



**A fair financial deal for climate change  
Panel Discussion**

**15 September 2010, London**

**Summary Report**

**Chair:** Julian Rush, Science & Environment Correspondent, Channel 4 News

**Panel:**

- Camilla Toulmin, Director, International Institute for Environment and Development (IIED)
- Andrew Dlugolecki, Independent Adviser to UNEP Finance Initiative
- Saleemul Huq, Director, International Centre for Climate Change and Development (ICCCAD), Bangladesh
- Alex MacGillivray, Director, AccountAbility

**With the next UN Climate Change Conference due to be held in Cancun in December 2010, FIELD convened a panel of experts and commentators to discuss the crucial issue of financing climate change adaptation and mitigation in developing countries.**

**Key points from the debate**

Trust in the negotiating process needs to be restored; money alone will not do this. Recipients of funding must have a say in its distribution and deployment;

Fast track financing needs to be operationalised at Cancun, with clarification of how the funds will be allocated and through which channels, and the precise meaning of the phrase 'new and additional' needs to be clarified;

A global deal is unlikely at Cancun but perhaps reachable in Johannesburg in 2011. In the short term we should focus on incremental gains in adaptation, REDD and technology transfer as well as exploring innovative funding mechanisms;

Successful long-term private investment requires a combination of financial sector reform, risk reduction, good governance, commercial coordination and training. It is vital that existing funds are spent effectively and efficiently to encourage further investment;

Bilateral agreements can be useful but should not replace the UNFCCC process that ensures that all parties have a seat at the negotiating table;

Governments need to set a realistic price for carbon that properly reflects the damage it causes to the environment and pursue a low-carbon economic strategy.

Financing is vital for those most vulnerable countries that are battling with the effects of climate change. Estimates for the economic cost vary significantly, but it was recalled that the Stern report warns that the cost of inaction will be higher than the cost of action now.

The UNFCCC recently reevaluated its 2007 study of the global cost of damage from climate related disasters from a figure of around \$82 billion to \$200 billion. Projected forward to 2030, it is likely this figure could double or even treble. Venezuela recently calculated the economic costs of climate change to reach \$600 billion by 2020.

One speaker noted that despite this vast sum on a global scale, adaptation costs for the poorest countries would only require approximately \$100 million of capital; a sum that could be raised without waiting for a global deal.

Discussion turned to the \$30billion fast track financing tabled on the last day of the Copenhagen Summit last December, with one speaker commenting that this was too little too late. As a consequence, trust urgently needs to be restored between industrialised and developing countries and this must be done by ensuring recipients and have a say in how financing is accessed and deployed.

Material questions include how the fast track financing will be divided between adaptation and mitigation, as well as through what funding channels need to be answered in Cancun. A clear definition of the phrase 'new and additional' funding must also be decided.

Concern was raised that so far only \$5 billion has been committed to fast track financing. This will have to increase significantly if the target of \$30 billion over three years is to be met. Transparency by both donor and recipient is vital to ensure accurate monitoring and accountability.

One speaker sought to dispel confusion over different pools of funding for developing countries. It was explained that the 0.7% GDP Overseas Development Assistance (ODA) is a self-imposed and self-monitored voluntary commitment by the richer to the poorer nations. ODA should be considered entirely separate to the funding obligations under the UNFCCC which is an environmental convention designed to prevent pollution.

An audience participant asked if there was merit in raising ODA to 1% or 1.5% of GDP. The panel felt that although there is merit in development that is also climate friendly, countries are struggling to meet the current percentage, so the likelihood of meeting such an increased target would be slim.

The discussion moved on to private financing. From a business perspective, investment in mitigation and adaptation projects in developing countries is only likely if certain standards are in place. These would include consistent government policy and law, a long-term strategy with clear objectives, enforcement provisions, and full disclosure and reporting on material factors.

Limitations to this investment grade standard include lack of awareness of climate issues, incomplete weather data, bureaucracy, barriers to foreign investors being able to set up businesses in some developing countries, currency fluctuations and weak local finance.

Opportunities for investment include energy efficient construction, forestry projects and renewable energy provided the conditions above are in place.

Additionally one speaker noted that as insurers work on risk management, it is important that proper risk assessments are carried out.

Another speaker highlighted that there is an under-addressed need for coordination and capacity building for Chambers of Commerce in developing countries. A survey of the top five companies around the world revealed that the level of engagement with climate mitigation through their own operations was minimal, even where change would save on costs.

Panellists agreed that in order to attract further funding from the private sector, it is vital that the money that is there already is well managed and well spent. One speaker suggested that well deployed public sector finance could trigger between 5 – 15 % of private investment.

Another important area that needs further exploration is innovative funding mechanisms. It is estimated that these could generate between \$5-15 billion per year.

Current options suggested by speakers for long-term financing include a 'Tobin Tax' and a passenger levy on flights. In the UK there has been some appetite for a 'Robin Hood Tax'. The financial sector has not put forward robust arguments as to why these measures would not work.

Noting that there is no one easy solution, speakers suggested that other areas of innovation should be explored. Efforts to reduce speculation on food commodities that can be even more damaging to developing countries than currency speculation was one example.

A global deal on climate change fell apart at Copenhagen and it is unlikely that one will be agreed in Cancun. It was observed that the Mexican government are keen to pursue a more incremental approach and panellists agreed that this was the most sensible route forward, particularly where strong consensus currently exists on adaptation, REDD and technology transfer.

A question from the audience on the utility of bilateral agreements was tied into the discussion on the incremental approach. Panellists commented that a whole system of bilaterals would not be suitable in the context of climate change as it is more complex than trade. It was also felt that in order for governments to negotiate bilaterally, there must be a sense that a global deal is imminent and this is not likely in the short term.

It was also warned that we must not seek to replace the UNFCCC process with a system of bilaterals as this would exclude the voices of the most vulnerable countries. One of the most important aspects of the UN forum is that it enables every country a seat at the negotiating table.

On financing from the Clean Development Mechanism, concern was raised that money so far has been disproportionately directed at a handful of the larger developing countries, such as India, Mexico, Chile, Brazil and China. Some 31 developing countries do not have a single CDM project and out of 3,000 projects, just 70 are located in Africa. This needs to be addressed.

Panellists next considered the issue of oil exploration, with a member of the audience asking what advice speakers would give to a developing country that discovered oil or coal. One speaker cited the innovative example of Ecuador which is asking the

international community to pay them not to exploit fossil fuels located in the rainforest.

It was added that where oil is found, the benefits of exploitation are not always filtered down to the people. Equitable division of revenue should be a priority in these cases.

Speakers discussed 'Plan B' and the advantages of a green economic agenda that enables focus to be shifted away from the language of cuts and towards a more sustainable pattern of production and consumption. This approach can encompass not just climate change, but ensure better management of water, soil and biodiversity. Rather than GDP, health and wellbeing of people and the environment can then become more effective markers of overall prosperity.

A green economic approach is not just for the developed countries but needs to extend to low and middle-income countries too.

One speaker emphasised that internal policy reform of the financial system, such as how we currently give aid, for example, is a high priority. Although this will not happen under the auspices of the UNFCCC, reform of the financial sector is critical to successful long-term financing.

Mention was made of the progress Korea and China have made in terms of a strategy for green growth. Bangladesh was also noted for taking a proactive approach with a self-financed climate change strategy that is in the process of being implemented across all sectors.

In light of this, one speaker warned that unless the UK pursues a low carbon economy, it will be left behind in less than ten years. Opportunities can be found in procurement that favours sustainable practices, taxing commodities that are bad for the environment, while incentivising the purchase of goods and services that support green growth.

Panellists agreed that putting a realistic price on carbon that more accurately reflects the damage it causes is also vital for a low carbon future. Governments need to decide on a figure in the region of \$30-50 per barrel rather than \$12 per barrel.

It is estimated that the carbon economy will be worth \$2-2.5 trillion by 2020, however it is likely that this wealth will be shared amongst a small number of G20 countries. Panellists voiced concern that there needs to be more attention given to opportunities in Least Developed Countries for accessing this money.

A question from the audience on the role of the voluntary market prompted a range of responses.

Speakers acknowledged that voluntary markets have been criticised in the past for not linking with development needs.

One panellist described the voluntary market's role as a temporary awareness-raising initiative. Another speaker agreed that although the official market will be focused on the big emitters, voluntary markets could be useful to vulnerable countries creating space for small-scale projects that engage the local people and strengthen links between communities in the North and South.

A question from the audience about the role of young people was answered with a call for them to engage with the issues and to get angry. People in power need to feel a strong message from the generation below.

A member of the audience raised the issue of poor governance in developing countries and the disincentive this creates for foreign investment.

A speaker responded although corruption and mismanagement is a problem, reform is possible. For example Rwanda has turned its governance structure around delivering strong economic results in a short space of time. Consistency, good international advice and institutional reform is what is needed, and with the political will, this can be done.

At the other end of the spectrum, one speaker gave an example of mobile phone technology being used by citizens in Tanzania to hold governments to account by opening up channels of communication between districts, monitoring and reporting on what is and what isn't being done.

Keeping up the pressure for access to information on national budgets and how this money is spent is key to making governments more accountable.

Another panellist agreed that technology could help solve problems faster than previously thought. Harnessing the power of the Internet and mobile phones enables people to spotlight pollution and government malfeasance.

FIELD  
3 Endsleigh Street  
London WC1H 0DD  
T: +44 (0)20 7872 7200  
F: +44 (0)20 7388 2826  
[field@field.org.uk](mailto:field@field.org.uk)  
[www.field.org.uk](http://www.field.org.uk)

Registered charity no. 802 934  
Company Limited by Guarantee and Incorporated in England and Wales Reg. No. 2463462

*International law for people and the environment*