Debt for climate swap
Armenia and 5 creditors

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In 2017, Armenia’s net GHG emissions were 10,153.5 Gg CO2 equivalent, of which:

- Energy - 67%
- Agriculture - 18.5%
- Industrial processes and product use - 8.9%
- Waste - 5.8%

Climate change implications on Armenia are more acute than the global average.

- During 1929-1996 the annual temperature increased by 0.4°C, while for the period of 1929-2016 it reached 1.23°C.
- During 1935-2016 the precipitations decreased by about 9%, in comparison with the 1961-1990 annual average of 592 mm
Background

• Armenia has already witnessed a 1.3 degrees Celsius increase, paralleled with a 9% drop in precipitation, which creates severe problems in the quality and quantity of accessible water.

• Debt for nature swaps are financial mechanisms that allow portions of a developing country's foreign debt to be forgiven in exchange for commitments to invest in biodiversity conservation and environmental policy measures.
Creditors

- France
- Germany
- Japan
- USA
- Russia

USD 570 mln.
Success story

• One of the successful examples of the debt for nature swap was the Seychelles case and took four years to negotiate. The total volume of the swap was USD 21.6 million and was signed with Belgium, France, and the United Kingdom.
Paris Agreement

Under this agreement, developed and developing countries have taken up commitments to ensure that the warming of the planet is capped at 1.5-2 degrees Celsius by the turn of the century and that countries will duly adapt to climate change and mitigate the respective risks. 191 parties out of 197 parties to the UNFCCC are also parties to the Paris Agreement.
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Armenia and 5 creditor countries are signatories to the Paris Agreement. Commitments are reflected in the Nationally Determined Contributions (NDCs), which Armenia and creditor countries have respectively submitted as part of their engagement with the Paris Agreement.
100 bln. Commitment and NDC’s

• The international community has failed to make progress towards its postulated goal of mobilizing USD 100 billion annually by 2020 for climate-relevant projects, as agreed in the Copenhagen Accord of 2009.

• In its updated NDC document, which Armenia submitted to the UNFCCC Secretariat in 2021, the country outlines its priority sectors for adaptation and mitigation and proposes scenarios for limiting its greenhouse gas (GHG) emissions. Whereas creditor countries, in their NDCs, equally proposes scenarios for limiting its GHGs and at the same time is committing to supporting developing countries in their adaptation and mitigation efforts.
Problems with the climate finance

On the one hand, many developed countries and donors report challenges in disbursing their funds due to a failure to identify fundable projects, especially related to adaptation. On the other hand, many developing countries report difficulties accessing available resources due to a lack of capacity and an inability to fulfil specific requirements established by donors, climate funds, and financing institutions.
Debt-for-climate swaps offer additional finance for climate action and provide the opportunity for creating multiple platforms for the mobilization of climate finance. Essentially this instrument:

• allows creditor countries to fulfill its commitments under the Paris Agreement,

• redirects those funds towards timely and efficient fulfillment of commitments undertaken in the NDCs, and;

• offers the opportunity to relieve the country of its debt burden.
Win-Win for debtor country

• Debt relief and conversion lowers the overall debt
• Debt relief can strengthen economic stability, improve the credit rating of a debtor and attract new investments.
• Climate projects benefit from freed finance that would otherwise have gone towards the creditor’s budget; this often produces economic and social benefits at a local level.
• Debt swaps have the potential to improve the overall macroeconomic situation.
Win-Win for creditor country

• From a financial perspective, the remaining debt claims of creditor countries increase in value through such swaps.

• Creditors must mobilize a lower amount of additional funding to meet their international climate commitments and can register the instrument as the provision of ODA at the same time.

• Debt-for-climate swaps can bring developed countries closer to reaching their target of mobilising at least USD 100 billion annually by 2020 while providing developing countries with novel sources for mitigating and adapting to climate change.
National conditions: 1929-1996 Annual Average of the Air Exposure Deviation (°C)
National Conditions: 1961-1990 Average Annual of the Precipitation Deviation
National Conditions: 1975-2016 Significant Increase of the Intensity of Natural Hazards, as well in Hailstorms, Heavy Rainfall, Strong Winds