WWF COP 21 Briefing Paper: Finance

1. Background

Provision and mobilization of financial resources, particularly to support adaptation and low carbon development efforts in developing countries, is an essential part of global efforts to combat climate change, and the role of finance will only become more important in coming years as global actions scale up to the level necessary. In the emerging regime all countries are expected to take on ambitious obligations to reduce emissions. All countries will also have increasing adaptation costs, costs which developing countries cannot bear on their own. Therefore, scaling up of finance and other support to developing countries is absolutely essential to enable them to foster climate resilience, to achieve their full emissions reduction potential and to rapidly deploy the best technologies and sustainable, low carbon development strategies.

The emerging global climate change regime being negotiated under the Climate Convention (UNFCCC) must build and strengthen multilateral efforts and support and incentivize actions by a multitude of state and non-state actors. Transfer of finance from developed countries to developing countries, as well as mobilization of the trillions of dollars that are necessary for the transition to a low carbon economy, will have to play a central role in this effort. Scaled up provision of financing and shifts in investment are essential to this effort, and the climate regime must clearly spell out obligations, expectations and processes to ensure this happens with the speed and scale necessary. The regime must include specifics on the qualitative and quantitative responsibilities or expectations that will be assigned to parties collectively, individually or as groups,.

Which countries will be responsible for providing climate finance, and the nature and scale of their financial commitments, remains one of the most polarized and unresolved issues in the negotiations. How this issue is resolved could well be the determining factor for a successful outcome in Paris and the creation of a strong, durable climate change regime capable of meeting our shared climate objectives and ensuring a safe and liveable planet for present and future generations.

2. Meeting existing commitments

Without confidence that existing commitments are being met, there will not be sufficient trust between Parties to achieve an ambitious outcome in Paris. 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. Several developed countries, including Germany, France and the UK, have made important steps towards this effort with commitments to significantly increase their current climate finance levels up to 2020. However, for the $100 billion commitment to be met other developed countries will have to also do their part. Parties can also agree on innovative sources of public finance through carbon pricing mechanisms and financial transaction taxes, for example.

In Paris the finance outcome should be clear and bold in **mobilizing financing for scaled up pre-2020** efforts through ADP Work Stream 2 and the technical examination process.

More certainty about scaled up financing flows is essential to build confidence for increasing ambition and closing the emissions and resilience gap in the pre-2020 period, which is necessary to protect people, communities and ecosystems from climatic disruptions.

3. Finance in the core Paris Agreement

The new Paris Agreement must clearly set out the obligations of different countries in relation to financial support and investments, in a manner that ensures that all countries contribute their fair share to global efforts to combat climate change. Predictable and adequate financing is necessary to enable developing countries to make ambitious commitments. Such support is also key to unlocking the additional mitigation and adaptation action that is contained in the conditional components of many developing countries' INDCs. It should strengthen and accelerate the implementation of the principle, objectives and provisions of the Convention through the following provisions:

1. Establish the responsibility of all parties to ensure that they use appropriate instruments at their disposal to ensure the progressive and accelerated shift of all investments across the global economy towards low carbon and resilient technologies and economic activities. Parties should also recognise their responsibility to reduce and eliminate the climate risks to the global economy resulting from investments in fossil fuels and other infrastructure that would lock-in a high carbon future and/or create stranded assets. This can be addressed, inter alia, through efforts to ensure appropriate enabling environments for this shift in both developed and developing countries.
2. A recognition of the role of international **public** finance in meeting climate objectives, particularly for adaptation, at a scale sufficient to contribute decisively to shifting and mobilizing the overall public and private investments required to meet shared climate objectives.
3. Clear commitments by developed country parties to the provision of **forward-looking financing goals, scaling up from the $100 billion commitment in 2020, with a specific public finance component. These collective goals must be updated** on a 5-year cycle that is aligned with mitigation commitments and adaptation actions. They must be operationalized though individual finance commitments by developed country parties with a specific public financing component through a shorter time – 2-3 year – commitment. Such commitments by developed countries may be complemented by contributions from other parties.
4. The group of developed countries responsible for mobilizing $100 billion per annum by 2020 must assume this amount as a floor for scaling up their collective contributions in the post-2020 period, with a specific amount of public finance for adaptation as part of this commitment. Other parties may contribute to scaling up financing beyond this level in accordance with their capacities and fair share of global efforts.
5. Any reviews, assessments, cycles etc., aimed at increasing ambition of mitigation and adaptation measures must take into account the central role of finance and other means of support. 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 with domestic and existing international finance sources.

4. Key Points to be Captured in COP Decisions

In the context of the call for the Paris Agreement to include regular cycles of target setting, COP Decisions must flesh out the details and a work plan to operationalize the target cycles. This should involve periodic assessments of financing needs and the investment flows and shifts required, including specific public finance needs. Based on this, and the conditional components of mitigation and adaptation plans in developing countries, forward-looking aggregate finance targets should be set and expectations or parameters for individual country contributions established.

Parties should agree on three types of targets:

1. An objective for financing to be provided and/or mobilized as part of the 5-year commitment cycle. This should specify targets for public finance, particularly for adaptation, that scale up from the $100 billion per annum by 2020 commitment.
2. Developed countries must make individual quantitative commitments for annual contributions of public finance in line with the collective 5-year cycle commitments.
3. Countries with high capacity and responsibility can also commit to supporting quantified mitigation outcomes – reductions of a certain number of tonnes of emissions reduction outside their boundaries in developing countries – to be achieved through specific arrangements for finance, technology and capacity-building support. Such support for emission reductions:
    - must be additional to the support provided though the cycles described above;
    - should be aimed at achieving or exceeding the contributing country's fair share of effort towards addressing climate change;
    - be an enhancement of overall ambition and contribute to closing the emissions gap and thus cannot be an off-setting mechanism;

    Emission reductions achieved through such measures should be attributed to the country where those emission reductions took place. The supporting country should only claim recognition for the support that it provided to realise those emission reductions.

Parties can also commit to support new mechanisms to generate financing, including public financing for international purposes through e.g. carbon pricing or levies (including on international transportation fuels) or financial transaction taxes. COP decision text should specify a process to start working towards coordinated national approaches or multilateral arrangements, as appropriate.

5. Moving Forward on Differentiation in Finance

A key element of the Paris outcome will be to agree on appropriate forms of implementation of the Common but Differentiated Responsibility and Respective Capability (CBDR-RC) principle of the Convention, including how this would apply to the provision and mobilisation of finance. When applying Differentiation between countries in the Paris Agreement we must ensure that all countries contribute their fair and equitable share of the global effort to combat climate change, including through mobilizing and providing financial resources.

For WWF, the traditional group of developed countries listed in Annex II should continue to have primary responsibility for provision and mobilization of international support. It should be recognized that some non-Annex II countries have already contributed voluntarily to climate finance through the Green Climate Fund such as Mexico, Republic of Korea, Chile, Indonesia, Colombia, Mongolia, Panama and Peru. Appropriate financing arrangements should take into account capabilities, stages of development, vulnerabilities and financing needs, in accordance with the principles of the UNFCCC.

Reaching an agreement on a fair and equitable way forward on the application of differentiation in the provision of finance contributions and obligations will be essential to achieving a strong and durable agreement that provides the basis for ramping up global ambition towards achieving our collective climate objectives. This will not happen in isolation, but will be part of a broader agreement on the distribution of responsibilities in the global climate regime. A recognition that developing countries have already demonstrated considerable commitment with action in the area of mitigation in particular while they also continue to bear the brunt of the impacts of climate change is important. In addition some developing countries have also indicated a willingness to contribute to South-South cooperation and financing outside of the UNFCCC and this too needs to be acknowledged.

Any progress in the area of finance will require developed countries to show more leadership and willingness to make meaningful and scaled up commitments of their own in terms of provision of finance, than they have to date.

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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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