Adaptation Finance: Accord funding

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Introduction

1. This briefing note sets out, at a very high level, some of the key points relating to the provision of the long-term finance and whether this money will be 'new and additional. In particular, it addresses the following points:

    a) the correct interpretation of the wording "*mobilizing jointly $100 billion a year by 2020*"as set out in paragraph 8 of the Copenhagen Accord; and

    b) whether this joint funding be additional to funds pledged by specific developed countries for the Germany Climate Change Initiative; Norway (NORAD) for REDD implementation for e.g. Guyana and Indonesia, USAID Climate Program; AUSAID, etc.

2. There is great scope for debate around the intent and meaning of the finance provisions in the Copenhagen Accord ("the Accord") and room for many different interpretations. The simple answer is that there is no clear interpretation and it is hoped that progress will be made on the issues surrounding finance during the negotiations in Bonn (June 2010) under the LCA track. This note therefore sets out some issues to be considered in interpreting the Accord's provisions on both the US$100 billion funding and the meaning of "new and additional".

3. The Accord is a political statement not a COP decision, but indicates the intention/position of the drafters on financing. The meaning of "*mobilising jointly*" the US$100 billion funding announced in the Accord is to be negotiated at Bonn (since it has been replicated in the draft LCA negotiating text of 17 May 2010) and beyond. Questions include the amount of financing, source, mechanisms, institutions and governance.

4. Under the UNFCCC, Bali Action Plan and the Accord, funding is to be "*new and additional*". What should be considered "additional" funding is being debated at Bonn. It is not yet clear how existing domestic climate funding commitments will relate to the US$100 billion figure.

5. The United Nations Secretary-General's High Level Advisory Group on Climate Change Finance ("AGF") is due to report the progress of its work on Tuesday 8 June in Bonn and may help to clarify these issues.

Meaning of "mobilizing jointly $100 billion a year by 2020"

6. The text of paragraph 8 is set out in Annex 1 to this note (see below). Under paragraph 8 "developed countries commit to a goal of mobilizing jointly USD 100 billion dollars a year by 2020". This wording suggests a goal or target rather than a legally binding obligation. It can be compared with the stronger use of "commitment" in relation to the US$ 30 billion for the period 2010 to 2012.

7. The use of the phrase "mobilizing" rather than "providing" (which is the word used in relation to the US$30 billion fast-start funding) suggests that the developed countries can organise or procure finance but do not actually have to provide it themselves. This may envisage mobilizing private finance, because in relation to the US$100 billion goal the Accord makes clear that "this funding will come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance."

8. The phrase "jointly" assumes that the developed countries will act together but there is no indication of how. In this context, it is worth noting that the LCA text, which was proposed after the Accord and replicates much of its wording in this area, provides at paragraph 26 of Chapter 1 that from 2013 developed countries will provide funding "based on an [assessed][indicative] scale of contributions" which will be determined by the COP.

9. Although the meaning is not free from doubt, the amount of US$100 billion "a year" by 2020 suggests that the aim is to make US$100 billion available each year from 2020. This would be consistent with a gradually increasing level of finance from 2013 to 2020 although there is nothing to make this clear. In contrast the US$30 billion is clearly stated to be "for the period 2010 to 2012."

10. The US$100 billion funding also appears to be intended to be made conditional on "meaningful mitigation actions and transparency on implementation" by developing countries.

11. The only clear provisions on how funding may be provided are in relation to new multilateral funding for adaptation where a "significant portion" is to be provided through the Copenhagen Green Climate Fund. The Accord also sets up a High Level Panel (whose mandate has since been merged with that of the AGF) to study how revenue will be contributed under the guidance of COP.

"New and additional"

12. It is not yet clear whether the US$ 100 billion funding is intended to be additional to pledged funds by specific developed countries (e.g. Germany Climate Change Initiative; Norway (NORAD) for REDD implementation for e.g. Guyana and Indonesia, USAID Climate Program; AUSAID, etc.).

13. Although there is a general reference to new and additional funding at the start of the paragraph 8, there is no specific reference to the funding being "new and additional" in the context of the US$100 billion goal. The absence of the express words in relation to the US$100 billion contrasts with the position in relation to the US$ 30 billion where the commitment is to come from "new and additional resources". It is possible to argue that the opening words of paragraph 8 apply to all finance under paragraph 8 and so all finance should be "new and additional" but the express use of those words in relation to the US$ 30 billion and not the US$ 100 billion can also be taken to make a deliberate distinction between the two funds.

14. The requirement that funding provided by developed countries is "new and additional" is in the Convention and Bali Action Plan as well as the Accord. What exactly this means is being negotiated, and is unclear. It depends on what baseline is taken and how the different categories of assistance are defined to determine what falls into which pot of money.

15. Some developed countries argue that funding is only "new and additional" if it is additional to their current flows of Official Development Assistance ("ODAs"), whereas most developing countries tend to argue that it must be additional to existing aid targets (where these are higher than current flows). Some even suggest that it should be "new and additional" to current aid

spending. In his observations for the first meeting of the AFG, Nicholas Stern advised that "*prolonged and agonised naval-gazing on the meaning of additionality in this context [aid] is unlikely to be productive. I suggest we focus on new sources as the approach likely to give the most confidence in additionality over the medium term*."

16. Serious questions also remain around whether any private finance flows should be counted as 'new and additional' funds. It is clearly envisaged by paragraph 8 that significant levels of private finance will be counted towards the US$100 billion figure. However, there are concerns that the inclusion of private sector funds could dilute any commitment by developed countries for public funding. For example, the World Bank claims that the US$3 billion allocated for its climate investment funds ("CIFs") in 2009 triggered (or facilitated the production of) an additional US$27 billion, some of it from the private sector[1.] Because US$100 billion actually falls far short of previous estimates of the level of funding required, some argue that the US$100 billion needs to be made up of public funding, on top of which further private finance can be raised. There is also a question about whether the revenues from carbon trading will be included, as it is argued by some that carbon credits bought from developing countries are offsets to developing country emissions and not "new and additional" to existing commitments to make emission-reductions.

[1] Schalatek L., Bird N., and Brown, J. (2010) "***Where's the Money? The Status of Climate Finance Post-Copenhagen: The Copenhagen Accord, UNFCCC Negotiations and a Look at the Way Forward***" Heinrich Böll Foundation North America and Overseas Development Institute, http://www.boell.org/downloads/HBF-ODI_ClimateFinace_Post-Copenhagen_WhereIsTheMoney.pdf

ANNEX 1

Paragraph 8 of the Copenhagen Accord states (emphasis added):

"Scaled up, new and additional, predictable and adequate funding as well as improved access shall be provided to developing countries, in accordance with the relevant provisions of the Convention, to enable and support enhanced action on mitigation, including substantial finance to reduce emissions from deforestation and forest degradation (REDD-plus), adaptation, technology development and transfer and capacity-building, for enhanced implementation of the Convention. <u>The collective commitment by developed countries is to provide new and additional resources, including forestry and investments through international institutions, approaching USD 30 billion for the period 2010 – 2012 with balanced allocation between adaptation and mitigation.</u> Funding for adaptation will be prioritized for the most vulnerable developing countries, such as the least developed countries, small island developing States and Africa. <u>In the context of meaningful mitigation actions and transparency on implementation</u>, developed countries commit to a <u>goal</u> of <u>mobilizing</u> jointly <u>USD 100 billion dollars a year by 2020</u> to address the needs of developing countries. <u>This funding will come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance.</u> New multilateral funding for <u>adaptation</u> will be delivered through effective and efficient fund arrangements, with a governance structure providing for equal representation of developed and developing countries. A significant portion of such funding should flow through the Copenhagen Green Climate Fund."