

# Round Table on Financing Adaptation

Panel:

Mr Ger Bergkamp, World Water Council (chair)

Mr Gordon Hughes, World Bank

Ms Ana Fornells de Frutos, Adaptation Fund

Ms Monica Scatasta, European Investment Bank

Mr Murray Starkel, Natural Gas Partners, USA

Mr David Miller, City of Toronto, Canada and C-40

Mr Martin Perry, UK

Mr Collin Herron, Conagua, Mexico

Ms Karin Lexén, Stockholm International Water Institute, Sweden

Ms Julia Bucknall, World Bank

**Dr Ger Bergkamp, director-general of the World Water Council**, opens the sessions and poses the questions for discussions:

- What do we know about the costs for adaptation
- What are the perspectives on and resources for financing with financiers
- How do 'clients' (countries, cities) consider financing of adaptation?

**Mr Gordon Hughes, consultant World Bank:**

The World Bank studied the costs necessary for adaptation, resulting in the report «The Economics of Adaptation to Climate Change», financed by the Governments of the Netherlands, Switzerland and the United Kingdom, was made public in August 2010. The report deals with the economics of adaptation of sectors and across sectors (e.g. for continents and countries).

The lead question for the scenario studies was: what is required for restoring welfare to '2050' without and with climate change. It turned out that it was difficult to obtain the relevant data for the two scenarios (with and without climate change). It is not the temperature rise of two degrees that matters – it is the change in precipitation pattern, both spatial and temporal, that matters. Models by CSIRO (dry scenario) and NCAR (wet scenario) were used to calculate adaptation costs to restore welfare as a percentage of Gross Domestic Product (GDP). As a percentage of GDP the costs to restore welfare under climate change turned out to be relatively low: less than 0.6% of the GDP as global average, but up to between 2 and 4% for LDCs in Sub-Saharan Africa. Most of the costs will be at the start of adaptation, and are water-related (up to 70 % of an estimated USD 100 billion per year by 2020, especially in coastal zone protection, infrastructure, drinking water and flood management. Consequently it is essential to look into the adaptation costs for delta countries.

### **Ms Ana Fornells de Frutos, Adaptation Fund**

The presentation addressed access to resources from the Adaptation Fund, explaining how the Fund functions. The Board consists mostly of developing countries, with 16 members, 16 alternates, (Two representatives from each of the five UN regional groups; one representative of the small island developing states; one representative of the least developed country Parties; two other representatives from Annex I Parties; and two other representatives from non-Annex I parties). There are two committees and a panel, a secretary and a trustee (the World Bank).

Presently there is USD 156.28 M available into the Adaptation Fund, with contributions from Spain of € 45 M, Germany and Sweden USD 10 M, and Monaco € 10.000.

By the end of 2012 the estimated level of funding in the Adaptation Fund will be USD 372 M (low: 318 M; high: 434 M).

Presently two projects have been endorsed:

- Coastal protection and livelihoods in Senegal: USD 8,619,000 (direct access)
- Water management in Honduras (UNDP, 1-step process): USD 5,698,000

### **Ms Monica Scatasta, European Investment Bank**

Ms Scatasta spoke about additionality and the definition of adaptation, taking uncertainty in to consideration, how to leverage public and private funding and how to reduce the perception of risk.

Ms Scatasta argued that an important responsibility of the International Financing Institutions is to assist and advise their clients on how to reduce the climate-related risks in their development portfolios.

### **Mr Murray Starkel, Director Natural Gas Partners (USA)**

Mr Murray Starkel, director of the recently initiated Equity Fund of the Natural Gas Partners in the USA, talked about this new investment fund for in particular credit-worthy water companies.

### **Mr David Miller, Mayor of Toronto and Chair of C-40**

Mr Miller spoke of the challenges in establishing a fit for financing adaptation with cities due to the fact that there is a lack of knowlegde about how much the costs of adaptation will be. The mayors, organized in C-40, are aware about the urgency to develop adaptation capacity because of climate change. On another note, 'additionality' drives him crazy, Mr Miller says.

### **Mr Martin Perry, UK**

Mr Martin Perry was a member of Working Group 2 of IPCC. He states that many do not agree with the World Bank study, as the costs for the restauration of natural areas have not been included. New calculations show that just for New Orleans already 20 billion would be required.

There is a gap between financing and repairing the damage. Barrier reefs cannot be adapted, for example. Humility is needed, as the numbers might be bigger. If it is 10 times cheaper to adapt, why then mitigate?

**Mr Collin Herron, Conagua, Mexico**

There are ongoing efforts to include water adaptation to climate change in the COP-16 process, and a regional document as part of a global initiative, to be presented in Cancún. Mr Herron hopes it helps in Cancún, in order to obtain some recognition.

**Ms Karin Lexén, SIWI, Sweden**

Ms Lexén addressed governing and coordinating mechanisms. As water is not on the agenda, we should look for hooks to involve water in the negotiations; e.g. partnerships with governments. In relation to the COP-17 South Africa is also interested. A strong uniform and concrete message should be produced. The objective of the Water and climate Coalition is to provide a joint platform for placing water management at the heart of international policy responses to climate change and to identify hooks and language for this..

**Ms Julia Bucknall, World Bank**

Ms Bucknall emphasizes the needs of the poor. In 2009 6.2 billion was spent on water. It was not monitored, but a lot of it is adaptation. 60%-70% went to cities. The value of ecosystems is missing in this story. Nevertheless, ecosystems become more and more involved. There is a need for innovation to mainstream adaptation into development planning, rather than have separate adaptation plans. The innovation is not only procedural but should also address institutional arrangements and communication.

**Mr Ger Bergkamp, World Water Council**

Mr Bergkamp concludes that there is a need to be more creative regarding developments in financing. He is eager to see how a new instrumentarium for financing adaptation can be developed.

An observer participant notices that there are no Africans in the room, although a lot of this is about Africa.