CLIMATE FINANCE

Bonn, June 2015

Climate finance – the transfer of public funds from developed countries to developing countries to support action on climate change – is an obligation of rich countries as one part of their "climate debt". It is not aid or charity; it is a moral and legal responsibility which, if done correctly, can catalyze the shift to alternative systems for energy, production and consumption that are compatible with the limits of the planet and are aimed at meeting the needs of people.

How much money is needed, and in what form?

Addressing climate change will require hundreds of billions of dollars every year for developing countries, and achieving true sustainable development will cost hundreds of billions more. Crucially, the less we do now, the more it will cost later.

In 2009 in Copenhagen countries agreed to "mobilize" an arbitrary, political figure of US$100 billion per year by 2020 to address those developing country needs, magnitudes less than was spent on bailing out the banks or launching new wars.

Hundreds of billions, if not trillions, of dollars of reliable public grant money is needed, in addition to existing aid efforts if we are to tackle the climate crisis without adding to the debt burden of countries of the South.

Should climate finance seek to "leverage" private finance?

Climate finance is primarily about public money for public goods, and while solving the problem of global climate change is impossible without huge shifts in private sector investments, achieving shifts in private sector expenditure is not the primary task of climate finance, which should instead focus on addressing developing country needs that the market sees no profit motive to meet.

Governments should do far more to shift incentives so that trillions of dollars of private investments will flow to sustainable, climate friendly activities, such as: strong, legally binding emissions targets; scaling down fossil fuel power stations; feed-in tariffs; robust and progressive carbon taxes; and large-scale shifts in subsidies away from the fossil fuel industry. However, these crucial elements of climate action are separate from the obligation to provide climate finance for developing countries.

What role should the Green Climate Fund play?

The Green Climate Fund (GCF) is intended to play a primary role in delivering international climate finance.

There are concerns about whether rich countries' pledges will be new, additional, unconditional, public, or in most cases even fulfilled at all. There are further concerns that some donor countries want to make the Fund support transnational corporations to turn larger profits from their investments in developing countries, or even worse to finance dirty and harmful energy.

Fortunately, these ongoing battles can still be won, and despite its shortcomings the GCF has great potential to support a global transition to renewable energy, sustainable public transport systems, and energy efficiency, as well as help frontline communities deal with the impacts of climate change.

That said, existing pledges to the GCF are far from sufficient, and an acceptable finance outcome in Paris must go far beyond the $10 billion already pledged to the GCF.

What needs to happen?

- Developed countries must commit to provide developing countries with predictable public climate finance commensurate with the scale of need based on projected global temperature rise scenarios;
    - This must include a roadmap for climate finance from 2015-2020, as well as indications of the scale of climate finance beyond 2020, and
    - Finance commitments must not simply be an accounting exercise: they must be met with new public money, and loans and "leveraged" private investments should not be counted towards developed countries' commitments.
- Commitments on finance must be legally binding in the 2020 agreement;
- Clear rules must be established to ensure that climate finance is not used to support dirty energy projects and programmes, including guidance from the COP to the Green Climate Fund to adopt a dirty energy exclusion list;
- The measurement, reporting and verification of finance must be provided by developed countries in a consistent format, ensuring clarity on how climate finance is defined (e.g. North-South flows only, no inclusion of coal financing, etc), rules on what can be counted as new and additional, and data on the timing and volume of disbursements (not just commitments). The "common principles" developed by the World Bank and other development finance institutions should not be used as the basis for this, as they do not exclude coal and other fossil projects.

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