechanism.
- The development of REDD mechanisms could stimulate a better distribution of carbon projects in the developing world (nowadays, mostly in Asia – China, India and South Korea) since it benefits Africa and Latin America
- Financing REDD: Voluntary Funds or Market-based solution??? the most important thing is an agreement between the Parties to validate REDD as soon as possible
- Energy use efficiency (including incentive for better urban planning, mass transportation, etc.)
- Renewable sources of energy (fossil fuels are a threat: new projects foreseen in near term!)
- Latin America has an underused potential in alternative energy. The main source of clean energy is hydroelectricity and it has the potential generation of 650,000 MW. Currently only a little more than 128,000 MW are used. The forecast for 2015 is that it will be 180,000 MW or 28% of potential
- Brazil should make all the efforts to maintain its sources of electricity as clean as possible, investing in hydro, wind and solar plants.
- Technological solutions are so important as land-use solutions: biomass energy; algae sink; albedo;

3. Developing country concerns (Brazil)

- More important emitters (present and future) should be bound by commitments for their emission reductions, for this including China, India and Brazil, but leaving least developed countries (LDC) with no-commitments
- Commitments should be made for the year 2020 and 2050 (the EU proposal seems to be acceptable: to reduce emissions by at least 20% below 1990 levels by 2020 – and is ready to take on a 30% target pending if an international agreement is achieved in Copenhagen)
- The new agreement must address properly the land-use issue. If it fails again

4. Developing country reactions as to feasibility

- Mechanisms of implementation of projects should be simplified, with less bureaucracy for their approvals
- The delivery of resources should be measurable, reportable and verifiable and should avoid corruption by all means
- Emissions inventories are essential on annual basis; each country should monitor and report their CO₂ emissions

- National or regional regulations are not the best option, but it might be an intermediary solution to the problem (USA, China, Americas,...) if an multilateral agreement could not be reached

5. Which existing institution should be used for climate financing?

- Assuming that developing countries will accept commitments for emission reductions, a cap-and-trade system could be implemented. The European experience on ETS could be used by developing countries.
- BNDES (Brazilian Development Bank) should be an important actor, financing local solutions to climate change
- For projects involving different countries in Latin America (as energy integration or forest conservation), we might count with Inter-American Development Bank
- International assistance should always be considered, however, World Bank could be efficient only in case of demonstration projects (REDD?)
- It is suggested that developing countries, which voluntarily apply and succeed to reduce their emissions from deforestation during a period of 5 years, receive an international financial compensation related to their avoided emissions, based on the average carbon market value.
- It could be adopted as a base the annual average deforestation rate in the period 1980-90, which in the Brazilian case was 20,000 km²/year.
- The cost of a REDD program applied to the Brazilian Amazon is away from a purely market approach, but rather intend to look for the real cost the Brazilian society would have to face to implement it.
- This should combine three intermediate costs: to compensate the indigenous people for defending the forest, to compensate the forest owners for conservation of private forests and additional costs for state and federal governments to enhance programs to protect the forest.