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CLIMATE & ENERGY

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CLIMATE FINANCE EXPECTATIONS FOR COP 19, WARSAW

Scaled up Finance is Essential to close the pre-2020 Ambition Gap[1]

Mobilizing scaled up finance and raising mitigation ambition go hand in hand, and the groundwork for both must be laid in Warsaw. The broad framework for new and additional actions necessary to close the gigatonne gap must be agreed over the coming year, and by COP 20 in Peru at the latest. Beyond that, the focus will shift exclusively to the negotiations for the post-2020 period. Ambitious actions to close the pre-2020 gap must be agreed and under way by then. Continued efforts on implementation and new initiatives within the agreed framework must continue, but the window for high-level political impetus will have closed, and the lead-time needed for implementation of ambitious actions will no longer be available.

Developed countries have been backsliding on their commitments, and have so far failed to show they are serious about scaling up finance – beyond even fast start levels. WWF recognises that the current financial turmoil has a strong influence on the appetite for sound and sharp long-term financial decisions. However, the long-term financial need to effectively face climate change and the certainty that the cost of inaction will be extremely high, should dominate these types of decisions. In Warsaw countries must give a clear signal of their intentions to scale up actions and financing to the level necessary to close the ambition gap. Without adequate climate finance commitments in place it is difficult to see how developing countries would be able to agree on scaled up plans, NAMAs and targets by COP 20 in Peru next year.

The AOSIS proposal on how to scale up mitigation initiatives under the UNFCCC presents a key opportunity for Parties in Warsaw to take additional action to close the ambition gap in the pre-2020 period. For scaled up renewable energy and energy efficiency (RE & EE) to become a reality Parties must adopt decisions at COP 19 to mobilize the necessary resources, institutions and experts with an ambitious work program to identify, implement and channel resources towards ambitious RE & EE measures worldwide, starting early in 2014[2].

Finance provision is critical for building trust between parties and for scaling up the total mitigation effort as well as for adaptation to the already unavoidable impacts of climate change. Therefore COP 19 must adopt the following decisions:

- A concrete and detailed roadmap for scaling up climate finance, with annual targets for public finance from 2014 to 2020, and guidelines for sharing of responsibilities for providing public finance;
- A commitment to pursue innovative sources of public finance with a clear timeline for implementation, such as carbon pricing for international shipping and aviation and internationally coordinated financial transaction taxes, that can provide an automatic flow of financing through the Green Climate Fund (GCF) to developing countries.
- An overall target and country-specific pledges to the Green Climate Fund, with a view to allowing the GCF to begin providing substantial and transformational financing from 2014 onwards.

1 WWF has prepared a separate Mitigation Expectations paper that is available at www.panda.org/cop19

2 WWF's submission on this proposal is available at: http://unfccc.int/resource/docs/2013/smsn/ngo/369.pdf

- Identification of roles, responsibilities and financing sources for rapidly scaled up action for renewable energy and energy efficiency, with clear country commitments and invitations to specific institutions, bodies and funds to contribute to an ambitious and urgent effort[3].

To achieve these outcomes and reach the required level of ambition, the following actions by different countries are needed during COP 19:

Developed countries:

- Balance the obsessive and nearly exclusive current focus on private finance with a goal of scaling up public finance to at least double fast start finance levels for the period of 2013-2015 – $60-90 billion over the three years;
- Make financial pledges, including to the Green Climate Fund and the Adaptation Fund, and signal that you are prepared to deliver fully, in public financing, on your commitment to scaling up climate finance to at least $100 billion, as part of a concerted global effort to address the climate emergency;
- Place information about sources of financing and technology support on the NAMA registry.
- Submit information about concrete plans and proposals for scaling up finance, particularly public finance, to meet the $100b target, as called for in para 67 of Decision 1/CP.18.
- Commit at least an initial USD 300 million each for the Adaptation Fund (AF) and Least Developed Country Fund (LDCF) for the period of 2013 until 2015 to enable the survival and effective operation of these two Funds.
- Commit specific additional finance and technology support for the scaling up of RE & EE in developing countries

Developing countries:

- Develop detailed low carbon plans and programs, (NAMA's) that outlines the international support required, and place this information in the UNFCCC NAMA registry;
- Promote successful projects as examples that can be replicated and inspire greater efforts by others;
- Indicate where and how additional finance could assist to scale up RE & EE rollout

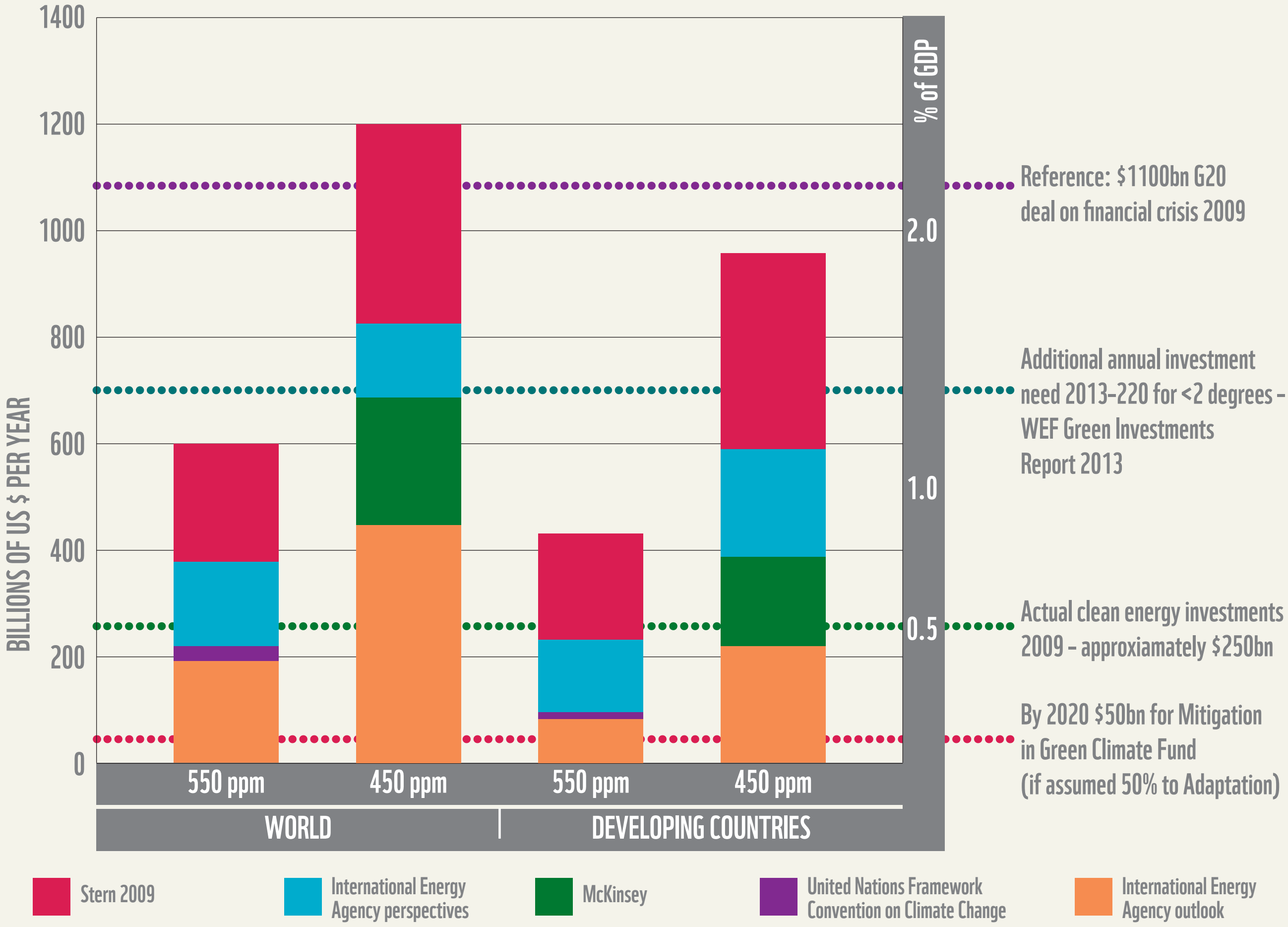
All countries:

- Parties need to agree that the target of USD 100 billion by 2020 has to be met primarily through public finance, in order to leverage the much greater financial flows – in the order of $1 trillion (see Figure 1) – that must be shifted worldwide into clean and sustainable energy technologies amongst others. They also need to set clear interim targets including for immediate, multi-year, scaled up climate finance commitments that are clearly additional to pre-existing Official Development Assistance and that fill the Green Climate Fund.
- Ensure that the in-session high-level ministerial dialogue under the COP, to be convened under para. 73 of Decision 1/CP.18, will be attended by high-level representatives with the ambition and capacity to take the decisions needed to scale up and concretise the adequate flow of financial resources to effectively and efficiently face the main challenges posed by climate change.
- Support a decision to invite the IMO and ICAO to implement carbon pricing for international shipping and aviation under both workstreams of the ADP in a way that generates finance, and channels the majority of revenues from carbon pricing for climate finance for developing countries.

3 For further information, see WWF submission on RE&EE available at: http://unfccc.int/resource/docs/2013/smsn/ngo/369.pdf and AOSIS Non-paper for ADP workstream 2, May 2013 available at http://unfccc.int/files/documentation/submissions_from_parties/adp/application/pdf/adp_workstream2_aosis_02052013_.pdf and AOSIS (2013) Submission by the Republic of Nauru on behalf of AOSIS. http://unfccc.int/files/documentation/submissions_from_parties/adp/application/pdf/adp_aosis_workstream_2_20130911.pdf

Mitigation finance needed – Annual additional cost

Range of estimates of annual additional cost of mitigation strategies, 550 ppm and 450 ppm scenarios, world and developing countries



Source: UN Department of Economic and Social Affairs: World Economic and Social Survey 2009 – Promoting Development, Saving the Planet

According to the World Economic Forum (WEF), worldwide over $700 billion in new and addition investments in sustainable energy will be required to build a sustainable energy system. Other estimates of total mitigation needs to have any decent chance of staying below 2 degrees are even higher, as can be seen from this figure.

Finance in the 2015 deal

Parties must agree in Warsaw on the key constituent elements of the 2015 deal, and set out a clear timeline for agreeing on the content of those elements. Mobilizing the necessary finance for mitigation and adaption will be a key part of the deal, to ensure equity and access to sustainable development opportunities while achieving rapid global emissions reductions. Global investments need to urgently shift into low emission technologies and away from polluting technologies and fossil fuels.

Finance elements of the 2015 deal should include:

- A commitment to shifting public and private finance out of fossil fuels and inefficient technologies, and into renewable energy, smart grids, efficient public transport, distributed energy systems, universal access to sustainable energy services,
- Specific targets for international public finance to supporting climate resilient low carbon development in developing countries;
- Identifying those countries and sectors that have the capacity to provide support under the UNFCCC financial

mechanism as well as identifying those that require support in line with the principles of equity and common but differentiated responsibilities and capabilities.

- Introduce climate vulnerability considerations in public infrastructure finance and other developmental investments.
- A process to monitor and account for fossil fuel subsidies to evaluate the best ways to phasing them out in a just energy transition with concrete timelines.
- Deciding on the form in which these obligations and rights will be reflected in the new legal agreement, i.e., as annexes, indicators, etc.;

Parties should also explore and agree on creative new ways to channel public and private investments into climate-friendly technologies and sectors, including:

- Instruments, mechanisms and policies to shift investments worldwide into low carbon technologies, such as liberating resources from eliminating fossil fuel subsidies, promoting innovative financial vehicles to reduce venture capital risks, agreed portfolio standards or targets for sovereign wealth funds, pension funds, investment funds, etc.
- Agreement on collective policies to address the “carbon bubble” and ensure that stock markets do not value “unburnable carbon” as firm assets.

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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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