

An aerial photograph of a vast wetland landscape. A winding river flows through a lush green area, surrounded by dense forests and open fields. The sky is overcast with grey clouds.

# Prospects for financing from shipping and aviation mitigation measures

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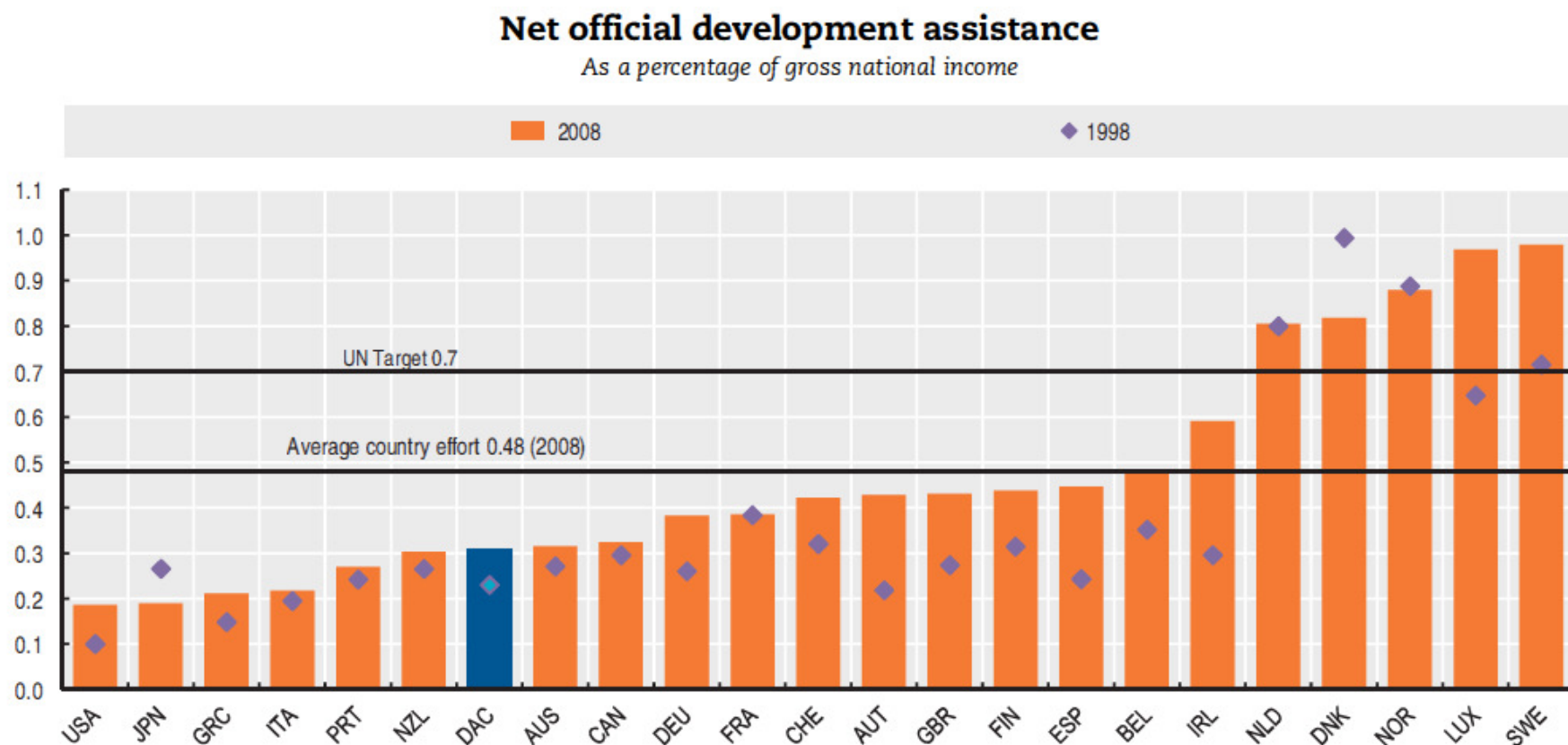


# Mobilizing \$100 billion by 2020

\$100 billion commitment still largely a blank slate that countries are free to interpret as they see fit

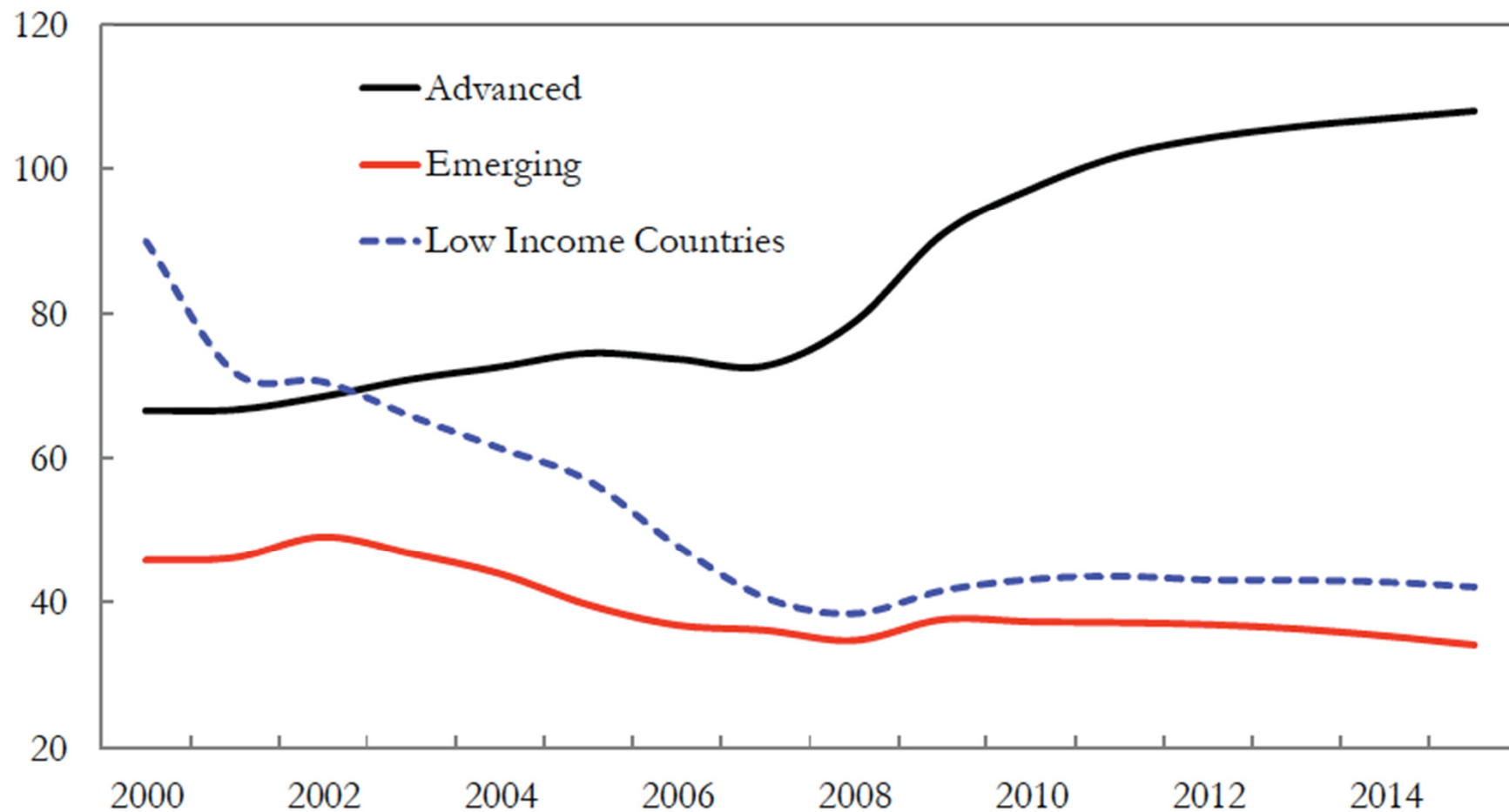
- pace of scaling up from FSF levels – steady progress or hockey stick?
- Amount of public finance crucial -two illustrative scenarios
  - \$10b public, with say \$5 b for mitigation leveraging \$50 million private – remaining gap creates incentive for creative accounting;
  - \$90- \$100 public with \$40-50 billion for mitigation leveraging \$500 billion in private investment;
- How \$100 billion commitment is met has huge implications for mitigation ambition, and the ability of the poor and vulnerable to cope with changes

# Should we rely on government budgets as only source of public finance?



# Trends in national debts

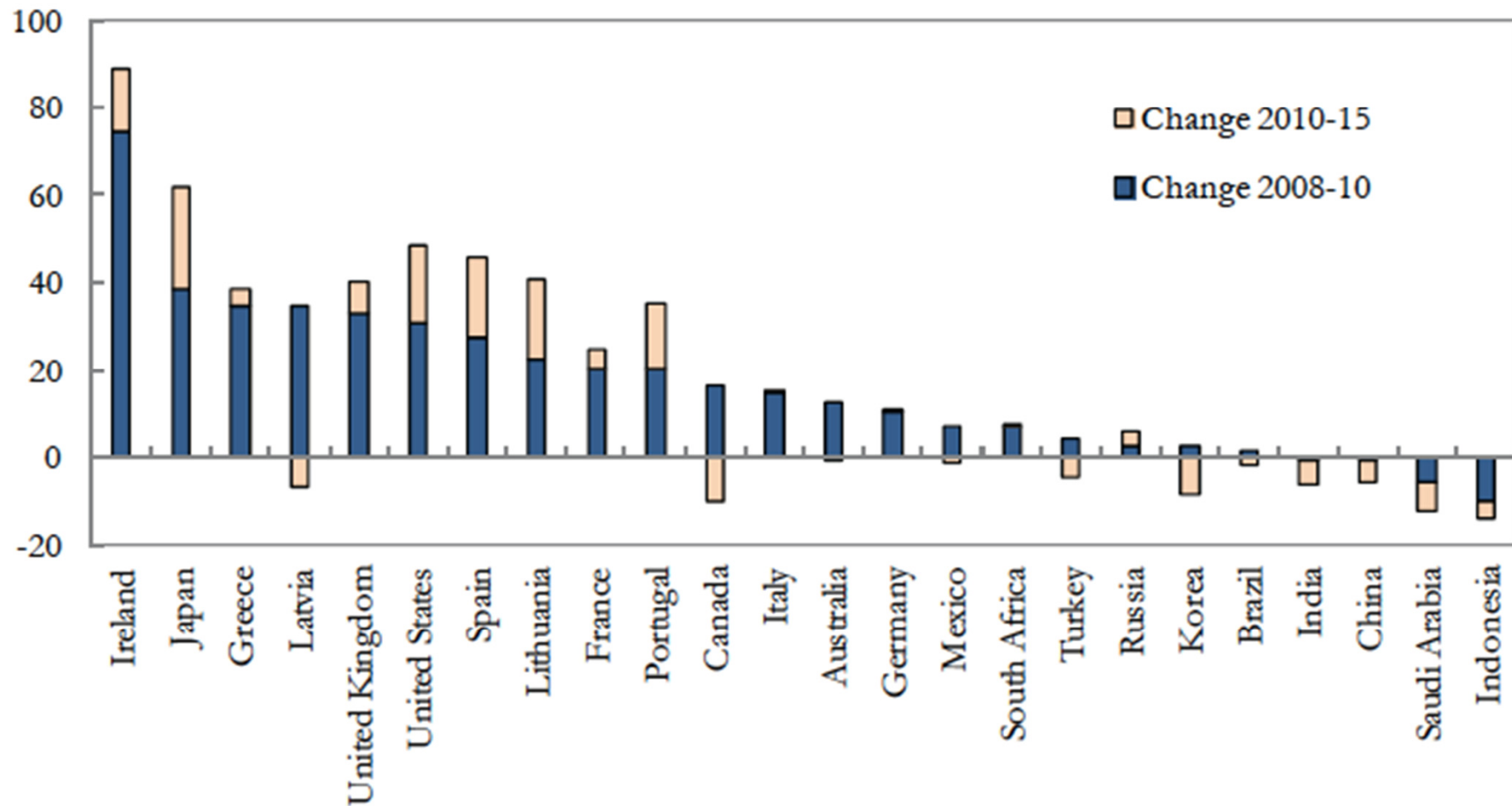
Figure 1.6. General Government Gross Debt Ratios  
(Percent of GDP; 2009 PPP-GDP weighted average)



Source: IMF staff estimates based on October 2010 WEO projections.

Developed countries have accumulated huge financial debt

**Figure 3.3. Change in Public Debt Outlook, 2008–15**  
(Percent of GDP)



Source: October 2010 WEO.



# **Innovative sources of public funds to supplement budget contributions**

Government budgets aren't the only possible source of public finance under UNFCCC

Definition of innovative source: Instruments that generate public finance directly, outside government budgets or earmarked, for international public goods – e.g., climate action

Examples of innovative sources:

- measures to address international transport
- Financial Transaction Taxes (FTTs),
- international allowance auctioning (AAUs, SoP/CERs)
- Special Drawing Rights,

# Example:

## International maritime transport (bunkers)





## Example: Maritime transport (shipping)

Shipping is large and growing source of emissions;

Progress stalled for years over competing principles in UNFCCC and IMO;

CBDR can be addressed in a global mechanism with no cost burden (“no net incidence”) on developing countries;

- agreement on a global mechanism to address emissions in the sector that can also generate revenue (ETS or levy)
- Rebate mechanism to compensate developing countries for their costs or burden, based on suitable “attribution key” (i.e., share of seaborne imports by value)
- Use remaining funds for climate finance, and use key to attribute contributions from developed countries
- Special attention to impacts on food prices, LDCs and SIDS

# Compliance with UNFCCC Convention and CBDR

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- Revenue goes to three streams:
  - Rebates/compensation to developing countries to address incidence on them, and to reflect equity and CBDR
  - Small amount of revenue used within shipping sector R&D and in-sector mitigation and adaptation actions
  - The majority of revenue, goes to the UNFCCC financial mechanism (GCF) to support climate actions in developing countries
- Consequently, the revenue for climate change action that contributes to meeting the \$100b commitment comes from consumers/economies from developed countries only;
- Some highly industrialized or wealthy NA1 countries could forego their rebate and contribute to the fund, but this would not country towards the \$100 billion.
- Need regular review of what countries are entitled to rebate, perhaps linked to evolving definition of financing responsibilities under UNFCCC.

# Attribution Key's Usage

## (1) Rebates for developing countries<sup>1</sup>

Developing Country/region	R Key, %
China	8.35
Korea, Republic of	3.68
Singapore	2.36
China, Taiwan Province of	2.27
China, Hong Kong SAR	2.06
India	1.98
Next 30	15.31
Remaining 120+ countries	4.19
<b>TOTAL non-Annex I</b>	<b>40.19</b>

Cote d'Ivoire	0.0682	Maldives	0.0402	Trinidad and Tobago	0.0790
Cuba	0.1123	Mexico	1.4594	Tunisia	0.1872
Cyprus	0.0902	Micronesia (Federated States)	0.0004	Turkmenistan	0.0213
Djibouti	0.0044	Moldova, Rep. of	0.0263	Tuvalu	0.0002
Dominica	0.0020	Mongolia	0.0075	Uganda	0.0308
Dominican Republic	0.1415	Montenegro	0.0298	United Arab Emirates	1.2684
Ecuador	0.1196	Morocco	0.3182	Uruguay	0.0354
Egypt	0.2499	Mozambique	0.0210	Uzbekistan	0.0450
El Salvador	0.0790	Myanmar	0.0304	Vanuatu	0.0021
Equatorial Guinea	0.0288	Namibia	0.0089	Venezuela (Bolivarian Rep. of)	0.3620
Eritrea	0.0066	Nauru	0.0008	Viet Nam	0.5119
Ethiopia	0.0592	Nepal	0.0274	Yemen	0.0827
Fiji	0.0184	Nicaragua	0.0325	Zambia	0.0388
Gabon	0.0204	Niger	0.0090	Zimbabwe	0.0130

## (2) Credits for developed countries (for climate financing raised)

Developed Country/region	Attr Key %
European Union*	28.53
United States of America	15.98
Japan	6.42
Canada	1.98
Turkey	1.64
Australia	1.60
Russian Federation	1.40
<i>Remaining 7 countries</i>	2.28
<b>TOTAL Annex-I Parties</b>	<b>59.81</b>

FR: 2.6%

Attr Key %

Germany	4.6015	Spain	3.0122
Greece	0.7362	Sweden	0.9112
Hungary	0.4480	Switzerland	0.5129
Iceland	0.0690	Turkey	1.6386
Ireland	0.5932	Ukraine	0.5624
Italy	2.9651	United Kingdom	3.9644
Japan	6.4161	United States of America	15.9771

<sup>1</sup>Developing country can forego rebate or a part of it, and be recognized for such action; Thus the rebates may amount to 30% or less. Values provided in the GHG WG 3/3/11 document.



# Current negotiations on innovative finance and maritime sector

Multiple negotiating fora can contribute:

- UNFCCC the central decision-making fora:
  - signal to IMO/ICAO on CBDR and targets
  - governance of any revenue for climate finance
  - Important for int'l transport to be on agenda here
- IMO/ICAO – technical bodies will implement and enforce any measures for shipping and aviation
  - Consideration of Market-Based Measures on-going:
    - IMO – MBMs July 2014 key decision, complete by 2015
      - Rebate mechanism being actively discussed
    - ICAO – active discussion 4 options this year, Nov key
- G20 (Potential forum for high-level discussions)



## Transition to post 2020

Special role for bunkers in transition period to the post-2020 with binding commitments for all countries

- reinventing differentiation under CBDR&RC principal, with more emphasis on “RC”;
- Bunkers was always toxic because it threatened the A1-NA1 “firewall” – equivalent treatment of all ships and plans regardless of country
- Now bunkers can be a testing ground for discussions of new approaches to differentiation
- Earlier the better to get robust differentiation included, especially if it generates revenue for climate finance before 2020.
- Clear understanding that it is “developed” countries that must contribute to \$100 b by 2020. After 2020 unknown.



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