THE POLITICAL ECONOMY OF CLIMATE FINANCE

POVERTY

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OVERVIEW

Though the complicated, contradictory and messy political dynamics of COP15 in Copenhagen showed just how difficult it is to reach global legal agreement on climate change, many hopes exist that the relative progress made on climate finance shows how the politics can be overcome.

It is now essential that parties at COP16 in Cancun, Mexico, agree a realistic but ambitious timeline for decision-making to deliver an operating long-term finance mechanism by 2013, and funds that can be scaled up substantially by 2020.

Innovative finance proposals provide interesting possibilities for contributions to be organised and distributed in such a way that political agreement and acceptability can be reached. This paper examines the political feasibility of delivering new sources of long-term climate finance within this timeline.

Our analysis shows there are a number of actions that developed countries can take immediately that will facilitate progress in the negotiations and build trust between rich and developing nations. Firstly, they can ensure that the commitments made at the G20 in Pittsburgh (2009) and Toronto (2010) on phasing out fossil fuel subsidies are honoured and that concrete and detailed plans for phase-out are submitted. Secondly, legislation on carbon emission trading schemes is being prepared in a number of countries in which auctioning of emission credits plays a role. A commitment to set aside part of the revenue from these auctions could provide an important signal to the COP16 negotiations in Cancun.

Additionally, COP16 provides a real opportunity to make key decisions around one or two proposals, such as expansion of the carbon market levy and proposals to use Special Drawing Rights, which will help showcase renewed commitment, and facilitate negotiations in other areas.

Finally, our analysis demonstrates an important stumbling block for non-Annex 1 countries to embrace any proposal that may impact on them. This is the lack of an internationally agreed allocation framework in which the required contributions from Annex 1 countries are spelled out according to the UNFCCC principle of 'common but differentiated responsibility and capability' (CBDR). If such a framework were in place and Annex 1 countries commit to deliver finance in a transparent way, many non-Annex 1 countries are even willing to consider proposals in which they would be required to contribute.

The timeline for decision-making on climate finance up to 2013 is very tight. It can only be met with renewed commitment to results from all parties involved and a more open approach to all the finance options on the table.

INTRODUCTION

Spotlight on climate finance

The climate crisis that is unfolding across the world comes with a huge price tag. While developed nations are already investing in alternative energy sources and adaptation technologies for themselves,[i] developing countries rightly point towards the historical responsibilities of Annex 1 countries to provide the financing necessary for their adaptation and mitigation costs. Climate finance is important not only in its own right, but is key to unlocking many other blocking points in the climate negotiations. Mustering the political will to move forward in this area is thus potentially one of the most important tasks for negotiators and their governments in the immediate future.

Though the complicated, contradictory and messy political dynamics of COP15 in Copenhagen have shown once just how difficult it is to reach global legal agreement, many hopes exist that the relative progress made on climate finance shows how the politics can be trumped. The Copenhagen Accord included a financial commitment to providing fast-track finance of US$10 billion per year from 2010 to 2012 with a promise to increase these funds to US$100 billion a year by 2020. Though negotiated and agreed by a small group of countries outside of the UNFCCC, the Copenhagen Accord is now supported in one way or another by around 138 out of 190 countries,[ii] including by all Annex I countries and BASIC countries.[iii] Some developing countries are reluctant supporters, with the anticipation of some finance being a particular draw to the table.[iv]

This paper will analyse the political feasibility of delivering new sources of long term climate finance.

Economic crisis

Unfortunately, promises can be as easily broken as they are made. Predictably, it is already transpiring that many of the individual pledges for fast-track financing by Annex I countries are being merely 're-announced', and nearly all will be counted as official development assistance (ODA) though climate finance clearly should not be counted as aid.[v] Furthermore, the Copenhagen pledges were made in the aftermath of one of the worst global financial crises in living memory.

Though the current economic crisis should not be used as an excuse for Annex I countries not to take up historic responsibilities and duties – after all billions of dollars were easily found to support foundering banks – it is important to recognise that the crisis has led to decreased fiscal manoeuvring space in Annex I countries. Most governments now focus on budget deficit reductions and public expenditure savings, and are wary of any further fiscal commitments that do not bring immediate domestic benefit. Combined with apparent tectonic shifts in economic power towards new emerging economies, it is perhaps no surprise that developed countries attempt to deflect some of the responsibility they bear – both for carbon emissions reduction and finance – by questioning the Convention's current definitions of developed and developing country Parties, and consequently respective responsibilities and capabilities in tackling climate change.

Opportunities

Against this difficult economic and political background, it is encouraging that the Copenhagen Accord pledge on long-term finance has been made at all. The fact that a concrete figure (US$100 billion), with a concrete deadline (2020), has been agreed provides hope that the first essential signposts are in place along the climate finance track. However, this is only really significant if the funds are actually delivered on time and to scale.

Crucially, the outcomes of the High Level Advisory Group on Climate Finance (AGF) assembled by the United Nations Secretary General under the Copenhagen Accord can help identify ways in which financial contributions can be made more acceptable to the majority of Annex I populations in the context of tight budgetary constraints. Though, ultimately, Annex I taxpayers will not be able to avoid contributing to international climate finance in one way or another (either directly through some kind of taxation, or indirectly through price increases), innovative finance proposals – such as those detailed in Annex B – provide interesting possibilities for the contributions to be organised and distributed in such a way that political agreement and acceptability can be reached.

Aim of this paper

This paper does not consider the technical aspects of innovative finance mechanisms (potential, efficiency, impact, scale etc[vi]); neither does it aim to advocate for particular mechanisms around which parties should converge. Ultimately, most commentators agree that a package of mechanisms – such as a 'portfolio' of options or a series of 'wedges of measures' – will be necessary to reach the required sums as well as to ensure a number of central climate finance principles are respected.[vii]

Instead, the key objective of this paper is to analyse political support for a number of mechanisms from both developed and developing countries, state which mechanisms receive the broadest support, and where blockages and concerns exist. By focusing purely on the political feasibility of finance proposals, we hope to provide an extra angle of analysis that can provide a reality check in the current negotiations as well as emphasise where more work needs to be done. The paper also highlights the tight timeline in which decisions need to be made, and proposes a concrete set of actions and decisions up to 2013.

1. A CRUCIAL THREE YEARS: 2010-2012

The US$100 billion in context

It is important to place the Copenhagen financial commitment in the context of recent estimates of post 2020 international climate finance needs, some of which are summarised in Table 1. Though the figures are difficult to compare because of the many different sets of assumptions that underlie them, estimated mitigation funding needs range between US$65 billion and $175 billion per year, while estimates for adaptation funding needs are between US$10 billion and US$100 billion per year. In total, between US$93 billion and US$275 billion will be needed annually. Actual funding needs will be dependent on the success of mitigation policy measures in driving down the cost of future abatement and the shared vision of the international community in terms of mitigation goals.[viii]

The real scale of finance required
A number of developing countries which have signed the Copenhagen Accord continue to demand finance equivalent to 1.5% of Annex 1 GDP, as a more true reflection of the true costs of climate change. Christian Aid believes that finance mechanisms should be scaleable to meet real costs to developing countries.

Table 1. Recent estimates of international climate finance

		Annual funding needs, 2005 (billions of dollars)		
Source	**Year**	**Mitigation**	**Adaptation**	**Total**
EC (2009)	2020	94	10-24	94-114
African Group (2009)	2020	200	>67	267
World Bank (2009)	2030	139-175	20-100	159-275
UNFCCC (2008)	2030	>65	28-59	93-124

Source: IIED (2010)[ix]

Though the Copenhagen Accord pledge of US$100 billion is at the lower end of the estimated finance needs, to the extent that a non-binding agreement will actually deliver, it could meet a substantial part of projected costs.

A timeline is needed

To reach the amounts and date set out in the Copenhagen Accord pledge, Annex I countries will need to embark on a very fast process to assess, agree, implement and scale up finance proposals. There are only 10 years between COP16 and the US$100 billion goal, so negotiating parties, and Annex 1 countries in particular, need to set out a clear scheduled process of decision-making that leads to a rapid scaling up of climate finance, with clear, traceable intermediate milestones and targets on the way to 2020.

It is of some concern that there does not yet seem to be a clear, internationally agreed, realistic timeline in place to ensure that financial mechanisms can begin in 2013. It is crucial that parties start considering now the various steps needed towards a comprehensive climate finance package.

Essential milestones

Figure 1 below illustrates a suggested timeline for decision-making at the UN climate negotiations.

The separately pledged, fast-track financing of US$30 billion over three years will end by the beginning of 2013, so by then one or more mechanisms should be in place and start delivering financing of at least US$20 billion a year. **Clear and unequivocal instructions for establishing finance mechanisms will need to be agreed by parties at COP17** in South Africa in December 2011 at the very latest, to allow a minimum of one year for the setting up and arrangement of new institutions and frameworks that may be needed.

Before implementation, it may also be necessary, depending on the mechanism(s) agreed, to include a pilot phase to check issues of feasibility, predictability, scaleability in practice, and to solve any teething problems. **Any piloting phases should take place in advance of COP17**, to be evaluated and adjusted at COP17, meaning that at COP16 in Cancun, negotiating parties should be able to agree on a selected number of finance-raising pilots to commence testing throughout 2011. This would mean ensuring that Cancun delivers commitments from some countries to kick-start work on sources of climate finance (say a number of countries adopting a particular mechanism), which can then be adopted more widely once the political conditions are right. At the same time, further political support should be garnered for these mechanisms once preliminary results become available at the end of that year. The aim must be to ensure regular reliable sources of finance are working by 2013.

As important as decisions on finance proposals themselves, parties will need to **agree on an ambitiously steep climate finance trajectory to ratchet up finance to US$100 billion by 2020**. This should contain intermediate finance targets as well as warning systems and suggested actions in case delivery of finance risks being off-track. While certain mechanisms may still be at the piloting stage even past 2013,

Figure 1: Proposals to raise climate finance: suggested timeline

Assessment and internal consultation by Parties on widest range of options

Preparation of AGF report

COP16 2010
Cancun

AGF recommendations

Agreement reached on proposals for piloting

Piloting of proposals

Gathering of further political support

Evaluating progress

COP17 2011
South Africa

Agreement on definite finance proposals

Instructions for establishment/mandating institutions

Agreement on intermediate finance targets 2013-2020

Agreement on mechanism to track overall finance raised this may be acceptable as long as the overall amount of funding generated is kept in line with the agreed, ambitiously steep curve to ratchet up finance to US$100 billion by 2020.

Simultaneously, **agreement is needed on the tracking of financial contributions**. To ensure mutual trust between parties, a transparent mechanism will need to be set up to track overall finance raised, ensure such financing is new and additional, as well as attribute finance to contributing countries (which in turn should ideally be linked to an agreed financial responsibility allocation framework that sets out financial burden sharing amongst countries; an example of this is the Green Development Rights Framework). Some proposals have been developed on what such tracking mechanisms may look like (for example, IIED 2010; WRI 2009[x]). The climate finance trajectory and tracking mechanism should be in place by COP17.

Establishment of institutional framework(s) to govern climate finance

Tracking mechanism set up in parallel

COP18 2012

Evaluate progress made, make any final decisions required

Mandate for official launch of finance mechanism

2013

Finance mechanisms online – to be scaled up to at least US$100bn by 2020

2. POLITICAL FEASIBILITY OF CLIMATE FINANCE PROPOSALS

2.1. Research undertaken

Methodology and respondents

The political analysis in this report is based on a survey of media reports and written statements by parties, on telephone conversations with informed individuals and through an online survey, which was sent to both government officials and civil society advocates. Survey respondents were exclusively from civil society, as government representatives all indicated that they were waiting for the recommendations from the AGF in November 2010, and either that positions were still being developed, or that it was too early to communicate their positions with us.

Fifteen people from 10 countries participated in the online survey and telephone interviews (four non-Annex 1 countries: Bangladesh, India, China and the Philippines; and six Annex 1 countries: Germany, UK, Norway, Canada, Japan and the US, plus the European Commission. All responses were given with a guarantee of anonymity.

Selected proposals

All the AGF-listed public finance proposals[xi] were included in the analysis, as well as some finance ideas which are currently high on the global agenda, although not necessary in a climate context. In Annex A, a summary of each of the selected proposals is given, including estimated revenues, time horizon, short description and main proponents. The selected proposals were:

- Assessed contributions
- Auctioning of Assigned Amount Units (AAUs)
- Domestic auctioning of emission permits (eg the European Union Emissions Trading Scheme – EU ETS)
- Financial Transaction Tax (FTT)
- Special Drawing Rights (SDRs)
- Aviation or shipping levies (bunker fuels)
- Banking levies (tax on banks)
- Redirecting subsidies for fossil fuels
- Global carbon tax
- Carbon market levy
- Debt for clean energy swaps.

Most of these proposals can be conceived and established in many different ways and through different modalities, with gradations in time (phased introductions), scale (varying percentages of tax applied) and scope (for example Annex I versus non-Annex I countries, or arrangements for exceptions of least developed countries, LDCs). However, in this analysis, proposals were considered as general propositions, with further detail to be determined and politically negotiated at a later stage.

Why Christian Aid focuses on public finance proposals

Christian Aid believes that the US$100 billion climate finance pledge should come from public sources, and that carbon markets, offsets and private sector actions should be dealt with separately. While private finance will need to play a key part in international climate finance, commitment to public finance is essential to help unlock private capital, to ensure that the poorest benefit from climate finance, and to respect the principle of CBDR.

Principles and criteria

The analysis also enquired about which principles or criteria governments use (or are perceived to use) to assess climate finance proposals. Though the intention of this paper is not to fixate the discussion on principles in their own right, using a lens of 'principles', derived from existing debates around climate finance, we hoped to better understand the reasons behind government positions on climate finance proposals.

The principles considered by this enquiry are summarised as follows:

- Finance should be raised through innovative means, not through budgetary allocations.
- The mechanism should be linked with climate change and penalise polluting activities.
- Contributing governments should have no budgetary discretion over finance.
- Finance should reflect the principle of common but differentiated responsibilities.
- Finance should be adequate: comparable in scale to estimates of need.
- Finance should be scaleable: it needs to be increased if demand necessitates it.
- A financial mechanism should be realistic and easily implementable.
- Mechanisms should be assessed for their political feasibility with negotiating parties.
- Mechanisms should allow management by an institution accountable to the COP.

From a climate justice perspective, Christian Aid, together with other civil society organisations, believes sources of climate finance should be new and additional, predictable and equitable, based on the polluter pays principle and adequate and scaleable (see Annex C).

2.2. Findings

Understanding government positions on climate finance by definition can only be partial and temporary. Positions on climate finance are continuously being re-evaluated and adjusted in the face of parties' negotiating strategies and on emerging evidence, so any snapshot is quite quickly out of date. Nevertheless, we hope the account given here provides a useful insight into current positions and helps highlight a few opportunities in the immediate term. An overview of positions on finance proposals is given, followed by a short discussion of findings on principles.

Overview of positions on finance proposals
Table 2 gives an overview of the findings on current positions on long-term climate finance proposals based on literature review, media reports, official statements, telephone interviews and an online survey. For each of the finance proposals, countries have been divided into 'champions', 'potential supporters', 'potential blockers' and 'non-committed'. Where governments have come forward with an official proposal in the form of a submission to the UNFCCC, they are marked in **bold** in the champions column. Information obtained from civil society organisations through surveys is in *red italics*. In the second column, the top row represents the estimated scale of revenue generated by the mechanism on an annual basis, and the bottom row reflects relative contributions from the US, the EU, the rest of Annex 1 ('rest') and non-Annex 1 ('non'). Both are based on calculations made by The Global Canopy Programme[xii].

Table 2. Overview of government positions on innovative climate finance proposals

Notes:

- Information from survey/telephone interviews is displayed in *red italics*.
- Information in the second column is based on analysis by the Global Canopy Programme (2009)[xiii]. The figure in the top row refers to the range of finance this proposal could raise per year, the figure in the bottom row refers to the respective contributions of the following groups: the US, the EU, the rest of Annex 1 countries and non-Annex 1 countries.
- References can be found in Annex B.

Proposal	How much could be raised /year Distribution key	Champions: proposers and endorsers	Potential supporters	Potential blockers	Non-committed
Assessed contributions	n/a n/a	**G77 + China,[1] Mexico,[2]** *Philippines, Bangladesh, India*	*Norway, Canada (if without compliance mechanism),*	*US*	*UK, Japan*
Auctioning of AAUs	US$9-35bn US (38%), EU (27%), rest (35%), non (0%)	**Norway,[3]** UK, Mexico, Australia,[4] EU,[5] AOSIS[6]	Spain, LDCs, *Bangladesh, China*	*Canada, Japan, European Commission, Germany, US*	*UK, Philippines, India*
Domestic emission permits auctioning	US$8-30bn n/a	UK,[7] *European Commission*	*Canada, Norway, Japan, China, US*		*Bangladesh, Philippines, Canada, India*
Financial transaction Tax	US$17-35bn US (17%), EU (49%), rest (20%), non (14%)	UK,[8] France, Germany, Belgium,[9] Austria,[10] Ethiopia[11]	*Philippines, UK, Norway, China*	US,[12] *Canada, US*	*Bangladesh, India, Japan, Germany, India*

Proposal	How much could be raised /year	Distribution key	Champions: proposers and endorsers	Potential supporters	Potential blockers	Non-committed
Special Drawing Rights	US$5-7bn	US (14%), EU (30%), rest (23%), non (33%)	**IMF**, Bolivia, Africa Group,[13] G77[14]	*Philippines*, UK, France[15]	Most IMF board members rejected,[16] *US*	*UK, Bangladesh, Philippines, China, India*
Aviation or shipping levy[17]	Various proposals have different estimates, eg IMERS US$20-30bn	US (24%), EU (56%), rest (20%), non (0%)	**Joint proposal UK, Norway, Mexico, Australia,[18] group of LDCs,[19]** and SIDS (incl Botswana, Cook Islands),[20] Ethiopia,[21] **Denmark**,[22] **Nigeria**, **Liberia**,[23] **Tuvalu,[24]** *Bangladesh, Norway, European Commission*	European Commission,[25] Japan,[26] previous UK government,[27] Norway, EU, Australia, Brazil,[28] *Canada, UK, US*	Industry,[29] OPEC,[30] *Japan, China*	*UK*, Russia,[31] *Germany (including aviation fee), India*
Banking levies	No calculations made	n/a		Proposed by UK and US (but currently not destined for climate finance), *Bangladesh, US*	*Canada, India*	*Norway, Philippines, India, Japan, Germany*
Redirecting fossil fuel subsidies	No calculation made	n/a	**G20 commitment** (but not to redirect to clean energy)[32]	*China*	*India*, developing countries,[33] *Norway, Canada*	*Canada, UK, Bangladesh, Norway, Philippines, Japan, Germany (but revenue used domestically), US, India*
Global carbon tax	US$16bn	US (42%), EU (22%), rest (19%), non (17%)	**Switzerland**[34]	Sweden, Finland, Norway and the Netherlands, UK (to some extent all introduced some kind of carbon tax, but not sure whether would be used for climate finance)[35]	*Canada, UK, Norway, Japan, Canada, US*	*Philippines, India*
Carbon market levy	US$3.5-7bn	n/a	G77+China, Pakistan,[36] *India*, Brazil,[37] *Bangladesh, European Commission*	*UK, Italy, Norway, Philippines, Bangladesh*	Developed countries blocked at Poznan[38]	*Canada, UK, India, Japan, Canada, Germany,*
Debt for clean energy swap	<US$1bn	n/a		*Philippines, Norway, China*, US[39]	*Japan*	*Bangladesh*
Private investment			*Canada, Japan, European Commission*	*UK, Norway*	*Bangladesh, China*	*Norway, Philippines, China*

2.3 Analysis

Annex 1 priorities: Economic constraints
Survey responses confirmed that current positions of Annex 1 countries are starkly framed by the economic crisis and high national debts. Annex 1 respondents repeatedly mentioned how their governments are reluctant to be seen discussing international climate finance by taxpayers, which is the main reason why they prefer to focus on searching for alternative ways, ie private finance, where the public purse is left untouched. According to one commentator, this explains why governments prioritise fast-track financing above long-term finance, while at the same time using fast-start financing as bargaining leverage to achieve more favourable positions from developing countries.

A commentator from one of the BASIC (emerging economies) countries also recognised that the 'financial tsunami' may mean that the scale of finance would be simply too big for rich countries to commit to, and that large developing countries may be willing to accept the lower-end financial estimates of the Copenhagen Accord.

Another reason given for the lack of public statements on finance proposals by Annex 1 governments (and participation in our survey) is that they are awaiting results of the AGF at the end of 2010. Some governments appear to be still developing their positions, while others are holding their cards very close to their chest.

Non-Annex 1 priorities: Framework of responsibility
Non-Annex 1 countries are generally less actively engaged in the debate over specific sources of long-term finance, as they consider it is the responsibility of developed countries to identify and generate financial resources. Nevertheless, there was clear and unequivocal feedback that the bottom line for non-Annex 1 countries, particularly in BASIC countries, is that Annex 1 countries 'do not deflect responsibility' with regard to climate finance. They indicated that developing countries may even be willing to share part of the global climate finance burden, as long as a clear global framework of responsibility is in place that follows the CBDR principle, in which the portion of Annex 1 contributions is quantified and complied with, and there are clear, transparent contributions not double-counted with other finance sources. Most financial sources would be acceptable for these countries as long as it is in the context of such a framework. Consequently, non-Annex 1 countries all officially propose or support proposals for assessed contributions, with primary importance given to the responsibility framework rather than sources of finance. Proposals for calculating financial responsibility have been elaborated, the most detailed of which is the Greenhouse Development Rights approach, which is supported by Christian Aid as the clearest and fairest way of allocating responsibility.[xiv]

Respondents from non-Annex 1 countries indicated that none of the recent financial initiatives discussed at G20 meetings (bank levies, phasing out of fossil fuel subsidies) made any differentiation between Annex 1 and non-Annex 1 members, assuming a blanket approach that is not acceptable to them. If Annex 1 countries would commit to take the lead and propose a phased approach, it would be much more acceptable to non-Annex 1 countries.

Blocking countries
Looking at which countries are blocking one or more finance proposals, it is clear that the majority are Annex 1 countries. Canada, Japan and the US are opposing a number of proposals, carrying a good deal of responsibility for holding up progress on finance. In practice, there may still be other Annex 1 countries that are blocking proposals behind the scenes, and there are some contradictory reports. For example, Japan is perceived to be both potentially supporting and blocking proposals for an aviation and shipping levy. Though non-Annex 1 countries also voice opposition to some key proposals, feedback was that opposition could often be remedied if the design of the mechanism would take into account the CBDR principle as explained above.

Non-committed countries
There are still many countries that are undecided, and do not actively support or block each proposals For many more countries, respondents simply said they did not know what their government's position was. This group of undecided countries is potentially the most important in terms of helping to build quick support for a few key proposals. If they could be persuaded to offer support for a number of mechanisms, they could help provide much needed momentum, while hopefully convincing blocking countries to drop their opposition. Many non-Annex 1 countries are still undecided, but could be called upon for active support if they are confident that mechanisms are fair and follow CBDR principles.

Analysis of proposals
Conflicting positions: Most explicit endorsement seems to be given to the following proposals: auctioning of AAUs, aviation or shipping levies, carbon market levies and Financial Transaction Tax. However, some of these are gathering equally strong opposition too.

For example, auctioning of AAUs is opposed by France, Germany, the US and Canada. A concrete obstacle to AAU auctioning, according to one of the respondents, is the reluctance of some parties to have a system of international allocation of emissions permits, and the reluctance of

Annex 1 countries to have a system to which only they contribute. Further work is therefore being done by the proposal's originators, Norway, to try to include revenues from auctioning of national emissions credits (see below) within the system, for example from a new US cap and trade bill. Aviation or shipping mechanisms are opposed by China, Japan and the OPEC countries, and face strong business lobbies to safeguard industry. In Canada and the US the Financial Transaction Tax is currently dismissed as an international taxation mechanism over which all sovereign control would be lost.

Furthermore, it is important to note that some proposals may be looked upon quite favourably as a way of raising finance, but not necessarily for that funding to be allocated to international climate finance. For example, though the US and the UK have voiced considerable support for a levy on certain banks, it is likely that most, if not all, of the money raised would be used for domestic purposes.

Auctioning of domestic emissions permits: There is quite a lot of support among Annex 1 countries, and little opposition to the auctioning of domestic emissions permits. The European Commission has started limited auctioning of under the ETS, with the UK currently auctioning seven per cent of its allowances,[xv] and the US has supported auction of emissions permits in the Waxman-Markey climate bill. Canada, Norway, Japan and China are looking quite favourably at the option. However, it is unclear to what extent these countries are also committed to allocating at least part of this revenue to international climate finance. Auctioning income in the UK, for example, is currently kept as general tax revenue, and is not even allocated to climate programs domestically. In any case, with estimated revenue between US$8 billion and US$30 billion, domestic emissions auctioning can only be part of the solution. However, it could be a very important stepping stone, and a clear sign to developing countries that developed countries are taking action.

Special Drawing Rights: The analysis reveals that there is substantial potential for more support to be generated for SDRs. The idea of using SDRs for climate finance was first proposed at COP15 in Copenhagen, and would involve the monetisation of SDRs of IMF member states to be used for an international climate fund. Some estimations of revenue have been much higher than is stated in the table above. For example, ActionAid[xvi] estimates that if the 2009 SDRs of developed countries had been converted into cash, up to US$165 billion would be generated. The limitation of SDRs is that they can only be delivered in the form of loans, so will only realistically deliver funds for mitigation. To ensure predictable financing, countries would need to guarantee ongoing allocations for climate finance. Though a first proposal before the IMF board was rejected by most board members,[xvii] quite a few countries are perceived as undecided, or respondents did not know where their governments stood. This was the case for Canada, UK, Norway, India, Japan and China, all of whom are important IMF members.

Redirection of fossil fuel subsidies: Since the G20 publicly committed in September 2009 to reduce inefficient fossil fuel subsidies that encourage wasteful consumption, an important opportunity has emerged to simultaneously take action on climate change and raise international climate finance. Developing countries are generally opposed, though they have indicated willingness to act if better enabling finance and technology is forthcoming from developed countries.[xviii] In fact, respondents confirmed that some BASIC countries like China and India are already starting to phase out subsidies themselves, though not within an international framework. Norway is opposed to subsidy phase-out, as it believes that its oil and gas sector is still a contribution to fighting climate change as Norwegian extraction causes less emissions than similar extraction elsewhere.[xix]

An important opportunity to ensure wider take up of this proposal would be to organise the staggered phasing out of subsidies, with Annex 1 countries taking action immediately, while non-Annex 1 countries can phase out subsidies later and over a longer timeframe.

OECD fossil fuel subsidies amount to between US$57 billion and US$100 billion annually,[xx] and there appears to be agreement that these could be quickly phased out. It is uncertain, however, whether governments would support the redirection of funds freed up in this way to international climate finance.

Aviation or shipping levy: The proposal to introduce an aviation and shipping mechanism looks promising, with wide (potential) political support. It is also a solid proposal that tackles both climate change emissions and generates substantial amounts of climate finance at the same time. However, to respond to non-Annex 1 concerns about CBDR principles, the mechanism needs to be designed in a fair way in which developed countries carry the burden of the contributions. Proposals have been developed which take CBDR into account, including measures to ensure that poor nations that rely heavily on aviation for their economies are not harmed by this approach.[xxi]

Due to industry pressures, the US is currently opposed to setting up a global system. Survey respondents from Japan indicated that it is opposed too, though other reports mention that Japan indicated it would not oppose the proposal.[xxii] Notorious blockers, such as Canada, are also perceived to be keen on the mechanism, though mainly as a way to reduce emissions rather than to raise international climate finance.

Apart from CBDR objections, concerns from industry around competition are the biggest hurdle to moving forward with this scheme. However, without a global system in place, unilateral measures are likely to be implemented (for example inclusion of aviation in the EU ETS from 2012), so industry may prefer a clear and streamlined global regulatory framework instead that will create a level playing field.[xxiii] If the US would shift its position regarding this mechanism, there are indications that many other countries would be willing to come on board.[xxiv]

Carbon market levy

The proposal to extend levies on carbon market offsets beyond the current two per cent levy on the Clean Development Mechanism should in theory be politically more feasible, as the current levy is already recognised as international climate finance and allocated to the Adaptation Fund. Extending the levy either by increasing the tax percentage, or by applying a tax to other carbon market mechanisms (such as the Joint Implementation Mechanism and emissions trading mechanisms) should also be relatively easy as the transacting institutions are already in place, so all that remains to be done is to implement a tax. Many non-Annex 1 countries and the G77 and China are very much in favour of this approach. They generated a lot of support for the idea at COP14 in Poznan in 2008, but they were met by opposition from Annex 1 countries and negotiations stalled.[xxv]

From our survey, it is unclear whether the time is right to potentially make progress with the levy. However, reliance on the carbon market also includes a risk of limited returns due to fluctuations in the carbon price. The European Commission is thought to be concerned about carbon market levies for this reason, and may reduce [au: ok?] its support if the recent low carbon price (due to the financial crisis) persists.[xxvi]

Unlikely contenders

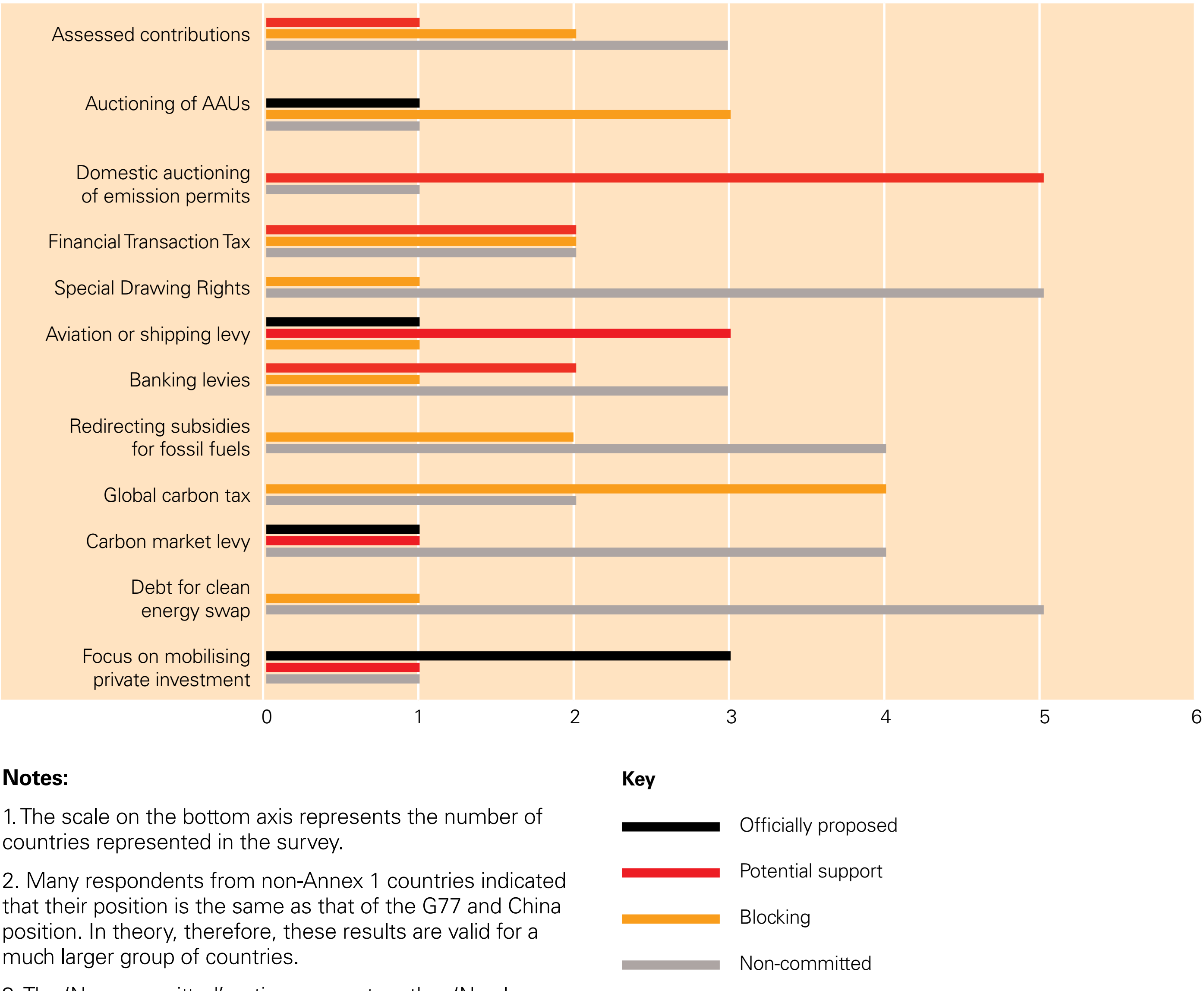
On the basis of the snapshot provided in Table 2, and on the understanding that, realistically, the current positions of Annex 1 countries may be decisive in negotiations as most, if not all, revenue will come from their domestic bases, there are a number of proposals that are unlikely to be considered in the short term, simply because there is too much opposition from Annex 1 countries.

As discussed in the previous chapter, concrete decisions need to be taken by December 2010 at COP16, providing too little time to change a large number of positions. From this point of view, for now, it may be necessary to take a longer-term view of the proposals to auction AAUs and to levy a global carbon tax. Ongoing work to make the mechanism more palatable to blocking countries should continue however, and should hopefully yield results at a later stage, helping to ensure finance targets closer to 2020 are met.

Figure 2 overleaf illustrates ratings of proposals separated by Annex 1 and non-Annex 1 countries.

Figure 2: Positions of Annex 1 and non-Annex 1 countries

Government positions on innovative finance proposals – Annex 1 only



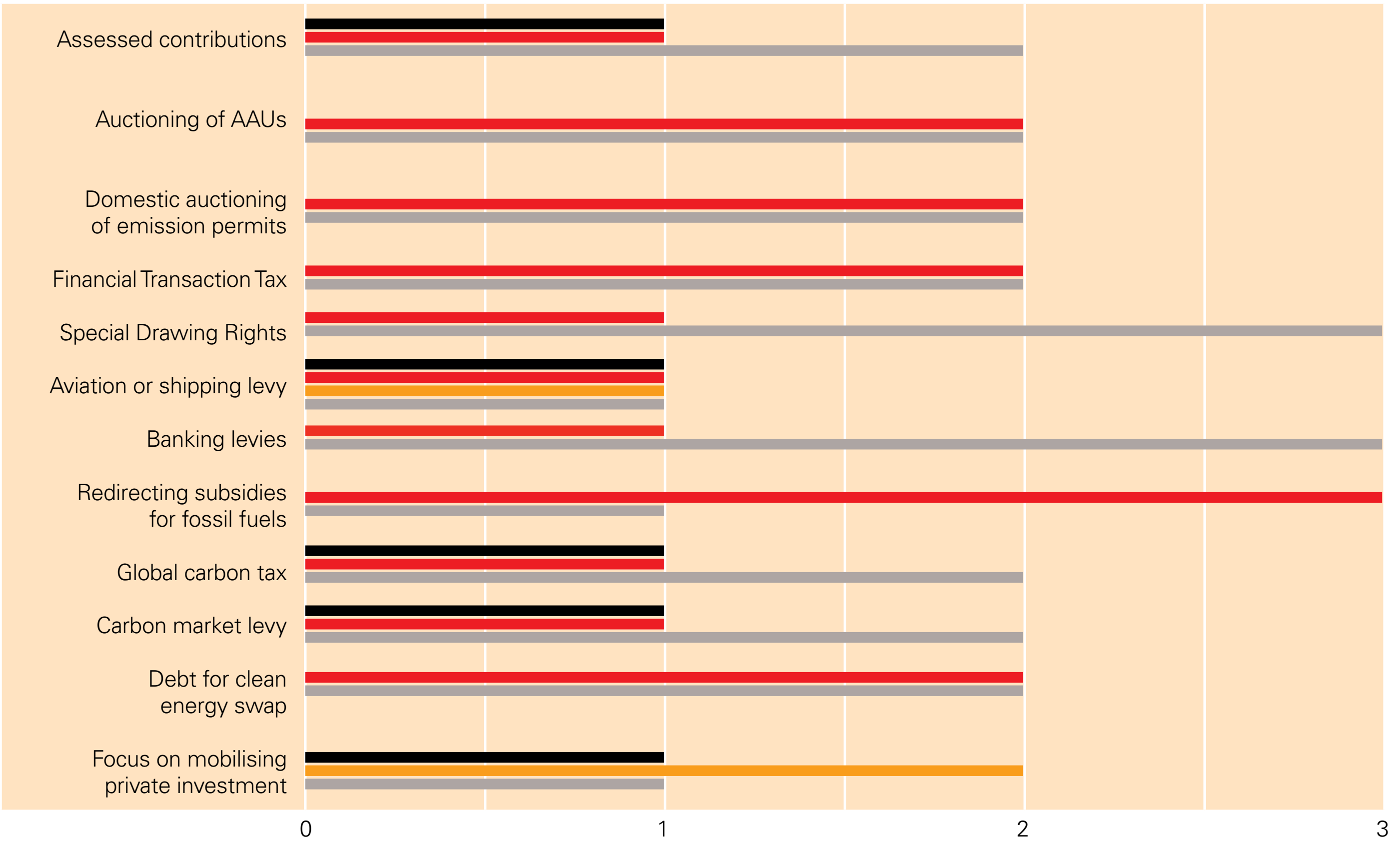
Notes:

1. The scale on the bottom axis represents the number of countries represented in the survey.

2. Many respondents from non-Annex 1 countries indicated that their position is the same as that of the G77 and China position. In theory, therefore, these results are valid for a much larger group of countries.

3. The 'Non-committed' option groups together 'No clear preference' and 'Don't know' answers from the survey.

Government positions on innovative finance proposals – non-Annex 1 only

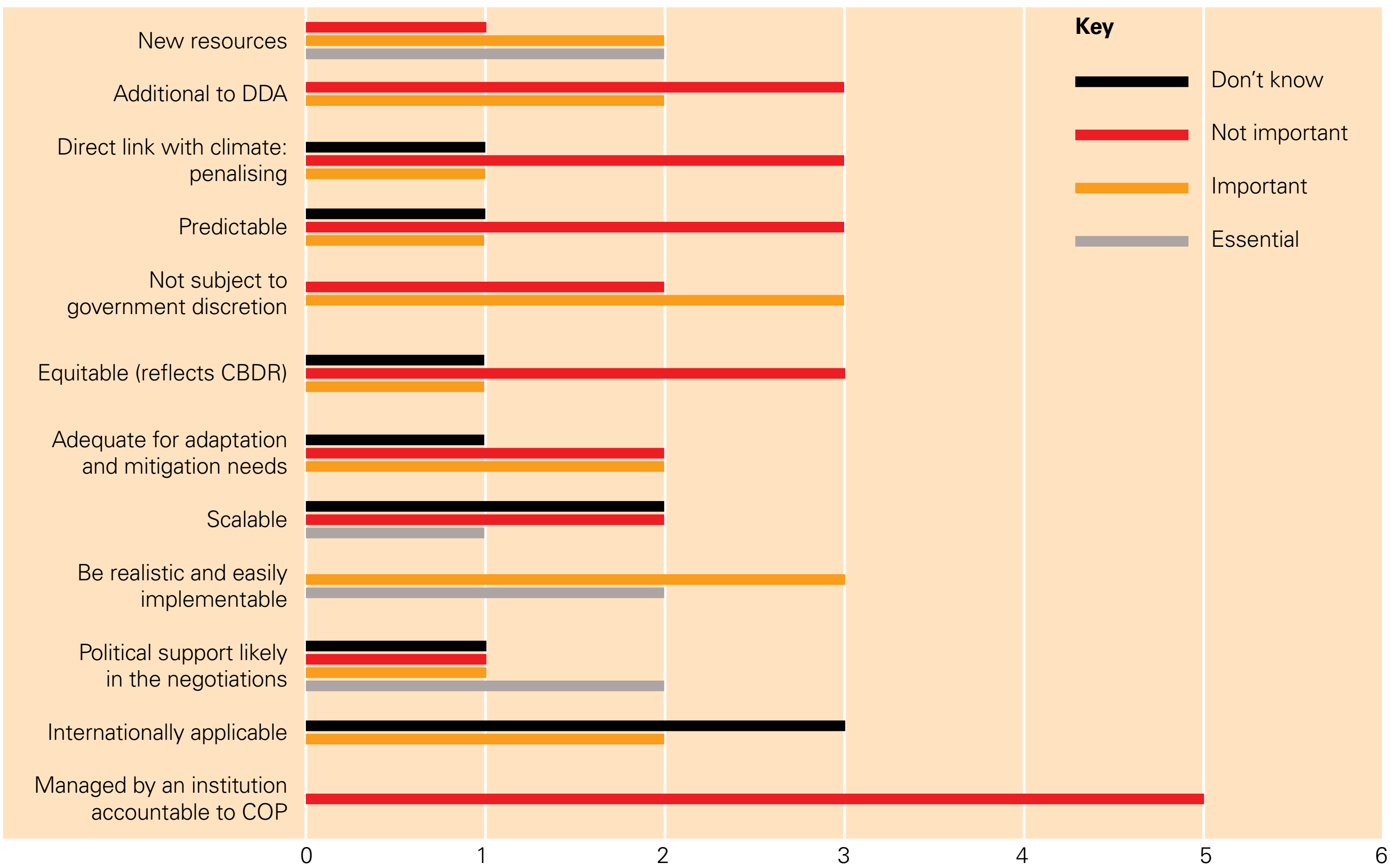


Overview of findings on principles

Though the analysis focuses mainly on the political feasibility of climate finance proposals, it was considered useful to use the survey to ask respondents about the principles and criteria their governments use to assess finance proposals, to help understand how non-committed or blocking governments could be encouraged to support certain proposals. Much more has been written elsewhere on the importance of principles and criteria, so here only the answers from respondents are reflected. Figure 3 illustrates responses from Annex 1 and non-Annex 1 countries. Information on principles was given by fewer respondents, which is why the numbers are slightly smaller. Note that these are perceptions from civil society organisations, not the governments themselves.

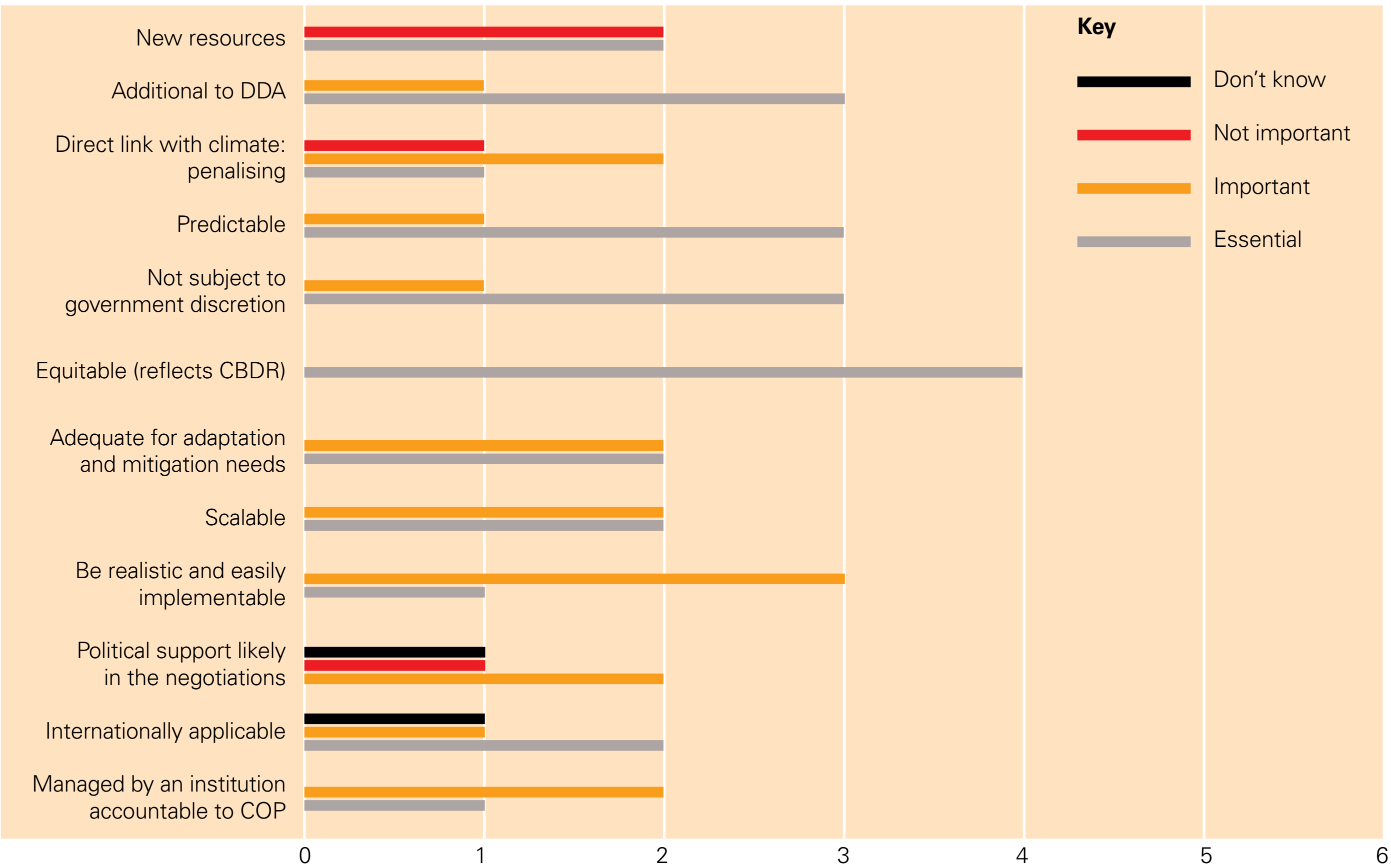
Figure 3: Importance of principles and criteria in assessing climate finance proposals

Annex 1 only: Which principles does your government find important in assessing innovative finance proposals?



There is a very marked difference between the perceived approaches of Annex 1 and non-Annex 1 countries. Most Annex 1 countries do not appear to use a strong principled approach in their assessment of finance proposals, although some criteria, such as realism and ease of implementation, political feasibility and scaleability, are rated as important. Non-Annex 1 countries' approach to financing proposals, on the other hand, is infused with key principles and criteria, rating many not just as important but as essential. This highlights the common understanding that both negotiation groups are starting from a very different looking framework that is causing many of the difficulties in finding a way forward. While Annex 1 countries will at times pay lip service to certain principles, for example that climate finance should be additional to ODA, they are dragging their feet on establishing tracking mechanisms that will ensure these principles are respected. It is not surprising, therefore, that non-Annex 1 countries do not trust the promises made by developed countries.

Non-Annex 1 only: Which principles does your government find important in assessing innovative finance proposals?



3. CONCLUSIONS

Climate finance is part of a wider package to combat climate change, and progress on finance will help action on other fronts. But the analysis presented in this paper confirms once again that there is no straightforward solution to the climate finance conundrum. Parties take up opposing positions on different finance proposals, and there is no one proposal that is satisfactory to all. The economic crisis has potentially complicated the picture, reducing the available fiscal space of developed countries. However, long-term finance pledges have been made, and, as discussed in the first part of this paper, **the timeline for decision-making on climate finance up to 2013 is very tight. It can only be met with renewed commitment to results from all parties involved and a different, more open approach to all the finance options on the table.**

It is clear that various parties will need to make considerable movement to unblock the negotiations. As progress in the negotiations is increasingly becoming a credibility test for many governments, there is some hope that governments will reconsider their entrenched positions. Based on the analysis made in this paper, we conclude that in order to make urgent progress on climate finance in the negotiations, the most realistic approach may be to separate action on climate change into different stages, with greater ambition later on, building on earlier, smaller steps of success. The following points are offered to policy makers as well as climate change activists to consider at each of these steps in time.

Opportunities for unilateral and immediate action

1. There are a number of actions that developed countries can take now, which in turn will facilitate progress in the negotiations. They can ensure that the commitments made at the G20 in Pittsburgh and Toronto on phasing out fossil fuel subsidies are honoured and that concrete and detailed plans for phase out are submitted. There is a lot of goodwill from non-Annex I countries to see through a shift in subsidies (if enacted sequentially and equitably), but logically Annex I should take the lead. As an important signal of trust and commitment, some of the savings from this process could be allocated to international climate finance.

2. Legislation on carbon emissions trading schemes is being prepared in a number of countries in which auctioning of emissions credits plays a role. A commitment to set aside part of the revenue from these auctions could again provide an important signal to the negotiations in Cancun.

Opportunities in the run-up to Cancun

3. Parties should be less guarded about their positions on finance proposals even in advance of the AGF report. The current tendency to keep cards very close to the chest until just before COP meetings has not helped progress on key decisions. There is no time to arrive at a shared understanding of the options on the table and there is limited understanding of the objections and concerns of certain blocking countries. Greater upfront engagement and transparency on positions will generate a more open environment. This will allow disagreements and concerns to be discussed in advance of COP meetings instead of becoming stumbling blocks at the negotiations.

4. Though not straightforward, it is possible for parties to come together around a few proposals for climate finance. COP16 in Cancun provides a real opportunity to make key decisions around one or two proposals that will help showcase renewed commitment, and facilitate negotiations in other areas.

5. A number of proposals are candidates to be adopted relatively fast. Proposals that may garner considerable support and manageable opposition include the expansion of the carbon market levy and proposals to use Special Drawing Rights. Both of these have reasonably good support across Annex 1 and non-Annex 1 groups, even though there is opposition from some important corners. The Financial Transaction Tax equally gathers a lot of support from a wide range of countries, though whether this fund would be used specifically for climate finance is still unclear. A factor in deciding which key proposals to promote may be how quickly a pilot mechanism could be set up for them.

6. On top of agreeing one or two specific finance proposals, parties will need to compile a realistic but ambitious timeline for decision making to deliver operating finance mechanisms by 2013, which can scale up substantially by 2020. This paper proposes a decision-making timeline which is most likely to meet the overall target. Our analysis reveals that by COP16, key decisions on mechanisms will need to be made to ensure that pilots can be set up in 2011 for evaluation at COP17.

Opportunities for action past COP16 in Cancun

7. An important stumbling block for non-Annex 1 countries to embrace any proposal that may impact on them is the lack of an internationally agreed allocation framework in which the required contributions from Annex 1 countries are spelled out according to the CBDR principle. If such a framework were in place, many non-Annex 1 countries would be willing to consider proposals to which they would be required to contribute. The lack of an allocation framework which assigns clear responsibilities is currently prohibiting them from doing this.

ANNEXES

ANNEX A. Summary definitions of finance raising proposals

The summaries in the table below are based on the recent AGF Background Paper for First Meeting, 31 March 2010, of the High-level Advisory Group on Climate Change Financing, www.usclimatenetwork.org/resource-database/high-level-advisory-group-on-climate-change-financing-agf-background-paper

Proposal	Definition	*Reason for inclusion*
Assessed contributions	A fixed percentage of GNP of Annex I Parties, set at 0.5% to 1% of GNP, is contributed as 'new and additional' financial resources over and above ODA. *(Proposal by G77 and China).*	*Not finance raising mechanism itself, but referred to by many parties*
Auctioning of Assigned Amount Units (AAUs)	A share of the Assigned Amount Units allocated to Annex I countries is sold in an auction by an international body, with the proceeds going to a multilateral fund. Whether and how to fund these purchases is a matter of choice for individual countries, and countries have multiple alternative means to meet their emissions caps *(Proposal by Norway).*	*AGF listed*
Domestic auctioning of emission permits (eg ETS)	In a similar way, but on a national or regional basis, countries operating domestic emissions trading schemes (ETS) can auction emissions credits to market participants and allocate a share of these auction proceeds for international climate finance.	*AGF listed*
Financial Transaction Tax	Taxing financial transactions, in particular currency conversions that would also help manage exchange-rate volatility, could be used to raise international climate finance. *(Proposals by UK, France and others)*	*AGF listed*
Special Drawing Rights (SDRs)	SDRs are issued by the IMF to its member countries as a way of increasing the insurance offered by their own reserves. Two proposals are on the table: i) that member countries could contribute SDRs to a US$100 billion climate fund, or ii) that bonds could be issued guaranteed by SDRs.[xxvii] *(Proposals by IMF and George Soros).*	*AGF listed*
Aviation or shipping levies (bunker fuels)	Generation of revenues from marine and aviation bunker fuels through a form of carbon tax, equivalent to a US$5-10/tonne of CO_2 price. All suppliers of fuels would be asked to register and to collect the bunker fuel levies, which would be managed by a global organisation. Considerations of equity may be addressed through, for example, exempting certain countries from the levy or providing refunds *(Proposals by the EU, the IMO, the IETA and Nigeria).*	*AGF listed*
Banking levies (tax on banks)	A proposal to introduce levies on banking activities to put in place barriers and disincentives, in order that banking activities do not lead to the same systemic risk as was revealed in 2008. Part of the resources raised could be used for international climate finance.	*International momentum around bank tax*
Redirecting subsidies for fossil fuels	Current subsidies for fossil fuels are estimated to amount to around US$300 billion globally per year.[xxviii] Resources freed up in this way could be partly redirected towards international climate finance obligations.	*G20 declaration to stop inefficient fossil fuel subsidies*
Global carbon tax	Establishing a blanket tax per ton of CO_2 globally (for emissions that exceed emissions per capita of 1.5 tonnes CO_2 per annum), according to a Swiss proposal. Several countries have already introduced different forms of domestic carbon taxes.	*AGF listed*

Proposal	Definition	*Reason for inclusion*
Carbon market levy	Raising finance by taxing the proceeds from offset transactions in carbon markets and using them, through a multilateral institution, to finance mitigation and adaptation (extension of 2% contribution of the Clean Development Mechanism to the Adaptation Fund).	*AGF listed*
Debt for clean energy swaps	Sovereign creditors would agree to forego outstanding liabilities of debtor governments under the condition that the funds are used domestically by the debtor governments to reduce emissions by an agreed amount. Under this approach, debtor countries would then be able to use local currencies to finance recurrent costs of operations related to emission reduction within the country, instead of using it to purchase foreign currency to repay outstanding debt.	*AGF listed*

ANNEX B: Footnotes to Table 2. Overview of government positions on innovative climate finance proposals

1 Group of 77 and China. Charlie Parker, Jessica Brown, Jonathan Pickering, et al, *The Little Climate Finance Book: A Guide to Financing Options for Forests and Climate Change,* Global Canopy Programme, 2009, p46.

2 Mexico. See note 1, p47

3 International Auctioning of Allowances. See note 1, p60.

4 'Joint Proposal of UK, Mexico, Norway & Australia… does give special recognition to: a) Norwegian proposal that aims to draw finance from national and international auctions of emissions permits.' *Scoping Memorandum – Climate Finance 2010: Issues and Opportunities*, http://pdf.wri.org/wri_climate_finance_meeting_background_paper_feb_2010.pdf

5 The UK coalition government has recently claimed it will make efforts to persuade the EU to move towards full auctioning of ETS permits – this has been a Liberal Democrat policy. 'We will introduce a floor price for carbon, and make efforts to persuade the EU to move towards full auctioning of ETS permits.' *The Coalition: Our Programme for Government – Energy and Climate Change.*

6 'Financing', *Covering Copenhagen,* http://coveringcopenhagen.com/issues/finance

7 Department of Energy & Climate Change, 'Auctioning', www.decc.gov.uk/en/content/cms/what_we_do/change_energy/tackling_clima/emissions/eu_ets/euets_phase_ii/auctioning/auctioning.aspx

8 'What's in the new government's in-tray', *Financial News*, 12 May 2010, www.efinancialnews.com/story/2010-05-12/new-coalition-government-financial-services-intray

9 'Germany, France push for financial transactions tax', *EurActive*, 12 July 2010, www.euractiv.com/en/financial-services/germany-france-push-financial-transactions-tax-news-496236

10 'The Financial Transaction Tax at a Glance', www.makefinancework.org/IMG/doc/factsheet_ftt_en_final-2.doc

11 Michael McCarthy, 'Climate conference: Make bankers pay for deal', *Independent*, 16 October 2009, www.independent.co.uk/environment/climate-change/climate-conference-make-bankers-pay-for-deal-1841970.html

12 US politicians disagree over the idea of an FTT. Some are very supportive but the most influential voices are opponents. Angela Monaghan, 'US Treasury Secretary Timothy Geithner slaps down Gordon Brown's global tax', *Telegraph*, 7 November 2009, www.telegraph.co.uk/finance/6522135/US-Treasury-Secretary-Timothy-Geithner-slaps-down-Gordon-Browns-global-tax.html

13 'An equivalent of US$150 billion worth of Special Drawing Rights shall be issued by the IMF as partial fulfilment of this undertaking by developed countries.' AWG-LCA Submissions, http://unfccc.int/meetings/items/4381.php

14 Position paper of the Group of 77 and China on new lending facilities from international financial institutions, www.g77.org/statement/getstatement.php?id=100430

15 Board officials, speaking on condition of anonymity, told Reuters most of the 24 directors present, except for those from France and Britain, rejected the proposal… 'The message to the managing director was clear ... no one wants the IMF involved in this.' 'IMF member countries reject green fund plan', Reuters, 25 March 2010, www.alertnet.org/thenews/newsdesk/N24143408.htm
Central banks are also likely to be resistant because of concern that SDRs create global inflation. See note 4.

16 Ibid

17 Only finance mechanisms that raise actual levies, or that raise levies in combination with an emission trading scheme are considered here. Pure sectoral emission trading schemes are not dealt with here.

18 'Joint Proposal of UK, Mexico, Norway & Australia: …does give special recognition to: ...b) revenues from international aviation and shipping.' See note 4.

19 International Air Passenger Adaptation Levy. Charlie Parker, Jessica Brown, Jonathan Pickering, et al, *The Little Climate Finance Book: A Guide to Financing Options for Forests and Climate Change,* Global Canopy Programme, 2009, p66.

20 AWG-LCA Submissions http://unfccc.int/meetings/items/4381.php

21 See note 11.

22 Levy on Maritime Bunker Fuels. See note 1, p67.

23 International Maritime Emissions Reduction Scheme. See note 1, p70.

24 Levy on International Aviation and Maritime Transport. See note 1, p71.

25 'International aviation and maritime transport can provide an important source of innovative financing, and should be further explored... Global instruments addressing emissions in international aviation and maritime transport would be welcome. The use of market-based instruments to address emissions from these sectors worldwide has the potential to provide a significant source of finance in support of developing countries' mitigation and adaptation efforts. One such approach is cap-and-trade systems. An alternative is a levy on their emissions.' Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *Stepping up International Climate Finance: A European Blueprint for the Copenhagen Deal*, p3, p9, http://ec.europa.eu/environment/climat/pdf/future_action/com_2009_475.pdf

26 US Climate Action Network, *Investing in the future: Options for climate finance the US can support*, http://blog.usclimatenetwork.org/wp-content/uploads/2010/05/investing-in-the-future2.pdf

27 The government has now promised additional funding and also announced it would raise some of the funds from charges on emissions from the aviation and shipping industries. 'Climate: UK government "brave" for leading way', CAFOD, www.cafod.org.uk/news/climate-2009-06-30

28 Andrew Pendleton and Simon Retallack*, Fairness in Global Climate Change Finance*, Institute for Public Policy Research, 2009.

29 'Air Transport Association of America supports global approach, but seeks to avoid all mechanisms to reduce emissions in their sector. Also unlike other airlines, they are opposed to using revenues for climate finance.' See note 26.

30 OPEC may soften its position on condition that a portion of revenue is used for R&D in sector. See note 26.

31 See note 26.

32 'Leaders' Statement: The Pittsburgh Summit', www.pittsburghsummit.gov/mediacenter/129639.htm

33 Nine World Bank directors representing 90 developing countries including the BASIC nations (Brazil, South Africa, India and China) recently stated that the US Treasury's guidance note on halting Bank support for coal 'may have been acceptable if it had been accompanied by a US commitment to provide such enabling finance and technology.' In the same letter, the directors noted the ongoing support for fossil fuels in the US as a reason to continue providing that support internationally. US Climate Action Network, *Investing in the future: Options for Climate Finance the US can support*, http://blog.usclimatenetwork.org/wp-content/uploads/2010/05/investing-in-the-future2.pdf

34 Carbon tax. See note 1, p56.

35 Sweden, Finland, Norway and the Netherlands all introduced taxes on carbon of one form or another in the 1990s. In the UK the 'fuel price escalator', which progressively increases the tax on petrol sales was also introduced in the 1990s and can be seen as a carbon tax of sorts. Elsewhere, a number of prominent US politicians (for example, Al Gore) and scientists (such as James Hansen of NASA) are proponents of carbon taxes.

36 Africa Partnership Forum, *Carbon Finance in Africa – Extract*, 2009, www.oecd.org/dataoecd/45/46/43574330.pdf

37 See note 28.

38 See note 28.

39 The US has done a debt for nature swap in Aceh. See note 1, p75.

ANNEX C: Key principles for climate finance according to Christian Aid[xxix]

Adequacy	Ensuring that adequate resources are mobilized
Sustainability	As funding requirements for adaptation are likely to increase at least in the medium term, the source of funds should not diminish
Predictability	Ensuring that there is certainty in terms of the amount and timeliness of money raised
Additionality	Ensuring this is a new financial obligation to existing ODA commitments

Moreover, and in line with some of the principles embedded in the Mexican and G77+China proposals and the EC Communication, the funding also needs to be:

Equitable	In terms of effort sharing and disbursement.
Governance	Governed by, and accountable to, the COP.
Grant based	Primarily and essentially grant based.
Scalable	It should be possible to scale the funds up in a simple way if significant funding gaps are found
Effective and accessible	Including for the poorest, vulnerable and marginalised groups
Efficient	Minimising mismanagement and ensuring non bureaucratic and swift delivery

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i DEFRA, *Climate Change: Taking Action, Delivering the Low Carbon Transition Plan and Preparing for a Changing Climate*, 2010, www.defra.gov.uk/environment/climate/documents/taking-action.pdf

ii 'Who's On Board With The Copenhagen Accord?' USCAN, www.usclimatenetwork.org/policy/copenhagen-accord-commitments

iii BASIC countries are Brazil, South Africa, India and China. The Copenhagen Accord is the non-binding political agreement reached between a group of countries and 'noted', not endorsed, by the Conference of Parties to UNFCCC. UNFCCC, 'Draft decision -/CP15: Copenhagen Accord,' December 2009.

iv Christian Aid, *Time for Climate Justice: Moving Forward from Copenhagen*, 2010, www.christianaid.org.uk/images/MovingForwardfromCopenhagen.pdf

v Athena Ballesteros, 'Fast track climate finance: Do the numbers add up?' World Resources Institute, 14 June 2010, www.wri.org/stories/2010/06/fast-track-climate-finance-do-numbers-add
Oxfam, 'Climate finance post-Copenhagen', 2010, www.oxfam.org/en/policy/climate-finance-post-copenhagen

vi For discussion on technical aspects of proposals, see the forthcoming report by the AGF; a recent paper by USCAN (*A Review of Public Sources for Financing Climate Adaptation and Mitigation*, July 2010), and papers by the Climate Action Network, Stamp out Poverty, and others.

vii Andrew Pendleton and Simon Retallack*, Fairness in Global Climate Change Finance*, Institute for Public Policy Research, 2009.

viii Most official estimates are based on warming higher than 2°C. A recent Oxfam report warns that to stay below the 2°C threshold, at least US$150bn per year should be provided by 2013, rising to at least US$200bn a year by 2020. Oxfam, 'Climate finance post-Copenhagen', 2010, www.oxfam.org/en/policy/climate-finance-post-copenhagen

ix The EC's estimate refers to the overall need, not to what should be contributed from the public sector. According to the EC, only US$12-26 billion should come from international public funding, while the rest would come from developing countries and carbon markets. International Institute for Environment and Development, *Copenhagen's Climate Finance Promise*, 2010, www.iied.org/pubs/pdfs/17071IIED.pdf

x International Institute for Environment and Development, *Baseline for Trust: Defining 'New and Additional' Climate Finance*, 2010, www.iied.org/pubs/pdfs/17080IIED.pdf
World Resources Institute, *Counting the Cash: Elements of a Framework for the Measurement, Reporting and Verification of Climate Finance*, 2009, www.wri.org/publication/counting-the-cash

xi The first AGF briefing lists the proposals that will be examined by the AGF, making a distinction between four different types of finance mechanisms: (1) public finance drawn from climate-related and (2) non-climate-related sources; (3) finance generated through the carbon market; and (4) other international financing mechanisms, including the role of the UN System and the IFIs. In the latter section the role of private finance for climate change is discussed.

xii Charlie Parker, Jessica Brown, Jonathan Pickering, et al, *The Little Climate Finance Book: A Guide to Financing Options for Forests and Climate Change,* Global Canopy Programme, 2009.

xiii Ibid

xiv Greenhouse Development Rights Approach, http://gdrights.org

xv Department of Energy & Climate Change, 'Auctioning', www.decc.gov.uk/en/content/cms/what_we_do/change_energy/tackling_clima/emissions/eu_ets/euets_phase_ii/auctioning/auctioning.aspx

xvi ActionAid, *Using Special Drawing Rights for Climate Finance*, 2010. http://actionaidusa.org/assets/pdfs/climate_change/sdr_for_climate_finance.pdf

xvii Ibid

xviii Nine World Bank directors representing 90 developing countries including the BASIC nations (Brazil, South Africa, India and China) recently stated that the US Treasury's guidance note on halting Bank support for coal 'may have been acceptable if it had been accompanied by a US commitment to provide such enabling finance and technology.' In the same letter, the directors noted the ongoing support for fossil fuels in the US as a reason to continue providing that support internationally.
US Climate Action Network, *Investing in the Future: Options for Climate Finance the US Can Support*, http://blog.usclimatenetwork.org/wp-content/uploads/2010/05/investing-in-the-future2.pdf

xix According to a survey respondent.

xx US Climate Action Network, *Investing in the future: Options for climate finance the US can support*, http://blog.usclimatenetwork.org/wp-content/uploads/2010/05/investing-in-the-future2.pdf

xxi Bunker mentality: International aviation and shipping emissions in post 2012 climate policy, *WWF Global Climate Policy* discussion paper, 2008.

xxii US Climate Action Network, *Investing in the future: Options for climate finance the US can support*, http://blog.usclimatenetwork.org/wp-content/uploads/2010/05/investing-in-the-future2.pdf

xxiii Ibid

xxiv Ibid

xxv Summary of the Fourteenth Conference of Parties to the UN Framework Convention on Climate Change and Fourth Meeting of Parties to the Kyoto Protocol, *Earth Negotiations Bulletin*, 2008 12 (395), www.iisd.ca/vol12/enb12395e.html

xxvi According to a survey respondent.

xxvii In both approaches, the funding raised could be provided as loans at concessional rates to finance developing country low carbon infrastructure investments.

xxviii 'Global warming: ending fuel subsidies could cut greenhouse gas emissions 10%, says OECD', www.oecd.org/document/30/0,3343,en_2649_37465_45411294_1_1_1_1,00.html

xxix United Nations Climate Fund, *Aprodev discussion paper.*

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