

INNOVATIVE \$OURCES OF CLIMATE FINANCE

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The sums needed in the global South – for affected communities to deal with climate change and the transition to a sustainable future – amount to many hundreds of billions of dollars. Rich countries – which have found trillions to bail out banks and investors – say there’s no money for the climate. The facts show that despite their promises, it is political will, not sources of finance, that’s lacking.

Non-Solutions

Current promises

- In 2009, US Secretary of State Hillary Clinton and other developed country ministers committed to a goal of mobilizing \$100 billion per year for countries in the global South - with no scientific or factual basis for this number. Yet, the scale of resources needed is significantly greater.
- Yet at this year’s climate negotiations in Bonn, the U.S. – joined by Canada and Japan – are refusing to talk about how to generate the \$100 billion.
- The same countries are also calling for a financial ‘pledge’ system based on what countries think they can mobilize, which may not even total \$100 billion.

Carbon Markets

- Carbon offsets cannot be double counted as both developed country mitigation and climate finance for developing countries.
- Carbon offset projects, like the CDM, have failed to deliver promised emission reductions and have already seriously impacted local communities.
- Carbon credits are already being securitized and resold in secondary derivatives markets, yet existing financial regulations are inadequate to govern carbon trading, creating a potentially huge regulatory gap.
- The majority of benefits from carbon credits accrue to project developers, verifiers and consultants while a very small fraction of the benefits actually contribute to capitalizing mitigation projects.

More money doesn’t have to mean more debt.

Innovative sources of public finance are available now including:

Financial Transactions Tax (FTT)

- A tiny tax on financial transactions - as little as one hundredth of a percent- could raise \$650 billion per year for the just transition to low-carbon economies. A tax on trade in stocks, currency and derivatives could also curb destabilizing financial speculation. Many of the countries in the G20 are already supporting the FTT, and the IMF says it’s technically feasible.

Special Drawing Rights (SDRs)

- In 2009, in response to the global economic crisis, the International Monetary Fund (IMF) allocated \$250 billion worth of SDRs to member countries. Of that, approximately \$165 went to developed countries. Developed countries should transfer some or all their 2009 SDRs developing countries for climate action. These reserve funds created by the IMF are immediately available and can be used now for climate action in developing countries.

Redirecting Fossil Fuel Subsidies

- Rich countries currently spend between \$57 and \$100 billion each year propping up the fossil fuel industry. Redirecting fossil fuel subsidies in the North to renewable energy and adaptation in developed and developing countries would go a long way to meeting commitments for international climate finance, and would lead directly to greenhouse gas emission cuts in developed countries.

Redirecting Military Budgets

- In 2010 global military spending rose to an all-time high of \$1.6 trillion. In the same year, retired U.S. military generals and admirals released a statement saying that, "climate change is making the world a more dangerous place." Countries should redirect military budgets to fight climate change immediately, increasing real human security.

Addressing Aviation and Shipping

- The shipping and aviation industries are currently high-emitting and under-taxed. Consistent with the polluter-pays principle, regulating and levying these sectors could both reduce emissions and generate public finance, although it must adhere to the principle of common but differentiated responsibility and ensure developing countries are not adversely affected.