WWF

RECOMMENDATION PAPER

2010

HIGH-LEVEL ADVISORY GROUP ON CLIMATE CHANGE FINANCING

WWF RECOMMENDATIONS

Avoiding a climate catastrophe will require the mobilization of financial resources on a significant scale. Rapidly scaled-up financing is needed to support developing countries in adopting low-carbon technologies and adapting to the impacts of climate change. This in turn can help build trust between countries, get urgent action started, and pave the way for a comprehensive and ambitious global agreement.

Breaking the impasse over how to generate public funding for developing countries at a sufficient scale is essential if we want to create an equitable basis for global climate action, protect vulnerable countries and populations from climate impacts, and mobilize shifts in investment patterns needed to stimulate the rapid introduction of clean technologies.

In Copenhagen, developed countries committed to mobilizing US$100 billion annually by 2020. Although estimates of required financing are much higher, rapid progress towards putting in place mechanisms to generate at least this amount is an essential step. WWF therefore congratulates the UN Secretary General for his initiative in convening the High-level Advisory Group on Climate Change Financing (AGF). Members of this group have an important and challenging task ahead of them. Because of the financial expertise and institutions represented in the group we are confident the advisory group can play an important role in mobilizing the financial support to help developing countries mitigate and adapt to climate change.

Given the short time frame to produce results, the AGF will have to remain focused on their core task of identifying new sources of financing, and should avoid duplicating the work that climate negotiators are addressing the principal negotiating groups of the UN Framework Convention on Climate Change (UNFCCC).

WWF recommends:

FOCUS ON INNOVATIVE SOURCES FOR CLIMATE FINANCE

The Group should focus on identifying new and additional public financing through innovative sources, as the cornerstone of a strategy to scale up financing for climate change mitigation and adaptation. The group should examine the full range of options, including mechanisms to address emissions from aviation and maritime bunker fuels, financial transaction taxes, redirecting fossil fuel subsidies, international auctioning of other kinds of international allowances, or other instruments. It should recommend how a package of sources can be operationalized so as to meet the identified financial needs. Governance and institutional arrangements for managing and disbursing this funding should be negotiated in the appropriate bodies under the UNFCCC.

BE CLEAR ABOUT THE ROLE OF PUBLIC AND PRIVATE FINANCE

To mobilize the technologies needed to transition to low carbon and climate-resilient economies, tens of trillions of dollars of private sector investments must be shifted from high emissions technologies into innovation and mobilization of the best technologies available worldwide.

However, according to Article 4 of the UNFCCC, developed country parties must provide financing to support the incremental costs of mitigation and adaptation actions in developing countries. The vast bulk of the funds required to meet these particular financial commitments under the UNFCCC will be public funds.

Private sector investments flow to those activities where the returns are highest, and cannot be counted on to finance measures which, at least in the short-term, have increased costs and thus lower returns. Public finance must meet these incremental costs of climate action, unless the investments are encouraged by policy incentives or legal requirements. The US$100 billion in financing by 2020 that governments of industrialized countries committed to in Copenhagen must contribute to meeting these incremental costs.

Governments need to establish clear guidelines to ensure that ‘business as usual’ private and public financial flows are not included, and only sources of financing covering the incremental costs of projects and activities actions are counted towards the financing target of US$100 billion.

For example, if financing is being provided to upgrade a new high-rise building to advanced standards of energy performance and resource use, only the incremental costs of meeting those standards will count, not the entire investment in the building. Public and private funding should be accounted for separately. The Group should examine how new sources of public funding will have the potential to leverage much greater amounts of private funding.

TAKE INTO ACCOUNT THE RANGE OF ESTIMATES OF POTENTIAL COSTS OF CLIMATE CHANGE

The Group should take into account the range of estimates of the scale of financial needs for the short, medium and long term adaptation needs of countries and populations vulnerable to climate change impacts and for clean development in developing nations. WWF suggests the US$100 billion proposed for long term climate financing should be viewed as the lowest end of the range of estimated costs; mitigation and adaptation costs are expected to extend up to or beyond US$200 billion by 2020, based on work done by Lord Stern and others. One criterion for assessing sources should be scalability, in order to meet the actual requirements for the necessary mitigation and adaptation actions. We should recognize here that the rate and scale of the increase in adaptation costs will be inversely proportional to the success in limiting and reducing global emissions, all the way to a point where it will not be possible to adapt at all.

ENSURE ADDITIONALITY AND AVOID DOUBLE COUNTING

The Group should ensure that climate finance is additional to Official Development Assistance (ODA) commitments, with clear and rigorous criteria to assess 'additionality'. The best way to ensure additionality is to provide new, innovative sources of funding, which would ensure that the funds are not diverted from existing ODA budgets. Ensuring climate finance is new and additional to ODA is key to rebuild the trust between developed and developing countries. Many developing countries think that developed countries are already failing to deliver on the fast start financing commitments made in Copenhagen, as the pledges announced by developed countries were not new, but only a repackaging or shifting of existing commitments and financial flows.

Similarly, any financing through carbon markets, where the credits are used to meet developed country mitigation commitments, cannot be counted as meeting developed country financing obligations. Such double counting would result in fewer global emission reductions than committed to. Also, financing through loans cannot be counted as if it were equivalent to grants – only the difference between the real cost of providing concessional loans and financing on commercial terms loans may be counted.

ENSURE CENTRALITY OF THE UNFCCC

The Group should ensure that its outputs on finance are consistent with and add value to the existing climate change convention (UNFCCC) negotiating bodies, particularly the Ad Hoc Working Group on Long Term Cooperative Action (AWG-LCA), and take every opportunity to solicit guidance from and be accountable to the UNFCCC bodies. The negotiations under the UNFCCC remain the only place where a long-term transformative global agreement to prevent dangerous climate change and adapt to unavoidable impacts can be reached. No other forum has emerged that demonstrates the necessary legitimacy and the minimum representation of the range of countries that need to be at the table to negotiate a responsible global agreement. In those cases where other bodies and fora (such as the IMO, ICAO or G20) must play a role in implementing sources of funding, the UNFCCC should play a guiding and coordinating role, and clearly set out the scope, parameters and expected outcomes of decision-making processes in other fora. Negotiations in the AWG-LCA should continue to address sources of financing, while preparing to receive and act appropriately on the findings and recommendations of the AGF.

PROVIDE A ROAD MAP FOR IMPLEMENTING RECOMMENDATIONS

The AGF's recommendations should be presented in the form of a package of financing sources that is capable of being scaled up to the level necessary. For each source of finance proposed as part of the package, the AGF should provide a step-by-step "road map" setting out the decisions required, a timeline and the roles of parties, UNFCCC bodies, and other fora that need to take action to implement sources of financing. For example, for mechanisms to address the aviation and maritime sectors, the AGF should spell out what is required from a COP decision that sets the level of ambition for mitigation in the sector, calls on the IMO and ICAO to take action, and identifies the steps and decisions required by these bodies and parties to operationalize such mechanisms.

For the financial transaction tax, the appropriate forum for negotiation, coordination and implementation of the measure is less clear. However, there would clearly be a role for the G20 in reaching agreement on how to move forward with an FTT in an internationally-coordinated manner. To address the legitimate concern that some parties have of creating an alternative negotiating forum to the UNFCCC, the AGF could propose the content of a COP decision that would call on G20 member parties to take up this issue with a clearly defined scope and outcome in terms of matters under the ambit of the UNFCCC.

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Mark Lutes
Policy Coordinator (Finance)
Global Climate Initiative
WWF International
Email: mark.lutes@wwf.panda.org
Mobile: +1 416 473 5919

Elise Buckle
Energy and Climate Manager
WWF France
Email: elise.buckle@wwf.panda.org
Mobile: +41 79 278 4890

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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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