Oxford Climate Policy Blog

Initiating debates on international climate policy

Founding the Climate Solidarity Alliance: Possible Next Steps

Benito Müller

Contents [hide]

The Context

The ***Climate Solidarity Alliance*** (CSA) proposal has been elaborated in a number of OCB/ecbi posts (see list of Background Material below). In a nutshell it proposes an alliance of (national and sub-national) actors that are able and willing to introduce a Climate Solidarity Levy (CSL) earmarked as an innovative source of funding for responding to loss and damage from adverse climate impacts, in particular through the new multilateral Loss & Damage Fund (L&DF).

The proposal envisages a number of possible CSL, collected at the national or sub-national level. Their key characteristics are being: (i) easily collectable and (ii) earmarked for loss and damage. The paradigm example is an air ticket charge, akin to the French ***solidarity tax on airplane tickets*** of 2006 (see below). It is envisaged that the CSLs be used both domestically and to contribute to the L&DF, according to distribution formula (to be agreed between the CSA members) which could set limits on domestic use and introduce an L&DF solidarity pay-back multiplier for certain contributors, as suggested in Table 1: The developed country members would reward any L&DF contribution by a developing country member with a differentiated multiple direct payback to the domestic L&DF of the developing country member in question. For example (following the differentiation proposed in Table 1) if Fiji were to contribute USD 100 to the L&DF from its CSL revenue, then the developing country members of the CSA would apply a 2-fold solidarity multiplier and contribute USD 200 to the Fiji L&DF from their CSL revenue as 'solidarity payback'. One of the advantages in this scheme is that countries with domestic L&DFs can receive innovative contributions from a variety of sources, including international ones, for responding to domestic L&D.

Equitable Participation	Most Vulnerable	Other Developing	Developed
Domestic use of revenue (up to):	100%	50%/100%	25%
LADF Contribution Pay-back	2x	1.5x/1x	0

Table 1. Possible differentiated participation parameters

CSA Background Material

- **Climate Solidarity Levies Manifesto** (21 April 2023) Given the urgency to provide financial support to the poorest and most vulnerable countries to respond to loss and damage from climate change and given the current global economic and fiscal situation, it is difficult to see how the new Loss & Damage Response Fund could get adequately capitalized without diverting funds from other existing multilateral climate funds. This is why Climate Solidarity Levies should be used as a proven way to mobilize new, additional and predictable innovative resources so as to avoid fund diversions from other climate funds. We call on governments to give Climate Solidarity Levies for the Loss and Damage Response Fund due consideration.
- **Call for an International Climate Solidarity Alliance** (16 August 2023) A call on Kenyan President Ruto and French President Macron, as proponents of CSLs announce, to launch an **International Climate Solidarity Alliance** of countries willing to adopt an International Climate Solidarity Levy, initially focussed on air-ticket levies.
- **COP28: Call for a Climate Solidarity Alliance** (15 December 2023) This post argues calls for a **Climate Solidarity Alliance** (CSA) as a group of national and sub-national stakeholders who are able and willing to introduce a CSL in their jurisdiction. This is what we need! And when do we need it? **NOW**! With a possible launch of the CSA at the "finance COP" in 2024.

National Examples

France

On 1 July 2006, France started to collect a **solidarity tax on airplane tickets** (*taxe de solidarité sur les billets d'avion*) as a way to help finance the fight against HIV/AIDS, tuberculosis and malaria in severely affected countries.

The tax was initially proposed by Presidents Jacques Chirac of France and Luiz Inácio Lula da Silva of Brazil in Paris in September 2005. It was taken up as an innovative funding source for UNITAID (a drug-purchasing organization created by Brazil, Chile, France, Norway and the United Kingdom and hosted by the World Health Organization) by the *Leading Group on innovative financing for development* created in 2006 as an informal network of states, IGOs, NGOs, and other stakeholders "dedicated to the eradication of poverty and the preservation of global public goods (health, education, food security, agricultural development, environment, climate, biodiversity, etc.).”[1]

The level of the French solidarity tax is differentiated by destination (inside or outside the EEA+CH) and travel class (economy or other) and has evolved as shown in Table 2.

	Within EEA + CH		Other Destinations	
	Economy	Other	Economy	Other
1 July 2006	€ 1.00	€ 4.00	€ 10.00	€ 40.00
1 April 2014	€ 1.13	€ 4.51	€ 11.27	€ 45.07
1 January 2020	€ 2.63	€ 7.51	€ 20.27	€ 63.07

Table 2: Evolution of charges under the French solidarity tax

The levy is collected by the French Directorate General for Civil Aviation which transfers it not to the general budget, but to a dedicated ‘***Solidarity Fund for Development***’ managed by the French Development Agency. In 2023 the French tax raised around EUR 370 million, EUR 210m of which channelled towards UNITAID. According to the French government, “no impact has been observed on French air traffic or on tourism following the establishment of the airline-ticket levy.”[2]

Fiji

In 2019 Fiji introduced a national Climate Relocation of Communities Trust Fund as financing mechanism for its National Planned Relocation Arrangements, as recently described in a submission to the L&D Transitional Committee (TCS). The Trust Fund allows for funding from an array of domestic, private, international, and bilateral sources.

The Trust Fund has been established to operate as a multi-donor trust fund. Funding accrued through different domestic and international sources, mechanisms, facilities, and donors will be pooled and used in the aggregate for the support of planned relocation activities defined by the Climate Relocation of Communities Trust Fund Act (2019), and the Climate Change Act (2021). The Fund has been designed to leverage financing from a range of different domestic revenue-raising mechanisms such as levies, or taxes.

One of these domestic sources is the Fiji Environment & Climate Adaptation Levy (ECAL), which charges 5% on the gross annual turnover of a number of prescribed services (listed in Table 3). While the Fiji government will contribute 3% of the ECAL revenue, i.e. approx USD 3.6m,[3] to the Fund, “additional international and bilateral contributions are now required to take the initiative to scale.”[TCS, p.9]

Clearly the Fiji Fund satisfies all the hallmarks of a national L&DF and the ECAL contribution could very naturally be extended with an air ticket Climate Solidarity Levy providing direct additional domestic, and as part of a CSA leveraging international funding for loss and damage in Fiji. For example, a (modest) CSL levy of USD 5 per air passenger would currently raise around USD 6.5m[4] which, when contributed to the multilateral LAFD in the context of a CSA, would yield USD 13m annually (assuming a 2-fold solidarity multiplier).

Table 3. Services that will be subject to Environment & Climate Adaptation Levy are as follows:		
No	**Service provider**	**Services subject to ECAL**
1	Licensed hotels	Accommodation, refreshments, and *any other* services.
2	Tourist vessels operating within Fiji waters	Accommodation, refreshments, and *any other* services provided on board.
3	Licensed bars	Meals, beverages, and any other services provided in a licensed bar. This includes licensed bars located, for example, in private clubs.
4	Licensed Nightclub	Services such as music, dancing or other entertainment including other services
5	Inbound tour operators	Travel, tour and sight-seeing services.
6	Organizers of entertainment programs /product exhibitions	Entry fees to the events venue.
7	Recreational Activity operators	Recreational activities provided by these operators e.g. Skydiving
8	Cinema Operators	Entry fees and all services provided within the cinema premises.
9	Licensed Rental/hire car operators	With effect from 01/01/15 any hire of chauffeur driven motor vehicles
10	Bistros and coffee shops	Meals, beverages, and other services.
11	Licensed Restaurants	Meals, beverages, and other services.
12	Aircraft operators	This applies to charter flight services except for charter flights for medical or natural disaster relief evacuations services are not subject to STT and ECAL.
13	Water sports operators	All water sports activities including river safaris.
14	Home stay operators	Accommodation and other services provided in a private residence or property that accommodates tourists, international students or overseas visitors who are paying guests. It does not apply to hostels/accommodation operated by public educational institutions.
15	Unlicensed service operators	If a service provider is not licensed but meets the registration requirements and, it will be required to register and charge ECAL on the services provided.

Next Steps

Our approach to establishing a CSA is to complement other initiatives looking into potential innovative global sources (taxes/levies) such as the new global taxation taskforce for climate action and sustainable development (the Taskforce), launched at COP 28 and co-chaired by Barbados, France and Kenya, by acting now, voluntarily, without the need of a multilateral agreement.

A first step could be for the Taskforce co-chairs, together with Fiji, to launch the CSA quadrilaterally this year (at COP 29). As mentioned, Fiji could thus obtain a climate solidarity contribution of USD 13 million. Kenya (assuming the same passenger charge and solidarity multiplier of 1.5, as suggested in Table 1), in turn, could obtain up to USD 25 million[5] (Unfortunately, I was unable to find Barbados passenger figures). These figures would be covered by the developed country CAS members, i.e. in the proposed founding step France, which should be feasible given the surplus of €160 million (see above).

[1] https://leadinggroup.org/en/leading-group

[2] Leading Group 2012 , Information sheet on the airline-ticket levy, p.3. Currently nine countries imple-

mented this tax: Cameroon, Chile, Congo, France, Madagascar, Mali, Mauritius, Niger and the Republic of Korea.

[3] ECAL rakes in $270m in Fiscal Year, Fiji Times, June 2019 [FJ$270m = US$ 120m]

[4] Airline records 1.3m passengers for 2022, Fiji Times 14 Feb 2023

[5] In 2021, number of air passengers carried for Kenya was 2.46 million. @US$ 5 pp = US$ 12.3 million [https://knoema.com/atlas/Kenya/Number-of-air-passengers-carried].

This entry was posted in Uncategorized on 7 May 2024 [https://blog.oxfordclimatepolicy.org/founding-the-climate-solidarity-alliance-possible-next-steps/] by Benito Muller.
