

CLIMATE FINANCE AFRICA

Briefing Paper Series

Sources of finance in the international climate change regime

It has become equally important to seriously address the scaling up of the delivery of climate finance between 2013 and 2020, and initiate a formal process that will assess the sources and scale of long-term finance and to ensure the capitalisation of the Green Climate Fund.

- South African President Jacob Zuma



I. THE GLOBAL CONTEXT

Floods, famines, wildfires, droughts... the climate crisis is upon us all, but responsibility for climate change lies mainly with developed countries. With less than 20 per cent of the world's population they have emitted almost 75 per cent of overall greenhouse gas (GHG) emissions into the atmosphere. The effects of global warming, however, fall disproportionately on countries of the global South – countries that are least responsible for the crisis, and have fewer resources to address the impacts.

Africa contributes less than four per cent GHG emissions, yet it contains some of the regions that are most vulnerable to climate change.¹ It is projected that by 2020 rain-fed agriculture in the region could be reduced by up to 50 per cent as a result of climate change, and 75 to 250 million people across the continent could face severe water shortages.² These impacts may mean increased hunger, famine and disease.

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The economic impacts of climate change in Africa are estimated to be equivalent to 1,5 to three per cent of gross domestic product (GDP) each year by 2030 - significantly higher than in other regions.³ The World Bank, UN Framework Convention on Climate Change (UNFCCC) and others put the cost of adapting and building resilience to climate change in African countries at around \$25 billion⁴ per year for the period 2010 to 2015, and up to \$30 to \$60 billion annually by 2030.⁵

At the same time, all developing countries will have to balance the need to provide access to reliable energy with a shift to low-carbon, sustainable development models. The World Bank estimates that developing country mitigation of GHGs could cost \$140 to \$175 billion a year over the next two decades.⁶

The idea of 'climate debt' encompasses the moral and legal obligations of those most responsible for the climate crisis to compensate those most impacted. The debt is two-fold. For exploiting and substantially diminishing the planet's capacity to absorb GHG's, making Southern countries' climb out of poverty more expensive, indus-

trialised nations owe an 'emissions debt'. For the adverse effects of these emissions they owe an 'adaptation debt'.⁷

As a way to repay part of their climate debt, wealthy countries that have signed the UN climate convention are legally bound to provide financial resources to developing countries for adaptation and to cover the costs of shifting away from business-as-usual dirty energy pathways.

At the UN climate talks in 2009, wealthy countries pledged up to \$30 billion between 2010 and 2012, and \$100 billion per year by 2020 in climate finance. Since then, countries have launched a Green Climate Fund (GCF) to manage a significant portion of those funds (see *Brief 2: The Green Climate Fund and the role of the World Bank*),⁸ but little money has actually materialised. At the 2011 climate summit in Durban, South Africa, countries agreed to launch a work programme that includes a series of workshops on long-term finance, and a report of potential sources of future climate financing.⁹

Discussing viable sources of climate finance that enable developing countries to help mitigate the causes of climate change and adapt to its impacts will be crucial to making progress on an agreement in the UN climate negotiations.

2. CRITERIA FOR FAIR AND EFFECTIVE CLIMATE FINANCE

While development assistance must fund activities, policies and programmes that are coherent with the reality of a climate-constrained world, climate finance must be additional to existing commitments for official development assistance (ODA). The following criteria have been developed by members of the climate justice community to determine whether various sources should 'count' toward developed countries' legal obligation under the UNFCCC to provide climate finance:¹⁰

- **Adequate:** Source raises volume of revenue consistent with the scale of the need, in a manner that is additional to pre-existing ODA and other pledges, and with low transaction costs
- **Predictable:** Automatic, sustainable over time, not easily evadable or subject to declining returns
- **Public:** Must be raised and contributed by governments

- **Equitable:** Source obtains money from those countries with the most responsibility for causing human-induced climate change, as well as capacity to pay. The mechanisms should not reinforce inequities in both developing countries and developed countries
- **‘Do no harm’:** Should in no way result in further impoverishment, disempowerment and discrimination of marginalised people (South and North), nor cause further destruction of the environment
- **Transparent & accountable:** Potential exists for citizen input and oversight in monitoring how and from whom revenue is raised
- **Transformational:** Promotes economy-wide reform away from fossil fuel systems; promotes the transition to renewable energy sources and local control of natural resources
- **Financially responsible:** Helps curb speculation, increases transparency of financial flows, limits trading in derivatives and other toxic financial products, and moves towards a balanced and well-regulated economy¹¹

3. LEADING PROPOSALS ON SOURCES OF CLIMATE FINANCE¹²

Several processes have been established to survey the revenue-raising potential of traditional and innovative sources of climate finance. In particular, the UN Secretary General established a high-level advisory group on climate finance (AGF) in early 2010 after developed countries pledged to raise \$100 billion annually by 2020.¹³ Several other surveys have been conducted since then – from non-government organisation (NGO) reports to a G20 (a group of the world’s 20 largest economies) study commissioned by the World Bank. The following are highlights of some of the most frequently discussed proposals.

Direct budgetary contributions

The G77 plus China (a 132-member developing country negotiating block) has called for defined national budgetary contributions of 0,5 to one per cent of developed country gross national product (GNP). This proposal, which is supported by the Africa Group of climate negotiators, could raise \$200 to \$400 billion per annum through developed governments’ public spending. The Cochabamba Peoples Agreement, which Bolivia officially submitted to the UNFCCC in 2010, calls for wealthy industrialised countries to commit six per cent of their GDP

to address climate change in developing countries, an amount on par with their national defence budgets.¹⁵

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The proposal has received little support outside the G77 and many parties view it as unrealistic because of the scale of the request, the fact that even old promises of ODA have not been met, and that developed countries are themselves currently experiencing severe budget shortfalls and economic austerity measures.¹⁶ It is very unlikely that developed country treasuries and/or parliaments would agree to an international mandate to direct budgetary contributions to the Green Climate Fund or another climate finance mechanism. Owing to this lack of political will, this option is seen by many as unpredictable subject to national budgetary processes on an annual basis. Nevertheless, the AGF has argued that direct budget contributions will continue to play a role as they have in the past and as determined by national circumstances. While it is in the interest of African – and all developing – countries to maximise budgetary contributions from industrialised countries, this source will realistically have to be complemented by other public sources of climate finance.

Shipping and aviation fuel and emissions levies

Draft studies from the World Bank and the Gates Foundation commissioned by the G20 on innovative sources of development and climate finance come out strongly in favour of mechanisms that implement levies on shipping and aviation fuel.¹⁷ For the international maritime sector, this would mean that a limit would be set on greenhouse gas emissions along with a fixed carbon price based on international consensus. Maritime carriers would either purchase these credits as emission offsets or pay the tax on fuel used. (Others have proposed a maritime fuel tax without the offset option.) The AGF pegs potential revenues at \$2 to \$19 billion a year. Oxfam and the World Wildlife Fund (WWF) have developed a proposal for a \$25 levy per ton of maritime fuel that could raise at least \$25 billion a year.¹⁸

A major point of contention is whether the tax rate would be universal or whether there would be differ-

ential treatment for developing countries. The US opposes differentiating between developed and developing countries, but the AGF has outlined a rebate system that would add no burden to developing countries. The Oxfam/WWF proposal calls for part of the revenue to be directed to poor countries to offset higher import costs (\$2 on every \$1,000), and at least \$10 billion a year to be deposited in the Green Climate Fund. The International Maritime Organization, a UN agency, would oversee the process.

Revenue generated from the shipping and aviation sectors could be beneficial to countries in Africa if levying schemes differentiate between developing and developed countries and/or include carefully designed rebate mechanisms that ensure no net incidence.

In the aviation sector, the European Union (EU) has made changes to its Emission Trading Scheme (EU ETS) to cap emissions and auction carbon offset credits at an international market-based price. The new aviation directive would cover all aircraft operators entering and leaving the EU – including planes from the US.¹⁹ This proposal has sparked pushback from the US congress and the aviation industry.²⁰ Additional criticism points to the fact that the sector will receive 85 per cent of pollution permits free, and that the scheme emits pollutants other than carbon dioxide (CO₂).²¹

The Maldives, on behalf of a group of less-developed countries, has proposed a formula based on the existing French aviation levy of \$6 on all international economy-class flights and \$62 on all business-class flights. The levy would be collected by airlines from their passengers at the point of sale, with some of the revenue returned to airlines for the costs of administering the system. The Maldives estimates that the levy could raise near-term revenue of \$10 billion per year. World Bank estimates suggest that a value added tax of five per cent globally would bring in about \$20 billion. The AGF puts revenue estimates at between \$1 and \$6 billion a year.²² An aviation levy is considered fiscally progressive because it will mainly impact the less than five per cent of the world's population that engages in international tourism.²³

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schemes differentiate between developing and developed countries and/or include carefully designed rebate mechanisms that ensure no net incidence. In addition, levies should not be tied to carbon markets in these sectors, as carbon offsets can actually result in increased GHG emissions, further subjecting vulnerable communities in Africa to the impacts of global warming.

Financial transaction tax

A financial transaction tax (FTT) is a small tax on each trade of stocks, derivatives, currency and other financial instruments. According to a recent European Parliament report, a broad-based tax at the low rate of 0,01 to 0,05 per cent could raise as much as \$650 billion per year globally in new revenue.²⁴ Global campaigners generally call for a quarter of that to go toward climate finance in developing countries. In a June 2010 report for the G20, the International Monetary Fund (IMF) confirmed the administrative feasibility of FTTs.²⁵ A second IMF technical paper pointed out that most G20 countries (including South Africa) have already implemented some form of transaction tax, and offered useful information on how to design the taxes to make them most effective. The paper also noted that while an international FTT with broad geographic and sector coverage was preferable, FTTs could be implemented unilaterally or regionally.²⁶ In other words, developing countries could still enjoy the benefits of revenue generation in developed countries for the purpose of international climate finance, global financial stability, and incentives for long-term foreign investment that come with an FTT without having to implement the tax themselves.²⁷

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Global champions of an FTT, including French President Nicolas Sarkozy (2011 chair of the G20) and German Chancellor Angela Merkel, have moved forward the proposal for a 'coalition of the willing' countries to implement a regional FTT in Europe. Ethiopia, South Africa, the African Union, Spain, Brazil, Argentina and the EU Parliament have supported this proposal. Over 1 000 parliamentarians and 1 000 economists from around the planet have supported the implementation of an FTT. In April 2011 finance ministers from Francophone African countries strongly supported the rapid adoption

of an FTT covering ‘the widest possible range of transactions’.²⁸ Government FTT proponents are bolstered by a strong and growing international campaign that has brought together labour unions, and environmental, global health, and other groups.²⁹ The US recently dropped its outright opposition to any taxes on financial transactions by other countries, but does not support the proposal at home.³⁰

Special drawing rights³¹

Special drawing rights (SDRs) are reserve assets created by the IMF and allocated to member countries in proportion to their quotas, which are based on a country’s relative weight in the global economy. The purpose of SDRs has mainly been as a unit of account within the IMF, but they can represent a potential claim on IMF member countries’ non-gold foreign exchange reserve assets, which are usually held in US dollars, Japanese yen, UK pounds and euros.

There are several proposals for how SDRs could be used for climate finance, but the basic idea of many of the proposals is that developed countries transfer a portion of the \$176 billion in SDRs they were allocated in 2009 to the Green Climate Fund to underwrite green bonds for mitigation³² (some groups, like the Center for Global Development, calculate that ten per cent of the SDRs of developed countries could leverage around \$75 billion in green bonds). A variation on this proposal is that developed countries would convert a portion of their SDRs into hard currency for making grants for adaptation, or that all countries convert SDRs to cash, with developed countries paying the interest rates incurred at conversion. The IMF could also issue new, regular allocations of SDRs worth \$100 billion per year.³³ With provisions in place that guarantee that developing countries pay nothing in the conversion of SDRs to cash, this proposal is one that would benefit African countries.

Use of SDRs to support climate mitigation and adaptation is supported by a growing body of developing countries in the UNFCCC negotiations, including the Africa Group of countries, and has increasing support from financiers, and development agencies.³⁴ Climate campaigners like the Pan African Climate Justice Alliance (PACJA) support the proposal,³⁵ but point out that the IMF should have no power over the governance and use of the funds. The lack of industry opposition to SDRs in some ways greatly increases their political feasibility compared to other innovative finance proposals.

Shifting fossil fuel producer subsidies

Developed countries prop up their fossil fuel industries with subsidies worth around \$100 billion each year.³⁶ Fossil fuel subsidies in the US alone have been estimated to be as high as \$49 billion a year.³⁷ While many of these subsidies are for domestic production, a significant proportion is made up of direct transfers from developed country governments to northern-based multinational companies involved in the global extraction, processing and distribution of fossil fuels.³⁸ Institutions like the World Bank, regional development banks and national export credit agencies like the US Export-Import Bank – supported by public dollars – give billions annually to the fossil fuel industry.³⁹

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Generally, proposals for this source of climate finance call for developed country governments to eliminate tax breaks, subsidies and other supports to the fossil fuel industry and channel the equivalent amount of funds into the Green Climate Fund. To conform with the principles of equity and the ‘polluter pays’ principle it is important to make the distinction between producer subsidies, which benefit already profitable energy companies, and consumer subsidies, which make energy and transportation more accessible to the poor (countries in the G20, for example, have committed themselves to ending fossil fuel subsidies, but have made no such distinction).

Global leaders, including UN Secretary General Ban Ki Moon, Sir Nicholas Stern, and Al Gore, have spoken out against subsidising fossil fuels with public funds. And shifting fossil fuel subsidies to clean energy, like carbon taxes, creates a double impact – raising revenue while reducing GHG emissions.⁴⁰

Carbon taxes

Carbon taxes would raise revenue by placing a fee on each ton of CO₂ emitted – having the dual impact of driving down emissions and raising government revenue. The amount of revenue raised by a carbon tax would depend on the rate, coverage and market response to specific proposals. For example, the Swiss government has outlined a global carbon adaptation tax of \$2 per ton of CO₂ on all fossil fuel emissions, which could generate \$40 to \$50 billion for adaptation per year.⁴¹ The AGF more conserva-

tively estimates potential revenues of \$10 billion per year from a \$1 tax on 11 to 13 Gt of energy-related emissions.⁴²

Besides generating revenue, a carbon tax set high enough could disincentivise dirty energy, industry, transportation and land use, thus lowering emissions and reducing the threat of climate change and its impacts.

This proposal has been criticised for using a uniform tax which does not account for historical emissions. However, countries could align more closely with the ‘polluter pays’ principle by implementing a higher tax rate in countries with greater historic emissions.⁴³ Exemptions can also be made for countries with extremely low levels of emissions. The Swiss proposal applies a floor of 1,5 tons of CO₂ per capita, essentially exempting least developed countries.⁴⁴ Only if exemptions, rebates or other design elements for no net incidence in developing countries and poor families were put in place would a carbon tax be an equitable source of climate finance. Besides generating revenue, a carbon tax set high enough could disincentivise dirty energy, industry, transportation and land use, thus lowering emissions and reducing the threat of climate change and its impacts.

While carbon taxes have been criticised as being a political non-starter, fundamental tax reforms are being considered in many developed countries to address structural budget deficits. However, it is fairly unlikely that governments would give up democratic control over taxation and agree at an international level to a global tax regime or, if collected through national treasuries, direct the majority of revenue to the Green Climate Fund.

Multilateral development banks

There has been a move by some governments and bodies (like the AGF and the World Bank) to define multilateral development banks (MDBs) as a ‘source’ of climate finance because of their ability to use public money to leverage additional financial resources. For example, the Advisory Group estimated that, for every \$10 billion of public money contributed to development banks, the MDBs could mobilise between \$30 billion and \$40 billion in grants and loans. However, a recent study by experts from the University of Zurich funded by the Swedish Energy Agency and Swiss Secretariat for Economic Affairs found claims of public finance’s ability to leverage private finance to be exaggerated.⁴⁵ For example, the

World Bank’s Clean Technology Fund self-reported an 8.4 leverage ratio, while the report’s authors calculated a ratio of 2.6.

Proponents of significant MDB involvement in climate finance point to their provision of technical assistance and capacity building; support for developing countries in implementing international carbon offset projects and developing their own domestic carbon markets; provision of guarantees against policy risk; and ability to hedge carbon price risk as ways to mobilise large additional investments from the private sector.⁴⁶ Again, the University of Zurich study found that the ability of the Clean Development Mechanism (CDM), the compliance-based international carbon offset programme of the UN-FCCC, to leverage private money was about half of what is generally claimed.⁴⁷

Critics are concerned that MDBs could place conditions on money that they leverage – such as having an active lending programme with the institution, fiscal policies on debt and interest rates, and structural reforms that favour the privatisation of public goods and services. This, they point out, creates a parallel governance structure that falls outside of the UN-based international negotiating process. Many have argued that money flowing through MDBs for climate-related programmes that are not subject to the guidance of or accountable to the UN climate convention should not count toward developed country climate finance commitments.

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Meanwhile, the environmental record of most development banks leaves much to be desired. The energy programme at the World Bank, for example, remains heavily slanted toward fossil fuel production even as it vies for a central role in the Green Climate Fund.⁴⁸ For these reasons, African countries should be very sceptical of the role of MDBs as a source or a channel of climate finance.

Carbon markets *(also see Brief 3: Carbon Trading in Africa)*

The UN AGF estimated that between \$8 and \$14 billion

could be generated per year by selling carbon offsets on the global carbon market (although that appears to be an overestimate as, according to the World Bank, current revenue flow in the primary credit market is only \$1,5 billion).⁴⁹ Revenue potential depends on the demand for carbon offsets (which is falling, as the future of mechanisms such as the CDM created by the Kyoto Protocol is uncertain⁵⁰), the price of carbon and the rules that govern who gets paid for transfers.⁵¹

While carbon markets are a favourite mechanism for developed countries that want to reduce their emissions cheaply, and large developing countries that can attract large-scale mitigation projects, this mechanism does little to provide climate finance for African countries. Less than two per cent of CDM projects are hosted in Africa, and these projects represent less than 1,5 per cent of carbon credits generated. The figures for sub-Saharan Africa outside South Africa are 0,9 per cent of projects globally and 0,005 per cent of credits issued to date.⁵²

In addition to leaving out the poorest countries, carbon markets fail to finance transformational sustainable development – only 11 per cent of carbon credits are projected to come from renewable energy sources such as wind and solar.⁵³ Planned and registered solar projects account for a mere 0,02 per cent of CDM credits issued. This may change somewhat in the future, but likely only insofar as new projects entering the pipeline meet conditions for energy export potential to meet EU renewable energy targets, or where significant additional subsidies are available.⁵⁴

Carbon trading is an unpredictable source of financing because revenues fluctuate with the price of carbon, which is made more vulnerable by the involvement of speculators in the carbon market. Offset revenues also fail the test of being ‘new and additional’. Developed countries use the credits they purchase toward their own mitigation commitments. Therefore, including these payments as climate finance as well constitutes double counting.

In the end, less than 30 per cent of revenue from carbon trades goes to developing countries. The rest goes to brokers, bankers, investors and consultants in rich countries, and to fees and taxes.⁵⁵

One of these taxes is a two per cent levy on CDM payments, which funds the Adaptation Fund. Payment via this levy leaves the Adaptation Fund’s account vulnerable

to the unpredictable whims of the carbon market. South Africa advocates extending the carbon market-based levy to other Kyoto mechanisms. But the fee comes out of the revenues that developing countries would otherwise receive for sale of offset credits, and thus is functionally a contribution to the Adaptation Fund made by developing countries themselves.⁵⁶

Private sector

Because the scale of the need for climate finance is so great, and the political will to move resources through national budgets is so lacking, many developed country governments are calling for a significant role for the private sector in climate finance. The AGF estimates that the potential revenue from private finance could be as much as \$500 billion in 2020. Some proposals have gone so far as suggesting that the Green Climate Fund should be limited to administering the smallest possible subset of grants, investments or guarantees required in order to mobilise a diverse set of private sector instruments through a flexible Green Climate Finance Framework.⁵⁷

It is important to note, however, that private finance will gravitate towards more profitable investments, resulting in a strong bias towards middle-income countries and towards mitigation projects. Because many low-carbon technologies still present higher costs than high-carbon alternatives they will likely not attract significant private investment without public subsidies. Adaptation activities, which rarely generate profit, will be even less attractive. Positive development outcomes and environmental integrity are lower priorities to the private sector than returns on investments.

It is important to note, however, that private finance will gravitate towards more profitable investments, resulting in a strong bias towards middle-income countries and towards mitigation projects.

Friends of the Earth (FOE) has identified several criteria to which resources channelled to or from the private sector should adhere, including that resources that:

- Make a demonstrable contribution to sustainable, vibrant local economies in developing countries that stimulates local entrepreneurship, including in low-income countries

- Are responsive to country need and equitable geographic distribution
- Can be accompanied by the application of rigorous environmental and social safeguards and the highest standards of transparency and accountability

In addition resources should have no links to carbon markets and should exclude risky financial instruments.

FOE also argues that prior to any operationalisation of private sector leveraging as a function of the Green Climate Fund, a better understanding of its efficacy in generating pro-poor, climate-friendly investment is necessary.⁵⁸ African governments should be wary of promises and projections made about the possibility of the private finance making a significant contribution to climate adaptation and mitigation that is fair and effective to local communities, and should therefore develop stringent criteria for its use.

4. CONCLUSIONS

Public sources first and foremost: At least the initial \$100 billion dollars to capitalise the Green Climate Fund should come from public sources. While developed countries claim there is no money, resources have been found to bail out big banks, subsidise dirty energy and industry, and pay for war. Using traditional and innovative mechanisms – such as taxes, levies and SDRs – governments can raise funds to transfer into the coffers of the global fund. Ultimately mobilising public resources is a matter of political will. The private sector has a role to play in supporting renewable energy, clean companies and sustainable business models, but it must be regulated to uphold climate integrity and social development objectives.

Avoid carbon markets: Carbon markets have demonstrably failed to meet the climate finance needs of African countries. Carbon offset mechanisms have not been found to contribute meaningfully to the transfer of clean technologies to Africa or to increase access to renewable energy. While carbon offsetting is not designed to reduce GHG emissions (it can, at best, keep them at the level of a cap), it can lead to increasing emissions when credits are earned for spurious projects in the global South but equivalent pollution is still emitted in the global North. The potential to increase global warming is in conflict with the interests of African countries.

Equitable and transformative climate finance: The sources of climate finance as well as the rules and institutions that manage the flow of resources should be part of our transformation into low-carbon economies. In addition, raising climate funds (through, for example, FTTs) can be one tool for redistributing resources that are increasingly concentrated in the hands of the super-rich in the fight against growing wealth inequality. Climate finance can therefore be used to support a just transition and sustainable development.

5. NOTES

¹ Organisation for Economic Cooperation, 2008, *Climate change mitigation: what do we do?* <http://www.oecd.org/dataoecd/30/41/41753450.pdf>

² Intergovernmental Panel on Climate Change, Fourth assessment report (AR4) 2007.

³ UNEP and Stockholm Environment Institute, Synthesis Briefing Note: estimates of the costs of adaptation in Africa, <http://new.unep.org/climatechange/LinkClick.aspx?fileticket=-K3E-Ya4pQA%3D&tabid=241&language=en-US>

⁴ All monetary values are expressed in US dollars.

⁵ UNEP and Stockholm Environment Institute, Synthesis Briefing Note: estimates of the costs of adaptation in Africa.

⁶ <http://siteresources.worldbank.org/INTWDR2010/Resources/5287678-1226014527953/Chapter-6.pdf>

⁷ For resources on climate debt, reparations and the international climate negotiations visit ClimateDebt.org at <http://climate-debt.org/resources/documents/>; this site includes a useful overview of the concept entitled Climate debt: a primer, at <http://climate-debt.org/wp-content/uploads/2009/11/ClimateDebtPrimer.pdf>; see also Bond, Patrick, Climate debt owed to Africa: what to demand and how to collect? 5 May 2010, <http://links.org.au/node/1675>.

⁸ The full decision of the 16th Conference of the Parties in Cancun, Mexico, to create the Green Climate Fund can be found here: <http://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=2>

⁹ *Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention*, http://unfccc.int/files/meetings/durban_nov_2011/decisions/application/pdf/cop17_lcaoutcome.pdf

¹⁰ Many organisations have developed criteria for evaluating sources of climate finance, but we believe that these criteria do the best at capturing the political and pragmatic concerns voiced by civil society in the global South and North.

¹¹ Wilks, Alex for ActionAid, CRBM, GAIA, Institute for Policy Studies, Jubilee South APMDD, July 2010, *Climate finance discussion paper 2010*, <http://www.globalclimatefund.org/wp-content/uploads/2010/08/discussion-paper-1.pdf>

¹² A chart outlining proposals for development finance more broadly can be found at the Institute for Policy Studies' website: http://www.ips-dc.org/articles/seven_innovative_mechanisms_of_development_finance; also see Friends of the Earth England, Wales and Northern Ireland's report, *Clearing the Air* on sources of climate finance here: http://www.s2bnetwork.org/fileadmin/dateien/downloads/clearing_air.pdf

¹³ The final report and related working papers of the UN Secretary-General's High-level Advisory Group on Climate Change Financing can be found here: <http://www.un.org/wcm/content/site/climatechange/pages/financeadvisorygroup/pid/13300>

¹⁴ Third World Network Info Service on Finance and Development, <http://www.twinside.org.sg/title2/finance/twninfofinance20080803.htm>

¹⁵ The full text of the Cochabamba Peoples Agreement can be read here: <http://pwccc.wordpress.com/2010/04/24/peoples-agreement/>

¹⁶ UNECA Africa Partnership Forum, May 2009, *Financing climate change adaptation and mitigation in Africa: key issues and options for policy-makers and negotiators*, http://www.uneca.org/adfvii/documents/FINALPolicyBrief_FinancingCC130509.pdf

¹⁷ Lamb, Geoffrey, *Technical note on the report of Bill Gates to the G20 on financing for development*, leaked draft copy, 16 September 2011; World Bank, *Mobilizing climate finance: a paper prepared at the request of G20 finance ministers*, leaked draft copy, 19 September 2011.

¹⁸ Download the full report by WWF and Oxfam here: <http://abcnews.go.com/Technology/wireStory?id=14468645>

¹⁹ <http://www.lne.be/en/ets-aviation/scope-of-the-eu-ets-directive-for-aircraft-operators>; meanwhile, the House of Representatives in the US is gearing up to fight the directive, see: <http://www.ainonline.com/news/single-news-page/article/house-ready-to-fight-europes-ets-30978/>

²⁰ *Pleas for ETS postponement after European court rejects US airline objections*, 7 October 2011, <http://www.centre-foraviation.com/analysis/pleas-for-ets-postponement-after-european-court-rejects-us-airline-objections-60124>

²¹ Carbon Trade Watch, *EU emissions trading system: failing at the third attempt*, 7 April 2011, <http://www.carbontradewatch.org/publications/eu-emissions-trading-system-failing-at-the-third-attempt.html>

²² UNFCCC, *International air passenger adaptation levy, proposal by the Maldives*, 12 December 2008, http://unfccc.int/files/kyoto_protocol/application/pdf/maldivesadaptation131208.pdf

http://unfccc.int/files/kyoto_protocol/application/pdf/maldivesadaptation131208.pdf; World Bank, *Taxing (or not) international aviation*, 11 June 2010, <http://beta.worldbank.org/blogs/taxing-or-not-international-aviation>.

²³ Johnson, Victoria and Cottingham, Martin, new economics foundation, *Plane truths: do the economic arguments for aviation growth really fly?* September 2008, <http://www.wdm.org.uk/sites/default/files/planetruths27092008.pdf>.

²⁴ A summary of the European Parliament report is available here: <http://www.europarl.europa.eu/en/headlines/content/20110131STO12855/html/MEPs-push-forward-plans-for-financial-transaction-tax>

²⁵ The June 2011 report to the G20 entitled *A fair and substantial contribution by the financial sector* is available here: <http://www.imf.org/external/np/g20/pdf/062710b.pdf>

²⁶ International Monetary Fund, *Financial sector taxation: the IMF's report to the G-20 and background material*, September 2010, <http://www.imf.org/external/np/seminars/eng/2010/paris/pdf/090110.pdf>

²⁷ A fact sheet on frequently asked questions about the implications for the developing world of taxing financial speculation is available here: http://www.ips-dc.org/articles/financial_transaction_taxes_and_the_global_south

²⁸ Press release, *Taxing financial transactions to finance development*, 15 April 2011, <http://www.development-finance.org/en/news/433-13-16-april-oif-ministerial-meeting-of-28-low-income-countries-backs-financial-transaction-tax.html?q=financial+transaction+tax>; Tudor, Owen, *Francophone south backs Robin Hood Tax*, 23 September 2011, <http://touchstoneblog.org.uk/2011/09/francophone-south-backs-robin-hood-tax/>

²⁹ For more information about FTTs visit the Robin Hood Campaign website: <http://robinhoodtax.org/>

³⁰ Anderson, Sarah, *Emerging economies join G20 coalition to tax speculation*, 4 November 2011, http://www.ips-dc.org/blog/emerging_economies_join_g20_coalition_to_tax_speculation

³¹ Additional resources on SDRs include Center for Global Development, *Find me the money: financing climate and other global public goods*, Working Paper 248, <http://www.cgdev.org/content/publications/detail/1424979/>; IMF Staff Position Note, *Financing the response to climate change*, <http://www.imf.org/external/pubs/ft/spn/2010/spn1006.pdf>

³² In this proposal SDRs would remain in their reserve form (not be changed into hard currency) and be used, in a sense, as collateral to back the sale of bonds as a way of raising additional money for climate.

³³ A factsheet from ActionAid USA is available here:

http://actionaidusa.org/assets/pdfs/climate_change/SDR%20Factsheet%20-%20UNFCCC%20delegates.pdf; it addresses concerns about regular allocation of SDRs leading to inflation.

³⁴ UNFCCC, *Submission on the outcome of the ad hoc working group on long term cooperative action under the convention under item 3, proposal by the African Group*, 12 December 2009, http://unfccc.int/files/kyoto_protocol/application/pdf/algeriaafrican111209.pdf; Soros, George, *Using SDRs to fight climate change*, speech at Copenhagen climate conference, December 2009, <http://www.project-syndicate.org/commentary/soros55/english>.

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³⁶ Oil Change International, *Fact sheet: shifting fossil fuel subsidies to increase energy access and support climate-affected communities*, June 2011, www.priceofoil.org; see also Gates Foundation and World Bank leaked draft reports to the G20 finance ministers.

³⁷<http://www.csmonitor.com/USA/Politics/2011/0309/Budget-hawks-Does-US-need-to-give-gas-and-oil-companies-41-billion-a-year/%28page%29/2>.

³⁸ IEA, OPEC, OECD, World Bank joint report, *Analysis of the scope of energy subsidies and suggestions for the G-20 initiative*, 16 June 2010, <http://www.oecd.org/dataoecd/55/5/45575666.pdf>.

³⁹ <http://priceofoil.org/fossil-fuel-subsidies/>

⁴⁰ According to the International Energy Agency (IEA), phasing out subsidies for fossil fuels between 2011 and 2020 would cut global oil demand by 6,5 million barrels per day in 2020, and global energy demand by the equivalent of the energy consumption of Japan, New Zealand, Korea and Australia combined; see IEA, *Energy subsidies: getting the prices right*, 7 June 2010, http://www.iea.org/files/energy_subsidies.pdf.

⁴¹ Wilks, Alex for ActionAid, et al., July 2010, *Climate finance sources discussion paper 2010*.

⁴² UN Secretary-General's High-level Advisory Group on Climate Change Financing, http://www.un.org/wcm/webdav/site/climatechange/shared/Documents/AGF_reports/AGF%20Report.pdf

⁴³ UNECA Africa Partnership Forum, May 2009, *Financing Climate Change Adaptation and Mitigation in Africa*

⁴⁴ Africa Partnership Forum, *Carbon Finance in Africa*, November 2008, <http://www.oecd.org/dataoecd/63/16/41656313.pdf>

⁴⁵ Stadelmann, Martin, Castro, Paula, and Michaelowa, Axel, *Mobilising private finance for low-carbon develop-*

ment, 19 September 2011, <http://www.climatestrategies.org/research/our-reports/category/71/334.html>

⁴⁶ UN Secretary-General's High-level Advisory Group on Climate Change Financing.

⁴⁷ Stadelmann, Martin et al., *Mobilising private finance for low-carbon development*.

⁴⁸ Ackerman, Frank for UNCTAD, *G-24 Discussion Paper Series. Financing the Climate Mitigation and Adaptation Measures in Developing Countries*, December 2009, <http://www.g24.org/Publications/Dpseries/57.pdf>

⁴⁹ World Bank, *State and Trends of the Carbon Market 2011*, June 2011, http://siteresources.worldbank.org/INTCARBONFINANCE/Resources/State_and_Trends_Updated_June_2011.pdf

⁵⁰ The CDM and a global compliance-based carbon market were enshrined in the Kyoto Protocol to lower the cost for developed countries to meet their emission reduction commitments. Under the CDM, rich countries can purchase credits from poorer countries that are reducing their emissions. Developed countries get credit for the reductions, but can still pollute an equivalent amount at home. The CDM (and the Joint Initiative, a similar mechanism for Eastern European countries) will disappear in its current form at the end of 2012 if countries fail to come to an agreement for a second commitment period to the Kyoto Protocol.

⁵¹ *Report of the Secretary-General's High-level Advisory Group on Climate Change Financing*, 5 November 5 2010, http://www.un.org/wcm/webdav/site/climatechange/shared/Documents/AGF_reports/AGF%20Report.pdf

⁵² Sutter, Christophe and Parreno, Juan Carlos, *Climate change, does the current clean development mechanism (CDM) deliver its sustainable development claim? An analysis of officially registered CDM projects*, July 2007, at http://cleanairinitiative.org/portal/system/files/articles-72508_resource_1.pdf.

⁵³ Ibid. A 2007 analysis of a sample of CDM projects found that only 1,6 per cent of credits went to projects that benefited sustainable development.

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⁵⁵ Clifton, Sarah-Jayne, Friends of the Earth, *A dangerous obsession – the evidence against carbon trading and for real solutions to avoid a climate crunch*, 2009, http://www.foe.co.uk/resource/reports/dangerous_obsession.pdf

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⁵⁷ Liebreich, Michael, Bloomberg New Energy Finance, *White Paper: towards a green climate finance framework*, September 2011.

⁵⁸ Friends of the Earth US, *Recommendations for the Transitional Committee: role of private sector finance and the green climate fund*, July 2011, http://unfccc.int/files/cancun_agreements/green_climate_fund/application/pdf/foe_submission_on_ws_iii.pdf

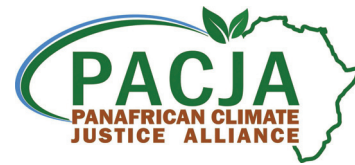
6. ABOUT THIS BRIEF

This document has been produced by Pan African Climate Justice Alliance, PACJA, in partnership with the Institute for Security Studies, ISS. This is part of a series of four policy and technical briefs for engagement by African decision makers, negotiators and civil society during COP17 and beyond. Contributors include Janet Redman, Oscar Reyes, Trusha Reddy, Mithika Mwenda, and Michele Maynard. This is a live rather than a static document. PACJA together with the ISS will therefore continue to update it accordingly. The opinions expressed do not necessarily reflect those of the ISS or PACJA. Authors contribute in their personal capacity.



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This brief was made possible through funding provided to the Institute for Security Studies by the Hanns Seidel Foundation. In addition, general Institute funding is provided by the governments of Denmark, the Netherlands, Norway and Sweden.



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This brief was made possible through funding provided to the Pan African Climate Justice Alliance (PACJA) including:

