The Green Climate Fund -
Creating Impact Where It Matters Most

Speech

by

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SALUTATION

Minister Dirk Niebel, German Federal Minister for Economic Co-operation and Development

Distinguished Guests

Ladies and gentlemen:

I. INTRODUCTION

Let me express sincere gratitude to Minister Niebel for according me the honour of addressing this distinguished gathering on the subject of climate change.

For those of us who make our homes in small islands and low-lying states washed by the Caribbean Sea, climate change is an extremely serious issue.

II. CARIBBEAN VULNERABILITY TO CLIMATE CHANGE

Our region is one of the most vulnerable to climate impacts. Evidence from various studies and new global climate models support the view that Caribbean countries will bear a disproportionate share of these impacts.

According to a 2008 study by Tufts University and the Stockholm Environment Institute, economic losses in the Caribbean will reach 5% of GDP by 2025 and 10% of GDP by 2050. New evidence now suggests that the economic costs of mitigation and adaptation are likely to be significantly higher than these early estimates.

To its credit, since 1997, the Region has been sensitizing the international community to the dire consequences of inaction. In addition, the Caribbean Community Climate Change Centre (5Cs) was established in 2004 to coordinate the region's climate change work programme and agenda; a Regional Climate Change Strategy was promulgated in 2009; and Heads of Governments of the Caribbean Community (CARICOM) approved the Regional Implementation Plan in 2011.

III. THE STATE VERSUS THE PRIVATE SECTOR

This brings me to the roles of the state and the private sector in rising to the challenge.

Broadly speaking, adaptation responses fall within the broad rubric of public goods. Measures such as sea defenses, and the climate proofing of roads, and bridges tend to be the State's responsibility.

However, mitigation projects targeted at switching energy sources from fossil to low or non-carbon alternatives, such as wind and solar, and energy efficiency measures are better suited to private investment.

As the SIDS Dock initiative has emphasised, our Region relies heavily on the inefficient conversion of fossil fuels to meet electricity and other energy needs. With electricity costs as high as US$1.00 per kilowatt hour and fuel imports consuming large amounts of foreign exchange, declining export competitiveness has become a constraint to economic growth and to our capacity to consistently reduce poverty and social inequality.

Therefore, investment in energy efficiency and in renewables as alternatives to fossil fuels is an economic imperative. The incentive is especially compelling for Caribbean countries with indigenous sources of renewables such as geothermal, wind, and solar energy.

Whilst its direct role in mitigation projects is a marginal one, the State has major responsibility for creating an appropriate framework that incentivizes private investment in energy efficiency and in renewables.

Failure to pursue the right policy mix could undermine the prospects for direct private investment in the development of renewables. Therefore, a policy priority for the State should be to articulate explicitly the terms of the relationship between electricity producers utilising fossil fuels and those deploying renewables. This will level the playing field, especially in the area of electricity transfer pricing.

Investing heavily in climate adaptation projects is as urgent as the need for most Caribbean States to drive investments in renewable energy.

However, the required investment, even if financed using traditional concessional loan resources provided by multilateral development banks, is unlikely to be feasible. The Region's ability to implement adaptation projects would be restricted by the sheer size of the required investments; the absence of fiscal space; and the heavy sovereign debt overhang.

Realistically, sizeable grant resources must become available if a credible climate adaptation initiative is to be undertaken in these countries.

But, the concessionality of the financing does not obviate the need for the resources to be deployed economically and efficiently. The portfolio of project proposals would have to be evaluated and ranked using appropriately rigorous cost/benefit calculus.

IV. ROLES OF THE CDB AND THE GREEN CLIMATE FUND (GCF)

The challenge facing the Caribbean is two-fold:

(a) to mainstream climate risk into national development planning and climate change adaptation into Disaster Risk Management; and

(b) to access resources for adaptation and mitigation.

In both respects, CDB's borrowing member countries face tremendous disadvantages.

Generally, they lack the institutional and technical capacity to design innovative policies and suitable adaptation programmes. And, they lack the capability to develop a portfolio of "bankable" projects eligible for funding under initiatives like the Green Climate Fund.

This is where my institution can be most effective.

CDB staff already possesses the skills required to appraise and rank such projects. And they can easily acquire more specialist skills through partnering with organisations like 5Cs.

In July 2012, our Board of Directors approved a new Climate Resilience Strategy, which emphasises a dual role for CDB, to intermediate concessional financing and to support capacity building in relevant national and regional institutions.

With the support of partners, like the Department for International Development (DFID) and the European Investment Bank (EIB), we are expanding our staff resources to improve our capability to deliver the climate change work programme.

We are also financing the preparation of a priority list of regional projects which can meet the criteria for accessing resources from various climate financing mechanisms.

Indeed, as a strong multilateral fiduciary, with a good understanding of the Region, my organisation is well placed to intermediate climate funds from Donors to the borrowing member countries.

V. EXPECTATIONS FOR THE GREEN CLIMATE FUND

As small countries already constrained by inadequate financing, the Caribbean eagerly anticipates the full capitalisation of the Green Climate Fund, and expeditious access to the projected US$100 billion per year by 2020.

By all estimates, this amount is grossly inadequate. But we are also mindful of the economic difficulties that Donor countries of Europe and North America currently face.

Our region wants direct access to the resources to begin to seriously address the climate change challenge. Ideally, we would like some of these resources to be channeled through CDB.

We need innovative financing mechanisms which are tailored for small country constraints and which encourage public and private sector collaboration in areas such as renewable energy, clean transportation and sustainable agriculture.

And we urge support for the SIDS DOCK, a notable Alliance of Small Island States (AOSIS) initiative that can help SIDS generate the financial resources required to invest in climate change adaptation and to mobilise financial and technical resources to catalyze clean economic growth.

In closing, let me, once again, thank you for the opportunity to share some thoughts on an issue of tremendous importance to the Caribbean Region.