Fill the Fund in Qatar:
$10-15 billion for the Green Climate Fund

In Qatar, developed countries need to put forward a climate finance package that includes:

- Commitments to total climate finance (bilateral and multilateral, inside and outside the GCF) in 2013-2015 that are substantially above the levels of the Fast Start Finance period (2010-12);
- A pledge of at least $10-15 billion in new and additional public finance to be disbursed to the GCF over the years 2013-2015, with 50 percent of these initial resources for adaptation through direct access where possible and preferred;
- A clear roadmap for scaling-up climate finance to meet the $100 billion per year commitment by 2020;
- Decisions that advance the most promising alternative sources of public finance as part of this roadmap;
- Decisions allowing the full operationalization of the Green Climate Fund.

In Qatar, developed countries must pledge public funds for a substantial initial capitalisation of the Green Climate Fund (GCF). These initial pledges should be the first step toward scaling up the GCF so that its annual turnover in 2020 constitutes the majority of the $100 billion per year of climate finance committed by developed countries. Toward this end, the GCF should become the primary channel of climate finance as soon as it is fully operationalised and capable of receiving and disbursing finance effectively.

Pledges to the GCF should be complemented by revenues from alternative sources of public finance directed to the Green Climate Fund, as soon as these are operational. The next phase of GCF replenishment should then begin in 2015 and involve a significant further scaling-up of funding based on an assessed contributions approach.

Funds committed to the GCF should be part of a climate finance package through 2015 that totals substantially more than the $30 billion promised over the of the Fast Start period. The delivery of scaled up finance as soon as possible is a crucial element of both the AWG-LCA and the ADP workplan on pre-2015 ambition, and is essential to support early action on mitigation and adaptation in developing countries.
Additional background to understand the proposed position

On the pledges timeline: Even in the best case scenario it is unlikely that the GCF will be ready to disburse finance to recipient countries during 2013. Given the current delay over decisions on the GCF board composition, it may not be operational by 2014. Hence, our position calls for a political commitment from developed countries at COP18 to quantified pledges, without allowing them to say they cannot pledge at COP18 because the GCF is not yet ready to receive funds. It can be assumed that disbursements to the GCF will be smaller in 2013 and then higher in 2014 and 2015.

Some countries may claim they are not able to legally commit money to a multilateral fund until it has the legal personality to receive and disburse finance. This, however, should not stop anyone from making politically binding, quantified pledges this year, with some flexibility over when to disburse the funds over the coming 2-3 years.

On GCF versus other channels: Our position implies that the GCF would not immediately become the only channel of (public) climate finance. First, because the reality in developed countries is that many governments (and many countries’ national parliaments) prefer to disburse bilateral finance over multilateral finance. Moving too quickly to a purely multilateral system would face stiff resistance that we believe would actually lower the political readiness to increase climate finance over the years and could reduce available finance. Second, the GCF needs to prove itself over time, and until that time (which could mean several years given the size we want the GCF to grow to) we want more eggs in the climate finance basket. Thirdly, there are other multilateral climate funds, such as the Adaptation Fund or the Least Developed Countries Fund that we support and we need to develop appropriate transitional arrangements for them.

All this means that in the early years from 2013, we anticipate that a significant amount of climate finance will continue to be channelled through a variety of multilateral and bilateral instruments, with, however, the GCF increasingly ‘taking over’ during a transition period. The position above implies that as soon as possible, at the very minimum 50% of total climate finance from developed countries would flow through the GCF.

Is the $10-15 billion ambitious? Yes we believe so. This is not meant as the total amount of climate finance over the years 2013-2015! It is meant as a first round of pledges to get the GCF ball rolling, no more, no less. It should be part of a package that would ensure total finance levels increase over the years, starting in 2013 from above the $10 billion fast start levels. If indeed in 2020 the majority of the $100bn is channelled through the GCF, we will see a rise from $0 in 2012 to $10-15 billion over three years ($3.3-5 billion per year on average) to $50 billion in one year (namely in 2020) – certainly an ambitious trajectory.

Compared to the World Bank’s Climate Investment Funds, $10-15 billion over 3 years is unprecedented. The CIFs have a total pledged (and partly delivered) volume of $7.2 billion, running over 5 years now and probably for a few more years. This means, our ask is more than double and possibly more than triple flows to the CIFs (looking at volumes on annual basis) – in what would only be an initial round of capitalisation.

Are we too ambitious? No we are not. We broke it down to annual disbursements to the GCF and then looked at different countries’ potential contributions (based on GDP shares within Annex 2 countries). We found that the suggested contributions are only 1.5 times above what some of the (more progressive) developed countries have contemplated as their possible annual contributions in the GCF’s early years.

What about the role of grants, loans? The draft position does not spell out the proportion of grants and concessional loans (and capital contributions) in those initial pledges, to avoid over-complicating the message. However, following our earlier positioning, the $10-15 billion range should be reached by only counting grants and the grant equivalent of concessional loans where loans may be appropriate for mitigation (i.e. use some of the finance going into the fund to create concessional loan packages).

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