Oxford Climate Policy Blog

Initiating debates on international climate policy

Finance in Paris

Non à la Nouvelle Haute Couture Impériale!

by Benito Müller

Almost a month has passed since the Paris Agreement was adopted and the time may have come – after the initial despair in some NGO press conferences and the official euphoria – to step back and reflect dispassionately, to the extent possible, on the outcome of the Paris negotiations.

Reactions were polarized. This was mainly due to very different expectations about what is achievable and what should be achieved, something well captured in George Monbiot's Guardian op-ed conclusion:

> 'So yes, let the delegates congratulate themselves on a better agreement than might have been expected. And let them temper it with an apology to all those it will betray.'[1]

I fully agree with Monbiot that the negotiators, in particular the French Presidency and the UNFCCC Secretariat, deserve praise for having avoided the complete procedural meltdown of Copenhagen, but I also contend that we should not let ourselves be blinded by this victory over the process with regard to the substance of the Paris outcome.

How should we judge this substance? In light of the vastly diverging subjective expectations with which we went into these negotiations, the most 'objective' benchmark might be a comparison with the substantive outcome of the Copenhagen fiasco, namely the Cancun Agreements.[2] I also believe that such comparisons should be divided according to substantive ('thematic') areas, and my focus here will be on three finance issues, namely institutional arrangements, public sector finance, and what has become known as 'collective quantified goals'. The following are, in my view, the main outcomes regarding these issues:

Institutional Arrangements

- ***Cancun***: *Decides* to establish a Green Climate Fund, to be designated as an operating entity of the financial mechanism of the Convention
- ***Paris***: The Financial Mechanism of the Convention, including its operating entities, shall serve as the

- ***Cancun***: *Takes note* of the collective commitment by developed countries to provide new and additional resources, …, approaching USD 30 billion for the period 2010–2012,
- ***Paris***: Developed country Parties shall biennially communicate … *as available*, projected levels of public financial resources to be provided to developing country Parties.[*emphasis added*]

Collective Quantified Goals

- ***Cancun***: *Recognizes* that developed country Parties commit, …, to a goal of mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries;
- ***Paris***: *Also decides* that, …, developed countries intend to continue their existing collective mobilization goal through 2025 …; prior to 2025 the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement [CMA] shall set a new collective quantified goal from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries.

As regards institutional arrangements and public sector finance, the Paris outcome is clearly weaker than that of Cancun – although, in fairness, there was never any serious expectation that there would be a new fund in the Paris finance package. However, the absence of any figure for public sector funding in the Paris outcome is a genuine step backwards, at least from a recipient perspective.

What about the collective quantified goals for overall global flows? Well, as concerns the existing (extended) goal, it is difficult to say whether a *recognition of a commitment to a goal* is a stronger outcome than a *decision that someone (else) intends to keep it* (assuming that one understands what it means). What is remarkable is the fact that a successor to this goal is meant to be set multilaterally by the CMA, something which I would not have believed possible, given the resistance of some Parties to the idea of 'COP interference in setting financial targets'.

The problem with these collective quantified goals for North-South mobilized finance flows relates to what a recent *New York Times* article described as "Wild West accounting",[3] namely the fact that there is no, and I fear there will never be, an agreement on how to define/measure them. I also maintain that the pursuit of such fuzzy targets is extremely unhelpful for the process. All it does is poison the atmosphere and create the opportunity for mutually assured unhappiness, if not acrimony, with one side claiming to have achieved the goal and the other denying it (without a way to verify objectively).[4] This is why I have not been very enthusiastic about the climate finance 'narrative' having ever since Copenhagen focused more and more on these fuzzy global flow targets and the whole intractable MRV discussion surrounding them.

To conclude: we must be humble and discard the emperor's new clothes (or, in this case, 'haute couture') by admitting that the Paris finance outcome was (lamentably) weak, and by stopping to pretend that the 'Copenhagen narrative' in terms of targets for mobilised overall financial flows is helpful for the process.[5] Instead we should try and look for ways to genuinely enhance the predictability of public sector contributions to international climate finance.[6]

Although we missed the chance to do so in Paris, this is not the end but just the beginning of tackling what a

Notes:

[1] Grand promises of Paris climate deal undermined by squalid retrenchments, The Guardian, 12 December 2015.

[2] Strictly speaking, there was no COP outcome regarding the Bali Action Plan negotiations. The 'Copenhagen Accord', drafted by heads of government and tabled for approval by the COP was ultimately merely *noted* by it. However, all the key aspects, at least concerning finance, were later incorporated into the Cancun Agreements, which is why the latter can legitimately be seen as the outcome of Copenhagen.

[3] "Billions in Climate Aid Pledges Have 'Wild West' Accounting", New York Times, 11 December 2015.

[4] Indeed, if one were a cynic one might be tempted to conclude that it was precisely because of their fuzziness that it was acceptable for these targets to be set by the CMP.

[5] NB: This is not to say that Parties should be disallowed from showcasing their private-sector mobilization achievements. But they can do so in their National Communications, without there being a collective quantified goal.

[6] Ironically, the potentially most significant concrete Paris outcome in that respect was not even listed in the article on finance, but in the one on the newly established market mechanism: "Art. 6.6. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement shall ensure that a share of the proceeds from activities under the mechanism referred to in paragraph 4 of this Article is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation."

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2 thoughts on "Finance in Paris"

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