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IPI/OCP Event Focuses on Capitalising the L&D Fund

On 30 June in New York, the International Peace Institute (IPI), with Oxford Climate Policy (OCP), organised an event on Innovative Finance for Loss and Damage: Capitalizing the New Fund. During the event, participants discussed deficiencies and shortfalls in L&D funding, underscored innovative ways to capitalise on the new fund, argued that multiple solutions are needed, and presented several innovative options.

Moderator Zaid Al-Hussein, IPI President and CEO, recalling that the decision in Sharm El-Sheikh on L&D financing is one of the most significant developments since the 2015 Paris Agreement, said that Transitional Committee members must design a new L&D fund and help with funding arrangements for L&D in other sectors, such as insurance and humanitarian assistance. He said the TC must prepare recommendations on the new fund and funding arrangements for adoption at the 2023 UN Climate Change Conference in Dubai. He said the aim was to have not just a new fund, but also a new type of fund based on innovative sources.

Michael Franczak, IPI Research Fellow, introduced the option of a shipping levy. According to World Bank findings, he said putting a price on carbon could raise USD 40 to 60 billion from the shipping industry between 2025 and 2050. He said 23 countries and regional organisations declared their support for a levy on carbon emissions on shipping at the Summit on a New Global Financing Pact, held in Paris from 22-23 June, and ahead of a meeting of the International Maritime Organization (IMO), where the proposed levy will be discussed. However, he explained that many developing countries have been wary of tax burden transfers, and noted the need for common but differentiated responsibilities to effectively operationalise a carbon tax levy.

Benito Müller, OCP Managing Director and Director, European Capacity Building Initiative (ecbi), discussed a proposal for international climate solidarity levies and a levy on air travel to finance the L&D Fund, which he said must avoid two scenarios: 1) becoming a placebo fund; and 2) diverting money from other climate funds, such as the Green Climate Fund. He said new funding sources are critical for the "fund to fly". Reviewing the history of international solidarity levies, he mentioned the French example of an air travel levy for HIV/AIDS, which raised 200 million Euros annually, and where a separate fund was established to collect the earmarked money, which was then given to Unitaid. An initial proposal for such a levy in the climate process was submitted by the least developed countries (LDCs) in 2008, but the top-down approach was not accepted, he explained, noting that the UNFCCC lacks the remit to take such decisions and national treasuries abhor international levies. However, the idea was resurrected in light of the new fund, with the potential for countries to take action on their own without needing to wait for an international agreement. He said if EU countries imposed such a levy, a billion Euro per year could be raised. He said a similar levy could be imposed in the shipping industry by charging 10 Euro per container, with the potential of raising more than 900 million Euro annually. He suggested a climate solidarity alliance of countries that introduce air passenger levies, earmark the money in a separate fund, and then put it in the new L&D fund.

Stacy-ann Robinson, Assistant Professor of Environmental Studies, Colby College, providing a SIDS perspective, affirmed that the conversation about innovative finance for L&D is about livelihoods, and making equity and justice central. She recalled a 1991 proposal by Vanuatu to establish an insurance mechanism to help SIDS deal with L&D. She supported a specialised fund that is fair, dependable, suitable, and feasible. While highlighting the benefits of a levy on airline travel, she said it does not apply the polluter pays principle or consider historical emissions, and questioned how it might impact on the demand for travel and tourism in SIDS. She also suggested a levy on fossil fuel extraction, but said this approach runs the risk of resurrecting colonial relationships where local workers are doing the actual extraction.

Chris Caravan, Senior Advisor, Cygnum Capital, suggested using bonds or frontloading to make the fund's financing available immediately. He echoed others, saying a coalition of the willing could bear some of the costs of the levies, innovation can include "dusting off ideas from the past", investing now rather than responding after an event is a more effective way of using resources.

During the discussion, panelists questioned whether asking consumers to act responsibly and pay a levy is letting industry off the hook; stated that the French levy did not affect demand for air travel; agreed that efforts at the international level should continue, but national efforts can start now; and said "let us not make the perfect the enemy of the good" with respect to the fund.

2023 ecbi Bonn Seminar Focuses on Art. 2.1.c., Global Stocktake, MWP

On 11 June, ecbi convened its annual Bonn Seminar, bringing together approximately 40 participants from European and developing countries, of which around 40% were women and 45% were from developing countries.

The seminar included presentations on:

- Article 2.1.c., on making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development;
- the Global Stocktake; and
- the pre-2030 Mitigation Ambition Work Programme, by Carlos Fuller, Belize, and Franz Perrez, Switzerland.

Presenting on **Article 2.1.c.**, Orlando Rey, Cuba, reiterated that the scope of Article 2.1.c. goes beyond climate finance and involves other financial flows that would have to be assessed against the goals of the Paris Agreement. He noted discussions on whether addressing non-climate finance is beyond the mandate of the Paris Agreement, noting consideration of such flows involves a range of actors who are outside the remit of COP and CMA decisions. He said that developing countries are concerned that increasing attention on Article 2.1.c could lead developed countries to neglect their obligations under Article 9 (finance). During the discussion, participants addressed, among others, whether there is a mandate for dedicated Art. 2.1.c negotiations.

Ana Patricia Villalobos Arrieta, Costa Rica, presented on the **Global Stocktake (GST)**, describing the GST's timeline, as well as the GST’s three components, namely: information collection and preparation; technical assessment, including technical dialogues and joint contact groups; and consideration of outputs. She highlighted the informal note prepared by the SB Co-Chairs containing preliminary elements, such as collective gaps and progress, and enhancement of international cooperation for climate action. She also introduced an AILAC proposed outline on the GST. Participants discussed how to ensure the outcomes of the GST are comprehensive for all stakeholders to assist with domestic policy making and to ensure climate action and collaboration inside and outside the UNFCCC. Villalobos Arrieta also asked whether the GST exercise could take us from assessment of implementation of the Paris Agreement to an assessment of the Paris Agreement itself, and whether this could be considered an outcome or a recommendation.

Carlos Fuller, Belize, and Franz Perrez, Switzerland, presented on the **Sharm el-Sheikh (or pre-2030) Mitigation Ambition and Implementation Work Programme (MWP).** They addressed the structure of the MWP, scope, relationship with NDCs, complementarity with and relationship to the GST, and the role of the Subsidiary Bodies, among others. More specifically, seminar participants discussed: whether to have more or less meetings; whether a parallel financial track is needed; whether yearly MWP recommendations are in line with the procedures and timelines for communicating successive NDCs; and, on complementarity with the GST, whether the same issues should be discussed and the same elements elements decided under both, and whether duplication is harmful or can be complementary.

The Seminar convened at Le Redoute in Bad Godesberg, Bonn, on the sidelines of the 2022 edition of the UN Bonn Climate Change Conference. The Bonn Seminar has been held annually since 2006 during the intersessional meeting of the Subsidiary Bodies to the UNFCCC, to help to maintain the momentum of trust-building created during the annual Oxford Seminars. Topics discussed are of immediate relevance to ongoing negotiations under the UNCCC.

A more comprehensive summary report of the discussions will be released in due course.

Related Documents:

Art. 2.1.c. ecbi Bonn Seminar 2023.pdf
GST ecbi Bonn Seminar 2023.pdf
MWP ecbi Bonn Seminar 2023.pdf

Presentation to Transitional Committee Members on ecbi Policy Brief on Innovative Funding Sources and Response Tools for Loss and Damage

On 11 June, ecbi hosted a Lunch Seminar with members of the Transitional Committee on Loss and Damage, as well as other interested parties. Inès Bakhtaoui, independent researcher, presented on an upcoming ecbi policy brief on loss and damage pilot funding arrangements and the need to pilot innovative funding sources and response tools.

She presented an overview of solutions highlighted in the report, including:

- protection against extreme events for the most vulnerable through Parametric Climate Risk Microinsurance in the Pacific;
- funding long-term resilience through private finance, with Pollination's Resilience Company Model for ecosystem-based risk reduction services;
- responding to non-economic loss and damage through training programmes for community-based mental health and psychosocial support related to natural disasters in Asia;
- salvaging and restoring tangible cultural assets, and learning from relocations linked to the mining industry in Senegal; and
- promoting migrant-friendly towns.

The luncheon took place at La Redoute in Bonn, Germany, just prior to ecbi's annual Bonn Seminar.

Review Comments and Feedback on the draft policy brief are most welcome, preferably by the end of July.

Related Documents:

Ines_ecbi_Presentation.pdf

ecbi Director Presents at High-Level Champions Event in Bonn

On 9 June, ecbi Director Benito Müller participated in an event titled Actions After Impacts: Set of Solutions & Opportunities from Non-State Actors to Address Loss and Damage, which took place on the sidelines of the UNFCCC Subsidiary Body meetings in Bonn. During the event, Mahmoud Mohieldin and Razan Al Mubarak, UN Climate Change High-Level Champions for COP27 and COP28, respectively, highlighted the importance of participation by non-state actors in tackling loss and damage in light of the agreement at COP27 to establish funding arrangements for loss and damage.

ecbi Director Benito Müller presented on innovative funding sources and ways to raise additional funds from the private sector, underscoring that: 1) the multilateral regime is necessary, but not sufficient, to tackle the climate problem; and 2) the wellbeing of the regime's financial mechanism is key to the wellbeing of the regime itself. He warned of dangers posed by potential undesirable scenarios with respect to the outcome of the fund, namely that it could become a placebo fund and that countries could move money away from the Green Climate Fund toward the new Loss and Damage Response Fund.

Thus, he stressed that now, more than ever, innovative funding sources are needed. He suggested resurrecting the idea of International Climate Solidarity Levies as detailed in a recent OCP Blog Post, explaining that the levies could be imposed on air tickets and shipping containers and then channeled to the Loss and Damage Response Fund. However, he explained that as the COP and COP lack the remit to impose a global levy, countries should themselves impose levies, using the French solidarity levy for HIV/AIDS as an example, in which funds were raised through air ticket levies. He proposed doing the same for loss and damage, noting it could result in €1 billion Euros annually if EU adopted an air ticket levy. He said some countries must be willing to take the first step on this approach, which would be easy to collect and provide a safe predictable flow of base income for the fund, if the money raised gets channelled and earmarked into separate fund that would then be sent to the Loss and Damage Response Fund. In addition to air ticket levies, he suggested, in line with a proposal by the International Maritime Emission Reduction Scheme, charging €10 per shipping container.

Other presenters included Saleem Huq, Director, International Centre for Climate Change and Development (ICCCAD), Rob Cameron, Vice President Global Head of Public Affairs and ESG Engagement, Nestlé, and Lesley Ndovu, CEO, Africa Risk Capacity, among others.

This event built on the foundations of the High-Level Champions' work on Actions After Impacts in 2022 as detailed in a discussion paper. Participants discussed concrete solutions and examples, as well as provided guidance for increasing actions to address loss and damage by non-state actors, including from business, private finance, cities and regions, and frontline communities.

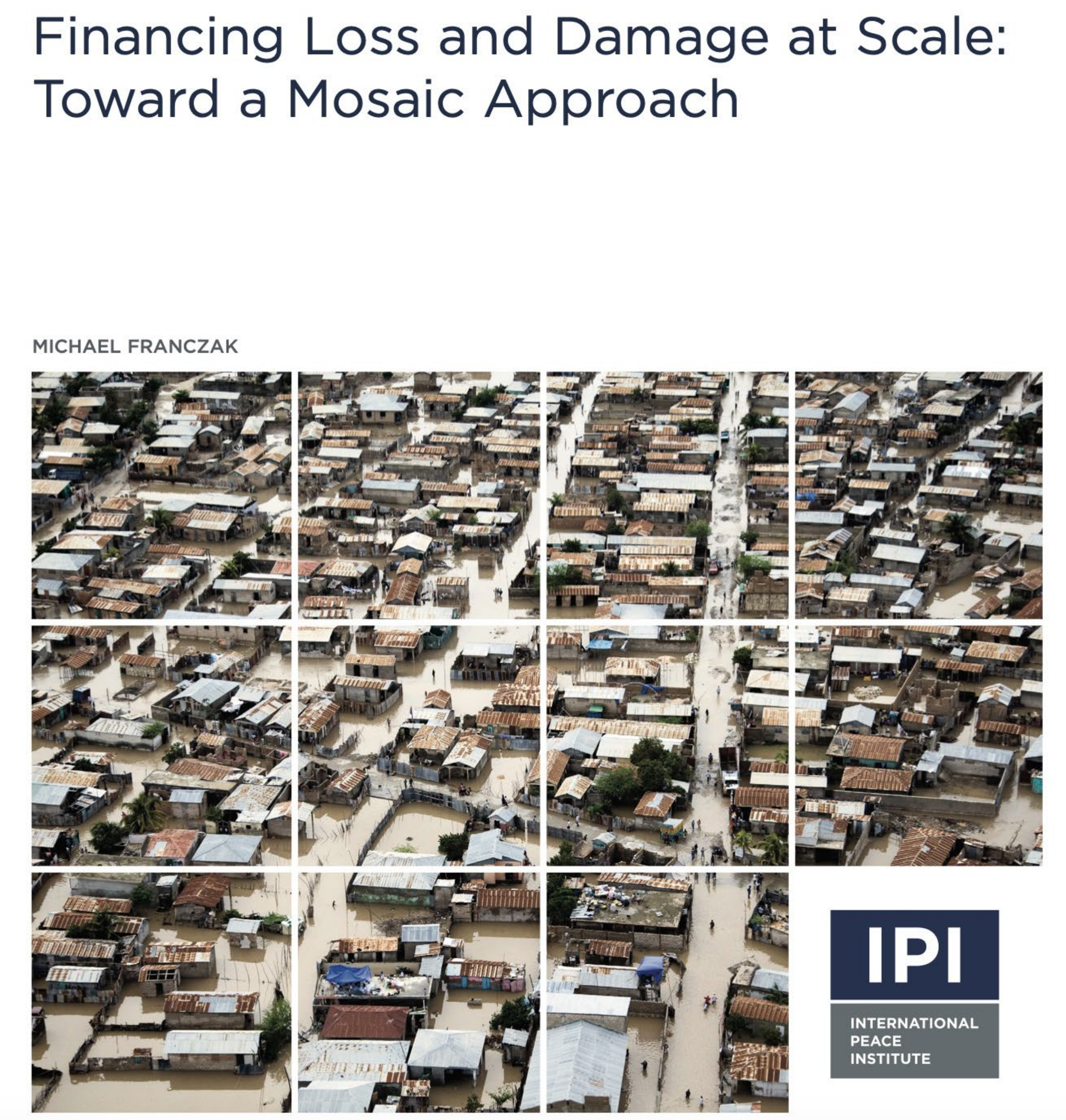
Webcast of the Side Event

Related Documents:

Actions After Impacts: Accelerating Action by non State actors to address climate losses and damages.pdf

Photo by Kiara Worth | IISD/ENB

ICSLs Referenced in International Peace Institute Publication



An International Peace Institute (IPI) publication, Financing Loss and Damage at Scale: Toward a Mosaic Approach references, in its conclusions and recommendations, the idea of International Climate Solidarity Levies as a revenue source for the new loss and damage response fund. The concept, in which individual countries would impose levies on air tickets and on shipping containers, is being promoted by ecbi Director Benito Müller, the International Centre for Climate Change and Development, and the Innovative Finance Foundation, among others. Franczak, as well as Müller et al., argue that individual countries could take the lead in beginning to impose such levies on their respective national airlines. They need not wait for the fund to be established and operationalised. The publication notes that the Summit for a New Financial Pact, to convene in June in Paris, could provide the opportunity for countries to make such announcement, which, Franczak argues, would create momentum in the Transitional

Committee and ahead of UNFCCC COP28 in December.

Related Documents:

Financing-Loss-and-Damage.pdf
International Climate Solidarity Levies Oxford Climate Policy Blog.pdf

ICSLs Referenced in International Peace Institute Publication

On 30 April 2023, ecbi Director Benito Müller made a presentation on innovative sources of financing during the first workshop on addressing loss and damage in Bonn. His presentation was on innovative finance sources, in particular on International Climate Solidarity Levies (ICSLs) for the new Loss and Damage Response Fund. Based on a recent OCP blog post, Müller proposed that such levies could be applied in the aviation and maritime sectors. As a successful precursor, he said the French solidarity levy applied on air travel and earmarked for HIV/AIDS has

had no impact on French air traffic or on tourism, and has raised between 162 and 175 million Euros annually.

He looked at the history of such levies in the climate change context, including the International Air Passenger Adaptation Levy proposed by the LDCs in 2008, and highlighted that the International Air Transport Association (IATA) had made it quite clear that airlines and passengers should not have to pay for non-aeronautical-related programmes; and that thus, such a multilateral top-down approach was not viable. He also said a bottom-up approach, such as the Corporate Air Passenger Solidarity programme conceived by OCP targeting voluntary contributions by individuals and corporate entities to increase adaptation funding, was also not successful.

Proposing something in in the middle between (global) top-down and (vountary) bottom-up, Müller referred to ICSLs as “The Goldilocks Solution”, comprised of both air ticket levies (like the French solidarity levy, which has a proven track record) and maritime transport levies (for example, 10 Euro per container) introduced at the national level. He said, together, they would raise 1 billion Euros per year each in the EU alone. He explained that such levies would be simple to collect and administer and sustainable, with a steady flow earmarked for the new loss and damage fund. What is needed, he said, is for a few progressive countries to take the initiative to implement ICSLs.

To watch the video of the presentation click the photograph.

Related Documents:

ICSL Presentation TC Workshop Bonn 30 April.pdf
International Climate Solidarity Levies Oxford Climate Policy Blog.pdf

Photo by Christina Chan, Washington DC.

ecbi Director Presents at Meeting on Enhancing Energy Efficient of Indian MSMEs

On 5 April, ecbi Director Benito Müller provided a context setting presentation during a Consultation Meeting on “Enhancing Energy Efficiency in MSMEs with performance-based payments through a pilot Carbon Fund and Auction Facility”. The event, which took place in New Delhi, India, sought to help refine the concept of the Facility and enhance understanding of the scope of technical research needed to design it. Stakeholders with experience in financing, technology implementation, and capacity building in the MSME sector provided input and guidance on the proposal's approach. The MSME sector accounts for more than 42% of India’s exports, highlighting its importance in sustaining the country's economic growth.

Energy Efficiency Services Limited (EESL) in consultation with The Energy and Resources Institute (TERI) and Oxford Climate Policy prepared a concept note on the issue and a proposal for the Facility has been submitted to the Green Climate Fund (GCF) by the National Bank for Agriculture and Rural Development (NABARD) under Simplified Approval Process (SAP). The aim is to create an enabling environment and provide technical assistance and financial incentives to accelerate the adoption of energy-efficient measures by Indian MSMEs through a Carbon Fund and Auction Facility. This would be done by building stakeholder capacity and rewarding energy efficiency enhancements through performance-based payments, thereby reducing energy consumption and carbon emissions in few critical Indian MSME clusters.

For more on this programme proposal, see section IV in History of Enhanced Direct Access: Second updated edition.