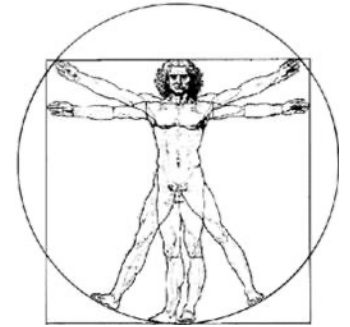


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Innovative Sources for the L&D Fund

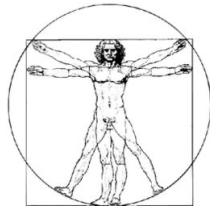
International Climate Solidarity Levies & VCM-SOP

Prof. Benito Müller

Director, ecbi

for sustained capacity building in support of international climate change negotiations
pour un renforcement durable des capacités en appui aux négociations internationales
sur les changements climatiques

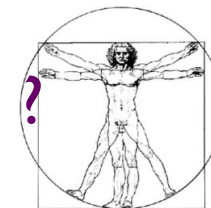
CONTENT



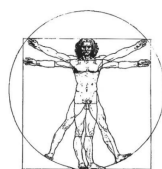
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- Why innovative sources of finance for the Loss and Damage Fund (LADF)?
- Share of Proceeds (SOP) from the Voluntary Carbon Market (VCM)
- International Climate Solidarity Levies (ICSL)

WHY SOURCES OF FINANCE FOR THE LOSS AND DAMAGE FUND ? TO AVOID THE PLACEBO FUND AND THE SIPHON SCENARIOS



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ecbi policy brief

Climate Finance after Tianjin

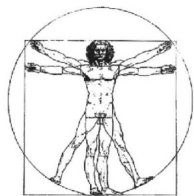
How to reach a deal at Cancún?

Benito Müller

November 2010



“The key issue here is not so much how to reach the magical figure of \$100bn by 2020, but how to source the new fund [GCF] adequately, if and when it is established. **The last thing anyone needs at this stage is to create (another) climate change ‘placebo fund’, i.e. a pot created to buy-in developing countries into some overarching deal that remains empty.**”[p.12]

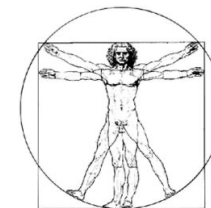


Share of Proceeds

An Innovative Source for
Multilateral Climate Finance

Aglaja Espelage, Axel Michaelowa, and
Benito Müller
with contributions by Kishan Kumarsingh

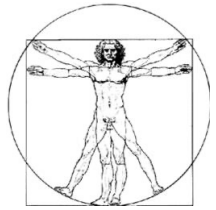
November 2021



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SOPA - BRIEF HISTORY



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Kyoto Protocol (KP)

The KP established three carbon markets ('flexibility mechanisms'):

- The **Clean Development Mechanism** (CDM) – with credits generated in developing ('non-Annex 1') countries
- **Joint Implementation** (JI) – with credits generated in 'Economies in Transition'
- **International Emissions Trading** (EIT) between developed countries

The 1997 KP, in Art 12.8 established a **share of proceeds** from CDM activities *inter alia* "to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation", later set to 2% of issued credits.

Why? To bring on board the vulnerable developing countries

N.B. a JI and EIT SOPA were only added in the 2021 Doha Amendment.

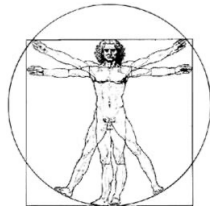
Paris Agreement (PA)

The 2015 PA established two market-based modalities under its Article 6, namely:

- An Art.6.4 market mechanism, and
- Art. 6.2 cooperative approaches

Developing countries managed to introduce a SOPA for the Art. 6.4 mechanism (later set to 5% of issues credits), but not to the Art 6.2 cooperative approaches.

SOPA - BRIEF HISTORY

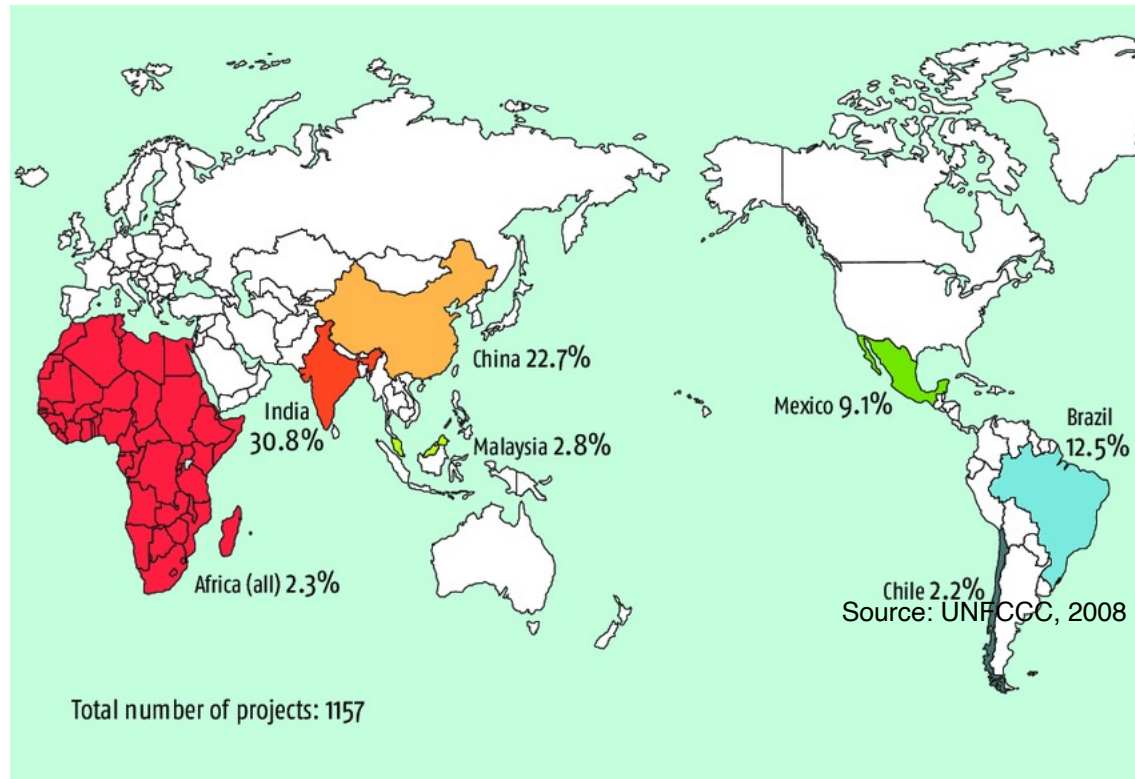


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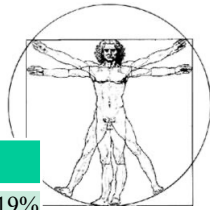
CDM: The 'China Development Mechanism'

Shares in

- CDM projects: Brazil, China, India: 66%, Africa (all): 2%
- CERs issued: Brazil, China, India : 85%



VCM – SOCIAL INTEGRITY

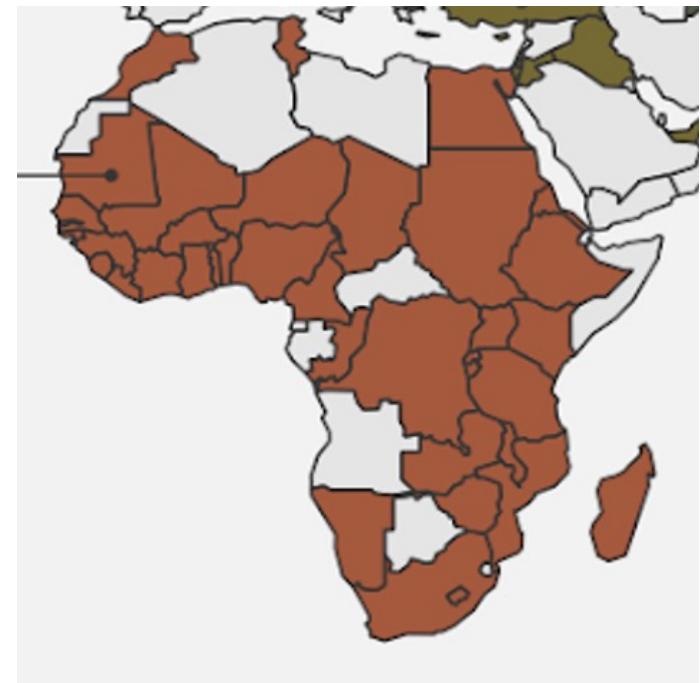
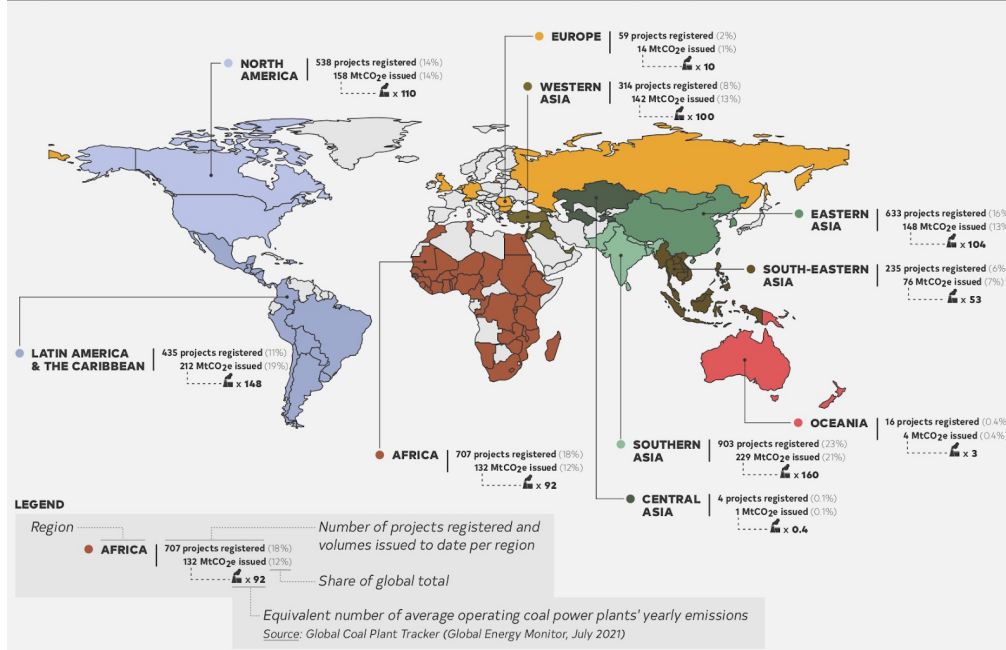


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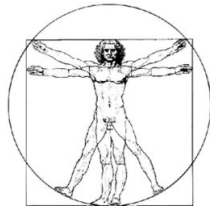
Equitable sharing of benefits with the poorest and most vulnerable

	projects	credits
GRULAC	11%	19%
Eastern Asia	16%	13%
Southern Asia	23%	21%
Developed Countries	16%	15%
Africa	18%	12%
Oceania	0.4%	0.4%

Figure 1.3 | VCM credits issuance and registered projects (VCS, GS, ACR, CAR)



VCM – SOP: HOW MUCH?



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Morgan Stanley



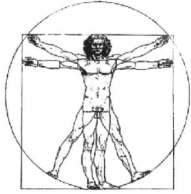
RESEARCH

Where the Carbon Offset Market Is Poised to Surge

Apr 11, 2023

“the voluntary carbon-offsets market is expected to grow from around \$2 billion in 2022 to about \$100 billion in 2030 and around \$250 billion by 2050.”

5% = \$100m (2022); \$5bn (2030); \$12.5bn (2050)

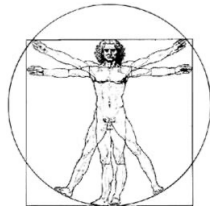


VCM- SOPA

How to Operationalize a
Share of Proceeds for Adaptation
for the Voluntary Carbon Market

Charlotte Streck and Benito Müller

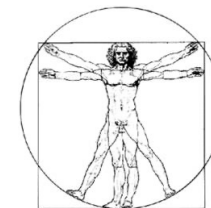
Review Copy: Please do not quote!



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CORSIA-SOP

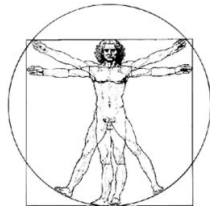


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The paper further seeks to encourage the International Civil Aviation Organization (ICAO) to include SOPA as one of the eligibility criteria for Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) eligible emissions units.

By May 2023, ICAO had approved nine standards and programmes to issue CORSIA-eligible units for the pilot phase (until 2023) and two for the first compliance phase (2024-2026). While the overall demand for offsets from the aviation industry may still be limited, the eligibility of a unit under CORSIA describes one of the few quality thresholds in an otherwise mostly unregulated market. If, for future approvals or the renewal of such approvals, ICAO included SOPA as one eligibility criteria for standards and programmes (together referred to as “standards” in this paper), they would be forced to make provisions for SOPA collection.

CORSIA COMMITTEE ON AVIATION ENVIRONMENTAL PROTECTION (CAEP)



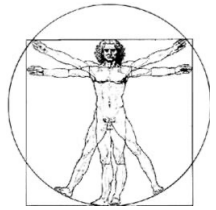
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CAEP Working Group 4 - CORSIA

Description:

CAEP's Working Group 4 deals with technical issues relating to the implementation of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), including the maintenance of the related Standards and Recommended Practices (SARPs) contained in Annex 16, Volume IV to the Convention on International Civil Aviation and related guidance contained in the *Environmental Technical Manual* (Doc 9501), Volume IV.

FURTHER LITERATURE



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VCM-SOPA

A SHARE OF PROCEEDS FOR ADAPTATION (SOPA) IN THE
VOLUNTARY CARBON MARKET (VCM)

Discussion Note¹

March 2022

by Benito Müller,² with contributions from Hanna-Marie Ahonen,³ Pedro Moura Costa,⁴
Daniel Ortega-Pacheco,⁵ Moekti (Kuki) Soejachmoen,⁶ and Charlotte Streck.⁷



Oxford Climate Policy Blog

Initiating debates on international climate policy

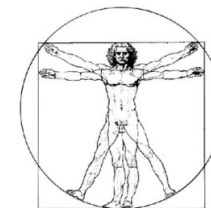
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Safeguarding Social Integrity in the Voluntary Carbon Market





Oxford Climate Policy Blog

Initiating debates on international climate policy



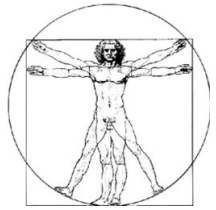
International Climate Solidarity Levies

[Leave a reply](#)

A Manifesto on an Innovative Funding Source for the new Loss and Damage Response Fund

by **Benito Müller** ([OCP](#)), **Saleemul Huq** ([ICCCAD](#)), **Robert Filipp** ([IFF](#))





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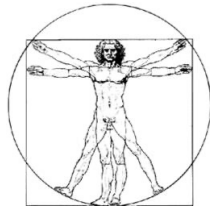
THE FRENCH SOLIDARITY LEVY 2006

The levy was a surcharge of €1 on economy class flights within Europe, €4 on long-haul economy class, €10 on business class within Europe and €40 on long-haul business class.

The levy is collected by the *Directorate General for Civil Aviation* which transfers it *not* to the general budget, but to a dedicated ‘**Solidarity Fund for Development**’ managed by the French Development Agency earmarked for funding organisations working in global health such as UNITAID, combatting HIV/AIDS, malaria, and tuberculosis.



ADAPTATION SPIN-OFF I: 2006-8



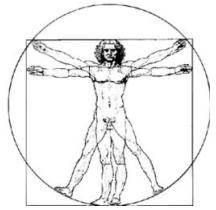
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International Air Passenger Adaptation Levy (IAPAL)

A proposal by the
GROUP OF LEAST DEVELOPED COUNTRIES (LDCs)
within the framework of the BALI ACTION PLAN

Submitted to the UNFCCC AWC-LCA
on 12 December 2008





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THE REMIT PROBLEM

The UNFCCC does not have the remit to legislate on aviation

Alternatives for a global 'top down' levy?

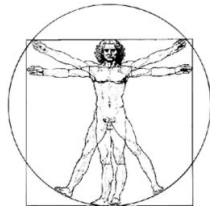


Solidarity Tax

Airlines and their passengers should not have to pay for social programmes that are not related to airport and aeronautical services

“An example of a discriminatory tax on the air transport industry was introduced by the French Government on 1 July 2006 with a “solidarity” tax designed to support aid to developing countries.

The Council of Economics and Finance Ministers of the European Union (ECOFIN) considered and ultimately rejected the idea of implementing such a tax on an EU-wide basis. Even the African Union has publicly expressed its opposition to the concept.”

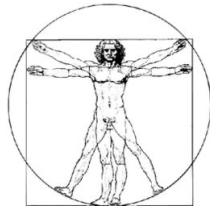


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ADAPTATION SPIN-OFF 2: BOTTOM-UP (2020)

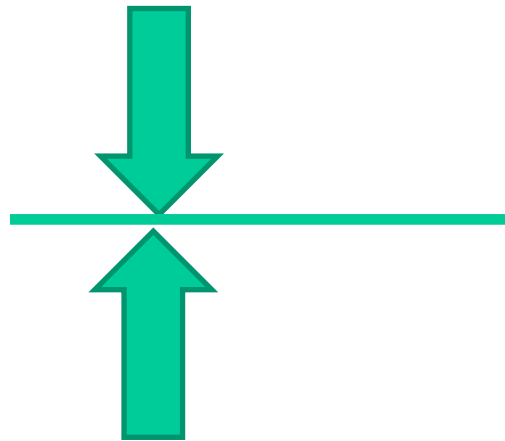


ICSL: THE GOLDILOCKS SOLUTION (2023)



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International Air Passenger
Adaptation Levy (IAPAL)

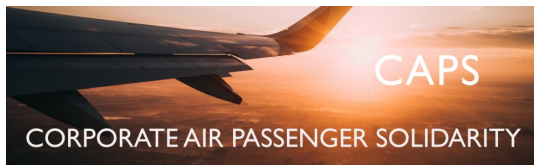


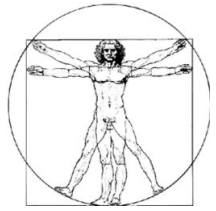
Nationally implemented
International Climate Solidarity Levies

Comprising different types of levies, e.g.:

- Air ticket levies (like the French Solidarity Levy)
- Maritime transport levies (€10 per container)

Scale: EU-wide application now = € 1 billion p.a. each





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CALL FOR A CLIMATE SOLIDARITY ALLIANCE

Oxford Climate Policy Blog

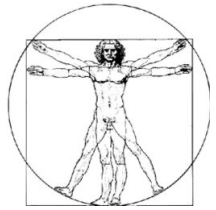
Reflections

on implementing aspects of the African Union “Position Narrative”
for the Africa Climate Summit, September 2023, Nairobi.

Benito Müller



Presidents Ruto (Kenya) and Macron (France) in Paris 23 January 2023 (photo source: [JeuneAfricque.com](https://jeuneafrique.com))



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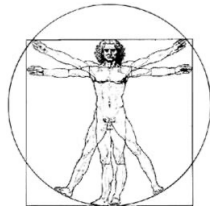
EQUITY ELEMENTS FOR THE OPERATIONALISATION OF THE CLIMATE SOLIDARITY ALLIANCE

CBDR-RC – at the individual-, not country-level, reflecting the responsibilities and capabilities of the ‘**global rich/affluent**’ (with progressive differentiation according to ticket class)

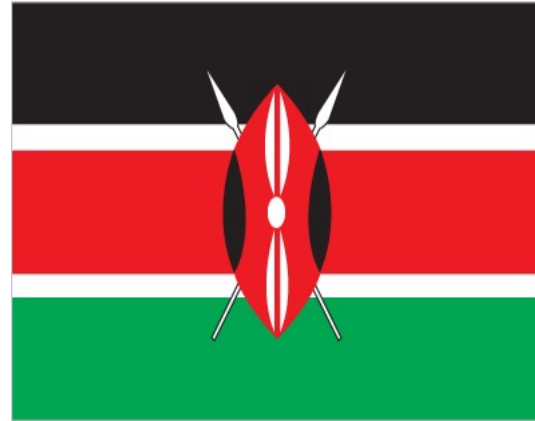
Equitable Access: Programmatic Enhanced Direct Access (Country Programmes)

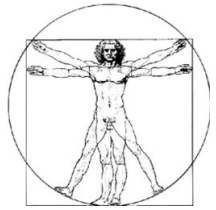
Equitable Participation	Most Vulnerable	Other Developing	Developed
Domestic use of revenue (up to):	100%	50%	25%
LADF Contribution Pay-back	2x	1.5x	0

POTENTIAL ICSL LEADING GROUP?



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THANK YOU!