

Finance Outcomes

An equitable climate agreement in Copenhagen must take into account countries' historical responsibility and capacity to act. Under these principles industrialised countries must not only take responsibility for reducing their own emissions but must also provide financial support for developing countries to develop on a low-carbon pathway, protect tropical forests and adapt to those climate impacts that are now unavoidable. Without such support, it will not be possible to meet global objectives of avoiding catastrophic climate change, or for vulnerable countries to protect their people from the impacts that are already coming

The current state of the global economy cannot be an excuse for further delay. While significant resources must be mobilized to address the climate crisis, the costs of inaction will far exceed the costs of action. It is estimated that every year of delay will increase mid term mitigation costs by hundreds of billions of US dollars in the energy sector alone.

Industrialised countries have already agreed under the United Nations Framework Convention on Climate Change and the Bali Action Plan to provide this money. Agreement on massively scaled up funding for developing countries is therefore a key prerequisite for a robust agreement in Copenhagen which must include the following finance elements:

1. Finance on the scale needed to support developing country actions.

Industrialised *countries must provide financing that is adequate to the challenge at hand*. For the 2013-2017 commitment period, the industrialised countries, as a group, must provide at least US\$ 160 billion per year to enable developing countries to accelerate their uptake of clean technology, rapidly reduce deforestation, and adapt to the inevitable impacts of climate change.

This should be additional to Official Development Assistance (ODA), as funding to address climate change should not displace development assistance currently provided or pledged.

2. Fast-Start Finance

An agreement on financing that will be provided before 2012 will also be a critical outcome in Copenhagen. Immediate financing for capacity building for REDD and adaptation is particularly important. However, a deal on short term finance must supplement, not displace, an agreement on the scale, sources, and institutional arrangements for long-term finance.

3. Sources for generating the necessary funds.

In order to be effective, broadly acceptable, and sustainable, funds must be generated in a way that produces a consistent and predictable flow of funds over time. The international auctioning of Assigned Amount Units (or 'pollution permits') and money raised from the regulation of emissions of aviation and maritime transport should be the primary sources of revenue. If these sources alone do not provide sufficient revenues, they should be guaranteed by each industrialized country contributing a percentage of the total amount needed based on its historical responsibility and capability

4. Architecture for a finance mechanism.

In general existing institutions are funded and led by industrialized countries. In the view of developing countries these institutions favor donor interests, and have failed to deliver on promises to support poverty alleviation and development. Institutional arrangements for managing new flows of climate finance must be seen as legitimate by both contributors and recipients if they are to succeed.

The Copenhagen Agreement should create a new mechanism to ensure that the financial obligations of industrialised countries are delivered in a timely, effective and predictable manner and that appropriate adaptation and mitigation actions are implemented in developing countries. The mechanism's new institution should also facilitate the development, transfer and spread of climate friendly technologies.

The mechanism should consist of:

- An Executive Committee to develop policies, procedures and priorities and oversee the work of the mechanism;
- Finance 'windows' for Adaptation, Mitigation, REDD and Technology that would be managed by a separate Board, and supported by Technical Panels;
- A Reporting and Review Committee to monitor and review the fulfillment of formal industrialised country support and emissions reductions commitments and maintain an Action and Support Registry

The financial institution should operate under the guidance and authority of the Conference of the Parties, the supreme decision making body of the Climate Convention). It should have equitable and balanced representation of all parties, and should also provide for the meaningful participation by citizens, civil society representatives, and other interested stakeholders.

Standards and safeguards

The mechanism should apply strong, international, mandatory standards and safeguard policies to ensure the environmental and social integrity of the projects and programs it supports.

Compliance

The finance commitments of industrialised countries should be legally binding, and subject to periodic reporting and review. There should be strict consequences for non-compliance.

Financing for REDD

The REDD window of the Copenhagen Climate Facility should provide finance for developing countries to make national-level reductions in emissions from deforestation and forest degradation. Industrialised countries must not be permitted to use this investment in forest protection as a way of 'offsetting' their fossil fuel emissions in order to continue building coal-fired power stations in their own countries. Furthermore, if cheap forest credits are allowed to be directly traded with other carbon units, they could crash the price of carbon and even destabilise or 'flood' the market.