

# Oxford Climate Policy Blog

Initiating debates on international climate policy

## A Day in Agadir — sub-national contributions to multilateral climate finance



by Benito Müller

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A few weeks ago, during a seminar here in Oxford, Antigua and Barbuda's climate envoy told me about the considerable increase in hurricane frequency and impact she had experienced in her own life-time and the urgent need to make her country more resilient. Two days after her return home, the island of Barbuda was razed to the ground and **made uninhabitable by hurricane Irma**. It is difficult to conceive of an event that better illustrates the urgency for vulnerable countries to become more resilient to climate change related adverse impacts, in particular as they are predicted to continue increasing in frequency and severity due to climate change. This, and the fact that most of the particularly vulnerable countries are among the poorest in the world, yet bear a burden disproportionately high compared to the responsibility for having caused the problem, make it imperative that the more affluent (and responsible) provide financial support for them to become more resilient to the adverse impacts of climate change.



## The Oxford Climate Policy ecbi Workshop

A workshop convened by OCP on behalf of the **European Capacity Building Initiative** (ecbi) at the recent sub-national **Climate Summit** in Agadir, Morocco, highlighted ***the emerging role of sub-national contributions to multilateral climate finance***. The aim was to create awareness and buy-in among sub-national actors (governments, corporations, individuals) of the nascent initiatives of sub-national contributions to multilateral climate funds, in particular the UN **Least Developed Countries Fund** (LDCF) and **Adaptation Fund**.

In his opening address, Ambassador Aziz Mekouar, Chief Negotiator for the Moroccan Presidency of the UN climate negotiations, highlighted the urgency in the context of the recent devastation caused in the Caribbean. He also pointed out the importance of multilateral climate funds by stressing that they **“have a proven track record and are perceived by several countries a strong indicator of trust between parties** (sic!). Alternative finance, such as sub-national contributions to multilateral climate finance can provide a very valuable complement to overall financial flows linked to the climate, in particular when it comes to the needs of developing countries.”

The theme of the disproportionate North-South ‘trust intensity’ – that is developing country trust gained or lost per dollar contributed or reneged on – of these multilateral funds in the context of the international climate change negotiations that led to the **Paris Agreement** was taken up in my presentation on **CSR Crowd-**

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through programmatic access [3] to in-country intermediaries ('Enhanced Direct Access'[9]), or through multilateral specialised niche retail funds such as the LDCF and the Adaptation Fund. It makes absolutely no sense to abolish ('rationalise') these small multilateral funds if they have to be re-invented to enable the GCF to work at scale.

The problem is that the LDCF and the Adaptation Fund, despite their proven track record, have not managed to attract the level of predictable funding that would enable them to fulfil their potential. The Adaptation Fund was designed to receive innovative finance from the market-based **Clean Development Mechanism** of the **Kyoto Protocol**, but that source has dried up because of a lack of market demand. It is now essentially dependent on voluntary contributions from national budgets, which poses a predictability problem [11]. Yet there is room for a different form of innovative sourcing of contributions: the Adaptation Fund has a crowdfunding instrument, that is a '**donate**' button on its website through which it can receive credit card donations. The idea of 'CSR crowdfunding' [6] in this context is simply for corporations to donate one-percent of their air travel budget in recognition of the associated climate concerns. If ten percent of those corporations that already acknowledge these concerns by buying carbon offsets would switch to these CSR contributions, the Adaptation Fund would receive an estimated \$120 million annually [7], which is more than its current voluntary contributions from national budgets.

Philip Gass of the Canadian International Institute for Sustainable Development (IISS) introduced the state of **Canadian sub-national contributions to multilateral finance**. In Paris at COP 21, the idea of sub-national contributions to multilateral climate funds (see [11]) had a first breakthrough with the announcement of a CAD 6 million contribution to the LDCF by the Province of Quebec [8], as part of an overall CAD 25 million commitment made to climate change support for developing countries.

Canadian provinces have considerable legal leeway to contribute to international climate finance. The federal government in Canada is also very supportive on such contributions *over and above the national pledge* (I believe it is indeed very important that any sub-national contributions are treated as additional to the national obligations and not as substitute).[1] Gass emphasised a number of reasons why sub-nationals should be interested in contributing to multilateral climate finance. Apart from the obvious moral imperative of showing solidarity with the plight of the poorest and most vulnerable by contributing to adaptation funding, and the resulting reputational gains, he highlighted the potential cost-effectiveness of mitigation activities in developing countries, and last but not least to secure 'a seat at the table', in particular in deliberations on how sub-national emission trading schemes could work together with the mechanism introduced in **Article 6 of the Paris Agreement**. He concluded that while there are some challenges, they can be overcome, particularly by using new and innovative finance sources, such as a small share of proceeds of trading scheme auctions or carbon taxes that would be seen as 'new' revenues and not reallocations of existing public spending. This might indeed be helpful, particularly in the forthcoming discussions on the compatibility of sub-national schemes with the Article 6 mechanism, which itself has earmarked a share of proceeds "to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation." Finally, the policy backdrop in Canada to all of this is the Federal Government's Pan-Canadian Framework on Clean Growth and Climate Change, which will see carbon pricing rates roughly double over the next five years, opening up additional revenue streams for international investment.

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sonal income tax form as contribution to certain state programmes. It would create a *Massachusetts UN Least Developed Countries Fund* (MLDCF) to be replenished through such a tax refund check-off programme and any other public and private sector contributions for the benefit of the LDCF. Senator Barrett highlighted the ground-breaking aspect of the check-off programme proposed in his bill, namely that it would be the first time that American tax payers would be given the option to express solidarity with a global concern in such a scheme.<sup>[ii]</sup> In essence, the MLDCF is a government-led crowdfunding instrument with a very special type of marketing tool: income tax forms. An important aspect of these schemes, as highlighted in the presentation, is that since tax payers are forced to look at the forms that contain these options, these check-off programmes, in marketing term, amount to a 'push strategy,' which given the current information overflow is much more effective than schemes where individuals have to go and actively 'pull' (search for) information on good causes to donate to.

Emilie Parry, Oxford Climate Policy and University of Oxford, concluded the event with an evaluation of ***The potential of sub-national contributions to multilateral finance from California***, based on her recent factfinding tour in her home state. In the course of that tour, she consulted senior representatives of Governor Brown's office and the California Environmental Protection Agency (CalEPA), the chair of the California Air Resources Board, the Mayors of Los Angeles and Santa Monica (California Climate Mayors Network), as well as legislators, private sector representatives and NGOs (in particular from the environmental justice movement). Based on these consultations, she found that there is considerable interest in, and good will towards providing financial support to the multilateral climate funds. The main question raised was **how**, given the fact that there are legal impediments to the California government spending money outside the state.

The presentation went on to discuss potential options of how the Californian government could facilitate contributions to the multilateral climate funds. Like Massachusetts, California has tax refund check-off programmes, and as the resources collected in this manner are not state income but charitable donations by individuals, the above-mentioned legal impediments should not apply. In any case, it should be relatively straightforward for the government to set up a charitable crowdfunding instrument – a '**California International Climate Solidarity Fund**' – to collect donations from public and private-sector sources, including individuals, for the benefit of multilateral climate funds. Governor Brown's September 2018 legacy *Global Climate Action Summit* in San Francisco would be the ideal space to express solidarity between Californians and the most vulnerable across the globe by launching such a crowdfunding instrument, maybe with some start-up contributions by kindred spirits expressing their solidarity also with the Governor's vision of California being a climate change model sub-national. Over time, it might be possible to generate some innovative finance, say associated with the California Cap and Trade Programme (CCTP).<sup>[iii]</sup> Establishing such a crowdfunding solidarity fund at his 2018 Summit would cement Governor Brown's legacy not only as an environmentalist but also as a humanist, as someone who cares about the poorest and most vulnerable in the world.

## The Panel on American sub-national Action

Later the same day, another panel was discussing the ***mobilization of American stakeholders in the fight against climate change***. Matt Rodriguez, California Secretary for Environmental Protection, began by em-

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Trump administration on membership of the Paris Agreement. He also highlighted the need international collaboration in this context. Indeed, a week after [President Trump announced his intention to withdraw from the Agreement](#), Governor Brown was in Beijing to sign an agreement to work together with China on “to expand trade between California and China with an emphasis on so-called green technologies that could help address climate change”<sup>[iv]</sup> Secretary Rodriguez, in this context, recalled a slogan that became prominent in the late 20 Century: “[Think global, act local!](#)”

However, America’s *actual* pledge extends beyond mitigation. It includes the provision of funding for developing countries not only to reduce their emissions, but also to build resilience to the adverse impact of climate change as a matter of urgency (as mentioned above). Given the growing isolationist tendencies of the current era, progressive forces must also **act globally**, or in the words of a recent OCP blog, they must “[Think Local, Act Global!](#)” This global action, the blog argues, must go beyond mitigation to include the provision of financial support for the poorest and most vulnerable across the globe.

Concurring with this sentiment, Senator Barrett shared what is happening in Massachusetts, including his innovative and ground-breaking legislation proposal. However, if there was still any doubt about the importance of including financial support for multilateral climate finance in sub-national action agendas, it was dissipated by the closing intervention from Liane Schalatek (Heinrich Böll Stiftung North America), who was representing non-governmental stakeholders on the Panel. She focused her intervention exclusively on this, emphasising a range of options, from innovative financial tools such as earmarking a share of proceeds from emission trading auctions or carbon taxes, to crowdfunding. Her intervention made it abundantly clear that “Only in the presence of such support for the Paris finance mechanism can state governors truly make the claim: *We Are Still In the Paris Agreement*”<sup>[1]</sup>, and that this needs to happen as a matter of urgency.

## Further Reading/References

(reverse chronological order)

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## Notes

[i] This is of particular importance in the case of the current US 'national debt' to the GCF of \$2 billion dollar. State and other sub-national contributions (cities, private sector, individuals) to the GCF, while extremely welcome, can be counted as being 'American contributions', but not as offsets to the contributions pledged and signed by the national government.

[ii] In 2015, there were a grand total of 410 tax check-off option available to American income tax payers, but all of them concerning domestic beneficiaries, ranging from non-game wildlife preservation to special Olympic programmes.

[iii] One possible way to get around the mentioned legal complications might be to follow the current practice under the CCAP to allocate allowances to utilities with California customers, for them to sell them and distribute the revenue to these customers. In other words, it should be possible to allocate a small share of the annually allocated allowances to an emission trading intermediary, with the mandate to sell them and transfer the revenue to the California International Climate Solidarity Fund.

[iv] "China and California sign deal to work on climate change without Trump", [www.the-guardian.com](http://www.the-guardian.com), 7 June 2017.

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