PUBLIC CLIMATE FINANCE

Warsaw, November 2013

Recent decision text on climate finance has been extremely weak and lacks any indication of how finance will be scaled up to meet the goal of $100 billion annually by 2020. In fact, following the end of the Fast Start Finance period from 2010-2012, there is no clarity whatsoever on whether public climate finance will flow predictably, much less be scaled up.

Why is public finance important?

The provision of climate finance – that is, the responsibility of developed countries to pay for developing countries' mitigation and adaptation actions – is both a mandate under the UNFCCC and an ethical obligation. Unfortunately, conversations among donor countries in 2013 have focused on how to mobilize private finance rather than how to generate increased levels of public finance. This an unacceptable avoidance of developed countries' obligations under the UNFCCC.

While action is needed to ensure that private sector activity is made climate-friendly, private investments must not be counted as "climate finance". Private sector activity by definition seeks profits, and counting profit-making activities as climate finance subverts the polluter pays principle..

In addition, private finance flows are biased towards mitigation activities in middle-income countries, as that is where most of the profitable investment opportunities are located. If public financing is reduced to the role of "leveraging" (encouraging) more private sector projects, that distorts priorities away from the need to reach least developed countries or poorer communities in middle-income countries. It also locks in a bias against most adaptation activities, particularly those that address social and political needs rather than infrastructural or technical ones.

The laudable goal of greening private-sector activity is a separate question from that of providing climate finance, and is best approached with different tools – namely policy and regulatory tools, especially in developed countries – such as progressive carbon taxes, tough and binding energy efficiency standards, subsidy shifts, and so on. Mixing this goal into the UNFCCC context amounts to a shirking of responsibilities under the Convention.

What is needed in Warsaw?

Recent decision text on climate finance has been extremely weak and lacks any indication of how finance will be scaled up to meet the amount needed, hundreds of billions of dollars a year. In particular, substantial funding should be pledged for the Adaptation Fund, the Green Climate Fund, and the Least Developed Countries Fund.

Additionally, rigorous means of measuring, reviewing, and verifying the provision of climate finance must be implemented. Transparent accounting by developed countries most demonstrate that funds are from new and additional public sources, that only grants and grant elements are counted, and that funds are not double-counted.

Basic Principles of Climate Finance

- Climate finance is not voluntary charity or aid. It is a moral obligation of developed countries due to their historical responsibility for climate change, and a legal obligation under the UNFCCC.
- Climate finance that counts towards developed country obligations must be provided as public funding. Private finance will not reach the poorest countries and communities, nor will it serve adaptation needs.
- Climate finance must be provided on a grant or grant-equivalent basis, and must not further contribute to odious debt burdens in developing countries.
- The scale of finance needed is well beyond the $100 billion per year promised by developed countries by 2020. To put this in context, for example, the United States is spending over $60 billion to deal with the aftermath of Hurricane Sandy alone.
- While the scale of the financing challenge is substantial, it is not unrealistic. Trillions have been rapidly mobilized for military expenditures and bank bailouts.
- Large amounts of new public revenues in developed countries, which can be used in part to meet international climate obligations, can be generated through innovative sources like a robust financial transactions tax, redirecting harmful fossil fuel subsidies, and closing massive corporate tax loopholes.

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