

Climate Finance in Durban

Vulnerable communities in developing countries desperately need substantial, new reliable flows of money to help them adapt to the damaging impacts of a changing climate and to develop in a low carbon way. Climate change is already having a terrible impact on the lives and livelihoods of people in poverty and is posing a grave threat to food production threatening to cripple the agriculture which millions of poor people depend on. A bad situation is set to get a lot worse if urgent action isn't taken now to both slash greenhouse gas emissions and invest in the resilience of poor people.

Finance remains a crucial element of a global climate agreement and is one critical area of the talks where real steps of progress can be made at Durban. While the outcome to discussions on the future of the Kyoto Protocol are critical to the long term success of the talks, decisions can be taken at this year's talks that will make concrete progress for poor people on the frontlines of the climate crisis. In Durban we must get the Green Climate Fund agreed last year in Cancun up and running and real progress must be made to find innovative sources of money to fill the fund.

What was achieved in Cancun (Cop 16)?

1. A new Green Climate Fund was established to channel climate finance to poor countries and a Transitional Committee launched to design it during 2011.
2. It was agreed that the fund must be designed to achieve a balanced allocation of money between mitigation (low carbon development) and adaptation.
3. The board must have equal seats for developed and developing countries with dedicated seats for Least Developed Countries and Small Island Developing States. However, a reference to gender considerations being taken into account in the board composition dropped out of the final agreement.
4. The Copenhagen commitments to raising \$30bn in 'Fast Start Finance' (2010-2012) and then \$100bn per year by 2020 were reiterated but no decision or next steps identified on where this money would come from.

Getting the Green Climate Fund up and running

A fund has been agreed but crucial details must be ironed out in Durban to get it designed and up and running by 2013. The Transitional Committee (TC) met four times in 2011 to produce a set of recommendations for adoption in Durban. The recommendations (whilst not including everything that is needed) do include important provisions to ensure the fund meets the needs of poor people:

- **Taking gender seriously:** Women are often worst impacted by climate change and vital to developing solutions that work in their communities. The TC recommendations would ensure the needs of women are taken into account in the management of the fund and that women are fairly represented in the decision-making structures of the fund.
- **Putting poor countries in the driver's seat:** Decades of experience with development aid tells us that developing countries should 'own' the finance they receive to ensure it is well spent. The TC recommendations include good provisions to ensure recipient countries will have easy access to funds and control over how they are spent at the national level.
- **Giving civil society a voice:** It is vital that the operations of the fund are transparent. The TC recommendations include provisions to give civil society a role as 'active observers' on the board.

Unfortunately the TC recommendations do not include specific provisions to close the 'Adaptation Gap' which sees the vast majority of current climate finance flowing to mitigation over adaptation (only 10-20% is currently allocated to adaptation).

The U.S. and Saudi Arabia blocked consensus on the recommendations in the final TC meeting in Cape Town which means it is unclear whether the TC report will be adopted in full in Durban or whether there will be attempts made to re-open the negotiations. Although not perfect it is vital that the TC's report is adopted in full in Durban in order to get the Green Climate Fund operational.

Filling the Fund

To ensure the fund is not left as an empty shell, sources of money to fill it must be agreed as a matter of urgency. But with the world in economical turmoil it is essential that new innovative sources which do not rely on cash-strapped government treasuries or tax-payers pockets must be agreed upon. Two realistic options that are currently on the table are: a **carbon price on shipping and aviation** and a **Financial Transaction Tax**.

Out of the Bunker

International shipping is a major – and rapidly growing – source of greenhouse gas emissions. Agreement to apply a carbon price to shipping can both reduce emissions and raise funds for climate change adaptation and mitigation in developing countries. In a report published by Oxfam and WWF in September 2011 it was shown that doing so is possible whilst also ensuring that developing countries face no net costs.

Shipping emissions or 'bunkers' are large and growing fast. Shipping is responsible for 3% of global emissions – greater than Germany. Yet they are not currently regulated under the global climate regime. Setting a carbon price for ships, at around \$25 per tonne, can drive significant maritime emissions cuts and by 2020 \$25bn per year could be raised. Developing countries should be directly compensated from these revenues for the resulting marginal increase in transportation costs and at least \$10bn per year directed to the Green Climate Fund.

After more than a decade of delay, it is now realistic to believe that a breakthrough agreement can be reached. The proposal is on the table in the International Maritime Organisation (IMO) and was discussed this year in the G20. The shipping industry has called for an agreement in Durban on the principles of such a scheme to be given as guidance to the IMO to complete its work. Thereafter the details of a scheme could be agreed within 18 months to two years. Strong public backing for this proposal has already been given by key influential countries including France, Germany and South Africa. The proposal was supported in full by the World Bank and IMF report to the G20 on sources of climate finance and has the backing of the shipping industry, trade unions and high profile influential figures including Kofi Annan and Bill Gates.

Taxing Financial Transactions

The Financial Transactions Tax (FTT) – or 'Robin Hood Tax' - is a tiny tax on wholesale trades of shares, bonds, currencies and derivatives. If introduced around the world it could raise hundreds of billions of dollars every year to tackle poverty and climate change and could contribute to the Green Climate Fund.

Politicians around the world are beginning to consider this tax as a serious possibility. At the recent G20 in Cannes, France, Germany, Spain, South Africa, Argentina and Brazil agreed to press ahead with plans for FTTs and explore using revenues for both development and climate change. The European Commission has a separate FTT proposal on the table to raise billions of Euros a year and President Obama has dropped the US's opposition to a European tax. The UK remains a blocker but even if it fails to come on board, it is likely the Eurozone will go ahead. A number of countries including the UK, United States and Brazil plus Hong Kong already have their own financial transaction taxes so failure to reach global agreement is no excuse for inaction.

Bill Gates recommended the FTT to the G20 as a way of raising money for climate and development. There is a real opportunity to move forward on climate finance in Durban if countries pledge some of the FTT money to the Green Climate Fund, put pressure on other contributors to join or come up with their own source of revenue.

Contacts: The Oxfam media team will be in Durban from 25 November – 11 December.

- Ben Grossman-Cohen: +27 (0)815820706 or bgrossman-cohen@oxfamamerica.org
- Georgette Thomas: +27 (0)815820726 or gthomas@oxfam.org.uk
- Nthateng Mhlambiso: +27 (0)797524039 NthatengM@oxfam.org.au

Photos showing the human impact of climate change are available at:

<http://wordsandpictures.oxfam.org.uk/?c=10332&k=146622cc0a>

Out of the Bunker: Time for a Fair Deal on Shipping Emissions can be downloaded from:

<http://www.oxfam.org/en/grow/policy/out-bunker-shipping-emissions>

Oxfam's GROW campaign is calling for global action to fix a broken food system where 925 million people already go hungry every day. This could get worse in the face of dwindling natural resources, like land, the gathering pace of climate change and increasing food price volatility. Find out how we can help prevent this from getting worse at www.oxfam.org/grow

© Oxfam International November 2011