Dec. 10 (Bloomberg) -- Billionaire George Soros asked the richest nations to use $100 billion of foreign-exchange reserves to finance emissions-reducing projects in poor countries.

The reserves, from the International Monetary Fund, would go into a “green fund” to make investments in rain forests, agriculture and land use that will lower carbon-dioxide emissions, the financier said today at climate-treaty negotiations involving about 192 nations in Copenhagen.

Soros, who has already pledged to invest $1 billion he manages in clean-energy technology, offered the proposal as a catalyst for industrialized countries negotiating how to finance carbon-cutting efforts in the Danish capital. They need new ideas to keep the planet from overheating, he said.

Climate change "is really an existential problem for the world," Soros, 79, said in an interview. "I have talked to a lot of financial officials and they say this is do-able."

Governments have negotiated for almost two years without producing a climate treaty or a financial package for poorer nations to spark emissions-reduction projects and pay for mitigating damage from new long-term weather patterns.

The U.S. and several developed economies are asking for $10 billion in aid, one-tenth of what Soros proposes, after governments spent more than $750 billion to bail out financial- services companies since the credit crisis began.

It will be difficult to persuade countries to tap into reserves just when their economies start recovering, said Morris Goldstein, a senior fellow at the Peterson Institute for International Economics in Washington.

"They’re Nervous"

"People want to have the reserves because they’re nervous about the economic situation," he said. "We just had a huge financial crisis."

Soros drew support from the leader of the strongest lobby group for developing nations at the Copenhagen talks.

"As we sit here today, the IMF is sitting with more than $200 billion of SDRs that are not being used," Lumumba di- Aiping, a Sudanese envoy who speaks for 130 developing nations and China, told reporters. "That money should be made available to solve the problem of climate change."

China and many poor nations are demanding 1 percent of global gross domestic product annually from richer countries to help them adapt to climate change as well as reduce their own greenhouse-gas emissions.

Because trees absorb carbon dioxide, the main greenhouse gas scientists blame for climate change, investments to save forests and use land in ways that avoid emissions have been backed by the UN for more than a decade.

Rain Forests

Protecting forests and planting trees where forests have already been cut down requires money for supplies, monitoring and enforcement. Delegates in the UN-led talks are studying proposals for awarding project investors...
with tradable “carbon credits” -- representing the emissions avoided -- that they could sell to regulated polluters such as power plants.

“Investing in rain forests and forestry and agriculture actually offer the greatest scope for carbon savings,” Soros said in a Bloomberg television interview.

Soros “knows the importance of long-term investment in terms of a transition to a low-carbon economy,” said Jonathan Jacoby, a private-sector adviser at Oxfam. “Private investors are looking first for public capital for a down payment.”

There will be objections to using money for financing that was meant for reserves, Soros said, without saying who may support his green-fund proposal.

A drawback to the plan is that U.S. legislators must be convinced to make the reserves available, Soros said. Even without the U.S., there would be about $100 billion that other countries could free up for the fund.

‘Transfer Money’

The proposal, which is about lending and not giving money and would have the IMF cover potential costs for rich countries, “is not doing what the climate-change financing is supposed to do, which is to transfer money from the advanced economies to the developing economies,” said Eswar Prasad, a senior fellow at the Brookings Institution in Washington, in an interview.

“Developed countries’ governments are laboring under the misapprehension that funding has to come from the national budgets but that is not the case,” Soros said at a news briefing. “They have it already. It is lying idle in their reserves accounts and in the vaults” of the IMF.

The Washington-based IMF in August pumped the equivalent of $250 billion into its 186 members’ foreign reserves, acting on an April call from leaders of the Group of 20 nations to boost global liquidity.

SDRs

The money is denominated in what are called special drawing rights, the IMF unit of account based on the dollar, yen, pound and euro. It was artificially added to reserves and can be converted into hard currencies.

Special drawing rights, created in 1969 to replace gold for large cross-border exchanges, are used by the IMF and other international organizations as way of accounting for financial transactions in different countries. Aside from augmenting global liquidity in the short term, emerging powers including China have promoted SDRs as a potential long-term alternative to the U.S. dollar as the world’s main reserve currency.

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