



## **UNFCCC Long Term Finance Work Programme** **CAN Position on Scope of the Work Programme**

*Climate Action Network-International (CAN-International) is the world's largest network of civil society organizations, with more than 700 members in over 90 countries, working together to promote government action to address the climate crisis.*

### **TIME FOR URGENT ACTION ON LONG TERM FINANCE**

Very little progress has been made towards realizing the commitment made by developed countries in Copenhagen to mobilize \$100 billion in climate finance by 2020. Even more worrying, there is no certainty on how much climate finance will be delivered after 2012, the final year of Fast Start Finance (FSF). Some parties have resisted discussions about generating and delivering long-term finance, and analytical work on how finance can be mobilised has been limited to ad-hoc and one-off initiatives like the UN high level advisory group on climate change financing (AGF), and fora with limited and exclusive membership such as the G20.

At a time when the impacts of climate change are increasingly severe, progress on long-term finance must be more ambitious. It cannot be delayed any longer. New sources of finance are needed to curb the alarming shift in existing Official Development Assistance (ODA) to climate finance, which deprives poor countries of vital funding for core development needs.<sup>1</sup>

Long-term climate finance will be a significant part of the money developing countries need to develop renewable energy and clean industries. Thus, raising and delivering climate finance is critical to reaching the goal of staying below 2 degrees C of warming. Neglecting to provide climate finance will intensify poverty and deny vital support to people and communities that need adaptation finance.

With the FSF period coming to a close and the Green Climate Fund on the way to being operationalized, attention will now turn to scaling up towards the \$100 billion, and capitalizing the Fund with a significant portion of that commitment. An outcome at COP18 that fails to address significant contributions to the GCF, ensure scaled up financial contributions in 2013, and provide for progress on meeting the \$100 billion commitment will adversely affect the broader negotiations.

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<sup>1</sup> In 2010 OECD figures indicate 15% of ODA was climate finance.

## **THE OPPORTUNITY FOR PROGRESS IN 2012**

This year's Long Term Finance (LTF) Work Programme provides a critical opportunity for focused and constructive engagement under the UNFCCC on mobilizing and scaling up climate finance, especially from public sources. Mobilizing finance for developing country actions and shifting investments into low carbon and climate resilient development is an integral part of the global effort to combat climate change, and cannot be separated from the discussion of mitigation ambition.

The LTF Work Programme must build on the work carried out by the AGF and under the G20 on long-term finance. But in order to enable progress towards concrete decisions, such previous efforts should now inform a process under the UNFCCC where all Parties can participate in defining the way forward.

### **1. WORK PROGRAMME OBJECTIVE**

The Work Programme should contribute to a decision(s) at COP 18 that:

- **Identifies and advances promising sources of finance** especially public sources, such as a Financial Transaction Tax and Special Drawing Rights, and provides guidance to the IMO and ICAO on generating financing from measures to address emissions from international shipping and aviation;
- **Provides a roadmap for agreeing to specific pathways for mobilising \$100 billion by 2020** - including maximization of public sources, an appropriate role for the private sector, trajectory, burden sharing and identifying the appropriate bodies that will take this work forward, including the roles of the ADP and Standing Committee;
- **Establishes a shared understanding of developing country financing needs** – review recent literature on mitigation and adaptation financing requirements (sector and geographically specific), that reflect the latest warming projections based on current pledges, as well as below 2 degree C scenarios, and the level of public funding required;
- **Explicitly commits to providing of financing from 2013 onwards**, including for the capitalization of the Green Climate Fund.

### **2. INPUTS TO WORK PROGRAMME**

The work programme must build on the existing body of analysis on sources of finance and analytical work on needs. We therefore recommend that the following inputs be considered as part of the Work Program.

- *Report of the UN High-level Advisory Group on Climate Change Financing (AGF) (2010)*
- *Mobilizing Climate Finance: A Paper prepared at the request of G20 Finance Ministers, World Bank/IMF (2011)*
- *Innovation with Impact: Financing 21<sup>st</sup> Century Development* – a report by Bill Gates to G20 leaders (2011)

- *ADAPTCost Project: Analysis of the Economic Costs of Climate Change Adaptation in Africa*, UNEP (2010)
- *Assessing the Costs of Adaptation to Climate Change: A Review of the UNFCCC and Other Recent Estimates*, Martin Parry et al, International Institute for Environment and Development and Grantham Institute for Climate Change (2009)
- *Investment and Financial Flows to Address Climate Change: An Update*, United Nations Framework Convention on Climate Change, (2009)
- Relevant reports by the International Energy Agency on investments needed to reduce emissions in the energy sector; the Leading Group on Innovative Financing for Development, and the United Nations Environment Program Finance Initiative
- Submissions by parties and observers - a formal call for submissions should be announced at the earliest opportunity
- Collaboration and sharing of information and views with the G20 study group on climate finance, the Leading Group on Innovative Financing for Development, and other relevant international initiatives.

### **3. SCOPE OF WORK PROGRAMME, SUBMISSIONS AND WORKSHOPS**

To optimise the value of the submissions and workshops in exploring “*options for the mobilization of resources from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources and relevant analytical work on climate-related financing needs of developing countries*” (COP 17 decision) we urge the co-chairs to focus on:

- The **need for new and increased long term sources of public finance** – including budgetary contributions and innovative/alternative sources of finance, such as international transport and other carbon pricing-related sources, Financial Transaction Taxes and Special Drawing Rights.
- The **appropriate role of private sector finance** – including how it will be counted; how to distinguish net or incremental financing from gross or overall flows; how to ensure additionality of private finance leveraged by public finance; exploration of necessary environmental, social, transparency, and accountability safeguards and standards; how to ensure that private finance galvanizes action at the domestic level through endogenous micro, small and medium enterprises, especially in low income countries; assessments of the level of financial and environmental risk of financial instruments and investments, with the aim of avoiding disproportionate risk-bearing by the public sector; how to assess the sustainable development, mitigation, and adaptation effectiveness of private sector finance; and how to ensure that private investment is genuinely country-driven, including the role of nationally designated authorities in relation to private finance flows.
- The **trajectory for scaling-up climate finance to \$100bn**, in particular a specified amount for 2013 and intermediate milestones through 2020.
- Composition of \$100bn by 2020 in terms of **minimum contribution of public finance**, and appropriate role of private sector finance.
- **Appropriateness of different sources for different financing needs** (i.e. adaptation, mitigation, REDD).

The submissions and workshops should also discuss **next steps and a process** for:

- **Agreeing a trajectory for scaling-up climate finance to \$100bn**, with a specified amount for 2013 and intermediate milestones through to 2020;
- **Deciding on sources of the \$100bn by 2020 including the minimum contribution of public finance**;
- **Agreeing to burden sharing principles** in meeting the \$100 billion commitment;
- **Determining the composition of \$100b by 2020 in terms of different channels** (bilateral/multilateral, contribution to the GCF and other UNFCCC designated channels, vs. non-UNFCCC channels), while ensuring the priority of the GCF and other UNFCCC designated channels.

#### **4. SCOPE OF CO-CHAIRS REPORT**

The co-chairs report should be presented to COP 18 for approval, with the following three elements:

1. **A proposed decision at COP 18 that would advance promising sources of finance** identified in the co-chairs report.
2. **A proposed decision at COP 18 on a roadmap for agreeing and mobilising \$100 billion by 2020**, including next steps and suggested processes for:
  - deciding on sources and mobilization of finance up to 2020, with the vast majority coming from public sources;
  - agreeing to a timeline for scaling-up climate finance to \$100bn by 2020;
  - agreeing to burden sharing principles for the \$100 billion commitment; and
  - ensuring that developing country financing needs are understood and institutionally recognized.
3. **Initial recommendations on the following areas for consideration by parties in the implementation of the roadmap:**
  - Composition of \$100bn by 2020 in terms of public and private finance, in particular a minimum floor needed for public finance based on an analysis of the differing role and effectiveness of public vs. private finance.
  - Appropriateness of different sources of finance for different financing needs (i.e. adaptation, mitigation, REDD).
  - An overview of recent estimates of financing needs in developing countries and identification of how to address any gaps in the analytical work that currently exists; and an overview of the range of views on how to meet those needs (review of existing literature).