



WWF Briefing Paper: Finance

1. KEY ASKS

The June Bonn session of the ADP and the new Co-Chair's tool have made some progress in clarifying and streamlining the text, but it is still far from what is needed as a basis for real negotiations. The finance sections of the text still contain many repetitions, multiple wordings for similar concepts and in many cases a lack of clear structure. The upcoming August 31 – Sept 4 session must focus on identifying and capturing areas of convergence. Just as importantly it must also identify and further clarify areas of divergence that must be resolved. These areas of divergence include the crucial issue of differentiation and what characteristics of countries will have implications for their financing responsibilities or expectations. It also includes what kinds of undertakings, responsibilities or expectations will be assigned to parties collectively, individually or groups, in qualitative and quantitative terms.

Substantial progress on a roadmap to meeting the \$100 billion commitment by 2020 is a precondition for success in Paris as well as for building confidence in future financial arrangements for climate action. Germany has made a significant contribution to this effort with its commitment to double its current climate finance levels by 2020. This must be matched or exceeded by other developed countries.

In Bonn progress must also be made in mobilizing financing for scaled up pre-2020 efforts through ADP WorkStream 2 and the technical examination process. More certainty on future financing flows is essential to build confidence and understanding of how finance and other support can help lay the groundwork for increasing ambition and closing the emissions and resilience gap going forward, which is necessary to protect people, communities and ecosystems from climatic disruptions.

2. KEY POINTS TO BE CAPTURED IN THE CORE AGREEMENT

The current structure of Objective, Guiding Principles, Responsibilities, and Financial Mechanism are helpful in organizing the text, but two key elements are missing in the current text:

1. A recognition of the role of international public finance in meeting climate objectives, at a scale sufficient to contribute decisively to shifting and mobilizing the overall public and private investments required to meet shared climate objectives. The role of international public finance should be seen in the context of appropriate national public and private finance flows, policy frameworks, etc.
2. A commitment to set forward-looking financing goals, targets or expectations on a regular basis. This is necessary to create predictability and ensure that developing countries with conditional components to their INDCs will have confidence that financing and other support will be available.

A streamlined version of the text must deliver clear options and signals that ex ante commitments to predictable and scaled up finance will be forthcoming in the post-2020 period. The next draft text must clarify options for establishing ex-ante targets and provide clear ideas for how such targets will be developed on a regular cycle, either aligned with the cycle of mitigation commitments or with quantitative commitments on a shorter cycle but with indicative commitments aligned with the mitigation and adaptation cycles. Any reviews, assessments, cycles etc., aimed at increasing ambition of mitigation and adaptation measures must take into account the potential role of a range of financing approaches. One particularly promising approach is a mechanism that can match scaled up financing with conditional targets by developing countries to trigger ambition over and above what can reasonably be achieved from domestic and existing international finance sources.

3. KEY POINTS TO BE CAPTURED IN COP DECISIONS

COP Decisions in Paris must call for quickly operationalizing the call in the core agreement for regular target-setting with a view to achieving the Convention objectives. This will involve review and assessments of financing needs and the investment flows and shifts required. Based on this, as well as assessments of the scale of public finance commitments required, and the cost of unfinanced mitigation and adaptation plans in developing countries, forward-looking aggregate finance targets should be set and expectations or parameters for individual country contributions be established. Some options for goal-setting include:

1. An objective for financing to be provided and/or mobilized by 2025 and 2030, comparable to the \$100b by 2020 commitment. Some options are as follows, and (d) is the preferred option:
 - a. Single absolute value for all sources and ends, similar to the \$100b commitment;
 - b. Separate amounts for adaptation and mitigation;
 - c. Specific levels of public finance flows and indicative scales and policies and measures for shifting private finance;
 - d. Combination of (b) and (c) that links levels of public and private flows to adaptation and mitigation actions.
2. Alternative and complementary approaches exist to commitments in absolute values. These provide less certainty and thus are unlikely to contribute as effectively to scaled up global action. These include the following:
 - a. Scaling up from a floor of existing or future levels of financing on a percentage basis or in some proportion to demonstrated needs of developing countries;
 - b. Commitment to provide support sufficient to achieve given mitigation and/or adaptation outcomes – e.g., a country could commit to supporting emissions reductions outside its boundaries, in addition to reduction of its own commitments. This support could be through the NAMA registry, or to achieve more ambitious developing countries' targets that are conditional on international support. Though not as specific about the amount of finance that will be delivered such commitments could also be useful.

Commitments to support new mechanisms to generate financing, including public financing for international purposes through e.g. carbon pricing, levies or financial transaction taxes.

4. MOVING FORWARD ON DIFFERENTIATION IN FINANCE

In Bonn parties should also clarify the options for advancing the discussion of differentiation and who has an obligation to provide international support, to allow for progress on this difficult issue by Paris. WWF believes that the traditional group of developed countries listed in Annex 2 should continue to have primary responsibility for provision and mobilization of international support, while the time has come to also consider contributions from countries beyond Annex 2, in accordance with the principles of the UNFCCC, including responsibility, capability and development conditions of the respective countries. There are examples where these shifts have already happened with developing countries such as Mexico, Republic of Korea, Chile, Indonesia, Colombia, Mongolia, Panama and Peru submitting voluntary finance pledges to the Green Climate Fund.

Different options exist in the text, although in a rather haphazard manner, and others have been proposed elsewhere. These options should be clarified and become the basis for focused negotiations, and be clearly related to approaches to equity where those countries with the greatest capabilities and responsibility (including per capita) have the greatest obligation to provide financing and other support. WWF's suggestions for usage of key terms that currently appear in the text are:

- **Developed countries:** This term has traditionally been used in the context of the UNFCCC to refer primarily to the group of countries listed in Annex 1 or Annex 2. There is some ambiguity as to whether it would include other countries beyond Annex 1 or 2, but without criteria or specifying which countries, this ambiguity is not very useful.
- **Developed countries and others with similar capabilities, responsibilities and development conditions:** This would be a preferable way to indicate those countries that have passed a certain threshold of development, and which should be further defined going forward, so that they can also assume responsibilities for provision of finance and other support. This group will include countries and other parties in Annex 2 of the UNFCCC, as well as others. Countries that could be considered in this category would meet certain criteria such as current and future GDP per capita; national human and physical capital, based on education and health; value of infrastructure and built environment, amongst others. Since such criteria may be inherently difficult to negotiate under the UNFCCC, other actors could usefully develop ideas for this which could contribute to a shared understanding between parties. It should be emphasised that recognition in this context would be independent of the country's membership in any negotiating bloc.
- **"Those in a position to do so" (Potodoso):** could be used to indicate other countries which don't meet the criteria for "developed countries" or "developed countries and others with similar capabilities, responsibilities and development conditions", but which have substantial financial resources at their disposal and voluntarily want to contribute to the efforts of other countries, potentially through the modality of South-South cooperation. This could include many of the countries commonly referred to as emerging economies.

- “Those willing to do so”: would indicate an entirely voluntary and self-selecting approach that can include countries of any level of income and capability, which for whatever reason chooses to contribute to financing and other support.
- Countries included in Annex x – indicates the possibility of negotiating new annexes to the Agreement assigning specific responsibilities to countries. If such a new annex is agreed it should build on the existing ones but go beyond them to reflect evolving capabilities and conditions of all countries.
- Annexes 1 and 2 of the UNFCCC: Should be used only to refer to current and past responsibilities, and if used in the context of the post-2020 period, are to be complemented by other provisions that indicate that responsibilities are evolving in accordance with respective capabilities.

For WWF, it is clear that the countries in Annex 2 of the UNFCCC will continue to have primary responsibility for providing support to developing countries in the post-2020 period, but such obligations must progressively be extended to other countries as they achieve comparable conditions with the range of countries currently considered developed. Future work by the governing body to create objective criteria for deciding which countries are in a position to provide support, could be promising if there is a time-bound process with clear guidance on the criteria to be used and nature of expected outcome. Expected contributions of emerging economies and other countries with higher than average per capita GDP but which are not yet considered fully developed should also be clarified.

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Why we are here

To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

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