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WWF for a living planet®

Scaling up investments in global climate solutions

WWF recommendations for the G20

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> **We calculate that each year of delay before moving onto the emissions path consistent with a 2°C temperature increase would add approximately $500 billion to the global incremental investment cost of $10.5 trillion for the period 2010-2030. A delay of just a few years would probably render that goal completely out of reach. If this were the case, the additional adaptation costs would be many times this figure.**
>
> (IEA, *World Energy Outlook, 2009*)

The still-unfolding oil spill disaster currently under way in the Gulf of Mexico is only the latest reminder of the urgent need to end our dependency on fossil fuels and make a rapid transition to a sustainable low carbon future. We need to mobilize all possible forms of investment to support the global clean technology revolution that is essential to protect our planet and our children's future. Rapidly scaled up financing is needed to support developing countries in adopting low-carbon technologies and adapting to the impacts of climate change.

How much finance is required to address climate change?

According to the International Energy Agency's World Energy Outlook for 2009:

- $26 trillion dollars ($1.1 trillion per year, or 1.4% of global GDP on average) in capital investment would be required to meet energy demands between now and 2030 to maintain our energy-intensive lifestyle, to extract every more remote, difficult and costly oil, gas and coal reserves, and resulting in global temperature increases of up to 6°C, which would lead almost certainly to massive climatic change and irreparable damage to the planet.

- The IEA's scenario for holding global warming to 2 °C will require an additional $10.5 trillion in investment in the energy sector between now and 2030, meaning an additional $430 billion in annual investments by 2020, rising to $1.2 trillion per year in 2030.

- By 2020, $197 billion per year of these additional costs will be in developing (non-OECD) countries.

And these energy-related costs are only part of the story. Significant additional mitigation investments are necessary for non-energy sectors such as reducing deforestation, as well as for adaptation to the impacts of climate change which could cost up to $100 billion per year by 2020.

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It must be noted that these IEA cost estimates are very conservative, not least because they are based on an emissions reductions scenario that runs an unacceptable high risk of exceeding 2°C, rather than a scenario to limit warming to 1.5°C. Nonetheless, the IEA points out that the costs of inaction would far exceed the costs required for the energy transformation.

Where will these investments come from?

Political leadership is needed to shift investments from polluting and dangerous sources of energy to clean, renewable sources, and to mobilize the additional investments required to respond to climate change. Scaling up public finance for mitigation and adaption actions in developing countries is an essential component. The private sector also has a key role to play in changing investment patterns and mobilizing clean technologies at an unprecedented scale. Private sector financial flows can account for a significant amount of the investments in a low-carbon and climate resilient future, but much or all of the incremental costs of climate change action in developing countries will need to come from public financing from industrialized countries. For WWF, developed countries need to mobilize an average of $160 billion between 2013 and 2017, rising to as much as $200 billion annually by 2020 for mitigation and adaption.

In Copenhagen, developed countries committed to delivering $30 billion in fast-start funding by 2012 and $100 billion per year from a variety of sources by 2020. While not sufficient to fully address the climate, these finance commitments, if met with truly new and additional public finance, would provide a useful milestone for progress towards mobilizing the financing required. The requirement of this finance to be new and additional finance is an important safeguard to ensure that funding is not taken away from other poverty and development priorities to be provided in support of developing countries.

The question now is what sources should provide the necessary scale of public finance.

The mobilization of innovative sources of finance, such the levy or auctioning of emissions from the maritime and aviation sector, Special Drawing Rights, or the Tax of Financial Transaction (FTT) is greatly needed as sources to ensure developed country governments will live up to their commitments in times where governments are facing unprecedented levels of public deficits.

Additionally, the IEA estimated that US$557 billion were spent on fossil fuel subsidies in 2008 alone. The G20 itself recognized that eliminating fossil fuel subsidies by 2020 would reduce global greenhouse gas emissions by 10% in 2050. The redirection of fossil fuel subsidies and shifting investments into a low-carbon economy is an important option for changing the priorities of governments when looking at their new budget for next year.

What is the role of the G8 and G20?

We must be clear that the G8 and G20 are not appropriate fora to negotiate a global climate agreement – that must happen under the UNFCCC where the voices of all countries are heard, including those suffering the most from climate change. However, the G8 and G20 have in the past served as useful space for key countries to advance and support positions of their countries on elements of the climate issue.

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In order to achieve breakthroughs on climate, countries must agree on how to generate and channel finance at the necessary scale. The High Level Group on Climate Finance (AGF) put in place by Ban Ki Moon can provide direction on how to move forward on sources of finance. Parties meeting under the UNFCCC at COP 16 in Cancun in November can, informed by the work of the AGF, set out a road map for creating sources of financing and establishing a governance structure. This can set the stage for an agreement on operationalizing new financing sources as part of an ambitious and comprehensive climate deal at COP 17 in South Africa by the end of 2011.

The G8 and G20 summits can contribute to decisions on establishing sources of new and additional financing by recognizing the need for such sources and committing member countries to work towards innovative sources through other fora where decisions need to be taken.

WWF recommendations:

WWF is asking G8 and G20 governments to agree to the following:

- Developed countries will fulfill their initial commitment to new and additional fast start financing adding up to 30 billion USD for 2010-2012. These resources must be additional to Official Development Assistance (ODA) obligations, not taking away from the poor what was already committed for development or merely rebranding ODA as climate finance.
- In terms of the (insufficient, as noted above) commitment by developed countries in Copenhagen to mobilize $100 billion USD by 2020 for climate actions in developing countries:
    - Mid-term benchmarks are needed for financing in, e.g. 2013 and 2015;
    - The amounts committed should be public finance, most of which will be channelled through the financial mechanism of the UNFCCC;
    - The funds will be provided to developing countries in the form of grants for adaptation, and in those areas of mitigation where loans are used, the grant equivalent is counted, and any private sector finance mobilized is not counted, unless they are indeed financing the "incremental costs" of climate action – i.e., accepting greater risk or lower return than is generally commercially acceptable.
- Innovative sources of financing, including for example **financial transaction taxes, mechanisms to address maritime and aviation emissions, special drawing rights,** and **international auctioning of emission allowances,** can contribute to generating the scaled up financing needed for climate actions and the transition to low carbon and climate resilient economies worldwide. A combination of such innovative sources is capable of generating international financing from developed countries at the scale required for climate action in developing countries, and broad-based financial transaction taxes can potentially generate several hundred billion dollars, sufficient to contribute to climate, development and health purposes and also national treasuries. According to the European Commission, mechanisms to address maritime and

aviation emissions are estimated to generate up to $30 billion annually, while financial transaction taxes can generate between $50 billion and $1 trillion annually.

- G20 leaders should recognize and welcome the creation and work of the Advisory Group of the UN Secretary General on Climate Finance (AGF) and encourage members take its recommendations into account in acting to quickly implement innovative finance solutions, following a roadmap with clear timelines and deliverables.

- Eliminating fossil fuel subsidies can free up public resources to support clean renewable energy sources and energy efficiency, and to support climate action in developing countries. G20 leaders should take immediate action on fossil fuel subsidies, by:

  - Keeping their promises by taking immediate action by identifying, eliminating and reforming fuel subsidies towards supporting clean and efficient energy on a published timescale, bearing in mind the sense of urgency needed to combat climate change, secure reliable, affordable and clean energy services to the poor communities and reduce volatile fossil fuel import dependence;
  - Engaging with other appropriate ministers to develop implementation strategies and timeframes to phase out fossil fuel subsidies and reform accordingly to fit the purpose of meeting social needs;
  - Ensuring that suggestions of implementation from ministries of finance and energy are implemented quickly at the national level.

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