WWF

BRIEFING PAPER

OCTOBER 2015

EU CLIMATE FINANCE BRIEFING

At the end of the year, the 21st Conference of the Parties to the UNFCCC will be a milestone in the fight against climate change. In Paris, governments must come together to speed up the transition towards decarbonisation and climate resilience. This COP is critical to providing a plan for addressing climate change in the post-2020 period.

Addressing climate change will require two key actions from developed countries:

1) a reduction in greenhouse gas emissions to keep global temperature rise between 1.5°C (ideal maximum temperature) and 2°C; and
2) financial contributions for mitigation (including REDD+), adaptation and loss and damage.

Climate finance must reflect the 1.5°C / 2°C target, in that it should be used for zero-carbon projects that aim to cut emissions and keep temperature rises below 1.5°C. It is imperative that climate finance is enshrined within the Paris agreement, along with strict governing criteria to ensure accountability, transparency, and to avoid double-counting.

The EU has an important leadership role to play in fighting against global climate change. COP21 provides the opportune moment for Europe to encourage all nations to move to energy efficient, renewable energy powered nations. EU Member states should lead by delivering on their pre-2020 finance targets, by phasing out harmful fossil fuel subsidies and estabilishing innovative sources of finance.

Fisherman and volunteers from the Mangrove Action Project planting mangrove seedlings in abandonned shrimp ponds near Jaring Halus Village, North Sumatra, Indonesia. Dykes have been opened to restore natural tidal flow to the ponds. © naturepl.com / Tim Laman / WWF

SPECIFIC CLIMATE FINANCE ASKS

WWF believes that the following objectives should guide the EU's Climate Finance position in Paris:

- Present a roadmap for delivering pre-2020 finance, including innovative sources of finance;
- Ensure strict monitoring, reporting and verification criteria
- Prevent the diversion of aid provision to meet climate finance obligations;
- Define strict sustainability criteria and standards on private, bilateral, and multilateral finance streams;
- Support a ratchet-up mechanism to scale-up post-2020 public finance.

This briefing further details WWF asks for a sound roadmap, monitoring, climate finance above aid commitments, innovative sources of finance and strict sustainability criteria on all finance streams. (More details on climate finance, including on the ratchet up mechanism, can be found in the upcoming position paper).

A Roadmap for Delivering Pre-2020 Finance

Tackling the effects of climate change requires taking action during the period before the Paris agreement comes into effect, meaning pre-2020. Vulnerable countries and communities are often the poorest with few domestic resources and little opportunity to attract private investments. They require support by way of predictable, consistent and quality finance to support climate actions, in particular adaptation.
In Copenhagen developed countries agreed to a $100Bn per year by 2020 finance commitment, which was formally agreed in Cancun[1]. Research[2] shows that in order to achieve this goal, a gap of about $70Bn per year still needs to be filled by developed countries[3].

WWF calls on the EU to develop a roadmap outlining how it plans to meet its fair share of the 100 billion by 2020, including through the use of innovative sources of finance. Finance should be in line with environmental and human rights standards, such as ensuring the rights of indigenous peoples and guarding against land-grabbing. This will in turn provide assurances to developing countries and act as an example for other developed countries to follow.

Monitoring, Reporting and Verification Criteria

The EU and its Member States should urge all Parties to support the inclusion of strict, clear and transparent monitoring, reporting, and verification (MRV) criteria within the Paris Agreement. The Agreement should provide guidelines on

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[1] UNFCCC The Cancun Agreements,(n.d). http://cancun.unfccc.int/financial-technology-and-capacity-building-support/new-long-term-funding-arrangements/

[2] Barbara Buchner, et.al. 2014. *Global Landscape of Climate Finance 2014*. http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2014/

[3] World Bank. 2015. *Closing the $70 Billion Climate Finance Gap*. http://www.worldbank.org/en/news/feature/2015/04/09/closing-the-climate-finance-gap

methodology; set the parameters for transparency while building on the existing MRV framework and extending the scope beyond mitigation.

Climate Finance above Aid Commitments

Given the scale of climate change impacts and needs, WWF calls on the EU and its Member states to deliver climate finance on top their provision of aid towards the commitment to deliver 0.7% GNI for ODA. In other words, the current provision of aid should not be diverted to meet climate finance obligations.
At an operational level, all development spending should be climate proofed. Specific climate and development activities should be integrated as far as possible to increase effectiveness. As a first step to demonstrate additionality to the 0.7 commitment, countries should begin by ensuring that climate finance that qualifies as ODA is part of a rising overall aid budget, and is rising at least at the same rate.

Furthermore, at least 50% of the $100Bn per year commitment should be allocated to support essential climate adaptation activities in the poorest and most vulnerable communities hit hardest by current and future impacts of climate change but to which they have least contributed.

Innovative Sources of Finance

In the run-up to COP21 the potential of innovative sources of finance to boost the amount of available climate finance is vast. The current legislative revision of the EU Emissions Trading System (ETS) provides the opportunity for funds from auctioned ETS revenues to go to climate finance; specifically 50% to domestic climate finance, with a further 50% going to international climate finance. To ensure a stable source of income from auctioned revenues, a robust carbon price for the ETS must be a part of outcomes from the revision.

Likewise, the surge in support for a financial transaction tax (FTT) – supported by 11 EU Member States – presents a further opportunity to allocate a proportion of the revenues to climate actions and sustainable development internationally. WWF calls on the EU and its Member states to establish innovative sources of finance to meet the rising challenges and needs of developing countries.

Transformation of Investment

WWF calls on the EU to better align private sector incentives with public goals through creating regulatory frameworks for the private sector to adopt sustainable practices. Scenarios in *The New Climate Economy Report: Better Growth, Better Climate* show that globally "Savings of US$2 trillion to 2030 are estimated from reduced investment in fossil fuel power plants in a low-carbon scenario"[4]. Shifting the trillions towards renewables projects and energy efficiency makes economic sense. The 2006 Stern Report was already calling for "*Policies should adapt to changing circumstances as the costs and benefits of responding to climate change become clearer over time*".[5]

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[4] The New Climate Economy Report: Better Growth, Better Climate, 2014, p.5. http://2014.newclimateeconomy.report/wp-content/uploads/2014/08/NCE_Chapter6_Finance.pdf

[5] The Stern Review: The Economics of Climate Change, 2006 p.xviii. http://mudancasclimaticas.cptec.inpe.br/~rmclima/pdfs/destaques/sternreview_report_complete.pdf

The investment sector needs to reallocate capital away from carbon intensive industries to investments which help meet our climate ambitions. In investment terms, this means directing investment away from fossil fuels and into solutions such as renewable energy, something which has been echoed by others credible international bodies such as the IEA, OECD, IMF and the World Bank.

WWF calls on the EU to promote strict sustainability standards for bilateral and multilateral streams of finance. Using public finance to leverage private sector investment for development and climate outcomes should include strict sustainable development standards, alignment with national development objectives, and local ownership through participation of local businesses and communities.

First WWF and Barefoot College joint project “Turning Grandmothers into Solar Engineers” took place in Madagascar, a country where more than 80% of the population still lives without electricity in 2013. © Barefoot College

Climate Finance Calendar

October 9th – 11th	World Bank-IMF Annual Meeting	Additional pledges may be made, criteria, ratchet-up mechanism for finance and other outstanding climate finance issues are expected to be discussed
October 19th – 23rd	UNFCCC ADP 4 Bonn	
Late October	Bank of England fossil fuel intervention	Bank of England governor Mark Carney is set to make a new intervention on the financial security of fossil fuel assets in late October
October 20th – 21st	*International conference on European development aid post 2015*	
October 29th – 30th	*International Forum on Public-Private Partnerships for Sustainable Development*	
November 1st	*UNFCCC synthesis of all iNDCs*	
November 10th	ECOFIN Council	EU's position on climate finance will be finalised
November 15th – 16th	G20 Summit	
November 30th – December 1st	Competitiveness Council – EU ETS (Emissions Trading System)	ETS review will be discussed in the context of competitiveness - the outcome may affect the ability to auction revenues
November 30th – December 11th	UNFCCC COP21/CMP11	Conference to stabilise atmospheric emissions
December 7th – 8th	Caring for Climate Business Forum hosted by UN Global Compact	Alongside the second week of COP21
December 16th	Environment Council	COP21 outcomes may be reviewed - TBC
December 17th – 18th	European Council	Adoption of the COP21 outcomes may take place - TBC
January 1st 2016	Dutch Presidency begins - ends in June	

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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.

www.wwf.eu

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