CITIES CLIMATE FINANCE

1. Cities are generating more than 80% of the global GDP, at the same time they are responsible for 70% of the overall energy consumption and GHG emissions. Moreover, almost 60% of the global population will live in the cities by 2030 [1]. It means that these areas will be engaged the most in solving existing global problems.

2. In 2016 Ukraine signed the Paris Climate Agreement and according to this document should reduce the GHG emissions. There are different ways of fulfilling those obligations and the most important are associated with improvement of the energy efficiency and increase of the renewable energy production. In other words, we should build up the so-called green, climate resilient economy.

3. According to different estimations (for instance, DIW Econ), Ukraine needs approximately 200 billion USD to achieve climate-related goals and create climate resilient (green) economy. It’s obvious that there is a lack of internal financial resources for this purpose and the situation looks more dangerous on the local level because the local budgets are suffering from huge deficits and there are no additional sources of revenues - the tax burden is enormous (more then 60%).

4. Taking into account all these circumstances, we should look more precisely at the market financial instruments and try to create the legal framework to implement and use them in Ukraine. The international financial market has a wide range of different instruments elaborated with the main purpose to make the access to green/climate finance easier.

5. The cities all around the world are using following types of universal financial instruments to raise climate finance: green bonds, sustainable development bonds, social impact bonds, etc. [2]. In fact, cities are the pioneers in implementation of all those instruments and carrying the so-called transaction costs associated with accumulation of climate finance and non-financial reporting. Providing then those financial resources to small and medium enterprises (SMEs) - to the agents who can’t carry relatively huge transaction costs.

6. The main problem in Ukraine is that all those financial instruments don’t have any legal framework - it’s almost impossible to use them in Ukraine. This problem is the complex one and needs an appropriate comprehensive solution. For instance, we should talk about the implementation of EU MiFID and 2013/34, 2003/87 Directives and related regulations.

References:
