Excellencies, ladies and gentlemen,

We meet here to discuss the central propeller that drives climate change action: the long-term funding challenge, which many industrialised countries agreed to solve at Copenhagen. It is therefore encouraging that this meeting aims to take this promise forward and I thank the governments of Switzerland and Mexico for organizing this very important meeting.

No doubt, stable long-term funding is of critical importance to developing countries and cannot be underestimated. Perhaps recent events best visualise this.

It may not be possible to say with absolute certainty that the floods in Pakistan that have displaced some 14 million people, are a direct climate change impact. Nor can one say that about the recent floods in China, Niger or Chad or the heat waves in Russia. But if those heat waves and floods are anything to go by, then they give us a taste of the magnitude of what could come - and of what could come more frequently - if there is no decisive action on both mitigation and adaptation.

In the face of this, the answer cannot only lie in providing short-term reactive funding in the form of emergency relief when disaster strikes.

Humanitarian operations are extremely costly and do not address the causes, but rather, the consequences. They are relatively short-lived and almost never contribute to sustainable development. And while necessary, emergency relief funds are almost entirely unpredictable.

While emergency relief will continue to be important, the bulk of the answer has to lie in the provision of stable long-term climate funding to developing countries.

Without it, they will not be able to implement climate change action with its tangible benefits for sustainable development.

Without long-term funding, developing countries will not be able to implement mitigation actions. And without it, they will not be able to undertake the necessary adaptation measures to protect lives, livelihoods and infrastructure from climate change impacts, especially among the poor.
This meeting is timely indeed. The next negotiating session will take place in Tianjin, China at the beginning of next month. That is the last meeting before Cancun.

- Ministers, your political guidance and decision is urgently needed on three critical issues:

1. Short-term funding;
2. Long-term funding; and
3. the involvement of the private sector.

Allow me to address each of these.

First fast start funding: the delivery and allocation of the promised short-term funding of USD 30 billion up to 2012 is the golden key to an outcome in Cancun. Without it, there is little to discuss in Cancún.

Developing countries see the transparent, real and balanced allocation of this money as a critical signal that industrialised countries are really committed to progress.

These funds are supposed to be new and additional, and cover both mitigation and adaptation. But there are already questions surrounding that. I strongly urge industrialised countries to turn the entirety of their promise into reality - and if the promise cannot be fulfilled, to be transparent about the shortcomings and committing to address the shortcomings quickly.

The transparent, real and balanced allocation of these funds are important in and of itself. But this could be a learning ground for a future framework for measuring, reporting and verifying. This would include both the MRV of support, as well as the MRV of action, so important to industrialised countries.

Secondly, long-term funding: if short-term funding is the golden key to an outcome in Cancun, then long-term funding is the golden key to real and tangible climate change action across the globe.

Since promises of funding under the Convention have not been forthcoming, developing countries have called for new, additional, adequate and predictable climate financing. At first glance, maybe even at second glance, the scale of the funding needed is formidable, but it is not rescindable.

The unprecedented scale and the sources of long-term funding are intertwined. Due to the required scale of funding, a multiple-source approach will be needed.

It is absolutely critical that industrialised countries spell out their contributions to long-term funding. Without significant and stable public sector contributions, developing countries will lose trust in industrialised countries’ level of commitment.

Governments will need to identify feasible sources of funding available for multilateral action, including innovative sources.
Overall, Governments need to identify and agree on available and realistic sources of long-term funding and combine them in a way that is politically acceptable and economically viable, in order to make them sustainable.

The required multiple-source approach would be facilitated by a multiple channel approach for delivery.

This multipart emerging architecture and the level of expected resources to be provided will present a challenge in terms of coordination.

Here, the proposed new body for finance may deserve further consideration.

The negotiations have made good progress on a proposed new fund. There is convergence among the Parties that a new fund should be established and that such a fund should be an operating entity of the financial mechanism under the Convention.

You could achieve important clarity on the design of the fund at this meeting, seeing that governments need to agree on the in terms of governance of the board of this fund, specialized funding windows, trustee and secretariat.

Governments also have to agree on how this new fund provides improved access to developing countries, including direct access.

Governments need to ensure equitable and balanced governance of the new fund, and clarity on which innovative sources of funding could be drawn upon, as well as on who contributes to the fund.

The possibilities for improving the oversight and coordination of public climate change funds also needs to be carefully considered.

There is a need to ensure accountability and improve coherence and coordination in the delivery of financial resources to developing countries through various channels, including multilateral and bilateral channels.

Governments have called for improved information sharing and a robust framework for the measuring, reporting and verification of support provided by developed countries to developing countries.

Many Governments have proposed the establishment of a New Body to undertake these functions.

The key question that needs to be answered here is: Is there a need to establish an new body under the financial mechanism to ensure oversight and improve coherence, coordination and transparency of climate financing provided through various delivery channels?

Parties have not foreclosed the possibility of establishing new bodies as long as their role is clear and it does not duplicate the functions of existing institutions.
Third and last, it is critical that you provide clarity on the role of the private sector.

While industrialised nations need to make significant and stable public sector contributions, it is clear that the public sector in industrialised countries will not be able to rise to the challenge on its own. Neither can the private sector on its own. In fact, no single source of funding could.

Let us admit that the involvement of the private sector as a significant source of funding has been questioned by many.

The main concerns centre on the assumption that an over-reliance on private sector funding would make funding unpredictable because it hinges too much on market forces.

The recent lull in the market and the decrease of interest in the CDM are cited as examples in this context. Under the current climate change regime, these are indeed valid criticisms.

However, the emission reduction pledges received post-Copenhagen, clearly show that the overall intention to mitigate has increased. Although they are not sufficient to limit temperature increases to 2°C, the pledges are nonetheless higher than the Kyoto Protocol’s legally binding targets. Those intentions to mitigate cannot be realized without private sector involvement.

This points towards the likelihood that the private sector will bring much more funding into climate change action than it has under the current regime.

The private sector has already begun taking action. Many, especially companies in China and India, are monitoring energy consumption and CO2 emissions. Others are greening their supply chains. And many are attaching sustainability criteria to their investments in developing countries.

The private sector innovates, implements and represents the largest potential source of funding. An open and constructive discussion needs to take place on the role of the private sector in climate financing, as well as on adequate mechanisms for its involvement.

This frank discussion has not occurred in the past and I understand the hesitations on both sides. But embark on it we must, because real climate change action will be piecemeal at best without an unprecedented level of cooperation between Governments and the private sector.

The issue of private sector involvement is also clearly connected to other areas of the negotiations. Clarity on the legal nature, form and content of industrialised countries’ mitigation will move forward negotiations on market-based mechanisms. This could be another opportunity to mobilise some of the funding required to address climate change.

Excellencies, it is becoming increasingly clear that Governments want to see cooperation and action on a practical level.
There seems to be convergence, that Cancun should produce a balanced package of decisions that would operationalise the key elements of the Bali Action Plan. This would mean concrete implementation in the areas of adaptation, mitigation, technology, finance and capacity building, and the corresponding MRV.

But implementation won’t be possible without clarity on finance, both in the short and in the long-term.

To this end, Finance Ministries need to be actively engaged. And negotiators will need guidance - your guidance - on how to find workable, realistic compromise to ensure that climate funding flows into the many countries that so urgently need it.

In summary, action needs to be financed so that countries can implement mitigation action and adaptation measures. The floods in Pakistan, China, Chad and Niger should be nothing less than a wake-up call to all of us.

Thank you