European Capacity Building Initiative
Initiative Européenne de Renforcement des Capacités

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The Western Climate Fund

PCCB/ecbi Seminar on

Innovative Sources for Multilateral Climate Finance,

COP 24, Katowice, 8 December 2018

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Director ecbi

ECI Convener International Climate Policy Research, University of Oxford

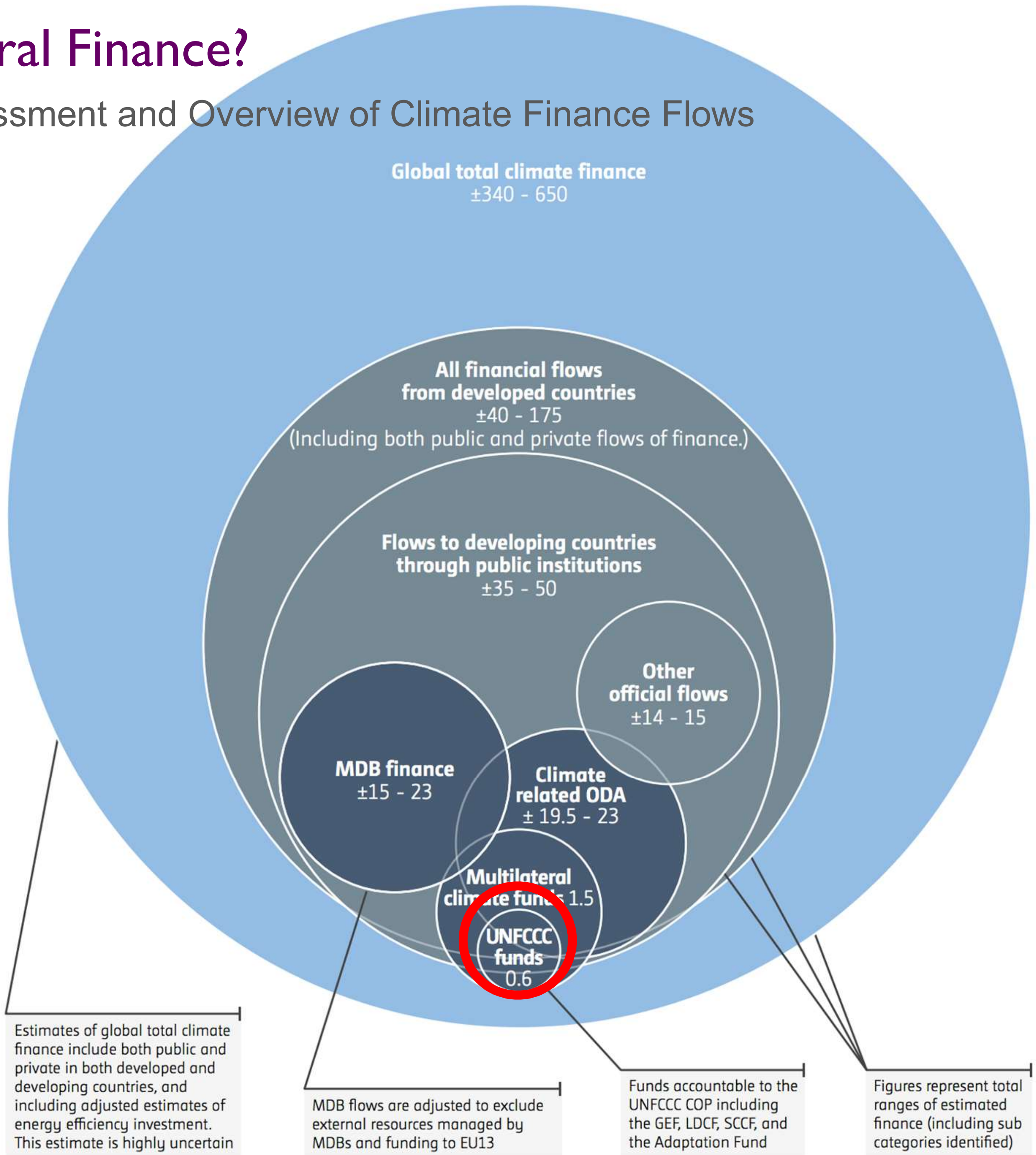
for sustained capacity building in support of international climate change negotiations

pour un renforcement durable des capacités en appui aux négociations internationales sur les changements climatiques

Why Multilateral Finance?

Why Multilateral Finance?

2014 Biennial Assessment and Overview of Climate Finance Flows



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Trump complains US share of climate finance is unfair

Published on 28/04/2017, 3:38pm

Donald Trump suggests China, India, Russia should pay more into the UN-backed Green Climate Fund

"This is simply an excuse to shirk responsibility and abdicate leadership," said Joyce Mxakato-Diseko, the ambassador who led negotiations for the G77 developing country bloc in Paris.

Trumps remarks were "founded on lack of understanding of the extraordinary spirit of Paris to to accommodate the US without sinking the collective level of global ambition," she added. "With this, how can the world trust the word of the US? It can't opt in and out of commitments and leadership as and when narrow self interest dictates."

Why is the Financial Mechanism worth talking about?

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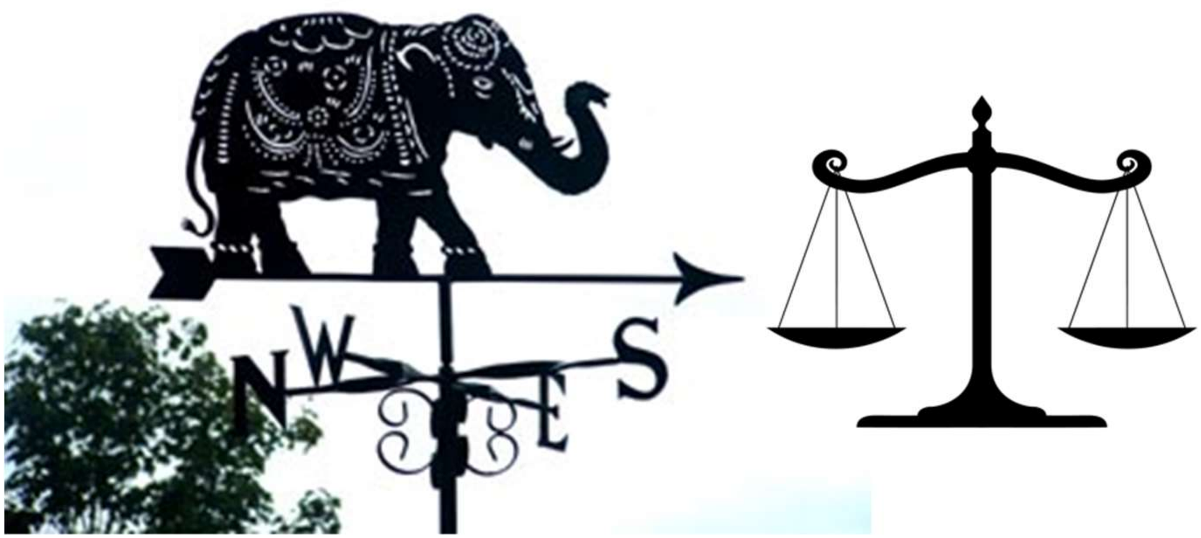
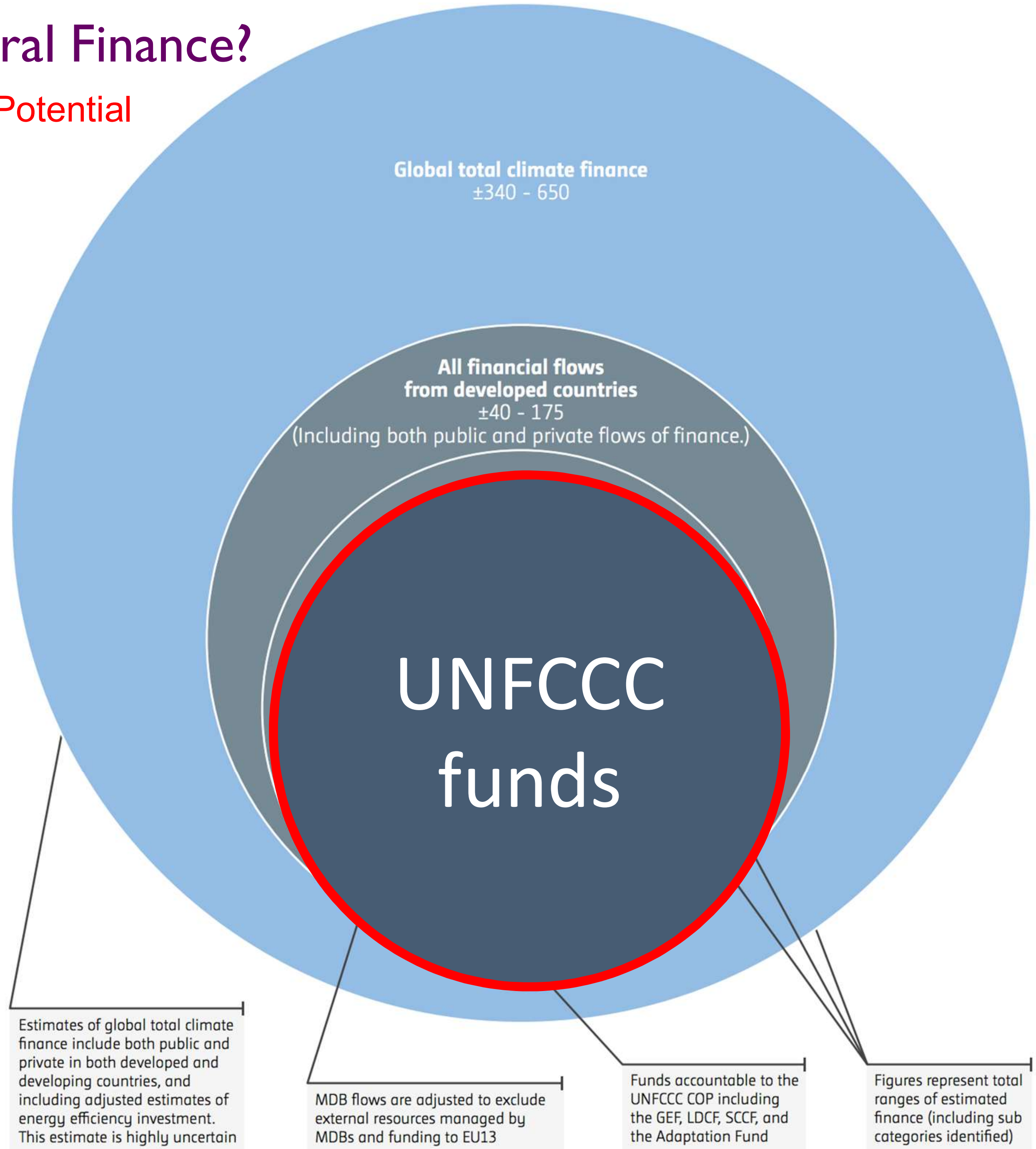
Because it is a North-South Justice & Trust Weathervane



It has an extremely high ‘trust intensity’ [trust/€]

Why Multilateral Finance?

Trust Modification Potential



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The Western Climate Fund

Genesis 1: The Road to Paris

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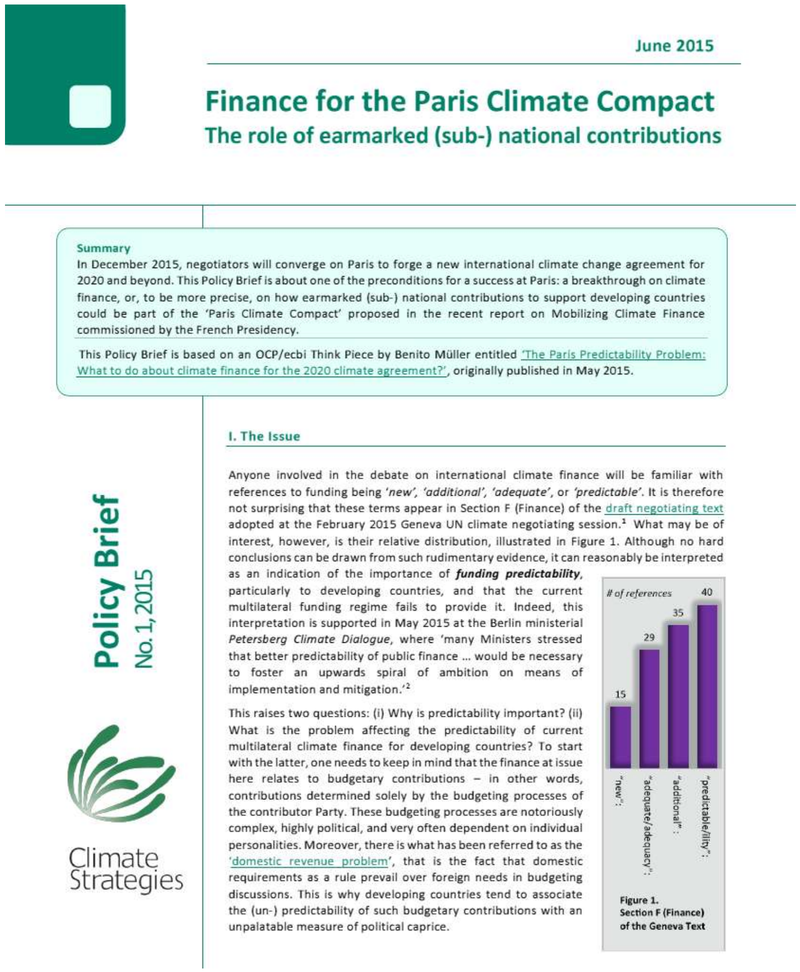

June 2015

Finance for the Paris Climate Compact
The role of earmarked (sub-) national contributions

Policy Brief
No. 1, 2015

Climate Strategies

Summary
In December 2015, negotiators will converge on Paris to forge a new international climate change agreement for 2020 and beyond. This Policy Brief is about one of the preconditions for a success at Paris: a breakthrough on climate finance, or, to be more precise, on how earmarked (sub-) national contributions to support developing countries could be part of the 'Paris Climate Compact' proposed in the recent report on Mobilizing Climate Finance commissioned by the French Presidency.

This Policy Brief is based on an OCP/ecbi Think Piece by Benito Müller entitled 'The Paris Predictability Problem: What to do about climate finance for the 2020 climate agreement?', originally published in May 2015.

I. The Issue

Anyone involved in the debate on international climate finance will be familiar with references to funding being *'new', 'additional', 'adequate'*, or *'predictable'*. It is therefore not surprising that these terms appear in Section F (Finance) of the draft negotiating text adopted at the February 2015 Geneva UN climate negotiating session.[1] What may be of interest, however, is their relative distribution, illustrated in Figure 1. Although no hard conclusions can be drawn from such rudimentary evidence, it can reasonably be interpreted as an indication of the importance of ***funding predictability***, particularly to developing countries, and that the current multilateral funding regime fails to provide it. Indeed, this interpretation is supported in May 2015 at the Berlin ministerial *Petersberg Climate Dialogue*, where 'many Ministers stressed that better predictability of public finance ... would be necessary to foster an upwards spiral of ambition on means of implementation and mitigation.'[2]

This raises two questions: (i) Why is predictability important? (ii) What is the problem affecting the predictability of current multilateral climate finance for developing countries? To start with the latter, one needs to keep in mind that the finance at issue here relates to budgetary contributions – in other words, contributions determined solely by the budgeting processes of the contributor Party. These budgeting processes are notoriously complex, highly political, and very often dependent on individual personalities. Moreover, there is what has been referred to as the 'domestic revenue problem', that is the fact that domestic requirements as a rule prevail over foreign needs in budgeting discussions. This is why developing countries tend to associate the (un-) predictability of such budgetary contributions with an unpalatable measure of political caprice.

# of references	
"new":	15
"adequate/adequacy":	29
"additional":	35
"predictable/ility":	40

Figure 1.
Section F (Finance) of the Geneva Text

United Nations
Framework Convention on
Climate Change

Genesis 2: Quebec in Paris

In Paris it became 'chic' for sub-nationals to provide multilateral support for climate change finance.

Oxford Climate Policy – the blog

PARIS2015
CONFÉRENCE DES NATIONS UNIES SUR LES CHANGEMENTS CLIMATIQUES
COP21·CMP11

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"Paris, 5 December: Today the ***Chair of the Least Developed Countries (LDCs) Group welcomed a pledge from the Quebec government of $ CAD 6 million to the Least Developed Countries Fund (LDCF)***. The historic and innovative pledge, made by Philippe Couillard, Premier of Quebec, in the presence of Michaëlle Jean, Secretary General of the Francophonie and Vice President Al Gore, has set a new tone for cooperation and innovative climate financing."[LDC Group Press Release]

- Pledges by the city of Paris ($1.3m) and three Belgian sub-nationals ($17.1m) to the GCF

Shares of Sub-national Proceeds: The North American Potential

… Now it must become 'de rigueur'!

Oxford Climate Policy – the blog

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2 percent share of proceeds	
• Quebec	$10 million/yr
• California	$ 125 million/yr

Shares of Sub-national Proceeds: European Potential

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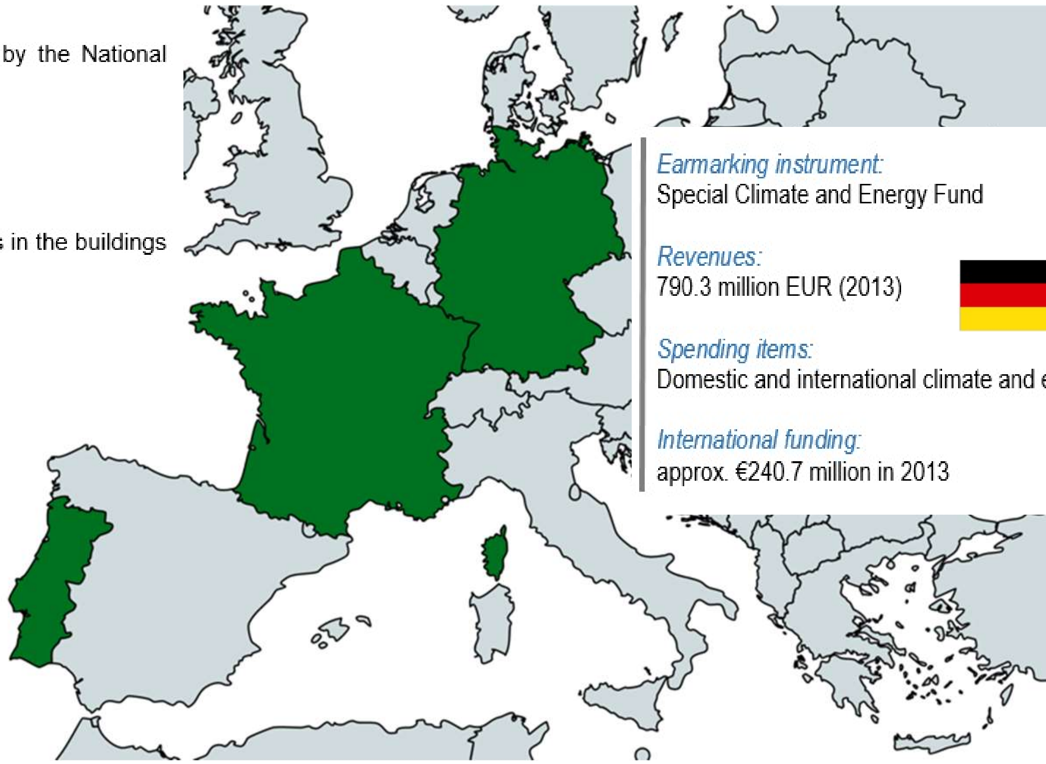
Earmarking instrument:
Earmarking under Finance Bill, for use by the National Agency for Housing

Revenues:
219.2 Million EUR (2013)

Spending items:
Domestic energy efficiency improvements in the buildings sector

International funding:
Nil



Earmarking instrument:
Special Climate and Energy Fund

Revenues:
790.3 million EUR (2013)

Spending items:
Domestic and international climate and energy projects

International funding:
approx. €240.7 million in 2013

Earmarking instrument:
Portugal's Carbon Fund

Revenues:
72.8 Million EUR (2013)
~ 97% spent on domestic and international climate action

Spending items:
Domestic mitigation, adaptation and R&D; and co-operation with developing countries

International funding: equivalent to 1% of total international climate finance from EU ETS; focus generally on renewable energy

14.3% (€240.7) of earmarked revenue, goes to international climate and energy purposes

EU ETS auctioning revenues amounted to ***€3.6 billion in 2013 and €3.2 billion in 2014***, much lower than expectations due to a dwindling carbon price. It is estimated that in phase III and phase IV auctioning revenue will on average be ***between € 13.5 and € 18.8 billion per annum***

2% = €270 to €376 million

Genesis 3: GCAS Affiliate Event

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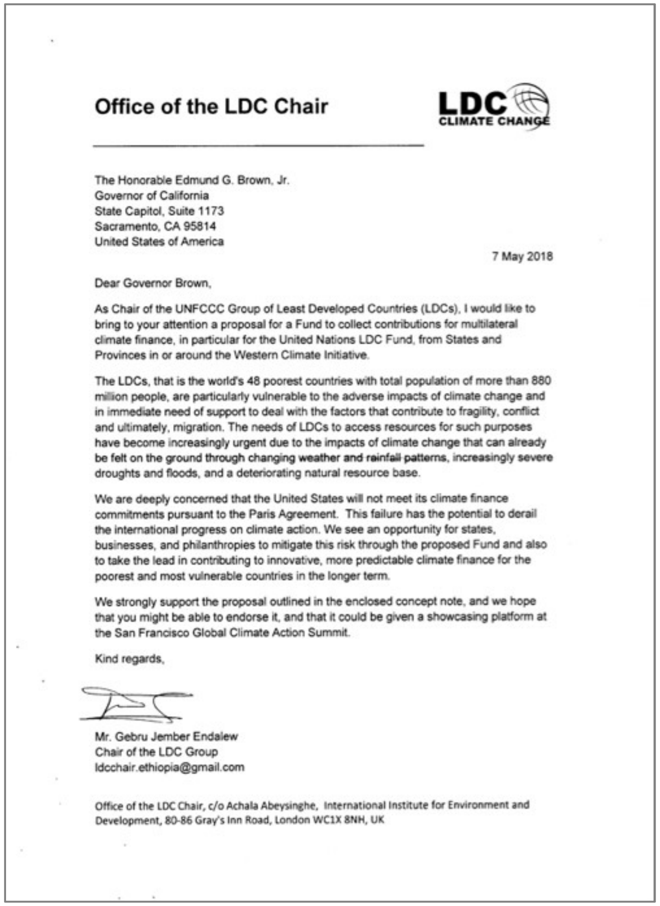

Office of the LDC Chair LDC CLIMATE CHANGE

The Honorable Edmund G. Brown, Jr.
Governor of California
State Capitol, Suite 1173
Sacramento, CA 95814
United States of America

7 May 2018

Dear Governor Brown,

As Chair of the UNFCCC Group of Least Developed Countries (LDCs), I would like to bring to your attention a proposal for a Fund to collect contributions for multilateral climate finance, in particular for the United Nations LDC Fund, from States and Provinces in or around the Western Climate Initiative.

The LDCs, that is the world's 48 poorest countries with total population of more than 880 million people, are particularly vulnerable to the adverse impacts of climate change and in immediate need of support to deal with the factors that contribute to fragility, conflict and ultimately, migration. The needs of LDCs to access resources for such purposes have become increasingly urgent due to the impacts of climate change that can already be felt on the ground through changing weather and rainfall patterns, increasingly severe droughts and floods, and a deteriorating natural resource base.

We are deeply concerned that the United States will not meet its climate finance commitments pursuant to the Paris Agreement. This failure has the potential to derail the international progress on climate action. We see an opportunity for states, businesses, and philanthropies to mitigate this risk through the proposed Fund and also to take the lead in contributing to innovative, more predictable climate finance for the poorest and most vulnerable countries in the longer term.

We strongly support the proposal outlined in the enclosed concept note, and we hope that you might be able to endorse it, and that it could be given a showcasing platform at the San Francisco Global Climate Action Summit.

Kind regards,

Mr. Gebru Jember Endalew
Chair of the LDC Group
ldcchair.ethiopia@gmail.com

Office of the LDC Chair, c/o Achala Abeysinghe, International Institute for Environment and Development, 80-86 Gray's Inn Road, London WC1X 8NH, UK

The WCF: What's the Big Idea?

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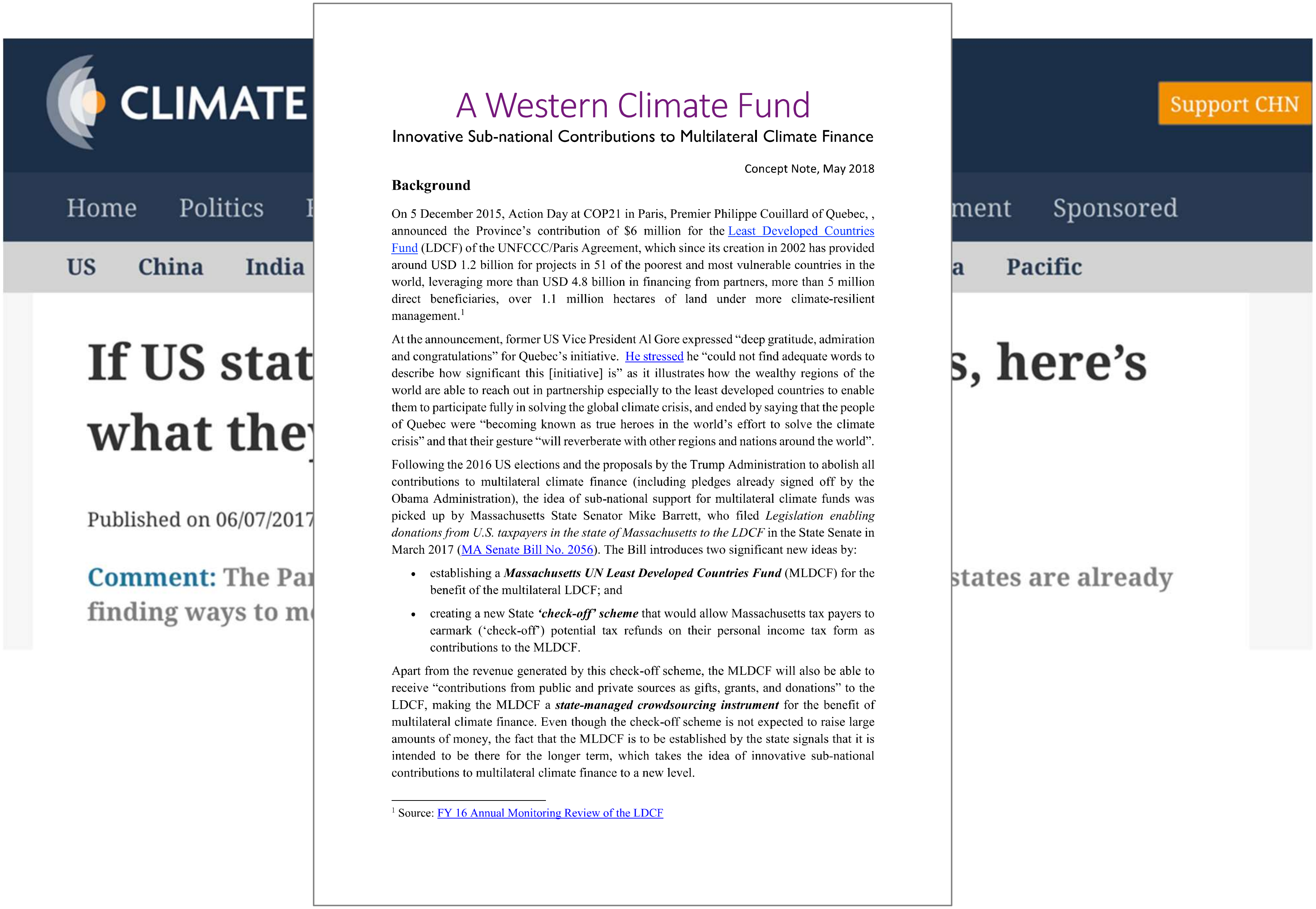

A Western Climate Fund

Innovative Sub-national Contributions to Multilateral Climate Finance

Concept Note, May 2018

Background

On 5 December 2015, Action Day at COP21 in Paris, Premier Philippe Couillard of Quebec, , announced the Province's contribution of $6 million for the Least Developed Countries Fund (LDCF) of the UNFCCC/Paris Agreement, which since its creation in 2002 has provided around USD 1.2 billion for projects in 51 of the poorest and most vulnerable countries in the world, leveraging more than USD 4.8 billion in financing from partners, more than 5 million direct beneficiaries, over 1.1 million hectares of land under more climate-resilient management.[1]

At the announcement, former US Vice President Al Gore expressed "deep gratitude, admiration and congratulations" for Quebec's initiative. He stressed he "could not find adequate words to describe how significant this [initiative] is" as it illustrates how the wealthy regions of the world are able to reach out in partnership especially to the least developed countries to enable them to participate fully in solving the global climate crisis, and ended by saying that the people of Quebec were "becoming known as true heroes in the world's effort to solve the climate crisis" and that their gesture "will reverberate with other regions and nations around the world".

Following the 2016 US elections and the proposals by the Trump Administration to abolish all contributions to multilateral climate finance (including pledges already signed off by the Obama Administration), the idea of sub-national support for multilateral climate funds was picked up by Massachusetts State Senator Mike Barrett, who filed *Legislation enabling donations from U.S. taxpayers in the state of Massachusetts to the LDCF* in the State Senate in March 2017 (MA Senate Bill No. 2056). The Bill introduces two significant new ideas by:

- establishing a ***Massachusetts UN Least Developed Countries Fund*** (MLDCF) for the benefit of the multilateral LDCF; and
- creating a new State ***'check-off' scheme*** that would allow Massachusetts tax payers to earmark ('check-off') potential tax refunds on their personal income tax form as contributions to the MLDCF.

Apart from the revenue generated by this check-off scheme, the MLDCF will also be able to receive "contributions from public and private sources as gifts, grants, and donations" to the LDCF, making the MLDCF a ***state-managed crowdsourcing instrument*** for the benefit of multilateral climate finance. Even though the check-off scheme is not expected to raise large amounts of money, the fact that the MLDCF is to be established by the state signals that it is intended to be there for the longer term, which takes the idea of innovative sub-national contributions to multilateral climate finance to a new level.

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[1] Source: FY 16 Annual Monitoring Review of the LDCF

The WCF: What's the Big Idea?

- Based on the proven WCI working relationships between sub-nationals across national borders, the proposal here is to establish a similarly structured trans-national ***Western Climate Fund*** to receive contributions for the multilateral funds of the Paris Agreement from States and Provinces in or around the WCI.

- Charitable donations from individuals, particularly as part of **check-off programs**, relating, for example, to **income-tax refunds** (as in the case of the Massachusetts Bill) or to **climate dividends** derived from cap and trade permit auctions (as recently proposed in a Bill by California State Senator Wieckowski); and
- A "**share of proceeds**" – be it a share of cap and trade auction revenue or of carbon taxes (as in the case of Germany's Climate and Energy Fund) or a share of emission allowances to be monetized by the Fund (as in the case of the share of **CDM proceeds monetized by the Adaptation Fund**, or the "**Allowance Allocation to Electrical Distribution Utilities on Behalf of Ratepayers**" under the California Cap and Trade Scheme).

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Thank You!