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The Jerry Brown International Climate Solidarity Fund

TAKING SUB-NATIONAL CLIMATE FINANCE LEADERSHIP TO THE NEXT LEVEL

Discussion Note

January 2018

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The idea of North American provincial and state governments contributing to multilateral climate funds – in particular the Least Developed Countries Fund (LDCF) – can be traced back to at least 2015, when the Canadian province of Quebec contributed CAD6 million to the LDCF at COP 21 in Paris. As David Robinson put it in the title of his OCP blog at the time, "*In Paris it became 'chic' for sub-nationals to provide multilateral support for climate change finance. Now it must become 'de rigueur'!*"[16][2] The aim of this Discussion Note is to describe the evolution of this idea since Paris, and to propose how it could be taken to the next level at the San Francisco Global Climate Action Summit in September 2018.

Quebec's contribution came out of the auction revenue of the province's emission trading scheme which, together with the schemes of British Columbia, Ontario, and California, forms the regional, trans-national Western Climate Initiative (WCI). As it happens, the original idea of sub-national North American contributions to multilateral finance was indeed about the harnessing of this type of revenue – from both the WCI and its east coast counterpart the Regional Greenhouse Gas Initiative (RGGI). But as it arose from a concern about the longer-term predictability of traditional national budgetary contributions, it was not about one-off contributions, but about 'innovative finance' through the sustained earmarking of a small share of auctioning proceeds (see [17, 18]).

Following the 2016 US elections and the proposals by the Trump Administration to abolish all contributions to multilateral climate finance[3] (including pledges already signed off by the

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[2] See appended Literature List.
[3] "The Trump administration proposed reducing the combined budget of the U.S. Department of State and the U.S. Agency for International Development by 28 percent and eliminating funding for two flagship multilateral

Obama Administration), the idea was picked up by Massachusetts State Senator Mike Barrett, who filed *Legislation enabling donations from U.S. taxpayers in the state of Massachusetts to the LDCF* in the State Senate in March 2017 (MA Senate Bill No. 2056). The Bill – which is being actively supported by a campaign coalition including Boston University, Oxfam America, and Oxford Climate Policy – expands the original idea with two significant new concepts:

- to establish a ***Massachusetts UN Least Developed Countries Fund*** (MLDCF) for the benefit of its multilateral counterpart, the LDC of the Paris agreement; and
- to create a new State ***'check-off' scheme*** that would allow Massachusetts tax payers to earmark ('check-off') potential tax refunds on their personal income tax form as contributions to the MLDCF.

Over 40 states in the US employ such 'check-off' schemes,[4] but this is the first time that American tax payers would be given the option to express solidarity with a global concern by participating in such a scheme. Apart from the revenue generated by this check-off scheme, the MLDCF would also be able to receive contributions *from public and private sources as gifts, grants, and donations to the Least Developed Countries Fund, established by the United Nations Framework Convention on Climate Change*. In other words, the MLDCF is, in essence, a ***state-managed crowdsourcing instrument*** for the benefit of multilateral climate finance. Even though the check-off scheme is not expected to raise large amounts of money (about $0.25 million per annum), the fact that the scheme, and with it the MLDCF, would be established by the state – indeed, would be enshrined in state law – signals that it is intended to be there for the longer term, taking the idea to a new level.

In May 2017, Gwynne Taraska of the American Center for Progress (CAP) put forward the following proposal for US leadership during the Trump Administration: *When the GCF is able to accept funding from nongovernment actors, U.S. citizens and businesses should contribute to its crowdsourcing platform. In the meantime, they can contribute directly to the Adaptation Fund. Even small contributions would help fund vital programs and would signal to markets and allies around the world that the current vacuum of executive-branch climate leadership is not representative of the nation*.[8]

Yet the problem with that proposal was, and still is, that while the Adaptation Fund does indeed have its own web-based crowdsourcing platform (for more on this see [11]), it is not likely that the Green Climate Fund (GCF) will soon follow suit, a realization that may be behind the proposal in a subsequent CAP and WRI discussion paper (September 2017 [5]) to 'devolve', as it were, the platform to the country level by establishing "***America's Climate Fund***". The paper contains an interesting discussion of three options for the legal character of the fund, namely: (1) a non-governmental, non-profit entity, (2) a state or city fund, or (3) a state- or city-affiliated non-profit entity. The main problem with options (1) and (3) is that

climate channels: The Green Climate Fund (GCF) and the Climate Investment Funds (CIFs). It also proposed eliminating bilateral climate aid."[8]

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

the GCF and the LDCF (unlike the Adaptation Fund) cannot accept contributions from non-government sources at present (and if they could, then they would, like the Adaptation Fund, have their own crowdsourcing platform). Option (2), by contrast, has been tried and tested (in Paris at COP 21); it has the added advantage of having longer-term 'government buy-in' (even if this is not based on state legislation, as in the case of the MLDCF). For these reasons, the option of a state fund seems, on balance, more desirable than the other options.

At the same time, I fully concur with Taraska that *it should be stressed that the financial and political support of U.S. nonfederal actors for low-carbon and climate-resilient development in no way displaces national-level contributions*.[8] I therefore think it might be problematic to create a nominally national fund in this context, as that could easily create the (misleading) impression that it is a federal entity, designed to relieve the federal budget. This is why my preference, in a subsequent OCP blog [4], was to propose a charitable *California International Climate Solidarity Fund*, to be launched by the government of California at the Global Climate Action Summit in September 2018. Given the limited timeframe, it would of course not be possible to establish such a fund through legislation, but as it would initially be a simple crowdsourcing platform for voluntary donations, that should not be necessary. To ensure that it would have some initial resources, the suggestion was that Californian philanthropists could be asked to make some start-up donations – not least to express solidarity with Governor Brown's *vision of California being a climate change model sub-national*.[4]

Having had time to reflect a bit more on this particular proposal, and after a number of discussions with friends and colleagues, I have come to the conclusion that it might be more appropriate to name the fund in honour of the host of the Summit as the '**Jerry Brown International Climate Solidarity Fund**'. As Governor of California, Jerry Brown has shown the sort visionary leadership in the fight of American sub-nationals against climate change that deserves an eponymous institutional legacy. Moreover, with that personal designation, it should be easier for California's sub-national partners, say in the WCI, to provide innovative finance to the fund, as mentioned initially, should they wish to do so at some point in the future.[5]

[5] California itself does have some legal constraints about spending state tax revenue outside the state, which is why it is key that suggested fund be able to receive voluntary donations. Having said that, there are ways in which this could be applied even in the context of resources from emission permit auctioning. For example, a Bill introduced by California State Senator Bob Wieckowski to amend the cap-and-trade program envisaged that state residents would receive 'carbon dividends' from the permit auction revenue, and it would have been possible for the state to allow residents to opt out of dividends and direct them to the suggested fund, similar to the Massachusetts check-off scheme.

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