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Remarks at the Geneva Dialogue on Climate Finance

Todd Stern

Special Envoy for Climate Change

Geneva, Switzerland

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SPECIAL ENVOY STERN: Thanks very much for the opportunity to chat with you. I'm just going to make a few opening comments, then I'm happy to take your questions.

I think we have had a useful, pretty constructive meeting over the last day and a half to discuss financing issues which are a key part of this overall negotiation.

One thing I noted when I spoke yesterday kind of up top was the three key issues that comprise the overall finance question which are the fast start financing piece of it; the goal of mobilizing \$100 billion by 2020, so that's the longer term piece; and the establishment of the Green Fund are all creatures of the Copenhagen Accord. They were all agreed there, and actually only there as part of a balanced agreement that also included quite critical provisions on mitigation, transparency and the like.

As you know, the Copenhagen Accord was not adopted last year and the effort this year has been to negotiate toward decisions that would hopefully build on the progress that was made in Copenhagen.

We have made clear from the beginning, and I made clear again yesterday when I spoke that while we are extremely supportive of these financing issues, our capacity to move forward on them depends upon the agreement on all of those, that balanced package that was represented in the Copenhagen Accord.

We make an exception on fast start. On Fast Start we said from the beginning that we were going to move forward on an unconditional — Having trouble hearing me?

We made clear right away after Copenhagen that we were going to move forward on the Fast Start piece which is the 2010, 2011, and 2012 funding on an unconditional basis. But the other two big elements, the Green Fund and the longer term funding, we're not going to cherry-pick and do just those issues. That has to be part of a package that includes, as I say, essentially the agreements that we reached or versions of the agreement that we reached last year on transparency, mitigation and so forth.

I also spoke a bit on our vision of the process for establishing a Green Fund. That was my assignment and I did that yesterday. We see that working essentially in three steps. That there would be a COP Decision this year to

establish such a fund, that a working group of countries would then, represented by experts, by people who know what they're doing with respect to finance, working together to develop a framework that would, for example, set forth criteria, what sort of financial instruments would be used, what the role of the Secretariat would be, issues having to do with access to funding and the like.

The working group, when the framework document was completed, would also establish the board, and when that's done the third step would be to work out a memorandum of understanding between the newly established fund and the COP itself. So I walked through that three-part process.

In general the key for us, and I think the key in general is that this fund ought to be efficient and effective, that it should be professionally put together and managed. It has the potential of managing a very large amount of money, much larger than you'd probably find in most any other setting of a kind of mission-driven fund. It should be designed to get funds out quickly. There's been a lot of concern over the years among developing countries that there's a lot of red tape and a lot of process that slows things down in an unwarranted way, so we should try for a streamlined, effective, efficient and responsible funding.

I think the challenge in general for us this year, and it is a challenge, is to get to a meaningful outcome in Cancun that does build on the progress that was made on all six of the core issues in this negotiation last year in Copenhagen. Those issues of financing, mitigation and transparency were all issues where the progress was fundamentally made in the Copenhagen Accord. Adaptation technology and the forestry issue were issues where the progress was made in the conventional contact groups of a negotiation last year. We should try to build on that.

So let me stop there and take questions.

QUESTION: Thank you. Two questions. The first one is about this web site which was set up today. The idea of encouraging transparency on the short term commitment. The United States isn't part of the donor countries which are on this web site. Is it your intention to join it?

The second question is that Mrs. Espinoza, the Assistant Foreign Secretary, said she was quite optimistic about being able to establish the Green Fund in Cancun. Would you agree with that, and what would you mean by, what is your interpretation of establishment? What does that actually mean? Would it become operational in some way, or would everything become in this classic UNFCCC manner, is it all kind of interwoven like a spider's web?

SPECIAL ENVOY STERN: Let me take those one at a time.

The short answer on the web site is yes, the U.S. will submit information for that web site.

Let me say that from the very beginning of the year I have been and we have been very much focused on the issues of visibility with respect to fast start financing. I was focused on this for a simple reason. There is no Green Fund yet, so any of the funding that's going to go out, the amount in the words of the Copenhagen Accord was supposed to approach \$30 billion from the donor community over three years. And my concern was there isn't a new fund, it's all going to go through existing channels. Those channels are bilateral and multilateral for the U.S. I think we do about 40 percent bilateral.

My concern was the money would go but it would be invisible to people if there wasn't a concerted effort made to explain to people where it was going and how it was being spent.

We have been hard at work on a very detailed document, country by country, that is going to lay out, and there is a draft that I actually saw a chunk of this draft before coming here a couple of days ago, that will lay out country by country how much is being spent bilaterally, multilaterally, and then precisely what it's for. What projects, what it's funding. There will be bullet points for each of those things country by country and lay it all

out. So we're deep into the process of doing that. I hope we will have that within a month. I'd say somewhere between a month and six weeks. When we have it, I think it's going to be quite lengthy. My guess is we'll probably have it, there will probably be like a PDF that we can make available to the web site so people can click on it, because I think it will be too long to put in there directly. And we will provide some kind of user-friendly summary so you guys don't have to read it all. But it will be quite detailed and quite transparent. So that's that issue.

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On the Green Fund, I think there was a lot of quite positive conversation and discussion about the Green Fund yesterday and today. I think there is genuine convergence around the issue that there should be such a fund. I think there are still some issues having to do with the process for setting it up, how the board works, any number of issues having to do with both the process and governance, which seemed to me there are differences, but they're the kind of differences that can get negotiated through, I would think.

I think the biggest issue is not so much are there insuperable negotiating issues with respect to the fund, but the point that I made at the beginning which is this has to be part of a package. We are not going to move on the Green Fund and the \$100 billion. If the issues that were central to the Copenhagen Accord that were part of the balance of the Copenhagen Accord, including mitigation and transparency, don't also move.

So that doesn't mean you can't negotiate quite far down the road for this. It might get into that issue that you raised at the end about whether it gets operational or it's in the "nothing's agreed until everything's agreed" kind of, you referred to it as a spider's web, but I think that's what you meant. I think we'll have to see about those issues.

But I think that a lot of progress can be made. We should push down the road. I never describe myself as optimistic or pessimistic about anything, but I think there is good progress that can be made. But again, this was agreed to as part of a package in Copenhagen, the Copenhagen Accord. For us, all of those key elements have to move, not just one or two.

QUESTION: Two questions. Coming back to the Green Fund, have I understood you right when you said the first tranche of the short-term \$30 billion will be dealing from the other two tranches plus the long term \$100 billion plus the institutional arrangement, which will all be linked to the package?

SPECIAL ENVOY STERN: Yes. Yes, delinked, in the sense that we are moving on what is referred to in this context as fast start funding. We are moving on that in an unconditional fashion.

QUESTION: Can I ask you, in the very first tranche that the U.S. would provide, how much is the new and additional amount? And second, would the U.S. be actually taking up, going for domestic legislation in the Congress before the Cancun meeting?

SPECIAL ENVOY STERN: We have tried for a long time to get legislation done. The President tried very hard to get legislation done, as did many members of Congress. It got through the House, it did not get through the Senate. You can never say never, but I would not say it's a likely thing at the moment. But again, you never know for sure in the Congress.

We don't know what the total contribution is going to be yet. For 2010, recall, the Copenhagen Accord occurred at a point where we were already in the fiscal year 2010 in the United States. Our 2010 amount was about three or four times higher than the amount that President Obama inherited. So it was something over \$1 billion. We are seeking something close to two for 2011 but Congress hasn't acted on it yet. We haven't made our submission yet to Congress for 2012 which will happen in about February. There is also significant funding that occurs through our Export Credit Agency. So we just don't know yet what the total number will be, but I think it will be quite substantial and I think a great deal of it will be new and additional compared to previous climate funding.

QUESTION: I just wanted to follow up on my colleague's question again about expectations in Cancun regarding a decision on the global funding, because Ms. Espinoza was quite clear they're expecting a decision on the establishment, yet you seem to be saying that that won't happen unless the other elements are at least addressed, that there's some progress noted on it. So I'm just wondering if you can clarify whether the U.S. and other industrialized countries would block a decision in Cancun on the establishment of the fund if you don't see progress on those other –

SPECIAL ENVOY STERN: I wouldn't use the word block. I think I said, and many countries, by the way. It was certainly not just the United States. There were any number of countries that stressed the need for the package of issues to move forward.

I think the Foreign Secretary I think is doing a superb job, reflecting quite appropriately a very positive sense about the support for Green Fund that occurred today and yesterday, and I completely share that view, and I share the view that while there are still issues to be negotiated, I think those are issues that can be negotiated.

At the same time, as I said and as many countries said, we do have to have a package moving forward, not just cherry-picking issues. So I'll just leave it there.

QUESTION: The tough decision to set up the fund in Cancun, –

SPECIAL ENVOY STERN: Yeah.

QUESTION: In that case, how long would it be until funds actually, to set it up and get through the tangle [inaudible]? How long would it be until funds started flowing through –

SPECIAL ENVOY STERN: We cited in the statement that I made yesterday talking about this, we cited a couple of examples where the same kind of process or procedure that I talked about, or that we suggested for the fund here has been used. The Global Fund for AIDS is one of those examples. The Climate Investment Fund is another. In both of those cases the entire process took less than a year.

Actually a couple of the funds that have been set up, the adaptation fund, and there's one other, the Special Climate Fund that was set up under the UNFCCC itself, actually took many years to set up. But these other examples which we have pointed to were done quite quickly.

Our view is we want it to be done quickly, done right, get money moving, and be efficient. So that's what we're trying to do.

QUESTION: I've got a question on President Obama's target of 17 percent COP international. Given that the cap and trade legislation stalled in the Senate, will that regulation by the Environmental Protection Agency be enough to ensure that the target will be met?

SPECIAL ENVOY STERN: I think EPA regulation has always been a part of the totality for the U.S. and EPA has, by the way, done a lot. They put in place very significant vehicle regulation last year, they're extending that to additional mobile sources. They also put in place last year the kind of foundation steps necessary to regulate stationary sources, so all of that is going on and I have every reason to think that EPA will continue pushing forward.

The fact that we didn't get cap and trade legislation this year doesn't mean that there's never going to be legislation of any kind affecting carbon and affecting emissions. I think that EPA will be a piece, an important piece of the total equation, and there will be legislative progress also. I can't tell you exactly when that's going to be, but remember, we're talking about a period that's 2010 to 2020. So I am in no sense whatsoever writing off legislation over time, and I'm quite sure the President isn't either.

QUESTION: Sorry to be very direct, but can you tell us what you expect from Brazil, India and China, what else would you expect from them to have this package? What is it they are not doing now that they should do?

SPECIAL ENVOY STERN: Well, I'm not going to say what they're not doing. I'll tell you exactly what I expect. I expect basically what was agreed to by our leaders face to face last year in Copenhagen. That's what we expect. What that includes is a structure on mitigation that is different from the traditional structure that is embodied, for example, in the Kyoto Protocol. That's a structure that is taken to mean that all of the obligations to take action fall on developed countries and none on developing countries. I don't actually think it says exactly that, but that's how it's understood.

What was different and important on this particular point in the Copenhagen Accord is that there is essentially a parallel structure in the paragraph that applies to developed countries, in the paragraph that applies to developing countries. In both cases it essentially says we will implement a set of actions that we put forward in an appendix.

Now the actions are different. For developed countries they're absolute reductions, economy-wide targets. For developing countries they're relative reductions. So the content is different. But both sides said we will implement those things that we put forward in an appendix.

For developing countries it was a matter of self-selecting, if you will. A developing country made the voluntary decision to say yes, we're going to put our actions into the appendix. But it was also understood in advance that all of the major developing countries were going to do that, and that understanding was a predicate for our agreement to the overall deal.

With respect to the great majority of developing countries, they could decide to do it or not to do it as they chose.

So that was a change from the structure that had occurred before, and that was a change that we think is critical because to be very — You were blunt, so I'll be blunt. You can't solve this problem with 45 percent of global emissions at the table and declining. The 45 percent represents about the amount of annual emissions from developed countries. By 2030 that will be 30 or 35 percent. So you've got to have the big players at the table and participating and not just taking the action, but agreeing in the international agreement to do that. That's what happened in the Copenhagen Accord.

The other thing that happened that was very important was an agreement to some measure of international transparency. To be worked out. The key words are international consultations and analysis. So what does that mean? How does that work? That's got to be worked out. So that also was very important.

So you ask me what do we need the major developing countries to do? That's what we need them to do.

QUESTION: They haven't done it?

SPECIAL ENVOY STERN: It's not a question of — It hasn't been agreed to in — Remember, the Copenhagen Accord was not adopted, so we are looking now for decisions that will be adopted by the full conference of the parties. It's not that they haven't done it. They haven't done it or not done it. What are looking for in Cancun are decisions that will include those provisions. If we get that, then the financing and the technology and all the rest can flow with it.

QUESTION: A quick one on the web site. When is the U.S. going to provide —

SPECIAL ENVOY STERN: I don't have an exact date. I am hoping that it will be in the span of about four to six weeks. I'm not absolutely sure, but it is a lengthy — My guess is it's going to be more than 100 pages. It's a lengthy document.

QUESTION: And on this issue of whether success at the Kyoto is needed, if no deal is reached in Cancun, would the U.S. consider perhaps at least signing up to Kyoto again?

SPECIAL ENVOY STERN: No.

QUESTION: I was wondering your assessments on the finance, et cetera. If you factored in the question of intellectual property, patents, technology transfer, which seems to be a red line between the rich countries and the developing countries.

SPECIAL ENVOY STERN: I'm not sure what you mean by factoring in.

QUESTION: Down the road. The royalties, technology transfer, wavering of the patents.

SPECIAL ENVOY STERN: The U.S. has been clear sort of forever on this issue. We're not going to agree to a weakening of intellectual property rights and we actually think if there was a single thing you could do that would be most wrong-headed in this world it would be to do that and it would be wrong-headed for China, India and everybody else who more and more are becoming innovators.

We're not going to solve climate change on the back of existing technology. Existing technology can be a big start. If everybody put in place the right policy measures, including the United States, put in place the right policy measures now you could get a really good start and you could do huge amounts with energy efficiency and the like.

But on the longer run you've got to have major technological development and the way you drive technological development is through intellectual property rights. So it would be really a huge mistake to weaken those.

Now with respect to use of funding that gets provided, I think there will be funding used for adaptations, there will be funding used for forestry, there will be funding used for technology dissemination and transfer and the like. So there will be funding used for all sorts of reasons.

There are debates and discussions right now about whether there should be separate windows. Do you need separate windows, no you don't need separate windows, that's all details, but the funding will be used for all of those purposes including technology, but not on the basis of weakening technology.

QUESTION: Has this been thought out well given the fiasco of the Rio Summit with the GEF facility and the World Bank?

SPECIAL ENVOY STERN: I don't know what you're about.

QUESTION: Are people thinking through all this at the moment? I'm not the expert, you guys are. Are they putting it together so down the road this will work? Or is it still on the planning stage?

SPECIAL ENVOY STERN: I'm sorry, I'm having trouble understanding your question. We're certainly trying to think things through and make it work, but what you're referring to, I can't quite — Why don't we move on.

QUESTION: One last question on sourcing of financing. The Secretary General's advisory body is supposed to brief you, we've been told, on some interim conclusions they've reached, the final report in October. I don't know if you're aware of what they're going to say. Maybe you can tell us.

But I was wondering as well what sort of discussions —

SPECIAL ENVOY STERN: I'll let them tell you.

QUESTION: I was wondering what sort of discussions have you had amongst yourselves on these ideas of sourcing, particularly fiscal ideas such as global taxes, that that on fuels, travel –

SPECIAL ENVOY STERN: Yeah.

QUESTION: And whether any sort of consensus has been reached as to what might work and something that has no chance to work.

SPECIAL ENVOY STERN: Depending on whether they start it on time. There is some discussion on those issues, it's supposed to take place this afternoon. But really the locus of that discussion, and it's been going on very intensively and I think in a great deal of depth in the AGF, the advisory group on finance, high level advisory group on finance that Ban Ki-moon organized. There's been very in-depth both analysis and discussion of a very full range of financing sources, both public, private, carbon markets, various kinds of ideas for international revenues to be raised from bunker fuels or other kinds of proposals. Discussions about the kinds of public policy interventions that can help unlock private capital, which any way you slice it is going to be an enormous part of the total, an enormously important part of the total. But there has not been an in-depth discussion about those issues here, and frankly, the expertise doesn't reside here. The reason for setting up that separate panel is to bring in some very talented, high level experienced people who are economists and bankers. Trevor Manuel from South Africa, Mantek Alawalia from India, Larry Summers from the United States. Nick Stern is very involved, not representing the UK, but he is involved. So there are a lot of players there who are highly knowledgeable and experienced, so that has really been the locus of that conversation which is obviously a hugely important conversation.

QUESTION: I understand the U.S. target of 17 percent still stands, even though –

SPECIAL ENVOY STERN: Yes.

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