Financial Mechanism for "Cool Earth Partnership"

"The other pillar of International Environment Cooperation is assistance to developing countries that are aiming to achieve both emissions reductions and economic growth and working to contribute to climate stability.

As one measure, Japan will establish a new financial mechanism, Cool Earth Partnership, on the scale of US$10 billion. Through this, Japan will cooperate actively with developing countries' efforts to reduce emissions, such as efforts to enhance energy efficiency. At the same time, we will extend the hand of assistance to developing countries suffering severe adverse impacts as a result of climate change. In addition, Japan aims to create a new multilateral fund together with the United States and the United Kingdom, and we call for participation from other donors as well. We will use such instruments to strengthen our solidarity with developing countries and work towards the reduction of greenhouse gases globally."

- Statement by Prime Minister Fukuda in Davos (Jan 26, 2008)

Financial Mechanism to assist developing countries to address climate change

Starting this year, Japan will provide funds amounting approximately to **US$ 10 billion** (JP¥ 1,250 billion) in aggregate over the next five years. Assistance will be provided to developing countries, that are making efforts to reduce GHGs emissions and achieve economic growth in a compatible way, on the basis of policy consultations between Japan and those countries.

1. Assistance for adaptation to climate change and improved access to clean energy: up to US$ 2 billion (JP¥ 250 billion)

- Grant aid, technical assistance and aid through international organizations will be provided to address the needs in developing countries. A new scheme of grant aid, "Environment Program Grant Aid", will be created as a component of this package.
- In the context of improved access to clean energy, feasibility study on rural electrification projects with geothermal energy and "co-benefit" projects that address climate change will be conducted.

2. Assistance for mitigation of climate change: up to US$ 8 billion (JP¥ 1 trillion)

- "Climate Change Japanese ODA Loan" with preferential interest will be created to provide loans amounting to JP¥ 500 billion for the purpose of implementing programs to address global warming in developing countries.
- Through capital contribution and guarantee by JBIC (JBIC Asia and Environment Facility), trade and investment insurance by NEXI, and government support (projects to be implemented through NEDO), together with private funds, up to JP¥ 500 billion will be provided for projects to reduce GHGs emission in developing countries. In this context Asian Clean Energy Fund (at ADB) will also be utilized to promote energy conservation in the Asian-Pacific region.

Japan aims to create a new multilateral fund together with the United States and the United Kingdom, calling for participation from other donors as well.

(*Amounts are all approximate estimates.)

Scope of Assistance (examples)

1. Adaptation to climate change

Measures to assist developing countries, which are vulnerable to the adverse effects of climate change (e.g. African and Pacific island counties), to take adaptive measures (e.g. measures against disasters related to climate change (including disaster prevention) such as droughts and floods, planning of adaptation measures)

2. Improved access to clean energy

Measures to promote economic development through utilizing clean energy in developing countries which has insufficient access to modern energy supply (e.g. electrification of rural communities by introduction of solar power generation and small-scale hydro energy)

3. Mitigation of climate change

Measures to mitigate effects of global warming by reducing GHGs emission (e.g. improvement of energy efficiency of electric power plants)

abbreviation:

JBIC Japan Bank for International Cooperation
NEDO New Energy and Industrial Technology Development Organization
NEXI Nippon Export and Investment Insurance