

# Finance Outcomes for Bonn 2

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An agreement on massively scaled up funding for developing countries is a key prerequisite for a robust agreement in Copenhagen.

Developed countries have already agreed in the UNFCCC and the Bali Action Plan to provide money to support actions by developing countries to cut the growth in their CO<sub>2</sub> emissions, reduce deforestation, and adapt to inevitable climate changes. If developed countries fail to meet these commitments, a deal is unlikely to be achieved in Copenhagen.

Time is running short for getting the basic framework in place. To put the negotiations on a path towards success, Greenpeace believes progress must be made in Bonn on the following issues:

## 1. Developed countries need to get serious about the scale of finance needed to support developing country actions.

Developed countries need to demonstrate that they are willing to put adequate funding on the table to enable developing countries to accelerate their uptake of clean technology, rapidly reduce deforestation, and embark upon wide-scale pre-emptive adaptation programmes. The best estimates are that developed countries will need to provide at least USD 140 billion a year in annual public funding to meet these challenges. Of this amount, USD 50 billion should be used to support mitigation, USD 50 billion should go to adaptation and USD 40 billion should be used to halt deforestation.

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

While developed countries say they recognise the importance of finance to the Copenhagen agreement, they have yet to specify how much they are willing to contribute. What is clear is they are not considering providing money at the necessary scale. To build confidence going forward, *the developed countries must clearly state their intention in Bonn to provide financing that is adequate to the challenge at hand.*

EU Finance Ministers meet on June 9. If they were to agree on a specific amount for the financial needs of the developing countries, along with robust mechanisms and governance criteria, this decision could make a huge difference to the pace of these talks.

## 2. Governments must identify appropriate mechanisms for generating the necessary funds.

A number of different proposals have been put forward for generating the necessary funds. In order to be effective, broadly acceptable, and sustainable over time, funds must be generated in a way that is:

- **Predictable and automatic:** The mechanism must be capable of producing a consistent and predictable flow of funds over time. Funding should be generated outside of domestic budgetary processes so they do not depend on the fickle nature of annual appropriations.
- **Equitable:** Countries should contribute resources based upon their historical responsibility for emitting greenhouse gasses and their capacity to act.

As the June session in Bonn gets under way, two proposals are getting the most attention from negotiators:

- The Norwegian government has proposed raising funds through an international auction or levy on the Assigned emissions Amount Units (AAUs) of developed countries.
- After the recent Major Economies Forum in Paris, the impression was given that significant momentum had developed around Mexico's proposal for a World Climate Change Fund (WCCF). Under the Mexican proposal, all members of the UNFCCC would contribute to the WCCF based on a negotiated formula that would quantify responsibility and capacity. All countries that contribute to the fund could benefit from the fund. Least Developed Countries would not need to contribute in order to receive funding.

Greenpeace supports combining these proposals in a way that would capture the strengths of each. The Mexican proposal is fair in that it requires contributions in accordance with responsibility and capacity to pay. However, the predictability of financial pledges would be low, due to the problem of ensuring consistent domestic appropriations and the current lack of a compliance mechanism.

Accordingly, funds should be mainly generated by the international auctioning of developed countries' Assigned emissions Amount Units (AAUs); putting a levy on these emissions permits - or a combination of both. The level of the portion of emission permits to be auctioned for each individual country should then be set, using indicators that relate to historical emissions and Gross Domestic Product (GDP) per capita.

### 3. Governments should begin to work out the architecture for a finance mechanism.

The Copenhagen agreement must create a finance mechanism that can manage significant flows of public funds and ensure the benefits are delivered in a timely, efficient and equitable manner. To be effective and broadly acceptable, this mechanism should have a governance structure that is:

- **UNFCCC-led:** Resources committed under the Copenhagen agreement should be administered under the auspices of the COP.
- **Democratic and transparent:** The financial mechanism should give every country an equal voice, and have balanced representation of all parties. It should also provide for the meaningful participation by citizens, civil society representatives, and other interested stakeholders. Relevant programme documents should be publicly disclosed in a timely manner.
- **Accountable:** To ensure resources are well spent, methodologies for measuring, reporting and verifying emission reductions and adaptation impacts must be developed.