The Climate & Development Network policy note, December 2011

The 2010 World Bank development report predicted that adaptation would cost 30 to 100 billion US$ each year by 2030. And calculates the annual and direct cost of mitigation to be between US$ 140 and 174 billion. To face these additional financial needs, developed countries committed in Copenhagen and Cancun to mobilising up to 100 billion US$ per annum by 2020 of new and additional financing.

However, countries have not yet identified the sources of finance and mechanisms that will enable them to meet their 100 billion commitment. Unless they mobilise predictable, additional sources of climate finance, the Green Climate Fund could remain an empty shell and there could be no money on the table by 2013.

And relying solely on national budgetary contributions is no longer an option. The turbulent history of ODA combined with the mixed results of fast-start financing provided in 2010 highlight the difficulty of disbursing predictable, adequate and effectively new and additional financing.

Furthermore, national budgets have been in serious difficulties since the financial and economic crisis. This is why it’s becoming urgent to identify sources that can provide a new, additional and scaled-up flow of public financing. These sources of financing are said to be “innovative”.

It is becoming clear that meeting the 100 billion commitment will require a large number of sources of innovative and additional financing.

For civil society, small Island States and Least Developed Countries, there cannot be a global agreement without predictable long-term financial commitments starting in 2013. The issue of climate finance will be a deal-breaker or a deal-sealer in Durban.

It is crucial to launch an ambitious dynamic on new and additional financing starting in 2013. Durban must deliver!
KICK-START THE NEGOTIATION ON CLIMATE FINANCE

1. DEVELOPED COUNTRIES MUST PLAN AND PLEDGE SCALED-UP FINANCING STARTING IN 2013
The Copenhagen and Cancun agreements commit developed countries to mobilizing 100 billion p.a. by 2020 but do not specify how much will be mobilized and when for the 2013-2019 period. And Fast-Start Finance will be ending in 2012. It is urgent to design a financial timeline up to 2020.

- Developed countries must pledge scaled-up budget contributions for 2013-2015.
- By mid-2012, developed countries should submit their view on how they plan to scale-up financing from 2013-2020 and with what money.

2. SECURE INNOVATIVE SOURCES OF FINANCING BY COP18
The COP needs to identify, create or mobilize new “innovative” sources of public finance for the Green Climate Fund, by 2013: tax on financial transactions, levy on airplane tickets, levy or trading scheme on shipping and aviation, that will generate climate finance.

By mid-2012, developed countries should submit their view on how they plan to scale-up financing from 2013-2020 and with what money.

- Decide under “sectoral approaches” a number of guidelines for the IMO and the ICAO to establish mechanisms that:
  - generate significant financing for the Green Climate Fund,
  - are in line with the principle of Common But Differentiated Responsibility (CBDR) by compensation developing countries for any negative socioeconomic impact,
  - mitigate the increasing GHG emissions in international transport, and contribute to stabilizing global warming below 1.5°C compared to pre-industrial levels.

3. GIVE THE NEEDED IMPULSE TO ESTABLISH A GLOBAL CARBON PRICING SCHEME ON SHIPPING AND AVIATION, THAT WILL GENERATE CLIMATE FINANCE
For this system to be effective, it must apply globally. In doing so however, the pricing system would also apply to developing countries and affect the price of their imported essential goods. Therefore, for this carbon pricing scheme to be politically and economically acceptable, it must also make up for the negative impact on developing countries’ economies, LDCs and SIDS in particular. The growing political support (in the G20 particularly) must translate into a COP17 decision.

- Decide on a detailed and ambitious work programme (negotiating steps, workshops, timeline) for 2012 that will assess different sources of innovative public finance and lead to a decision in COP18 on the sources of finance that will deliver the 100 billion p.a. pledged by 2020.

Mobilize new and additional sources of public climate finance

It is crucial that climate finance rely on sources of financing that are new, additional and predictable.

1. TAXING INTERNATIONAL MARITIME SHIPPING TO GENERATE “CLIMATE” FINANCING WITHOUT IMPACTING DEVELOPING ECONOMIES
The maritime sector will represent 5% of global GHG emissions by 2050. A levy on shipping bunker fuels would make it possible to finance adaptation in the South, all the while contributing to mitigation of the growing emissions of that sector. But the mechanism works on the condition that it is applied to all maritime flows. In order to remedy any negative impact (increase in food prices for example) on the economies of the most vulnerable countries, these latter would be financially compensated. After providing compensation for developing countries and the maritime sector, the tax would still bring in US$30 to 15 billion per year to fight climate change in the South.

2. TAXING FINANCIAL TRANSACTIONS TO PRESERVE GLOBAL PUBLIC GOODS, INCLUDING THE CLIMATE
The idea of a tax on financial transactions (FTT) has been on the table for a long time. It resurfaced in 2008, at a time of global financial crisis and lacking ODA. Indeed, the tax would contribute to regulate excessive speculation, one of the underlying causes of financial crises. The tax would also generate significant finance to preserve global public goods. In 2010, the AGF report highlighted its potential. French President Sarkozy also decided to push for it at the G20 in Cannes in 2011. An FTT would be predictable, stable and additional financing for adaptation, mitigation and development needs.

3. REDIRECTING FOSSIL FUEL SUBSIDIES
In 2009, fossil fuel subsidies represented around 312 billion US$ around the world. These subsidies for both production and consumption of fossil fuels – mainly in developing countries – are a hindrance to investments in clean, renewable and safe energy. They also do not contribute to sustainably improve energy access in developing countries as they generally benefit the industry.

According to the 2010 AGF report on innovative climate finance, removing a share of the international subsidies for fossil fuels would generate around 8 billion US$ to tackle climate change. Also, subsidizing clean energy in least developed countries would help make the shift towards low-carbon development. To this end, the G20 in Cannes must drive the reform pledged at the G20 in Pittsburg in 2008.

4. EARMARKING REVENUE FROM THE AUCTIONING OF ETS ALLOWANCES
Starting in 2013 with phase II of the European Trading Scheme, most emission allowances will be auctioned. The revenue is estimated to reach 181 billion euros EU-wide between 2013 et 2020. If Member States earmarked 50% of these revenues to tackle climate change in developing countries, this would amount to 30 billion euros each year. This innovative source of public finance would be the easiest and fastest way for the EU to meet its share of the 100 billion-dollar pledge.