

## **After the Fast Start: Climate finance in 2013 and beyond**

### *An examination of developed countries' climate finance provisions*

Two key commitments helped to save the 2009 UN Climate Change Conference in Copenhagen from disaster: 1) Developed countries agreed to provide 30 billion USD over the course of 2010-2012 as 'fast start' finance to help developing countries in the fight against climate change and, 2) they further committed to mobilise 100 billion USD a year by 2020.

The fast start period has come to an end. While perhaps successful in terms of spurring action on climate change in many countries, in most cases it failed to live up to the promise of being 'new and additional'.<sup>1</sup> The focus has now turned to the long-term goal of ramping up climate finance to 100 billion USD a year by 2020.

With the 2020 deadline fast approaching, discussions both inside and outside the UN have increasingly started to focus on mobilising private finance to help meet the 100 billion goal USD. This overlooks the critical role of public finance - both in supporting the adaptation needs of the world's most vulnerable communities, as well as in shifting private sector investment towards low-carbon and climate-resilient development.<sup>2</sup>

At stake are the lives and livelihoods of poor and vulnerable communities on the front lines of the climate crisis, already grappling with the impacts of global warming around the world. They urgently need promised assistance to adapt essential livelihoods systems to a changing climate, especially food production. Developing countries also need promised support to put their

#### **Key findings**

**Following the end of the 'fast start finance' period, most developed countries are now failing to demonstrate promised increases. Based on confirmed figures, there is no confidence that climate finance is on an increasing trend towards the 2020 promise. The current picture for 2013 and beyond:**

- Many developed countries have failed to provide clarity on how much finance is available for 2013, including Australia and Canada. Only very few countries can demonstrate increases (e.g. UK and Germany). Regarding 2014, the situation is even worse. Countries that previously contributed 81 per cent of 'fast start' finance have yet to confirm their planned climate finance levels for 2014. Almost no country has said anything about 2015.
- At last year's UN climate talks in Doha, developed countries made announcements of 8.4 billion USD in climate finance for 2013. Additional information since then means that publicly indicated finance now adds up to around 16.3 billion USD, though the actual net budget allocations may be closer to 7.6 billion USD as some countries have counted loans that will be repaid.
- Major uncertainties make it impossible to compare this year's commitments to previous years. The 2013 figure *only appears* to indicate that developed countries have maintained or even increased climate finance compared to the fast start period. Instead, many countries are now including a lot more in their figures than they did during the fast start period. This is further complicated by opaque accounting methods, lack of data and other uncertainties.
- Most countries' climate finance levels appear to have either plateaued or even decreased. Much of what is seen as climate finance is redirected from aid budgets, or climate-related development aid, which is not principally focused on climate action.
- Developed countries have so far failed to provide credible plans on how they are going to meet the 100 billion USD goal, despite agreeing at last year's UN climate talks to provide relevant information to that end.

<sup>1</sup> Oxfam analysis showed that most of the finance provided was relabelled or repackaged aid money. See: The Climate "Fiscal Cliff": An evaluation of Fast Start Finance and lessons for the future, Oxfam 2012. Available at: <http://oxf.am/wkV>

<sup>2</sup> An Oxfam issue brief on the need for public finance for adaptation will be published on 19th November ahead of the Warsaw Ministerial Roundtable on Climate Finance.

economies on emissions pathways that allow the world to avoid warming of more than the 2°C limit set in Copenhagen, let alone the 1.5°C that is seen as the maximum warming acceptable to the most vulnerable populations and for small and low-lying island nations.

The 2013-2015 period is a litmus test for developed countries' commitment to scaling-up climate finance towards the 2020 goal. So far, most of them have failed this test. Last year's UN climate talks ended without clarity on the overall level of climate finance they intend to provide in the immediate future, just before Warsaw the situation has not changed.

## Climate finance in 2013: Going up or down?

In Doha a handful of European countries publicly announced their plans for climate finance in 2013 and in some cases for 2014 as well. While these announcements were no more than a matter of revealing existing plans and budgets, they were welcomed as a sign of goodwill. Most developed countries, including the US, Australia, Canada, Japan and New Zealand, remained silent, casting doubt over whether they intend to live up to their commitments.

Such announcements correspond to 8.4 billion USD of finance in 2013. Since the Doha climate talks in 2012, more information has become available from a few more countries, but even after Oxfam had made direct enquiries to governments, information is still lacking from many countries. The information that can be found is often fragmented and plagued by the lack of common definitions and accounting practices, allowing some countries to count loans at face value, while other countries count their actual budget allocations; yet other countries would include not only finance specifically earmarked to fund climate action but also development assistance "with climate co-benefits" in their figures.

Irrespective of such questionable accounting methods, Oxfam estimates a total of **16.3 billion USD** of finance for 2013, either announced in Doha or based on publicly indicated figures since then, though the actual net budget allocations may be closer to 7.6 billion USD as some countries have counted loans that will be repaid. While the analysis does not include information for all developed countries, it does cover those that made announcements in Doha or have been key providers of fast start finance 2010-2012.

Yet with this overall number it is impossible to assess whether developed countries are actually increasing climate finance following the end of the fast start period. When looking at individual countries, the situation looks grim. With the exception of a couple of countries (including Germany and the UK) that have increased contribution levels, developed country commitments appear to have plateaued at best or even decreased,

### Every country's climate finance tells a different story...

- **France** plans to use some of the revenues of a financial transaction tax for its contribution to the Green Climate Fund from 2014 onwards. Utilising such alternative sources is highly welcome. Though unfortunately, the planned amounts do not compensate planned cuts in overall French development assistance.
- Also, the French figures are composed mostly of concessional and even non-concessional loans at face value; actual French budget allocations will be considerably lower. Other countries' figures, such as for Germany, are based mostly on actual budget allocations.
- The **United Kingdom** is the only country that has provided clarity on planned climate finance for the entire 2013-2015 period. And has committed to the goal of 50 per cent of planned finance being spent on adaptation.
- In previous years, **Germany** has allocated a proportion of its revenues from auctioning CO<sub>2</sub> permits to climate finance. But this source has now largely dried up due to the inability of the EU to repair its emission trading scheme that is flooded with excess allowances, dampening carbon prices and auctioning revenues.
- Using the accounting method applied by Germany since Doha, finance in 2014 seems to remain at 2013 levels. But the draft 2014 budget (of the previous government) includes substantial cuts for new bilateral commitments that remain 'invisible' in the chosen accounting method.
- Climate finance figures by the **United States** during fast start included development assistance with "climate co-benefits", of which the actual co-benefits are not clear, and finance supporting the private sector, e.g. through export insurance that are a form of subsidies for US companies.

with the US Special Envoy for Climate Change downplaying expectations that much-needed assistance will increase anytime soon in line with promises made.

*“Now the hard reality: no step change in overall levels of public funding from developed countries is likely to come anytime soon.”*

Todd D. Stern, US Special Envoy for Climate Change, October 2013

<http://1.usa.gov/1cbqKGx>

## Climate finance until 2015: Near zero certainty

Limited access to information and the lack of binding commitments means there is near zero certainty on climate finance for the period to 2015. The UK, Germany, France and Finland are the only countries for which relatively robust estimates on levels of available climate finance in 2014 can be made. Countries that previously contributed 81 per cent of fast start finance have not provided clarity on finance levels to be expected for 2014. The UK is the only country that has provided figures for 2015. Only one other country (France) has provided

information that allows an estimate at least for its bilateral finance in 2015, based on the commitment to earmark at least 50 per cent of finance channelled through its development agency AFD during 2012-2016 to climate action. Similarly, the European Commission aims to allocate 20 per cent of the EU budget’s development assistance titles to climate action over the next seven years but has not yet provided 2014-2015 figures.

This means climate finance levels for the vast majority of countries for the period up to 2015 are impossible to estimate, except by decoding general statements made by most countries that public climate finance will continue to be provided. The lack of public commitments in the UN climate talks or elsewhere leaves developing countries with little to go on.

**Table 1: What climate finance are developed countries providing in 2013-15<sup>3</sup>**

Country	Doha announcement	2013	2014	2015	Comments
Australia	None	Unclear	Unclear	Unclear	There will be climate-related development assistance but amounts are unknown.
Canada	None	Unclear	Unclear	Unclear	No announcement made and no genuine climate finance included in the 2013 budget. There will be climate-related development assistance but amounts are unknown.
Denmark	500m DKK for 2013	<b>500m DKK</b> (90m USD)	Unclear	Unclear	The 500m DKK are genuine climate funds, which are an increase over the three-year average 2010-2012; in addition, Denmark is providing (an unspecified amount of) climate-related development assistance.
EU (European Commission)	300-500m EUR for 2013	<i>300m EUR*</i> (405m USD)	Unclear	Unclear	2013 is our estimate based on the lower end of what was announced, i.e. the figure may be higher. No figures for 2014-2015, but European Commission aims to spend 20 per cent of its development assistance for climate purposes.
Finland	None	<i>~60m EUR*</i> (81m USD)	<i>~90m EUR*</i> (121m USD)	Unclear	Figures are our estimates based on allocations and budget proposals; the increase seems to be partially due to changed accounting.
France	2bn EUR per year	<b>2bn EUR</b> (2.7bn USD)	<i>2bn EUR*</i> (2.7bn USD)	<i>2bn EUR*</i> (2.7bn USD)	2013 levels may be higher, as the Doha announcement only covers bilateral finance through the development agency AFD that plans to spend 50% of its finance on climate. Some additional bilateral finance (including loans at market-rates) and contributions to multilateral funds not yet included.
Germany	1.8bn EUR for 2013	<b>1.8bn EUR</b> (2.4bn USD)	<i>~1.8bn EUR*</i> (2.4bn USD)	Unclear	2013 represents an increase over fast start levels and includes dedicated climate finance, climate-related development assistance and

<sup>3</sup> Only those countries that are listed in Annex 2 of the UNFCCC have an obligation to provide climate finance to developing countries.

					payments to multilateral funds. Maintaining levels in 2014 depends on counting methods.
Ireland	None	Unclear	Unclear	Unclear	Ireland aims to keep its climate finance at fast start levels but no concrete figures were confirmed.
Japan	None	<b>~6bn USD</b>	Unclear	Unclear	The figure covers spending over the period January to September 2013. Most of it is bilateral finance, including loans, counted at face value, i.e. actual budget allocations will be lower.
Luxembourg	3m EUR for 2013	<b>3m EUR</b> (4m USD)	Unclear	Unclear	Luxembourg said in Doha that their 3m EUR will come on top of their development assistance that stands at 1% GNI.
New Zealand	None	<b>80m NZD</b> (66m USD)	Unclear	Unclear	The 80m NZD announced was for action in the Pacific region; unclear if it is the total level for 2013 or if there is more, e.g. climate-relevant development assistance.
Norway	855m USD in 2013	<b>4.8bn NOK</b> (805m USD)	Unclear	Unclear	The 2013 figure is based on plans but final numbers for 2013 will be adjusted according to actual spending.
Spain	None	Unclear	Unclear	Unclear	
Sweden	2.5bn SEK for 2013	<b>2.5bn SEK</b> (383m USD)	Unclear	Unclear	The 2013 figure includes 500m SEK for climate-specific funds (a 50% cut compared to 2012) and 2bn SEK in climate-related development assistance.
Switzerland	None	Unclear	Unclear	Unclear	Switzerland has said that finance levels will not fall below levels during the fast start period 2010-2012 (which would be ~133m CHF on average) but has not confirmed concrete numbers.
The Netherlands	None	<b>200m EUR</b> (280m USD)	<b>340m EUR</b> (459m USD)	Unclear	Half of 2013 levels could be seen as a continuation of fast start finance, the other half is climate-relevant development assistance.
United Kingdom	1.8bn GBP for 2013-2014	← <b>1.8bn GBP</b> → (2.9bn USD)		<b>970m GBP</b> (1.5bn USD)	UK's planned annual climate finance over the next three years will be nearly double what it was during the FSF period. 50% is committed to financing adaptation.
United States	None	~1.6bn USD*	Unclear	Unclear	The 2013 figure is our estimate looking only at congressionally appropriated funds. The US may continue to count development assistance "with climate co-benefits" and other forms of finance such as export insurance for US companies, in which case the estimate could increase to 2.3-2.5bn USD.
<p><i>Notes:</i> * = estimates by Oxfam based on available information. <b>Bold</b> = confirmed by announcements and/or direct response from governments to Oxfam enquiries. For some countries, years given here apply to fiscal years, which often do not correspond to calendar years. <b>Annex 2 countries not included in the table above are Austria, Belgium, Greece, Iceland, Italy and Portugal.</b></p>					

## Climate finance towards the 2020 goal: No plans or commitments

A key agreement reached in Doha was that developed countries would provide information on their strategies and approaches to scale-up climate finance to 2020. This could have been an important vehicle for developed countries to outline their plans for the next seven years – especially since there is still no agreed global trajectory or roadmap towards meeting the 100 billion USD goal by 2020. Yet only four submissions (EU, US, Japan and New Zealand) have been made to the UNFCCC. All other countries have ignored the request so far. Furthermore, a closer look at the submissions made reveals very little with regard to concrete steps to increase climate finance in general, and public climate finance specifically, towards the 2020 goal. The submissions raised more questions than they answered.

*"To achieve the goal of long-term finance, we believe that the definition of climate finance should not be restrictive."*

Japanese submission to the UNFCCC, October 2013

## Conclusions

Warning signals are flashing. With no clear indication of how much finance will be available in the coming years and some developed countries indicating that they have no intention to increase public climate finance over the next years, the 100 billion USD goal seems out of reach. Budget constraints and difficult economic times are often given as excuses. Meanwhile, the OECD says developed countries spent 55-90 billion USD a year during 2005-2011 on direct subsidies to fossil fuel based energy,<sup>4</sup> fuelling climate change, indicating that it is more a problem of political will than money.

If countries are committed to reaching a climate deal in 2015, the 2013 UN climate talks in Warsaw must become a turning point on climate finance. This would include striking the following key agreements:

1. **Pledges and announcements:** All developed countries must set out what public climate finance they provided in 2013, and what they will provide over the coming two years (2014-2015) at COP 19 in Warsaw.
2. **Global roadmap and country scenarios:** Developed countries should agree a global roadmap for scaling-up public climate finance to 100 billion USD by 2020 with interim milestones, complemented by agreement to develop iterative projections of national pathways by each developed country.
3. **Adaptation finance:** Agreement must be reached to provide a minimum of at least 50% of all public climate finance for adaptation. This is in recognition of the vital importance of public finance for adaptation and the need to address the current neglect of financial support for adaptation.
4. **Pledges to the Green Climate Fund and Adaptation Fund:** COP19 should confirm that 2014 will see an initial round of pledges to the Green Climate Fund reaching at least USD 10-15 billion. Warsaw must also see concrete pledges to the Adaptation Fund.

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