

CLIMATE FINANCING

An effective and integrated response to climate change will involve coordinated global efforts both to mitigate emissions levels and to adapt to the changes that are now inevitable. Poor countries need support to be able to protect their populations and infrastructure, and transition to a clean economy. As historically the greatest polluters, also have the greater technological and economic capacity, the industrialized countries have a particular moral obligation. They should bear the majority of the financial burden for both adaptation and mitigation, as well as taking the lead on these efforts. Not only is this a question of equity and responsibility, but it is also a legally binding international commitment made under the UN Framework Convention on Climate Change (UNFCCC).

In the lead-up to the 2008 G8 meetings in Japan, the World Bank approved two new funds: the Strategic Climate Fund, estimated at \$500 million to support adaptation, and the Clean Technology Fund, estimated at \$5 billion to help countries switch to clean energy technologies to reduce emissions. However, it is unclear whether the Bank, with a carbon-intensive investment portfolio, poor record on environmental and social concerns, and an undemocratic and nontransparent structure, is the proper vehicle to channel climate funding. The Bank is not an environmental agency, yet through funding decisions and attached conditionalities could impact international climate policy and undermine the UNFCCC process. In addition, access to funding could be used to exert undue pressure on needy countries.

Adaptation Funds

Estimates of costs to developing countries for adapting to climate change are at least \$10-40 billion per year, with needs ranging broadly from water management to disaster prevention to public health spending. Funding should be dedicated specifically to assist developing countries in meeting these challenges.

Adaptation funding should be:

- New, predictable and stable funds, in the form of grants, not loans, and additional to current commitments on development assistance;
- Based on responsibility (total emissions levels) and ability to pay;
- Participatory, including the voices of civil society and those most affected in the design, implementation and evaluation of adaptation projects;
- Prioritized according to vulnerability; and
- Governed under the auspices of the UNFCCC.

Clean Technology Funds

Development assistance subsidizing oil, gas and coal projects in developing countries far outstrips support for clean energy or efficiency measures. Plagued by corruption, conflict and environmental degradation, such projects exacerbate the ecological crisis without improving local energy access or poverty indicators. Even within the World Bank's fund, relatively more efficient uses of coal remain an acceptable 'clean technology' investment.¹ Scarce public financing has a vital role to play in encouraging and supporting the shift to a greener, more sustainable world economy, and should not be wasted on only marginally less polluting technologies, such as 'clean coal'.

Clean Technology Funding should be:

- Transformational, helping to make truly clean technologies, such as solar or wind power; economically viable;
- Transparent, monitored and evaluated, while decision-making should be democratic and not controlled by any single block of countries;
- Additional to existing commitments on development assistance; and
- Governed under the auspices of the UNFCCC

1 "Joint MDB Report to the G8 on the Implementation of the Clean Energy Investment Framework (CEIF) and Their Climate Change Agenda Going Forward." June 2008.