

# Climate Finance as the engine for more sustainable transport

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on Climate Finance for Sustainable Transport

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**“If you do not tackle transport then you cannot tackle climate change.”**

*Yvo de Boer, previous Executive Secretary of the UNFCCC*



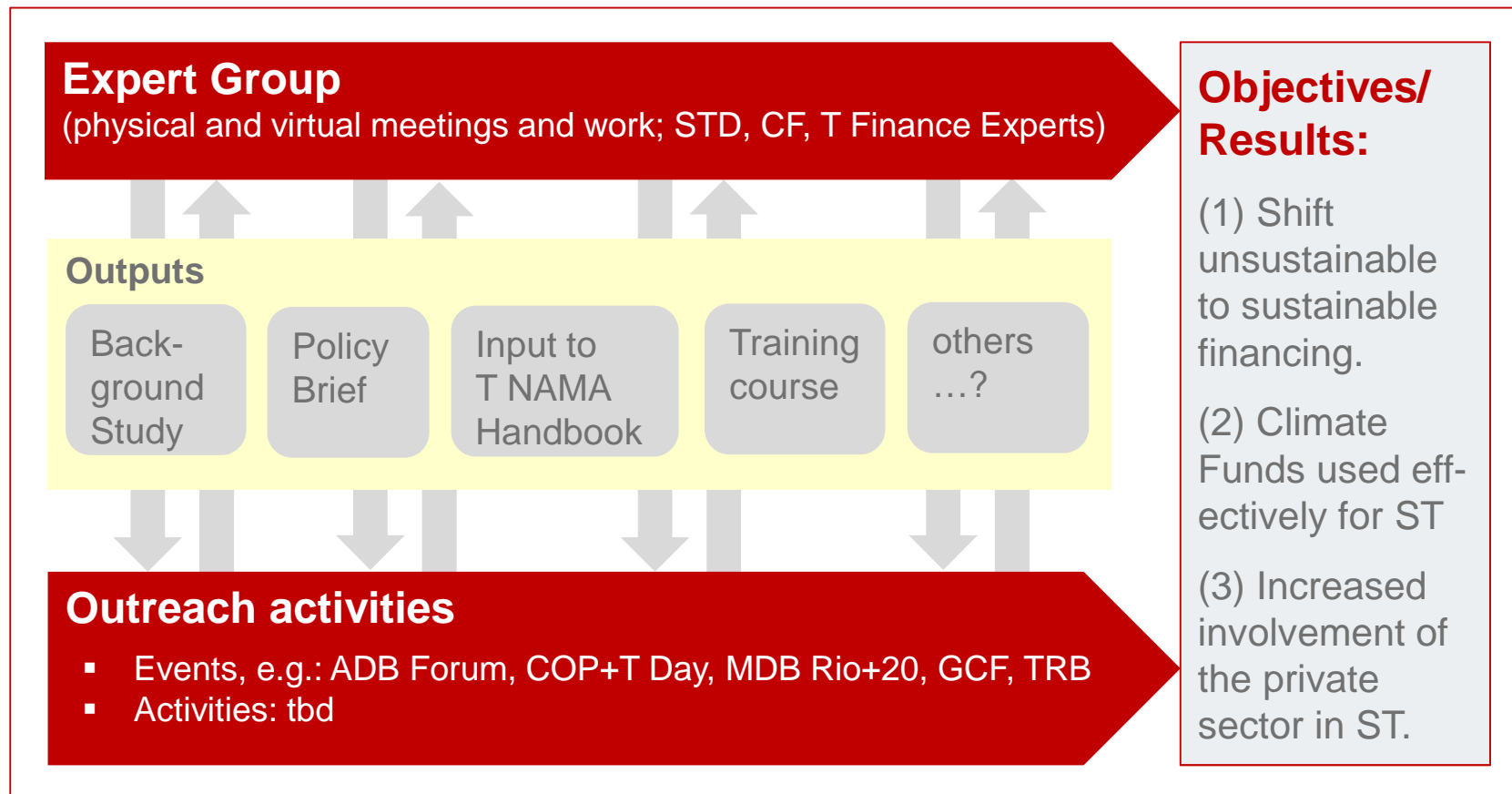
## Why this expert group?

[www.transport-namas.org/expertgroup/expert-group-on-climate-finance-for-sustainable-transport](http://www.transport-namas.org/expertgroup/expert-group-on-climate-finance-for-sustainable-transport)

- **Much of current transport investment is unsustainable**
- **CF can cover only a small portion** of the investment needs  
=> CF needs to be used in a particularly smart way to be effective
- CF has the potential to trigger a **shift from unsustainable towards more sustainable** transport investments
- Need to tap potential of **private sector** involvement in ST financing
- CDM didn't work for transport but a **new CF architecture** should!  
=> transport community needs to raise its voice
- **No clear understanding yet** how CF should be applied most effectively for different types of ST measures



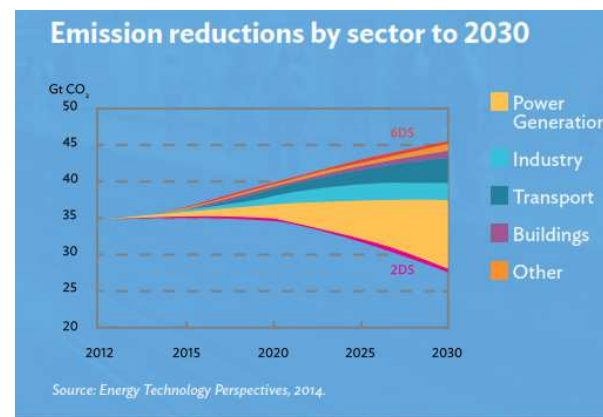
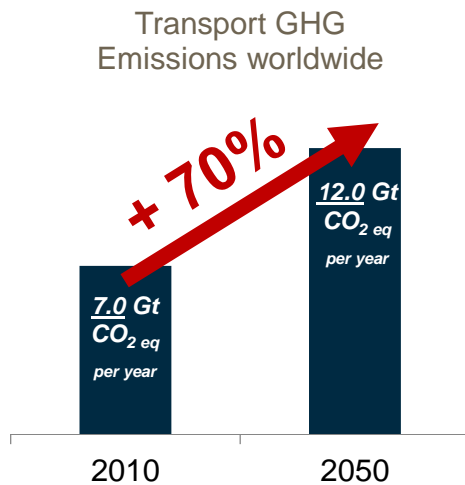
## The Expert Group Process and its objectives





## Challenges 1: transport and climate change

- Transport contributed >20% of GHG emissions (energy-related) in 2010
- Projected 70% increase in GHG emissions to 2050
- cuts of 50% needed by 2050, realization of 2DS requires transport



Sources: "International Energy Agency (IEA) (2012); IPCC Working Group III Transport "Summary for Policymakers" (2014); UNEP (2013), "Emissions Gap Report"



Rio 2012: MDBs made commitment of USD 175 billion...a good start but more is needed

## Challenges 2: financial implications

- **Significant transformational investments are needed** to increase the sustainability of transport systems and to mitigate climate change
- **Net transitional investment of USD 3 trillion (2015-2035)** are needed (80% relates to low-carbon modes such as railways and mass transit)
- **These transitional investments are on top of existing investments** (USD 1-2 trillion per year)
- **Transport investments mainly needed in non-OECD countries (85% of total)** while current pattern dominated by OECD countries
- **But significant cumulative whole-of-life savings of at least USD 70 trillion** are estimated by IEA (2012) and ITDP (2014)

Sources:

IEA (2012), "Global Land Transport Infrastructure Requirements"; Climate Policy Initiative (2014) "Moving to Low-Carbon Economy: The Financial Impact of the Low-Carbon Transition"; ITDP & University of California, Davis (2014), "A Global High Shift Scenario:"



## Challenges 3: financial implications

- **Sustainable transport systems will generally require public financial support** for investment, operations and maintenance because of their strong welfare and external benefits
- **Limited scale and fragmentation of climate finance**, compared to the large financing needs in the transport sector, is a constraint

### Transport has difficulties in competing with the energy sector for climate finance – why?

- Millions of mobile sources
- Complex behavioural interactions
- Difficult and more expensive to measure, report & verify emissions
- Globally, investment frameworks for energy are better defined than for transport



## Challenges 4: for funding & implementation

### *.....hindering the transition from the current car-centric model*

- How to increase the range of funding sources, and financing mechanisms, used by the **public sector** for sustainable, low-carbon transport
- How to foster increased **private sector** investment in sustainable transport
- How to scale up sustainable transport through **Official Development Assistance (ODA)**
- How to increase the share of **international climate finance** to the transport sector and use it more effectively to obtain maximum leverage



## Solutions 1: use the A-S-I approach

.....to realise sustainable, low-carbon transport & halve GHG emissions from transport by 2050 that IEA (2012) projects to be feasible

### AVOID / REDUCE

Reduce or avoid travel  
or the need to travel

- Integration of transport and land-use planning
- Smart logistics concepts
- ...

### SHIFT

Shift to more  
environmentally  
friendly modes

- Transport Demand Management
- Mode shift to Non-Motorized Transport
- Mode shift to Public Transport
- ...

### IMPROVE

Improve the energy  
efficiency of transport  
modes and vehicle  
technology

- Low-friction lubricants
- Optimal tire pressure
- Low Rolling Resistance Tires
- Speed limits Eco-Driving (Raising Awareness)
- Shift to alternative fuels
- ...





## Solutions 2: apply the following principles

National frameworks, that empower sub-national governments, can greatly assist to realize sustainable, low-carbon transport using these principles:

- **Acknowledge mobility as a public service.** Access to mobility services is a constitutional right in some countries
- **Get institutions and framework conditions right.** Coherent policy frameworks accompanied by institutional and governance reforms
- **Using the transport-finances-transport principle.** The transport sector is too large to be subsidized and funded by other sectors
- **Price transport to moderate excessive demand.** Remove subsidies and price transport according to its marginal social costs
- **Set clear investment priorities.** Comprehensive sub-sector strategic plans, and local comprehensive mobility plans provide the necessary guidance for prioritizing investments in the transport sector



## Recommendations for climate finance ...1

As developing sustainable, low-carbon transport infrastructure and services will require trillions of dollars policy makers should....

- **Increase the availability of public funding & prioritize available domestic funding**
- **Accelerate private sector investment** by sending the right price signals, creating clear revenue models and financing modalities
- **Create clear and predictable investment frameworks** by ensuring integrity; strengthening development of competitive, stable domestic banking systems; empowering sub-national gov. creditworthiness
- **Harmonize planning approaches, tools, methods and implementation procedures** using A-S-I, appropriate MRV, and safeguards, 'business case' etc.



## Recommendations for climate finance ...2

Take a lead from the Green Climate Fund (GCF) that intends that all GCF funding will be transformative ...shift to low-emission pathways...

### Eligibility

- Create a Transport Window under International Climate Finance
- Develop a White List (Positive List) of transport measures that can access International Climate Finance
- Prioritize and reward the use of programmatic approaches over project-by-project approaches
- Adopt eligibility criteria that match the transport sector



## Recommendations for climate finance ...3

### Readiness

- Use international climate finance strategically to raise awareness and build capacity for neglected sub-sectors e.g. **freight transport**
- Demonstrate, using international climate finance, how to engage the **private sector** in sustainable transport, including use of Climate Bonds
- Allocate a greater share to **institutional 'readiness'** with the aim to build up a well-prepared, and viable, program and project pipeline
- Better align ODA with the use of international climate finance

### Measurement, Reporting and Verification

- Establish credible but appropriate MRV requirements



## Discussion points... ????????

- How to separate Climate Finance reform from general transport funding and finance reform – danger of “bit of everything“
- More in-depth work on:
  - a. Climate Finance and Public Sector?
  - b. Climate Finance and Private Sector?
  - c. Blended Finance?
  - d. Comparative analysis transport and energy sector use of Climate Finance
- Finalization of Policy Brief: stick to present scope? Timing? Resource mobilization?