

A Western Climate Fund

Innovative Sub-national Contributions to Multilateral Climate Finance

Concept Note, May 2018

Background

On 5 December 2015, Action Day at COP21 in Paris, Premier Philippe Couillard of Quebec, , announced the Province’s contribution of \$6 million for the [Least Developed Countries Fund](#) (LDCF) of the UNFCCC/Paris Agreement, which since its creation in 2002 has provided around USD 1.2 billion for projects in 51 of the poorest and most vulnerable countries in the world, leveraging more than USD 4.8 billion in financing from partners, more than 5 million direct beneficiaries, over 1.1 million hectares of land under more climate-resilient management.¹

At the announcement, former US Vice President Al Gore expressed “deep gratitude, admiration and congratulations” for Quebec’s initiative. [He stressed](#) he “could not find adequate words to describe how significant this [initiative] is” as it illustrates how the wealthy regions of the world are able to reach out in partnership especially to the least developed countries to enable them to participate fully in solving the global climate crisis, and ended by saying that the people of Quebec were “becoming known as true heroes in the world’s effort to solve the climate crisis” and that their gesture “will reverberate with other regions and nations around the world”.

Following the 2016 US elections and the proposals by the Trump Administration to abolish all contributions to multilateral climate finance (including pledges already signed off by the Obama Administration), the idea of sub-national support for multilateral climate funds was picked up by Massachusetts State Senator Mike Barrett, who filed *Legislation enabling donations from U.S. taxpayers in the state of Massachusetts to the LDCF* in the State Senate in March 2017 ([MA Senate Bill No. 2056](#)). The Bill introduces two significant new ideas by:

- establishing a *Massachusetts UN Least Developed Countries Fund* (MLDCF) for the benefit of the multilateral LDCF; and
- creating a new State *‘check-off’ scheme* that would allow Massachusetts tax payers to earmark (‘check-off’) potential tax refunds on their personal income tax form as contributions to the MLDCF.

Apart from the revenue generated by this check-off scheme, the MLDCF will also be able to receive “contributions from public and private sources as gifts, grants, and donations” to the LDCF, making the MLDCF a *state-managed crowdsourcing instrument* for the benefit of multilateral climate finance. Even though the check-off scheme is not expected to raise large amounts of money, the fact that the MLDCF is to be established by the state signals that it is intended to be there for the longer term, which takes the idea of innovative sub-national contributions to multilateral climate finance to a new level.

¹ Source: [FY 16 Annual Monitoring Review of the LDCF](#)

The Proposal

Quebec's original contribution came out of the auction revenue of the province's emission trading scheme which, together with the schemes of British Columbia, Ontario, and California, form the regional [Western Climate Initiative](#) (WCI). Based on these proven working relationships between sub-nationals across national borders, the proposal here is to establish a similarly structured trans-national *Western Climate Fund* to receive contributions for the multilateral funds of the Paris Agreement, in particular the LDCF, from States and Provinces in or around the WCI. The trans-national character of this 'catchment area' is important as it would guarantee that the Fund is not perceived as competing with national support, but as genuinely complementary to it.

Contributions to the proposed Fund could come from a variety of sources, such as:

- charitable donations from public sector entities;
- charitable donations from companies and foundations as part of ESG/CSR budgets or philanthropic activities;
- charitable donations from individuals, particularly as part of check-off programs, relating, for example, to income-tax refunds (as in the case of the [Massachusetts Bill](#)) or to climate dividends derived from cap and trade permit auctions (as recently proposed in [a Bill](#) by California State Senator Wieckowski); and
- a "share of proceeds" – be it a share of cap and trade auction revenue or of carbon taxes (as in the case of [Germany's Climate and Energy Fund](#)) or a share of emission allowances to be monetized by the Fund (as in the case of the share of CDM proceeds monetized by the Adaptation Fund, or the "[Allowance Allocation to Electrical Distribution Utilities on Behalf of Ratepayers](#)" under the California Cap and Trade Scheme).

The "share of proceeds" option would have the additional benefit for the involved trading scheme of an alignment with the mechanism envisaged under Article 6 of the Paris Agreement.

The Global Climate Action Summit in San Francisco in September 2018 could be used to announce the initiative to establish such a Fund, if not to actually launch it.