Civil Society Workshop on Sustainable Development and Future Climate Politics

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S.No.	Country	% of world	Rank
1.	United States	29.3	1
2.	EU-25	26.5	2
3.	Russia	8.1	3
4.	China	7.6	4
5.	Germany	7.3	5
6.	United Kingdom	6.3	6
7.	Japan	4.1	7
8.	France	2.9	8
9.	**India**	**2.2**	**9**
10.	Ukraine	2.2	10
11.	Canada	2.1	11
12.	Poland	2.1	12
13.	Italy	1.6	13
14.	South Africa	1.2	14
15.	Australia	1.1	15
16.	Mexico	1.0	16
17.	Spain	0.9	20
18.	Brazil	0.8	22
19.	South Korea	0.8	23
20.	Iran	0.6	24
21.	Indonesia	0.5	27
22.	Developed countries		76
23.	Developing		24

Source: World Resources Institute

Generating Climate Finance

- The initial concept of generating climate finance was almost entirely from the 36 developed and richer countries , who, have historically contributed maximum to create the climate change crisis in the first place.

- Interestingly, 20 out of these top 25 historically high emitters are also the current high emitters, and thus – have not mended their erratic ways, in spite of the full knowledge of their adverse impacts on the vulnerable global populations.

- Most of these 25 historically high emitters are also in the ‘rich-list’, India being the only one in the official ‘low income’ country category. It is there in the higher emitter list only because of the size of its population.

- The rich countries have managed to get rich and emit massively by using overwhelmingly large shares of fossil carbon fuels, consuming disproportionately large shares of most material productions and by accumulating, often at the expense of poorer societies.

- What was earlier envisaged?
- Major part of the envisaged climate finance will come

through 'public funding' by the rich countries, where the unequal market conditions are not a determinant (near universal consensus after Kyoto protocol).

- Under pressure from some developed and rich countries, the concept of generating climate finance from marketable CO_2 emissions was also introduced in the formal design / mechanisms.

And then What Happened?

- Unfortunately, later became the primary 'sources', with public funding commitments wavering and not materializing in significant amounts.

How what was agreed was compromised

- Till early 2000's there was near consensus that financing will go to all the under-developed, under-consuming countries -- and those who are/likely to suffer the most from these erratic climatic changes

- By 2005- several developed nations started raising the bogey of 'emerging economies' bearing part of the responsibility. This was clearly and knowingly ignoring the fact that none of the emerging economies – including the wealthiest and the largest emitter, China –has historical emissions anywhere even comparable to the rich nations.

- This was also a violation of the agreed Kyoto principle of "common but differentiated responsibilities", based on respective capabilities, and the fact that the biggest of these emerging economies are still inhabited by a disproportionately large percentage of very poor people, who are at the front-line of climate impacts.

- Starting from the UNFCCC -COP15 (15th Conference Of the Parties to the United Nations Framework Convention on Climate Change) at Copenhagen onwards there have been talks and proposals that a major part of any climate finance will have to come from "market mechanisms", and not public funding.

- This clearly neglects the fact that capitalist 'free' markets operate primarily – not to take care of the needs of the poor, but to maximize profits from those who can pay for the goods and services on offer, at levels and terms to maximize the corporate profits.

Estimates of What is Needed

According to World Bank estimates: Amount of minimum climate finance needed

- 2004 – US $200 billion/year
- 2013 – US $500 billion/year
- In 2013, International Energy Agency also came out with an estimate of climate finance need at US $1000 billion per year.
- The present maximum hope of generating $100 billion per year as climate finance (even this is now in serious doubt) – starting from the year 2020 - seems highly inadequate.

- In the early stages of climate finance negotiations, the figure of about US $200 billion per year – to go to the poorer countries – was being seriously discussed.
- It was also proposed that in view of the problems of immediate generation of such large financial resources, a 'fast-start' finance will be more "appropriate".
- Somewhere before the Copenhagen climate summit (COP15), this fast-track finance figure came down to the (for the whole world of climate change impacted people!) figure of US $30 billion for the three years of 2010-2012, or US $10 billion per year till 2012.
- This was to be followed by an amount of US $100 billion per year from 2020!

What are we actually dealing with- inadequate measures?

- Consider the actual climate catastrophe induced losses suffered by just a poor medium sized nation – Pakistan – in just one large climate change disaster – the recent devastating floods -- conservatively estimated at US $30 billion, just in one year!

How are the estimates made?

- How the estimate of US $200 billion/year in 2004 came down to US $10 billion in 2010 (the actual down-grading is more than 20 times, considering inflation).
- What happens to the World Bank estimate of a minimum of US $500 billion/year?

Where do the climate funds come from?

The original consensus of a large part of this being public funds , many mechanisms have been suggested for that. Eg.

- Selling & or auctioning of carbon dioxide emission permits within the developed world
- Carbon tax on all the products & services which have large carbon footprints. Interestingly the maximum opposition came from India and China.
- A Tobin-tax or tax on large financial transactions
- But none of these – in their reach - matches the original idea of a small part of the GDP of the rich nations being committed as climate finance – as their moral, ethical and legal commitments to those badly impacted by the consumption of these rich societies.

The 2 major Climate finance routes world governments have adopted are funds transfer through

1. Clean Development Mechanism (CDM)- approved under Kyoto Protocol
2. Forest related Reduction of Emission through Deforestation and Forest Degradation (REDD)and the addition to this with Enhancement of forest carbon, or the REDD+ scheme

- The Adaptation Fund also gets its resources from CDM, from a 2% charge on the CDM transactions, and is thus – dependent on continuing this patently unsustainable market based mechanism.

World Bank hosted

- CLIMATE INVESTMENT FUND (CIF) and
- FORESTCARBON PARTNERSHIP FACILITY (FCPF)

Problems with CDM

- The very concept of CDM is flawed and full of fraudulent actions.
- The only beneficiaries are the rich corporations in these developing countries, as they are the ones with the resources to go through the complicated international process, and for most of the CDM projects –Chinese and Indian corporates being the largest beneficiaries .
- This is apart from the fact that CDMs have neither reduced the GHG emission of the buyer or seller countries, nor of the world as a whole.
- Example: the CDM Executive Board has rejected several Chinese proposals of Wind Energy Farms – a very clearly climate friendly pathway – on flimsy grounds of 'additionality', while admitting the very polluting coal fired power plants application for CDM money as they are using the so-called 'super-critical steam' technology.

Problems with REDD & REDD+

- The concept of REDD is that poorer developing countries with substantial forest cover , cutting down their rich forests for economic development, need to be financially helped to preserve and even enhance their forests.
- What is fundamentally problematic here is looking at forests through the lens of Forest Carbon Stock.
- There is hardly any considerations that a fairly large number of the world's poorest people live in or around the forests, that they are largely dependent on forest resources for their livelihoods, that forests are also the habitats of a very large part of the world's bio-diversity.
- Threat to forest dwelling communities, indigenous people.
- Threat of militarization and alienation of people from the community resources.

World Bank and climate Finance

- In July 2008 the World Bank Board of Directors approved the creation of two climate investment funds

1. Climate Investment Funds (CIF)
2. Forest Carbon Partnership Facility (FCPF)

- Whose purpose is to provide interim, scaled-up financing to developing countries to integrate climate change considerations in their programs.

- **Climate Investment Fund**

- CIF comprise

1. Clean Technology Fund (CTF) – which will provide new, large-scale financial resources to invest in projects and programs in developing countries, which contribute to the demonstration, deployment, and transfer of low-carbon technologies. The projects must have a significant potential for long-term greenhouse gas savings.
2. Strategic Climate Fund (SCF) - will be broader and more flexible in scope and will serve as an overarching fund for various programs to test innovative approaches to climate change. The first such program is aimed at increasing climate resilience in developing countries.

- The International Bank of Reconstruction and Development (IBRD) of the World Bank Group serves as the Trustee for the CIF.
- In its capacity as Trustee, IBRD established both the Clean Technology Fund (CTF) and Strategic Climate Fund (SCF) Trust Funds to receive donor contributions. It holds in trust, **as a legal owner and administrator**, the funds, assets and receipts that constitute the Trust Fund, pursuant to the terms entered into with the contributors.

Forest Carbon Partnership Facility

- FCPF is designed to assist developing countries to reduce emissions from deforestation and land degradation (REDD).

- The facility aims to build capacity for REDD in developing countries and tests a program of performance-based incentive payments in pilot countries on a small scale.

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1. To put broadly climate finance in a framework, one can see two parallel structures emerging with the sources of funding remaining limited to the same donor countries.
2. Also, the WB has become the stronger contender for the funds amounting US $6 billion for climate change adaptation.
3. The sunset clause is also not workable and in no way ensures that the Bank is withdrawing from the climate finance which is already proving to be a major success for them.

Concerns over Banks involvement in Climate Funds

- It undermines the UNFCCC process and creates market based solutions to climate change impacts.
- The underdeveloped and the developing nations have still not supported the process of creating a parallel structure in the absence of UNFCCC structure. There has been persistent opinion from the third world to let UNFCCC be the guardian of the climate funds over World Bank.
- Bank's controversial history of being an opportunist in market capturing. Climate change is the new package through which the Bank is reinventing itself.
- The current investment of the Bank is possibly around US $ 6 billion in the carbon market. It is impossible that the Bank would not tap on the lucrative market especially with the sunset clause having no binding influence, there seems to be a clear understanding in terms of not leaving the ongoing projects.

- Continued insistence for channeling finances through the World Bank reflects rich countries' desire to maintain the status quo of the global financial architecture for delivering climate finance.

- This in long term would also mean that the carbon finance market could be rooted through the Bank and there will be major road blocks for creating a neutral mechanism for climate finance globally.