

Policy Recommendations on **Climate Finance Sources**

1. The parties to UNFCCC, and their public and private sector partners, should identify and mobilize adequate, predictable and sustainable sources of climate finance in order to meet the scale of the climate challenge, including sources of direct budget contribution, innovative public finance, private investment, leveraging and risk mitigation of and by multilateral development banks, and effective carbon financing.
2. The allocation of funding for mitigation and adaptation should be balanced, with at least 50% of funding in the Green Climate Fund allocated to adaptation. Sufficient funding should also be provided for REDD+ consistent with the goal of halving deforestation before 2020 and eventually halting and reversing forest cover and carbon loss.¹
3. Adaptation efforts will require predictable and sustainable sources of finance, which are best provided from public sources, including innovative climate finance sources, and must be in the form of grants. Private sources of finance for adaptation activities can play a supplementary role.
4. All climate finance sources, traditional or innovative sources, private or public sources must be measured, reported and verified from sourcing to disbursement.
5. Sound fund governance and disbursement measures should be built at both international and national levels to ensure the maximum mitigation and adaptation impacts of finance sources generated.
6. Regardless of the source, disbursement of financing should be consistent with all applicable safeguards.
7. The efficiency of financing can be improved if investments in developing countries in all sectors are consistent with fighting climate change.

Fast-Start Finance Period (2010-2012)

8. Developed countries should continue their efforts to meet or surpass their Fast-Start Finance pledges and ensure their funding meets the criteria in the Cancun Agreement, i.e. “balanced allocation between adaptation and mitigation,” “new and additional,” “prioritized for the most vulnerable developing countries, such as the least developed countries, small island developing States and Africa.”

¹ The most recent estimated costs of cutting deforestation in half range from \$12 to \$35 billion USD/year. This is likely a low-end estimate given these studies focus on “opportunity costs” without considering capacity building and transaction costs, which will also be significant.

9. Developed countries should report their Fast-Start Finance pledges and deliveries to the UNFCCC Secretariat, including information on scale, “new and additional”, channeling institutions, objective, geographic distribution, status of the pledges, and type of financial instruments.
10. Countries should move on innovative finance sources as soon as possible to supplement Fast-Start Finance. For example, countries should aim to reach an agreement on international maritime transportation mechanism by 2013. Negotiations to achieve other viable climate finance mechanisms and incentives to reduce greenhouse gas (GHG) emissions should continue in parallel.

Mid-term Finance (2013-2020)

11. A pathway needs to be identified from the current level of Fast-Start Finance pledges to reaching the goal of mobilizing USD 100 billion per year by 2020.
12. Developed countries need to pledge additional international climate finance contributions beyond the Fast-Start Finance period. This could be achieved both through increasing the proportion of ODA for climate change, and more importantly, new and additional climate finance.
13. Efforts should be made to mobilize as many innovative climate finance sources as possible, especially the most promising sources such as Maritime and Aviation Transportation, Financial Transaction Tax, and Special Drawing Rights.
14. Although a global mechanism is preferred, countries could start building national or regional mechanisms to facilitate global measures and generate finance as soon as possible.
15. A decision on GHG emission reduction goals and regulations is needed to stabilize and incentivize the carbon market and associated private investment.
16. Multilateral banks and other international finance institutions should ensure their investments are climate-friendly and do not harm other important efforts, such as sustainable development and natural resource conservation. They should increase their investments in climate mitigation and adaptation, especially ecosystem-based approaches, and continue leveraging private financing through risk-mitigation and dedicated public funding

Long-term Finance (Beyond 2020)

17. A goal based on the scale of climate finance needed should be identified, regularly reassessed and updated in line with scientific research, economic analysis, and developments in technology and productivity. The current “goal” of USD 100B/year is not based on this type of analysis. This “goal” is likely to be a starting point and, thus, should be open to review.
18. Innovative finance sources can reduce reliance on unpredictable public climate finance and increase the effectiveness of direct budget contributions.
19. A robust carbon market is important for providing strong and steady signals to private investment and scaled-up private and public climate finance.
20. Innovative sources related to carbon emissions can both contribute to mitigation and raise climate finance. Examples include the redirection of fossil fuel subsidies and measures to limit emissions from maritime and aviation transportation. Revenue from these sources should also be directed to adaptation use.
21. Global agreements and mechanisms should be established to generate innovative finance in order to achieve effectiveness and efficiency.
22. Innovative finance mechanisms may be used for other public goods, such as health, international development and developed countries’ domestic challenges. However, a significant portion of this finance should be channeled to climate change mitigation and adaptation.

23. Under the Common but Differentiated Responsibilities principle, while advanced developing countries may not be responsible for contributing to climate finance, they should be encouraged to do so according to their capabilities. Their voluntary contributions should be recognized and could facilitate negotiations on global mechanisms for generating climate finance.

Facilitation and Stakeholder Input

24. The UNFCCC should discuss finance sources and make decisions that promote their mobilization, including by providing guidance to relevant entities.
25. Following guidance from the UNFCCC, all relevant international organizations and groups, i.e. G20/G8, Least Developed Countries, International Maritime Organization, International Civil Aviation Organization, BASIC Countries, European Union, countries, industries, and civil society organizations, are encouraged to research climate finance sources and make concrete progress towards mobilizing climate finance, especially innovative climate finance sources.
26. Civil society organizations and the private sector have strong expertise and extensive knowledge on mobilizing climate finance, especially innovative public finance and private investment. Their opinions should be channeled, considered, and reflected in decisions.