Funding the Climate-Ssmart Cities

What is the issue?

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- Cities consume enormous resources and accounts to be the centre for climate change.
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- Role of Local bodies is needed to build a strong climate smart transformation.
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What is the role of cities in climate change?

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- According to UN-Habitat’s estimates, over 64 per cent of the world population is expected to reside in cities by 2050.
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- The Intergovernmental Panel on Climate Change estimates that urban infrastructure accounts for two-third of the global energy use and 70 per cent of energy related Green House Gas (GHG) emissions.
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- By 2025 megacities of 10 million or more people will house more than half the world’s population and contribute more than half of global GDP.
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- As India’s urban population grows from 410 million in 2014 to 814 million in 2050, with about 7 cities having more than 10 million people,
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- So will there be rise in energy consumption, degradation of forest areas and agricultural land and disturbed ecosystems, problems of water supply and solid waste management.
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What is Climate smart transformation?

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- Series of global climate changes holds an opportunity for cities to lead the world towards a sustainable future by becoming resilient and climate-smart.
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- Climate-smart transformation needs set of city-specific strategies to systematically reduce city's carbon footprint and enhance resilience to climate change.
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- This can be achieved by smart, affordable infrastructure, and mixed form of adaptable land-use.
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- Sustainable transformation model should include the following
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1. A clearly defined 'low carbon pathway'.
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2. A series of interventions under certain plausible scenarios around integrated solid waste management (ISWM).
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3. Energy efficient energy/ water supply, harnessing rooftop solar and battery storage.
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4. Green urban mobility (including electric mobility, public and, non-motorised transport),
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5. Green and affordable building infrastructure, smart grids,
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What are the barriers in achieving such targets?

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- Climate finance moves towards mitigation projects that largely focus on energy and transport, such mitigation project needs healthier cash flow dynamics.
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- The risk/ return profiles of the climate-resilience projects often lack financing beyond government's budgetary endowment.
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- The perceived lack of creditworthiness for most cities in India becomes a critical barrier to secure affordable financing on international market or

issue bonds to fund climate projects.
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- Project preparation is expensive, typically accounts for 5-10 per cent of the project cost.
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- Most cities lack capacity for conducting feasibility, design and, financial structuring of the projects.
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How involvement of local body will reach the goal?

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- An effective way to catalyse private investment in urban projects is to mobilise credits through local financial institutions (LFIs)
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- Projects such as micro-grids, bundled energy efficiency in water pumping, or waste-to-energy, having smaller deal sizes make them a better fit for local financial institutions having smaller investment appetite.
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- However, to maximise the development impact, the LFIs while disbursing credits should ensure appropriate Environment-Social Governance (ESG) safeguards.
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- Tapping into diverse, well-administered local sources of revenue can decrease reliance of cities on the Centre’s transfers.
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- City-focused ‘fund’ becomes useful, on one-side to support project development and, on the other side to mobilise lending for actual project implementation.
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- Such a mechanism can ultimately make climate resilient investments, which might not otherwise meet investors’ risk adjusted return, financially more attractive.
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- At a certain level, cities should also consider reforming the principles of municipal budgeting to accurately value.
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Source: Business Line

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