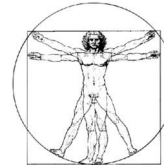


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The Western Climate Fund

PCCB/ecbi Seminar on
Innovative Sources for Multilateral Climate Finance,
COP 24, Katowice, 8 December 2018

Professor Benito Müller

Senior Climate Finance Adviser: LDC Group Chair

Director ecbi

ECI Convener International Climate Policy Research, University of Oxford

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

Innovative Sources for Multilateral Climate Finance

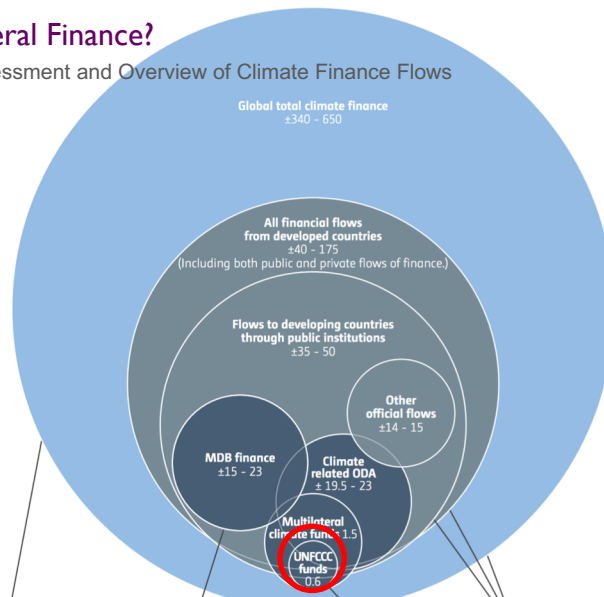


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Why Multilateral Finance?

Why Multilateral Finance?

2014 Biennial Assessment and Overview of Climate Finance Flows



Estimates of global total climate finance include both public and private in both developed and developing countries, and including adjusted estimates of energy efficiency investment. This estimate is highly uncertain

MDB flows are adjusted to exclude external resources managed by MDBs and funding to EU13

Funds accountable to the UNFCCC CDP including the GEF, LDCF, SCCF, and the Adaptation Fund

Figures represent total ranges of estimated finance (including sub categories identified)



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Trump complains US share of climate finance is unfair

Published on 28/04/2017, 3:38pm

Donald Trump suggests China, India, Russia should pay more into the UN-backed Green Climate Fund

“This is simply an excuse to shirk responsibility and abdicate leadership,” said Joyce Mxakato-Diseko, the ambassador who led negotiations for the G77 developing country bloc in Paris.

Trump's remarks were “founded on lack of understanding of the extraordinary spirit of Paris to to accommodate the US without sinking the collective level of global ambition,” she added. “With this, how can the world trust the word of the US? It can't opt in and out of commitments and leadership as and when narrow self interest dictates.”



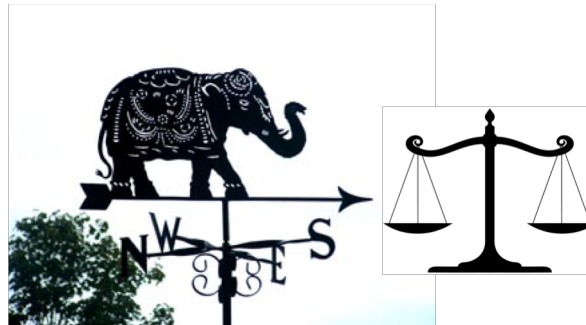
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Why is the Financial Mechanism worth talking about?



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Because it is a North-South Justice & Trust Weathervane



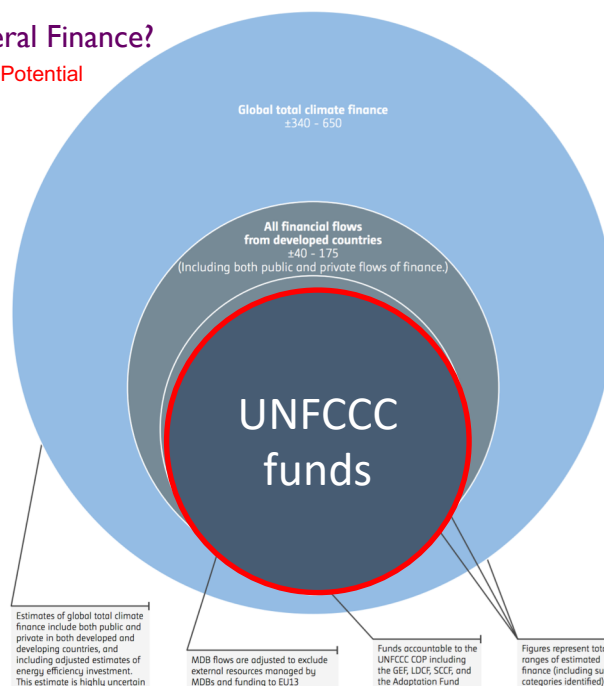
It has an extremely high 'trust intensity' [trust/€]

Why Multilateral Finance?

Trust Modification Potential



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Genesis I: The Road to Paris



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June 2015

Finance for the Paris Climate Compact
The role of earmarked (sub-) national contributions

Summary

In December 2015, negotiators will converge on Paris to forge a new international climate change agreement for 2020 and beyond. This Policy Brief is about one of the preconditions for a success at Paris: a breakthrough on climate finance, or, to be more precise, on how earmarked (sub-) national contributions to support developing countries could be part of the 'Paris Climate Compact' proposed in the recent report on Mobilising Climate Finance commissioned by the French Presidency.

This Policy Brief is based on an OCPI/ecbi Think Piece by Benito Müller entitled *'The Paris Predictability Problem: What to do about climate finance for the 2020 climate agreement'*, originally published in May 2015.

Policy Brief
No. 1, 2015



1. The Issue

Anyone involved in the debate on international climate finance will be familiar with references to funding being 'new', 'additional', 'substantial' or 'predictable'. It is therefore not surprising that these terms appear in Section F (Finance) of the [2015 report of the High Level Panel of Experts](#) adopted at the February 2015 Science for Climate Negotiating session.¹ What may be of interest, however, is their relative distribution, illustrated in Figure 1. Although no hard conclusions can be drawn from such rudimentary evidence, it can reasonably be interpreted as an indication of the importance of **funding predictability**, particularly to developing countries, and that the current multilateral funding engine fails to provide it. Indeed, this interpretation is supported in May 2015 at the Berlin ministerial Climate Dialogue, where 'many Ministers stressed that better predictability of public finance – would be necessary to foster an upward spiral of ambition on means of implementation and mitigation'.²

This raises two questions: (i) Why is predictability important? (ii) What is the problem affecting the predictability of current multilateral climate finance for developing countries? To start with the latter, one needs to keep in mind that the finance at issue here relates to budgetary contributions – in other words, contributions determined solely by the budgeting processes of the contributor Party. These budgeting processes are notoriously complex, highly political, and very often dependent on individual governments. Moreover, there is what has been referred to as the *'domestic common problem'*,³ that is the fact that domestic requirements, as a rule, prevail over foreign needs in budgeting decisions. This is why developing countries tend to associate the low predictability of such budgetary contributions with an unpalatable measure of political capital.



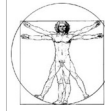
United Nations
Framework Convention on
Climate Change



Genesis 2: Quebec in Paris

In Paris it became 'chic' for sub-nationals to provide multilateral support for climate change finance.

Oxford Climate Policy – the blog



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“Paris, 5 December: Today the *Chair of the Least Developed Countries (LDCs) Group welcomed a pledge from the Quebec government of \$ CAD 6 million to the Least Developed Countries Fund (LDCF)*. The historic and innovative pledge, made by Philippe Couillard, Premier of Quebec, in the presence of Michaëlle Jean, Secretary General of the Francophonie and Vice President Al Gore, has set a new tone for cooperation and innovative climate financing.”[LDC Group Press Release]



- Pledges by the city of Paris (\$1.3m) and three Belgian sub-nationals (\$17.1m) to the GCF

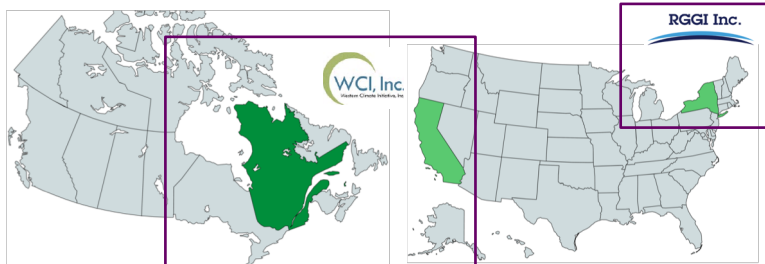
Shares of Sub-national Proceeds: The North American Potential

... Now it must become 'de rigueur'!

Oxford Climate Policy – the blog



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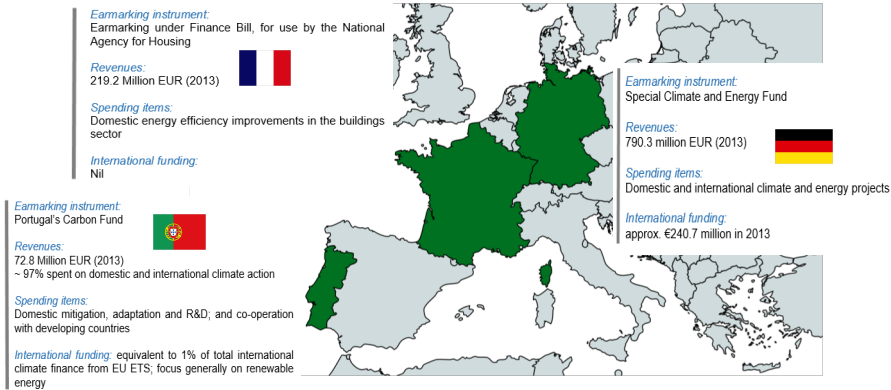
2 percent share of proceeds

- Quebec \$10 million/yr
- California \$125 million/yr

Shares of Sub-national Proceeds: European Potential



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14.3% (€240.7) of earmarked revenue, goes to international climate and energy purposes

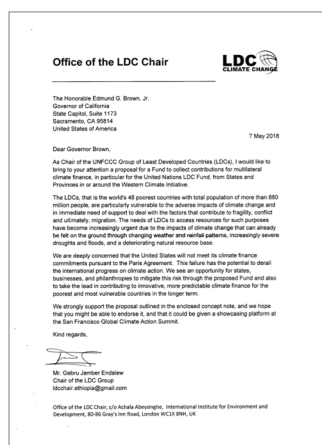
EU ETS auctioning revenues amounted to **€3.6 billion in 2013** and **€3.2 billion in 2014**, much lower than expectations due to a dwindling carbon price. It is estimated that in phase III and phase IV auctioning revenue will on average be **between €13.5 and €18.8 billion per annum**

2% = €270 to €376 million

Genesis 3: GCAS Affiliate Event



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The WCF: What's the Big Idea?



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Published on 06/07/2017

Comment: The Pa
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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 billion 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 stated](#) 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. 2050](#)). 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: [EY 16 Annual Monitoring Review of the LDCF](#).

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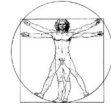
states are already

The WCF: What's the Big Idea?



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- Based on the proven WCI 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 from States and Provinces in or around the WCI.
- 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).



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Thank You!