Finance through the equity lens

With negotiations for a draft ADP text entering their third day, the debate on equity is surely heating up. This is the moment to ensure that an important aspect of effort sharing is on the agenda: the equitable provision of finance and other means of implementation – especially to the most vulnerable.

As a number of Parties noted this week, equity must apply to all pillars of international global climate response. In contributing their fair share of the global effort, developed countries need to both control their own emissions and support further mitigation through the provision of climate finance, by helping poorer countries implement their low-carbon development strategies.

Does this mean that wealthier countries can buy their way out of making substantial emissions reductions at home? Sorry Japan, it most definitely does not. To close the emissions gap we must make every possible effort to reduce emissions within our borders. Period.

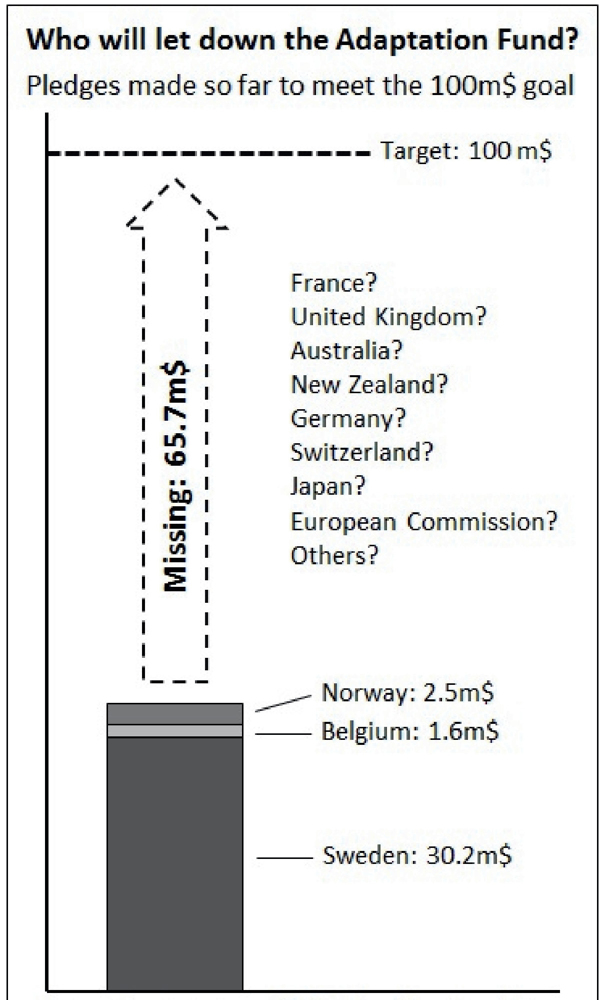
But, what about the global adaptation effort, you ask? Who pays for that? Given the neglect of adaptation finance in favor of mitigation, it is more important than ever to ensure that countries also make a fair contribution to the adaptation challenge. There is a core equity element here: the polluter pays principle.

And whether it amounts to increasing the flow of funds, sharing risks, or both, a new international mechanism to address loss and damage will become another element in the overall contribution to addressing climate change.

No one ever said that fixing the climate crisis or resolving the all-important equity challenge would be easy. Right now we face a situation of profound inequity. Those with the least responsibility for climate change are suffering its impacts the most. The efforts of some of the poorest nations are in many cases trumping those of the big emitters. Parties should agree on a small but robust set of quantifiable equity indicators that capture these principles and help guide parties in forming and reviewing their commitments. That list should include adequacy, responsibility, capability, development needs and adaptation needs.

There's one more disturbing trend this week – the overwhelming preoccupation of certain Parties with private finance, at the expense of putting any serious effort into scaling-up public finance. Of course we recognize that the private sector has an important role to play in meeting the challenges of climate change. But let's be clear – private finance pays little attention to equity. By its very nature, it goes where money is to be made.

We already know that private climate finance flows largely to the wealthier developing countries because they are more capable of attracting and absorbing investment. And we know that private finance favors mitigation activities over adaptation. For example, a seawall or a community-based adaptation program, might be vital to an area's very survival, but it simply won't offer the short-term return on investment that private investors demand.



Notes: The chart shows pledges/contributions that have been announced after the Adaptation Fund Board had set the 100m$ fudraising goal in March 2012. The one from Belgium is actually a pledge by the Brussels Capital Region. Sweden has made two contributions since March 2012 of 100m SEK each. Actual Dollar amounts may differ slightly due to exchange rate differences. The Norwegian announcement was made on 19 November 2013, during COP19 in Warsaw.

In short, private climate finance just can't meet the mounting adaptation needs of poor and marginalized people across developing countries. Neglecting public finance risks widening an already unacceptable equity gap even further. Urgent efforts to scale up public finance and rebalance flows between adaptation and mitigation are important steps on the road to a fair and ambitious new climate agreement. So is establishing, through the Green Climate Fund, a strong multilateral climate finance regime, in which funds are distributed in accordance with a country-driven approach that ensures the needs of vulnerable communities are prioritized.

So there you have it, Ministers. When you jump head first into the finance debate, bring your very best concrete ideas on how to operationalize equity within.

ECO FINANCE

20 November

New & Additional Issue

ECO has been published by Non-Governmental Environmental Groups at major international conferences since the Stockholm Environment Conference in 1972. ECO is produced co-operatively by the Climate Action Network at the UNFCCC meetings in Warsaw, November 2013. ECO email: administration@climatenetwork.org - ECO website: http://climatenetwork.org/eco-newsletters - Editorial/Production: Fred Heutte

Can this finance ministerial create the much bigger change the world needs?

So here we are at the first ever finance ministerial. With the 'climate crunch' rapidly exposing our economies to the risks of climate change and economic downturn, the stakes have been raised. Parties have agreed on the need for action, put in place the institutions and frameworks, but there is one essential ingredient missing: finance.

Climate impacts are accelerating and multiplying as they rush through our global economic system. We all know that the lack of finance is blocking progress – both in action on the ground and in negotiating a stronger global climate deal.

The UNFCCC is the central multilateral framework for tackling climate change, and finance is key to powering the process. The refusal of developed countries to make clear commitments on finance is sapping the life out of the negotiations, just as much as the failure of the same countries to reduce their emissions.

For all countries to work together, regardless of their status as developing and developed, promises must be upheld. The finance gap is blocking progress on REDD+, draining down the Adaptation Fund, threatening to make the GCF another empty shell, and providing the perfect justification for ensuring the threadbare ADP text remains devoid of content.

Of course, there is money in the system. But it's going in the wrong direction. Just as one example, this year the OECD told us that fossil fuel subsidies comprise 5 times the amount of funds provided for climate finance.

The promised mobilization of US $100 billion per annum by 2020 is a big step toward fulfilling the mandate of the Convention. Without it, we cannot succeed. At this historic moment, the first financial ministerial must demonstrate predictability, credible scaling up and commitment. If all we see is a scattering of pocket change, we're all wasting our time.

Simple question Will ministers respond?

What proper role for private finance?

You may have noticed the developed countries' increasing enthusiasm for having private finance substitute for their direct support as part of meeting the the promise of mobilizing US $100 billion per year by 2020.

This year, two US-hosted ministerial meetings and the pre-COP finance discussions focused almost exclusively on the role of private finance, whilst the glaring uncertainties around the provision of public finance were barely discussed. And the invitation letter from the COP presidency to today's finance ministerial encourages civil society organisations to 'present their own ideas on possible ways of mobilizing sources of finance in the private sector' as if to silence calls on the urgent need to scale up public finance.

So you be the judge: are developed countries sliding back on their side of the bargain and using private finance to sidestep the need to increase public finance? Today's Finance Ministerial is an opportunity to highlight that whilst private finance has a role to play in the global climate transition, it is not

Private finance, Page 2

Adaptation Fund due for replenishment

ECO wonders if developed countries are scheming to create suspense on the Adaptation Fund over the next couple of days, by orchestrating the announcements of their pledges to start with the lowest first: Norway's US $2.5 million was announced yesterday. While that doesn't quite compare to Sweden's $30 million, we believe that every dollar counts. Perhaps we will now see a race to the top, with a string of pledges -- each one higher than the one before -- to reach and exceed the goal of $100 million before COP 19 is over. ECO is excited to see who will turn out to be the highest bidder.

Once again, falling short of the $100 million goal is simply not an option. Surely developed country ministers will want to make that possible, to demonstrate good faith and pave the way for the much larger goal of mobilizing $100 billion per annum in climate finance by 2020.

The argument has been made here and there that the Adaptation Fund is not quite empty yet. Perhaps so for now, but not for long. The Adaptation Fund Board predicts that it will run out of money over the course of the next year. And already there are stranded projects (see table nearby).

Private finance from p. 1

a substitute for scaling up crucially needed public support.

Public finance has a critical role to play in mitigation by helping to catalyse larger private investments,. The real need is estimated to exceed $1 trillion globally, if we are to limit the temperature increase below 2 degrees Celsius. Developed countries are kidding themselves if they think limiting the provision of public finance to a minor proportion of the $100 billion will leverage this scale of change. If we are serious, it's obvious that far more than $100 billion in public finance is needed for mitigation alone. Now as for adaptation, the world's poorest countries and communities will require public finance since private finance will favour mitigation. This will increase the already neglected adaptation gap in the world's poorest countries.

Last month the US special climate envoy said, 'No step change in overall levels of public funding from developed countries is likely to come any-time soon. The fiscal reality of the United States and other developed countries is not going to allow it'.

But let us remind the developed country Parties of three other 'fiscal realities'. The first is the devastation caused by Typhoon Haiyan, which should serve as a wake-up call that scaled up public finance is vital to support resilience in the world's most vulnerable countries.

The second is that developed countries are subsidising fossil fuel energy with by at least $58 billion each year, which could instead be channelled for international climate finance. The money is there, what's lacking is the political will to drive solutions forward.

Finally, developed countries urgently need to grasp the reality that their myopic focus on private finance will not help build trust and momentum. Instead, failure to scale up public finance is a source of considerable unease among developing countries, and risks derailing an effective 2015 outcome.

Stranded until further notice

Projects approved by the Adaptation Fund Board now awaiting additional resources; more projects expected to pile up over time.

#	Country	Project/Issue	Approval year	Million US$
1	Cuba	Reduction of vulnerability to coastal flooding	2012	6.1
2	Seychelles	Ecosystem-based adaptation	2012	6.5
3	Myanmar	Addressing Risks on Water Resources and Food Security	2012	7.9
4	Uzbekistan	Increasing drought resilience of farming communities	2013	5.4
5	Belize	Adaptation and marine Conservation	2013	6.0
6	Ghana	Increasing resilience related to water resources	2013	8.3
7	Mali	Adaptation in the vulnerable regions of Mopti and Timbuktu	2013	8.5
8	Nepal	Adapting to climate threats to food security in the Karnali Region	2013	8.5
				Total: 57.2

Making the difference . . .

Fill the Adaptation Gap

Only a minor share of climate finance is currently being allocated to adaptation, meaning that vital support to the world's vulnerable people and communities is lacking. Agreement must be reached to increase finance for adaptation, and a first step must be to improve the balance between mitigation and adaptation. COP 19 should agree that at least 50% of all public climate finance is allocated to adaptation.

Ensure Predictability

Predictability of finance through to 2020 is vital. This requires a global climate finance roadmap that sets out intermediate targets and planned collective action to mobilize additional finance. To complement that, developed countries should prepare national pathways showing how their contribution to the $100 billion promise will evolve over time, disaggregated by relevant types, instruments and channels.

CLIMATE NEGOTIATIONS WARSAW · NOVEMBER 2013 NGO NEWSLETTER

Linking an FTT to scaled up climate action

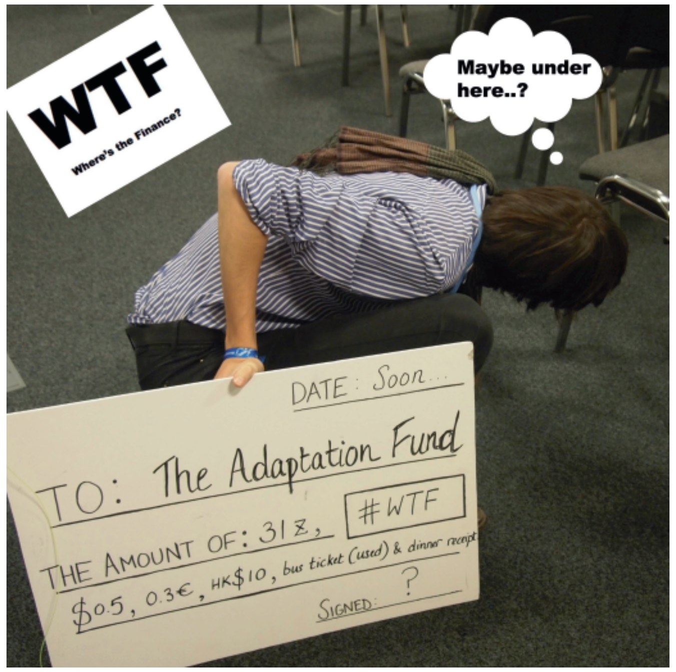
Where is the Finance (WTF) to fill the gap? Here's one of many answers to that question, the Financial Transaction Tax (FTT).

In early 2013, 11 EU Member States agreed to introduce an FTT that could generate revenues of €37bn a year or more, depending on its scope. While the FTT is still in in the design phase, ECO wonders whether France, Germany and the other nine European supporters could not only finalise discussions on the scope of the FTT (on which scale of revenue will depend) but make a bold move: by allocating a big portion of the revenues to climate finance. This is a marvellous plan, as it would allow the EU – perhaps in time for the Ban Ki-moon summit in late 2014 – to assign a substantial amount to the very empty Green Climate Fund.

It's not a totally mad idea, It's said France already is earmarking 10% of its FTT revenues to climate action. And we hear that Belgium supports the idea of using part of the FTT revenues for development and climate action.

But what about the others, for instance Germany – where a new government is being formed even as the ministerial proceeds? One coalition partner had joined a grand campaign to allocate 33% of FTT revenues to climate action. Well, that was before the elections. Let's see if they stay true to that promise.

Now it's in the court of the EU-11 to bridge the gap with a bold FTT.



Hoisted from the Archives . . .

Cancun – Wednesday 6th December 2010

Time to Make It Happen: a Fair Climate Fund

Over 200 civil society organisations today launch a call for a fair climate fund to be established this week in Cancun. As ministers arrive to face the vital politi¬cal challenges around the continuation of the Kyoto Protocol, sufficient political time and energy must be spared to ensure substantive outcomes on issues that really matter to those suffering from climate change's savage impacts.

As the Civil Society Call makes clear, poor people are losing out twice. They are being hardest hit by a crisis they did least to cause, but the are not being served by climate-related funds that should be helping them.

Most existing funds have benefited just a handful of developing countries, privileging mitigation over adaptation, and offering little scope for the meaningful participation of affected communities, especially women.

There is an urgent need to establish a new fair global climate fund to help developing countries build resilience to the impacts of climate change, protect their forests, and adopt low-carbon development pathways. Public finance is vital to meet these needs, while carbon markets are proving inadequate or inappropriate. To be truly equitable and effective, the new fund must mark a clear shift in the management of global flows of climate finance that delivers for poor people.

Ministers arriving this week must do more than just start a process to establish a new fund – they must take political decisions on the nature of that fund. At a minimum, they must ensure a fund which is established and designed under the UNFCCC, gives equitable representation to developing countries, ensures consideration is given to gender balance in its makeup and civil society and affected communities have a strong voice, guarantees at least 50% of the resources of the fund are channelled to adaptation and allows direct access to funds by develop¬ing countries. And ensures that vulnerable communities, especially women and indigenous communities, participate fully in decisions on uses and monitoring of finance at national level. The establishment of a fair global climate fund is long overdue. Ministers, don't waste this opportunity to chart mark a new course for global finance governance that puts poor people at its heart.