

# WORLD CLIMATE CHANGE FUND

*A proposal by Mexico*

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# CURRENT FINANCING AND CHALLENGES

<b>Current status</b>	<b>Challenges</b>
Large number of specific funds	➔ To overcome atomization
Unpredictability of current financing	➔ To develop a strong and predictable source of financing
KP flexible mechanisms that offset developed countries' emissions in developing countries	➔ To widen the scale of global mitigation activities

**The current financial system is insufficient to sustain the scale of global actions needed to address climate change**

# The World Climate Change Fund

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## Main purpose

- To build, through common understanding, a non substitutive but complementary scheme to the Kyoto Protocol, that ensures the full, sustained and effective implementation of the Convention

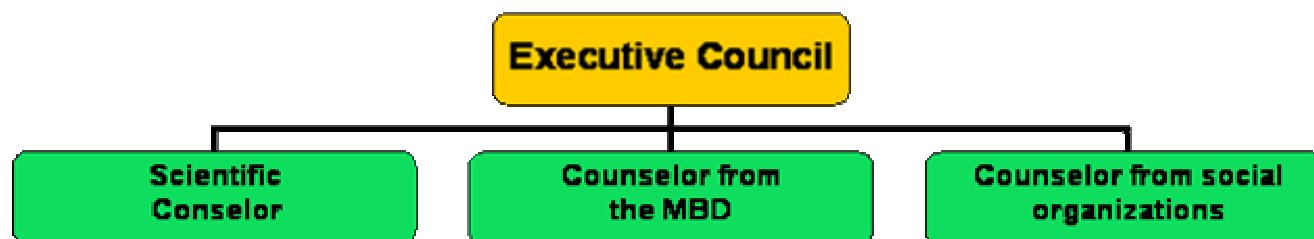
## Objectives

- To expand the scale of global mitigation efforts and enable the participation of all countries
- To support adaptation activities
- To promote technology transfer and diffusion
- To underpin, financially, the new climate change regime

# Governance Scheme

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- The Fund will be operated by an Executive Council with participation of all contributing and beneficiary countries
- The Council will have three independent councillors



- The Council will report annually to the COP
- Developing countries will have the same representativity and voice than developed countries
- Administration by an existing multilateral institution

# Advantages of the World Climate Change Fund

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- **Increased access to financial and technical resources**
- **Expansion of the global mitigation scale** - Developing countries will have positive incentives to widen their mitigation efforts.
- **Broader participation** - The governance scheme of the Fund will be open to all countries.
- **A predictable and verifiable regime**: activities will be subject to independent supervising.
- **Not necessary to demonstrate additionality**, since the Fund is not a compensatory mechanism to offset emissions.

# Contributions to the Fund

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- In principle, all countries should contribute to the Fund in strict accordance with the principle of common but differentiated responsibilities.
- Contributions shall be agreed multilaterally and could be determined by criteria, such as:



- Greenhouse gas emissions
- Population
- Gross Domestic Product (GDP)



The Fund should mobilize no less than 10 billion usd per year



# Proposed principles and indicators to define contributions

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<b>Principles</b>	<b>Indicators to be considered</b>
Polluter pays	current and historical GHG emissions
Equity	total and per capita emissions
Efficiency	Carbon intensity of the economy
Payment capacity	Carbon intensity of the economy

# Resource allocation and eligibility of activities

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- All countries could benefit from the Fund.
- Mitigation activities to be supported should yield real, measurable, reportable and verifiable mitigation results.
- Examples of possible eligible activities are:

<b>Green agenda</b>	<b>Grey agenda</b>
Reforestation and aforestation	Energy efficiency
Reducing emissions from deforestation and forest degradation	Large scale promotion of renewable energy
Reducing emissions by management of agricultural soils	Green buildings
Sustainable production of biofuels	Low emission vehicles

Activities to be eligible range from the project scale to the programme, subsector, complete sector or sub national entity scale.

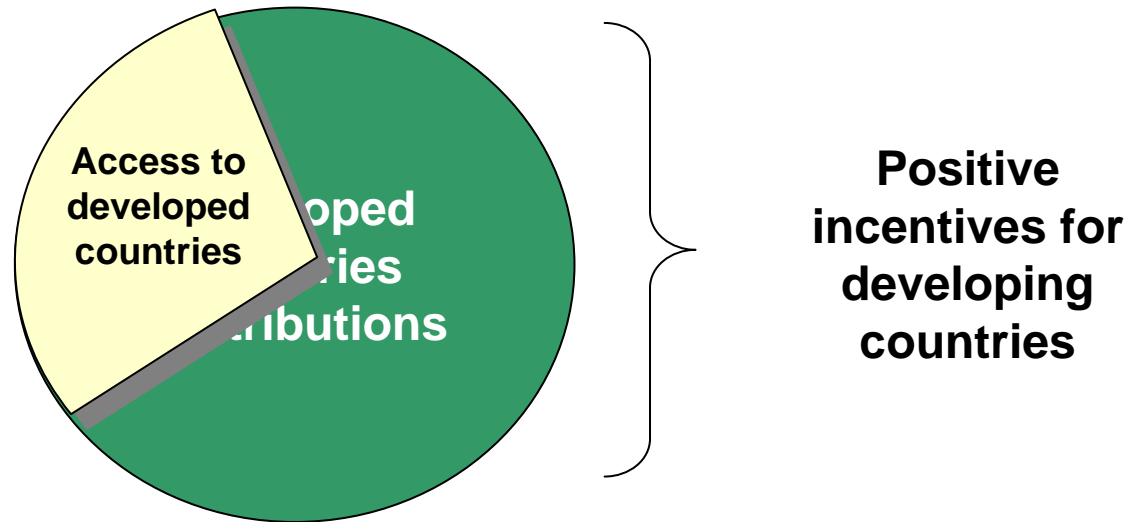
## Mitigation results which are real, measurable, reportable and verifiable

- To be eligible the countries will have to determine that the resulting emission reductions are *real, measurable, reportable and verifiable*.
- This will require adopting appropriate baselines developed on the basis of regular emissions inventories with shared, robust methodologies.
- It is necessary to provide an opportunity for the private sector's participation in the Fund and allow the articulation of this scheme with other ones based on *cap-and-trade* systems.

# Access to the Fund resources

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- Developed countries would only have access to a portion of their own contributions

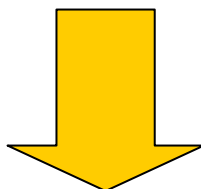


- Developing countries would be able to access amounts larger than their own contributions

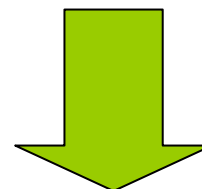
# How does the Fund relate to adaptation and technology transfer activities?

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- All contributions received by the Fund should be subject to a double levy, whose amount needs to be determined multilaterally.



**Adaptation Fund**



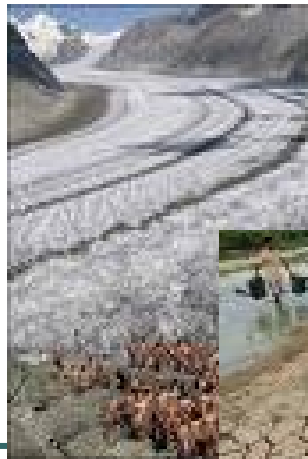
**Clean Technology Fund**

- The Fund would operate under an inclusive and transparent governance regime and would be subject to the supervision of an Executive Committee.

# Adaptation Fund

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This fund would have the same governance system agreed. The most vulnerable countries to the adverse effects of climate change would thus benefit from the creation and operation of this scheme.



# Technology Fund

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Created for the demonstration, transfer and deployment of low carbon technologies that are approaching commercial status. Even in the short run, this would make it possible to begin reorienting beneficiary countries' development toward a low carbon economy.



## Final remarks

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- The Fund can provide a predictable and strong financial underpinning for the new climate regime
- The Fund will widen participation scaling up current mitigation efforts
- Some issues for multilateral consideration are:
  - Possible links with existing carbon markets
  - Negotiation of criteria for determining contributions
  - Definition of the multilateral body to administrate the Fund