ADDRESSING FINANCE IN A 2015 CLIMATE AGREEMENT

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A central issue in the Paris climate negotiations is how the new global climate agreement to be reached this year can help strengthen climate finance for developing countries. Developed countries have committed under the United Nations Framework Convention on Climate Change (UNFCCC) to help developing countries reduce their greenhouse gas emissions and adapt to the impacts of climate change. The new agreement will build on steps already taken and define an approach to climate finance for the post-2020 period. This brief provides an overview of: existing finance commitments, institutions and mechanisms under the UNFCCC and the Kyoto Protocol; current climate finance flows; potential finance-related objectives in a 2015 climate agreement; and options for addressing finance in the 2015 agreement.

CLIMATE FINANCE UNDER THE UNFCCC

The UNFCCC includes finance-related commitments and establishes a financial mechanism to deliver support to developing countries. Through subsequent decisions, parties have elaborated the financial mechanism, establishing several distinct funds, and have established other finance-related institutions and practices, including the Standing Committee on Finance and reporting and review procedures.

In Article 4.3 of the Convention, the developed countries included in Annex II commit to "provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties" in meeting their reporting obligations under the Convention, and to "provide such financial resources…needed by the developing country Parties to meet the agreed full incremental costs of implementing measures" covered by Article 4.1 and "agreed by the developing country Party and the [financial mechanism]." These include measures to both mitigate and adapt to climate change. In addition, Annex II parties commit in Article 4.4 to help developing countries particularly vulnerable to climate impacts meet their adaptation costs. Article 4.7 states that the extent to which developing countries implement their Convention commitments will depend on the effective implementation by developed countries of their financial commitments.

Article 11 establishes a financial mechanism "under the guidance of and… accountable to the Conference of the Parties" to provide "financial resources on a grant or concessional basis." It also notes that financial resources may be provided though bilateral, regional and other multilateral channels.

The only numerical finance goals established under the Convention are those contained in the Cancún Agreements: a "fast-start" commitment of $30 billion in "new and additional" finance in 2010-2012; and a goal of mobilizing $100 billion a year by 2020 "from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources," and "in the context of meaningful mitigation actions and transparency of implementation."

CLIMATE FUNDS

A number of funds have been established under the Convention and the Kyoto Protocol to provide resources to developing countries. At the second Conference of the Parties (COP 2), UNFCCC parties designated the Global Environmental Facility (GEF) as an operating entity of the financial mechanism. Originally a pilot program