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This note provides input on Operational Modalities of the Green Climate Fund (GCF; work stream III), and is focused on modalities for funding from international sources

The memorandum has been prepared for the Transitional Committee for the Design of the GCF.

Summary

The GCF should be designed to efficiently handle potential revenues from international sources, such as from international transportation, including the rebates to developing countries that would ensure no net incidence on them from such sources of climate finance.

1. Given that financing from international sources should ensure no net incidence on developing countries, and thereby come from developed countries, for each such source there may be a need to compensate or rebate the costs to circa 150 developing countries. Thus, for efficiency reasons alone, GCF should manage both the rebates to developing countries and the climate financing from such sources, rather than managing only climate finance with the rebates managed by a separate international body established for each source.¹
2. A developing country may forego the rebate, or part of it, and be internationally recognized for such action. Any financing from such decisions should be accounted separately, as voluntary contributions from these developing countries, and relevant modalities should be established.
3. An “incidence” window could be foreseen, in which the rebates to developing countries would be issued unconditionally according to a predetermined formula or a rebate key, unless a developing country decides voluntarily to forego its rebate, or part of it, as described above. The rebates could be aggregated across several sources, for instance international aviation and maritime transport, and paid annually or more often.
4. An “attribution” accounting, based on the same predetermined formula as the rebate key, should attribute or credit a share of financing raised from the international source to developed countries, individually or as a group.
5. A Rebate Mechanism (RM) to deliver such functionality is being considered by the International Maritime Organization. The attached document MEPC 62/5/14, by WWF, outlines the progress of recent discussions and includes rebate keys for more than 150 developing countries and attributions keys for developed countries. Optimal rebate key study is in document GHG-WG 3/3/11; an outline presentation on RM: [at the IMO site](#). Further details and analysis is available from the author of this memorandum.

¹ Efficiency would come from avoiding the obvious duplication and from speed to market. Establishing a separate body to handle each international source may take a decade or so, given that an average time for a convention to enter into force is seven years in the maritime sector, and this excludes the time to develop the convention.