Are Developing Countries Satisfied with Half Filled Promises?

Are developing countries satisfied with half of the US$100 billion? The need for better UNFCCC guidelines for accounting climate finance

Developed countries have pledged to mobilise US$100 billion a year for climate change mitigation and adaptation efforts in developing countries. However, half of this amount risks ending up as loans. That is like crashing into someone’s car, and then giving them a loan to pay for the repairs.

Much more attention needs to be paid to the “big money”. According to the recent joint report from the Multilateral Development Banks in 2016, they collectively committed $27b in climate finance last year — 4% was in the form of grants.

In a report to COP22, Oxfam estimated that the grant equivalents of the total public finance reported (average of 2013 and 2014) may be as little as half of the total $41b. If these figures are scaled up, developing countries will only receive around $50b in grants or grant equivalents (of loans) out of the promised $100b. Does that mean developing countries’ expectations?

Some donors are reporting their loans at face value and not grant equivalent. They also report a high share of loans in their Second Biennial Reports submitted to the UNFCCC Secretariat. France reported that only 2% was provided as grants, Japan 5%, and Germany 45%. Other countries such as Norway, Sweden, Denmark, Switzerland and Canada considered their climate finance to consist exclusively of grants.

ECO suggests that parties should agree on accounting guidelines that ensure that countries’ biennial reports calculate the grant equivalent of non-grant instruments, so that what is counted as climate finance corresponds more closely to actual net value contributed towards climate change mitigation and adaptation.

Another important topic for COP23 is the many weaknesses in the current UNFCCC system for defining, categorising, tracking, and evaluating climate finance. Although the Standing Committee on Finance is aware of the problems, progress towards improvements is slow.

Another weakness is the UNFCCC Table 7 format, which only asks for the full core funding to be provided to multilateral institutions with climate activities. One way forward would be to use the Imputed Multilateral Contributions method, in which core funding provided by donors takes into account the share of climate-relevant budget. For example, this share is 20% for multilateral core-funding through the World Bank (2014). A particular problem is that UN organisations are not reporting to UNFCCC on climate-specific finance (e.g., UNDP and UN Environment).

Secondly, ECO suggests that the UNFCCC’s Common Tabular Format should be improved by including:

- Information on the country’s total level of climate finance (Table 7), while separating support for adaptation and mitigation.
- An additional column in Table 7, assessing how much of the country’s core funding of multilateral institutions should be counted as climate finance (“imputed multilateral contributions”).
- Reporting on the share of climate finance going to LDCs and Small Island Developing States.

ECO suggests that developed countries voluntarily include the above points in the text in the Biennial Report No. 3 to UNFCCC by 1st January 2018.

Emissions Gap Report Highlights Need for Higher Ambition

Last week’s UN Environment Emissions Gap Report showed that the world’s ‘distance to target’ on carbon emissions continues to grow. The gap between current NDCs and the 1.5 and 2 degree trajectories ranges between a huge 11 and 19 gigatons of CO2 equivalent emissions for 2030, 20-35% of present emissions.

Scientists suggest that the even with full implementation of current NDCs 80% of the carbon budget for 2 degrees will be depleted by 2030, and would be fully depleted for the 1.5 degree target. And that is if countries actually fulfill their NDC commitments, which is in doubt for the US, Indonesia, Australia, and several others.

The conclusion is that current NDCs are not enough. Governments already know that their combined pledges for 2030 are insufficient, particularly those of industrialised countries. The IPCC Special Report in autumn 2018 will show this ever more clearly, but governments should not wait for this to act.

There is good news, however. Global CO2 equivalent emissions — not just energy-related CO2 — seem to have plateaued between 2014 to 2016. Moreover, there is growing potential for cost-effective carbon cuts, defined as below $US100/ton CO2, until 2030. This means that the number of policies with minimal or even negative costs have been growing significantly.

Scientists assume that the world can cost-effectively reduce GHG emissions by between 30 and 41 gigatons CO2 equivalent compared to the present trajectory. Large potential lies in energy efficiency, solar and wind, restoration of degraded land, halting deforestation, and through dramatic reductions in coal use. Acting on these areas together would be more than enough to close the emission gap.

If externalities such as air pollution and carbon emissions are also included in the analysis, the economic potential of cutting emissions is even greater. Interestingly, the UN Environment report also shows that negative emissions from sources such as bio-energy with carbon capture and storage (BECCS), nuclear, or conventional carbon capture and storage (CCS), play a very minor role in bringing the world onto a Paris-compliant trajectory by 2030.

ECO encourages all governments to study the findings of the UN Environment report, negative and positive, and understand what it means for them in terms of taking fast and ambitious domestic action.
Brazil Considers Massive Oil Subsidy

Picture a country where renewables make up nearly 50% of the energy mix, where sustainable biofuels are commonplace, and where huge strides have been taken to reduce wasteful carbon emissions; more so than any other country over the last decade. One may think such a country would be poised to lead the world in developing a green economy. But Brazil has apparently chosen to change course and become a petrostate instead.

Ever since it discovered large offshore oil deposits, Brazil has reduced support for ethanol and doubled down on dirty energy. About 70% of all its energy investments in the next decade are earmarked for fossil fuel projects, mostly offshore oil and gas. As if this weren’t bad enough, President Michel Temer is now supporting a tax break for oil companies that could amount to US$300 billion over the next 2 decades – even as the country flounders in the worst recession in its history.

While Brazilian negotiators in Bonn vow more climate ambition and peddle biofuels as a climate mitigation solution, President Temer has sent a welcome package for oil majors, an emergency bill (Medida Provisória), to Congress. It has a deadline of December 15 for approval. If it clears Congress, oil companies will flow into Brazil like an oil slick.

For President Temer, whose approval ratings are the lowest of any Brazilian president, it’s probably immaterial that his country’s current political chaos was ignited by a huge corruption scandal in the oil and gas sector. But if Brazil really wants to walk its talk in COP23, cancelling the tax break bill would be a good place to start.

It’s Time to End CDM in 2020

While walking the corridors of the Bula and Bonn zones, ECO is hearing an old tune – but it’s not a lieder by Beethoven, it’s the siren song for the continuation of the Clean Development Mechanism (CDM) after 2020. This is very disappointing and ECO is confused as to why this is still being presented as an open issue. In the interests of protecting environmental integrity, a key principle of the Paris Agreement, it is essential to start with a clean slate and make its Article 6 fit for purpose.

The CDM provides a wealth of experience, both positive and negative, which should not be forgotten. At the same time, it should not be allowed to undermine the ambition of the Paris Agreement. Here are a couple of points to respond to discussions on the CDM:

First and foremost, the Paris Agreement calls for more ambition. The recent UN Environment Emissions Gap report highlighted the necessity for more and faster action in all sectors. The zero-sum exercise of pure offsetting such as in the CDM - shifting emissions from one place to another - is simply passé. If markets are still to play a role they have to go beyond this framework.

Second, the CDM has no reason to exist anymore. The Kyoto Protocol explicitly says that the purpose of the CDM is to assist Annex I Parties in achieving compliance with their Kyoto commitments under Article 3. These commitments were for the period of 2008 to 2012. Despite efforts made to revise and extend these commitments in Doha, that amendment never took effect. The CDM has therefore outlived its purpose. Investor due diligence would require reading the Kyoto Protocol and understanding what these commitment periods mean. The Kyoto Protocol has no direct relation to the Paris Agreement and there is no mention of the CDM in the Paris Agreement. ECO wonders why some are still talking about it.

Furthermore, it is essential to safeguard the environmental integrity of the Paris Agreement. Experts have found that 85% of CDM projects carried out are flawed in terms of environmental integrity: they don’t reduce emissions because these would probably have happened anyway and/or overestimate emission reductions. Plus, even if these projects really did reduce emissions, the CDM has proven incapable of avoiding double counting with Cancun Pledges let alone NDCs. The CDM has a mixed record at best. Allowing the CDM to continue would undermine the Paris Agreement’s fresh start and the urgent need for social and environmental safeguards to address climate change.

Fossil of the Day

Today's first Fossil goes to Australia for approving and funding fossil fuels! Crikey, Australia, you're stinking up the Pacific! Why are you considering funding a mine that would sharply increase the country’s GHG emissions, endanger the already fragile Great Barrier Reef, and further impact the vulnerable Pacific Islands?!

Both the Australian Queensland state and the federal government have given approval for the Adani mine in the Galilee Basin. The only thing missing for this devious plan to come into effect is funding. Not to worry, Adani has applied for nearly US$1 billion in handouts from the government-backed Northern Australian Infrastructure Fund and are also seeking funding from Chinese banks!

Not only would funding this mine be catastrophic for at least four threatened species, several vulnerable habitats, and the Great Barrier Reef, it would also release heaps of emissions. The annual emissions from the Adani coal mine would be greater than the annual sum emissions of all 14 independent Pacific island countries.

Our second Fossil of the Day goes to Poland for obstructing negotiations and trying to subsidize coal, rather than phasing it out. With great power comes great responsibility. Unfortunately, Poland isn’t keen on the responsibility part.

The host of the next COP is trying to turn the EU’s flagship climate tool into the world’s largest coal subsidy scheme.

In the ongoing negotiations to revise the EU Emissions Trading Scheme (ETS), Poland has been putting outstanding and relentless efforts into obstructing negotiations and sabotaging the climate integrity of this climate policy. After months of difficult negotiations between the European Parliament, the Council and the Commission, the EU is expected to finalize the revision process and set the rules for the coming decade (2020-2030) at a meeting today. The provisions designed to help Central and Eastern European (CEE) countries in the transformation of their energy systems remains a major sticking point in the negotiations.

To reflect the different starting points of the EU countries and the challenges they face in terms of decarbonisation, the ETS set up dedicated funds to support lower income member states (namely CEE countries) their efforts to transition towards cleaner energy. But at the moment the vast majority of these funds are being misused for subsidizing fossil fuels; coal power in particular.

Poland has been fighting against any measures that would exclude coal from these funds in the future and is also asking to further increase them. If Poland gets its way, the ETS funds for CEE countries will be worth up to EUR€35 billion. Countries in the EU should be scaling up climate action, not looking for ways to strengthen coal through subsidies. As the host of the next COP, it’s time to step up Poland!