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Towards a just climate policy

FACTS

Photo: Jörg Böthling

Climate change has become one of the key issues of human mankind

It challenges the prevailing growth-based models of economic development and requires a categorical switch, if global warming shall be capped to 2°C. The development policy platform of churches, development services and Christian missions in Germany advocates a fair development chance for all people and the following generations, so as to enable everyone to share a life in dignity. Churches feel responsible to demand and facilitate fair climate policy.

Since negotiations about a new climate agreement have come to a standstill it is becoming less and less probable that countries will actually accomplish the necessary and drastic reduction of their greenhouse gas emissions in time. Yet already now the impacts of climate change can be noticed everywhere. They affect in particular agriculture, water supply and health – key areas for sustainable development.

Hardest hit are many of the least developed countries and there generally the poorest and most vulnerable people – that is, those who have least contributed to the emergence of the problem. Hence justice is a key concern for climate policy.

Financing a just climate policy

Funding climate change mitigation and adaptation in developing countries is a fundamental element of a just climate policy. The industrialised countries must respect the right of the developing countries to sustainable development, and assist them financially on their way to a low-carbon economy.

At the same time considerable additional costs will occur especially in developing countries due to climate change and the necessary adaptation measures. For this, too, the industrialised countries should make a fair contribution to financing, one that takes their historical responsibility into account and also reflects their economic power.

Estimates regarding the amount of such an adequate future financing are quite diverse. There is merely agreement that the funds provided up to now are by far not enough.

At the Climate Summit in Copenhagen in December 2009 the States agreed to provide 100 billion USD annually as the required minimum for climate change mitigation and adaptation in developing countries from 2020 on. Yet many German and international nongovernmental organisations (NGOs) consider this sum to be insufficient.

International commitments to climate financing

The question of financing has become a key issue in the international climate negotiations. Progress in this matter is decisive for the future of international climate policy. The willingness of emerging and developing countries to invest in climate change mitigation also depends on the level of funding the industrialised countries will provide.

The Copenhagen Accords states inter alia that “new and additional“ funding shall be provided for climate change

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mitigation and adaptation in developing countries. Civil society organisations worldwide agree that

- **new:** climate financing should only include financial commitments made after the Copenhagen Climate Summit in December 2009;

- **additional:** climate financing must go beyond the 0.7 per cent Official Development Assistance (ODA) promise, since that pledge is considerably older.

In a first step the industrialised countries agreed on a fast-start finance initiative to provide a total of 30 billion USD from 2010 to 2012 as promised in new and additional funds. However, there is a lack of transparency on how much funds have been actually provided so far. And the countries determine themselves what they consider as fast-start finance.

For long-term financing the goal was set to raise 100 billion USD annually by 2020, including private and public funding through bi- and multilateral channels. For the implementation of this pledge UN Secretary General Ban Ki-Moon appointed the High-Level Advisory Group on Climate Change Financing (AGF), which identified measures and instruments to guarantee this money transfers. The recommendations of the AGF report published in December 2010 (see text box) are mentioned as reference document in the official negotiation documents.

Fulfilling the financial pledges made by the industrialised countries is indispensable to overcome the current credibility gap that paralyses the international climate negotiations. The World Climate Summit in Durban, South Africa in December 2011 needs to specify the future financing of climate change mitigation and adaptation in developing countries and to pave the way for a new, legally binding climate agreement.

German climate financing

As the second most important donor after Japan Germany has an important position. In the past Germany has been a reliable and progressive actor in the area of climate financing. The Federal Government has led the way in using innovative financial instruments by auctioning emission allowances to companies and using part of the revenues for international climate projects.

At the Climate Conference in Copenhagen 2009 the German Government agreed to two commitments within the framework of international climate financing. For the fast-start finance Germany has promised a total 1.26 billion Euro for the years 2010 to 2012. One third of these funds is supposed to go into adaptation measures and at least 350 million Euro into the protection of rainforest in the developing countries.

Taking the 100 billion USD long-term financing stated in the Copenhagen Accords as a reference the fair and adequate contribution of Germany would amount to an

Innovative financial instruments for climate financing

The report of the Advisory Group on Finance (AGF) comes to the conclusion that providing 100 billion USD annually from 2020 on is ambitious, but feasible – even based upon conservative assumptions. Since the national public budgets will not be in the position to provide the necessary sums, identifying innovative financing instruments will be crucial for climate financing. A mixture between national and international instruments is required.

Among the most promising instruments the panel considers i.a.:

- **Taxes on international aviation and maritime transport** have a high potential for raising funds; are directly related to climate change and also include incentives for emissions reduction;

- **A financial transaction tax** can generate considerable funds at national, regional or international level. Transactions in all areas susceptible to speculation (currencies, shares, derivates, resources, real estate titles, and food) would be charged with a minimal tax rate of 0.01 to 0.05 percent.

annual average of eight billion USD. This figure is based upon the Greenhouse Development Rights (GDR) approach, which applies a set of verifiable criteria to assess the responsibility of countries for climate change as well as their financial capacities and represents it as a Responsibility and Capacity Index (RCI). Based upon this index the financial share of each country is calculated.

State of fast-start finance

According to data provided by the German Federal Government 350 million Euro were provided in 2010 as new and additional funds for fast-start finance. However, this also included the fulfilment of financial promises made prior to Copenhagen, for instance the revenues from the auctioning of emission allowances or pledges made under the Convention on Biological Diversity. In both cases old promises were merely fulfilled, but no “new and additional“ funds created.

According to civil society, the actual new and additional funding remain considerably below the pledges. In 2010 altogether only 70 million Euro of new and additional funds were disbursed. In 2011 it will be altogether 58,4 million Euro. For a serious fulfilment of the promises made for fast-start finance, an additional billion Euro would have to be scheduled for international climate funding for in the 2012 budget.

Photo: Jörg Böthling

German Special Purpose Energy and Climate Fund

On 1 January 2011 the German Special Purpose “Energy and Climate Fund” was established as a new source of funding. The fund allows additional expenditures in the energy sector and for climate protection, including the funding of international commitments. According to the new Renewable Energy Act the special purpose fund is funded by the auctioning of emission certificates. Until 2017 a total of 980 million Euro are earmarked for the special purpose fund, of which, however, only 505 million Euro are approved to date.

Regarding the funding purposes the special purpose fund mainly serves the financing of national measures scheduled by the German government within the course of switching to sustainable energy structures – for instance in the areas of electromobility, building insulation or subsidisation of energy-intensive industries. For 2011 35 million Euro are earmarked for international climate protection and 42.5 million Euro for 2012. This means that there is a substantial risk that financing the turnaround in German energy policy will happen at the expense of international climate financing – and thus developing countries will pay the price.

Establishing the special purpose fund represents a step in the right direction, since in principle it is a reliable instrument for climate funding. Yet, the instrument can only be judged a true success, if Germany does not fund its national energy transformation at the expense of its international obligations.

Assessment of German climate financing

Recent developments show a draw-back in the so far rather good German climate financing results and a lack of meeting international standards:

- Since 2010 there are increasing signs for "green-washing" calculations: Instead of providing new funds, old promises are recycled.

- Germany calculates its climate funding entirely into the ODA percentage. Hence funds for climate finance are used to fulfil the UN goal to commit 0.7 percent of rich-countries' gross national product (GNP) to Official Development Assistance (ODA).

- Increasing competition between national and international concerns prevents Germany to tap more funds in order to reach an adequate contribution for long-term climate financing.

Recommendations for German climate financing

Germany should resume the reliable and progressive role it played in climate diplomacy in the past, and keep its international commitments to climate financing. In doing so, Germany can contribute to saving a future climate agreement.

- **Fast-start funds:** The German government should budget new funds for the fiscal year 2012 that will not be calculated into the ODA percentage, but will be generated additionally. Loans should not be credited in full, but only with the donation amount.

- **Innovative financial instruments:** Germany should advocate and advance the suggestions for innovative financial instruments in the international climate negotiations.

- **Special purpose energy and climate fund:** A share of at least 30 percent should be earmarked for international climate protection.

- **Mobilising further financial resources:** Pushing for a financial transaction tax should not allow for neglecting preparatory arrangements at national level, for instance through the implementation of a national stock exchange tax. In doing so, Germany could use new resources and continue to play a leading role in the international arena.

- **Cooperation quality:** Germany should advocate that in the implementation of climate funds ecological and human rights-based standards are met. The participation of the affected population must also be guaranteed.

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