

Carbon Finance in Africa - *Extract*

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NEW & INNOVATIVE FUNDING FOR CLIMATE CHANGE

I. Introduction

While the CDM has proven to be an innovative financing mechanism for climate change mitigation in some developing countries, it has a limited role in providing the finance needed for mitigation activities, and overlooks adaptation completely. The expected future costs of climate change for developing countries are high, estimated in the hundreds of billions of dollars per annum. Mitigation and adaptation funding raised to date (including the CDM) will cover a trivial amount of total projected costs. Against this background have been a number of bilateral and multilateral proposals to raise additional revenue to address climate change in developing countries. These proposals aim to generate income by tapping into some of the revenue from the carbon market, or more broadly through carbon or international travel-related taxes or levies, rather than from conventional ODA funding sources derived from public expenditure (typically funded from domestic revenue streams and part of national budgets). At present, most international climate funding instruments, with the exception of the Kyoto Protocol's Adaptation Fund, which is financed through a 2% levy on CDM proceeds, rely on the latter – conventional ODA. The following proposals are distinct and noteworthy because they involve a degree of automaticity and autonomy. They relate to wider discussions on innovative financing schemes in the context of the UNFCCC, on both the implementation of the Bali Action Plan and a post-Kyoto framework beyond 2012.

This paper details and distils the various current proposals for climate financing. It does not attempt to provide a critique or assess the robustness of revenue estimates, both of which would need to be the subject of a separate exercise.

The rest of the paper is organised as follows. Section II offers a categorisation of the recent finance proposals, while Section III describes each proposal, using a table to illustrate the key elements of each scheme. Section IV discusses some options for the emerging institutional arrangements of international climate finance, followed by Section V, which conveys recent political support for certain financing proposals. Section VI provides useful criteria for evaluating the different climate finance proposals. The paper concludes in Section VII with a brief discussion of relevant issues pertaining to the implementation of climate change funding.

II. Categorising proposals on revenue raising

Financing proposals can be grouped into six categories:

- i. **Auctioning of assigned amounts or emission allowances:** Each Annex I country receives a number of greenhouse gas units to release and/or trade (assigned amount units, AAUs), in accordance with the Kyoto Protocol, during the 2008-2012 commitment period. The underlying principle of this scheme is to auction a certain share of AAUs to generate revenue, rather than giving them out for free to Annex I domestic firms that have to comply with emissions reductions. This plan to auction AAUs is represented in the Norwegian proposal.
- ii. **A uniform global tax on CO₂ emissions:** Funds are raised by placing a global tax on all carbon emissions, but with a per capita exemption for least developed countries (LDCs). This revenue raising mechanism is the basis for the Swiss Global Carbon Adaptation Tax.

- iii. **Levies on emissions from international maritime transport and on air travel:** Funds are raised by charging individuals and companies, based on their responsibility for climate change and/or their capability to pay. The charges or levies could be applied to international aviation and maritime transport or air travel. Charge/levy schemes include:
 - The International Air Passenger Adaptation Levy on fuels (IAPAL);
 - The International Maritime Emissions Reduction Scheme (IMERS); and
 - Tuvalu's Burden Sharing Mechanism (BSM) (Adaptation Blueprint).
- iv. **Carbon market-based levies:** Funding can be generated by applying a levy to the Kyoto Protocol's tradable units generated from the CDM, Joint Implementation (JI) or emissions trading (a form of "climate currency", with each tradable unit representing one metric tonne of CO₂ equivalent). The 2% CDM levy mechanism used to raise funds for the Kyoto Protocol's Adaptation Fund is an example of a carbon market-based levy. There is interest in extending or increasing the levy to other aspects of the carbon market. Proposals include:
 - Extending the levy to JI and/or International Emissions Trading (IET)ⁱ; and
 - Pakistan's proposal to raise the CDM levy from 2% to 3-5%.
- v. **Issuance of bonds:** Funds can be raised through bonds issued on the international markets available for immediate use. The EU's Global Capital Fund Mechanism (GCFM) proposes such a mechanism.
- vi. **Frameworks for assessed contributions:** There are two other important proposals, which do not recommend a specific revenue raising mechanism but are often grouped in with the above proposals, given that they propose a framework for contribution assessment. Such proposals include Mexico's World Climate Change Fund (WCCF or the "Green Fund") and the G77 plus China's Enhanced Financial Mechanism.

Each proposal is discussed below.

III. Description of proposals on revenue raising

AUCTIONING OF ASSIGNED AMOUNTS OR EMISSIONS ALLOWANCES

- ◆ **The Norwegian proposal to auction AAUs:** Norway has designed a proposal to generate finance through auctioning a portion of emission permits. The auction would occur at the international level before the AAUs are allocated to national registries, and would be auctioned by an appropriate international institution. The resulting revenue would then be placed in a fund. The Norwegian Ministry of Foreign Affairs (MFA) projects that revenue to be raised is of the order of US\$20-30 billion per annum. This figure is based on assumptions that 2% of AAUs are auctioned and all developed countries take on quantified economy-wide commitments corresponding to the mitigation actions required, according to the scenarios of the Intergovernmental Panel on Climate Change (IPCC), to prevent warming in excess of 2°C scenario.
- ◆ An auction of allowances can also occur domestically, as is the case in the EU ETS. However, while the money raised from the domestic auction could go towards climate finance in developing countries, as is the case with Germany's International Climate Initiative, this is by no means guaranteed. This is because the use of the revenue generated from domestic auctioning of allowances is at the discretion of each individual national government that raises the money, and cannot be subject to any international mandate.

A UNIFORM GLOBAL TAX ON CO₂ EMISSIONS

- ♦ **The Swiss Global Carbon Adaptation Tax:** Switzerland has put forward a proposal to finance climate change policy programmes and measures. This proposal would establish a low-level financing tax on worldwide emissions from the production and use of fossil fuels. The revenue for this proposal would be raised through a uniform global levy on carbon of US\$2 per tonne of CO₂ on all fossil fuel emissions. This corresponds to a burden of about 0.5 US cents per litre of liquid fuel. A free emission level of 1.5 tonnes of CO₂ per capita would be applied to all countries, creating an exemption for those with extremely low emissions levels (primarily the LDCs). The revenue generated from this tax, which is expected to be around US\$48.5 billion per annum, would flow into: (1) National Climate Change Funds (NCCF) established in all countries that contribute payment (all but LDCs), to be used according to domestic priorities; and (2) a Multilateral Adaptation Fund (MAF), where funds would be spent exclusively on adaptation in low-income and middle-income countries (LIC/MICs)ⁱⁱ. The MAF is further divided into two pillars: an insurance pillar and a prevention pillar. The share of MAF revenues generated depends on the economic situation of the countries, with high-income countries (HICs) paying the most.
- ♦ While the Swiss propose a uniform global tax, there is a possibility to consider a graduated carbon tax depending on the level of income and development. Such a proposal could be more attractive to emerging economies.

LEVIES ON EMISSIONS FROM INTERNATIONAL MARITIME TRANSPORT AND AVIATION OR ON AIR TRAVEL

- ♦ **The International Air Passenger Adaptation Levy on fuels:** The IAPAL (previously known as the International Air Travel Adaptation Levy, IATAL) was proposed by the Maldives on behalf of the Group of LDCs within the Framework of the UNFCCC Bali Action Plan on 12 December 2008. The IAPAL recommends that a fee per international airline ticket be adopted, set at US\$6 per economy class ticket and US\$62 per business/first class ticket. The set fee addresses both “personal responsibility”, with all international air travellers paying regardless of their origin, and “personal capability”, which is demonstrated by the ability to bear the costs of flying internationally and differentiated by class of travel. The main objective of the IAPAL is to raise revenue to compensate for the impacts of air travel emissions, with revenue collected by airlines and then paid to the Kyoto Protocol Adaptation Fund. The IAPAL would have minimum impact on demand for air travel, and this would enhance its political acceptability. (A comparable model is provided by the similarly structured French “solidarity” airline tax that finances UNITAID, the international drug purchase facility.)
- ♦ **The International Maritime Emissions Reduction Scheme:** Under the proposed scheme, a carbon levy on fuel used for carrying cargo to destinations with emissions reduction commitments (currently Annex I countries) is established. IMERS proposes to establish the levy using the global average price of carbon. IMERS could raise US\$9 billion annually for climate action if applied worldwide and collected centrally (bypassing national coffers).
- ♦ **Tuvalu’s Burden Sharing Mechanism (Adaptation Blueprint):** Tuvalu proposes a mechanism whereby funding would be raised through levies on international aviation and maritime transport. Specifically, Tuvalu’s BSM proposes:

1. A 0.01% levy on international airfares and maritime transport freight charges operated by Annex II countries (a subset of Annex I countries mandated to provide financial resources to developing countries);
2. A 0.001% levy on international airfares and maritime transport freight charges operated by non-Annex I countries; and
3. Exemptions to (1) and (2) would apply to all flights and maritime freight to and from LDCs and Small Island Development States (SIDS).

CARBON MARKET-BASED LEVIES

- ◆ **Extending the levy to Joint Implementation and/or International Emissions Trading:** As the current levy on the CDM is used to raise funds for adaptation, a levy on JI or IET could similarly be applied. Most assessments of these options assume a 2% levy would be applied to mirror the CDM levy. Some countries, such as Costa Rica and South Africa, are in favour of including a levy on both JI and emissions trading. Other countries, like New Zealand, have stated reservations about applying a levy to JI and IET, as this could lead to market distortions. This was a hot topic at the December 2008 COP 14 in Poznan. However, parties were unable to reach consensus on a levy on either the JI or the EIT. According to the UNFCCC Executive Secretary, failure to reach consensus was because countries that host JI projects thought a levy might make the projects more expensive and therefore create a market disincentive.
- ◆ **Pakistan's proposal to increase the CDM levy:** In March 2008, Pakistan submitted a proposal to the UNFCCC to increase the current levy on the issuance of CDM credits from 2% to 3-5%. The proceeds would go to the Kyoto Adaptation Fund to finance developing country adaptation.

BONDS

- ◆ **The EU's Global Capital Fund Mechanism:** This proposal applies the idea of an International Financing Facility (IFF) – a tool that has, to date, been used to address urgent large-scale vaccination funding needs – to fund climate change. To raise funds, a bond would be issued on the international markets by an appropriate financial institution, enabling 'frontloading' of funding for immediate use. Future repayment over a long period (e.g. 20 years) would be financed through revenue of EU Member States derived from the future auctioning of emission rights. The idea has been recommended in the context of the European Commission's (EC's) initiated Global Climate Change Alliance (GCCA). The possibility of putting this idea into action is being explored in collaboration with the World Bank and the European Investment Bank. A fund of €1 billion (US\$1.3) billion per year for five years would justify the overhead costs. The funds could be channelled for disbursement to existing initiatives such as the Adaptation Fund, the World Bank's Climate Investment Funds or the GCCA.

FRAMEWORKS FOR ASSESSED CONTRIBUTIONS

- ◆ **Mexico's World Climate Change Fund:** Mexico's proposal for the Green Fund recommends that countries contribute on the basis of their historical emissions, population and income. Put forward within the framework of the Bali Action Plan, Mexico suggests the creation of a new fund (at least

US\$10 billion per annum for mitigation in the initial start-up phase, increasing over time). Some of the money could be raised through budgetary contributions from each country determined by the above criteria, and some could come from new financial resources, such as auctioning permits in domestic cap and trade systems, taxing air travel, etc, to avoid putting excessive pressure on public financing. In this way, the Green Fund offers a framework for effort sharing rather than proposing a new mechanism to raise revenue.

- ♦ **G77 plus China’s Enhanced Financial Mechanism:** The G77 plus China’s proposal is the main proposal put forward by the constituent governments from developing countries, including the African Group. The group proposes that developed (Annex I) countries should contribute no less than 0.5% of gross national product (GNP). The funds would reflect Annex I commitments under Article 4.3 of the UNFCCC and would go towards mitigation; deployment and diffusion of low-carbon technologies; research and development; capacity building; preparations of national action plans; patents; and adaptation for developing countries. The proposal does not suggest any specific revenue raising mechanism, but it does suggest the revenue would be channelled through national budget agencies.

Table of proposal attributesⁱⁱⁱ

PROPOSAL	SOURCES OF FUNDS	CLIMATE FUNDS FOR DEVELOPING COUNTRIES PER YEAR IN BILLIONS (US\$)	SOURCE OF ANNUAL FUNDING ESTIMATE	MITIGATION VS. ADAPTATION	REVENUE FLOWS TO NEWLY CREATED VS. EXISTING FUNDS
AUCTIONS OF EMISSIONS ALLOWANCES					
Norway’s auctioning of AAUs	Annex I allowances withheld, auctioned by international body	US\$20-30 annually	Proposal originator (Norwegian MFA) (assumes 2% levy, Annex I commitments correspond to IPCC’s lowest emission scenarios)	Primarily adaptation, but does not rule out mitigation and technology transfer	Unclear where the money would be transferred/held
A UNIFORM GLOBAL TAX ON CO₂ EMISSIONS					
Swiss Global Carbon Adaptation Tax	Tax (US\$2/t CO ₂) on emissions from fuels ≤1.5 t CO ₂ /capita exempt	NCCF: US\$20.7 MAF: US\$18.4	Proposal originator (Swiss Confederation) based on 2010 data	NCCF: Both MAF: Adaptation	NCCF: national governance MAF: existing; Kyoto Protocol Adaptation Fund
LEVIES ON EMISSIONS FROM INTERNATIONAL MARITIME AND AVIATION TRANSPORT, OR ON AIR TRAVEL					
IAPAL	US\$6 per ticket fee (economy class), US\$62 per ticket fee (business/first class)	US\$8-10 annually, for first five years of operation	LDC Group (based on International Air Travel Association figures and French levy estimates on travel class breakdown)	Adaptation	Existing: Kyoto Protocol Adaptation Fund
IMERS	Emission charge, “cap and charge” for Annex I	US\$9+ (assumes US\$15 as price of carbon using anticipated price in US economy-wide cap-and-trade scheme. The lower growth of emissions owing to the current downturn has been reflected, with total emissions for	Proposal originator (Stochniol)	Adaptation	Existing: Kyoto Protocol Adaptation Fund

		international shipping estimated at around 1 billion tons of CO2 in 2013			
Tuvalu's BSM	(1) 0.01% levy on international airfares, maritime transport freight charges operated by Annex II (2) 0.001% levy on international airfares, maritime transport freight charges operated by non-Annex I (LDCs/SIDS exempt)	US\$0.04 from Annex II; US\$0.003 from non-Annex I	Müller (based on total UN Conference on Trade and Development (UNCTAD) 2007 freight costs for 2005)	Adaptation	Existing: Special Climate Change Fund (SCCF) and LDC Fund (LDCF)
CARBON MARKET-BASED LEVIES					
Extending the levy to JI and/or IET	Levy on JI and/or IET	2008-2012: US\$5.5-8.5; 2013-2020: US\$3.5-7.0 (based on unit issuance, AAUs only)	UNFCCC (2008) Funding Adaptation in Developing Countries	Adaptation	Existing: Kyoto Protocol Adaptation Fund
Pakistan's CDM levy	3-5% levy on CDM	US\$0.2-0.5 at levy of 5%	World Resources Institute (WRI)	Adaptation	Existing: Kyoto Protocol Adaptation Fund
BONDS					
GCFM	High rated bonds, as stopgap until other finance is operable	US\$1.3 for next five years	Proposal originator (EC)	Adaptation	Existing
ASSESSED CONTRIBUTIONS					
G77 plus China	0.5% to 1% of Annex I countries' GNP – unspecified revenue raising mechanism	US\$201-402	UNFCCC (2008) Investment and Financial Flows to Address Climate Change: An Update	Both, primarily mitigation	New
Mexico's WCCF	Multiple sources	Initially US\$10 for mitigation, scaling up to US\$95 in 2030 (plus a 2% adaptation levy per annum fund)	Proposal originator (Mexico Secretary of the Environment)	US\$10-95: mitigation; US\$0.2 - 1.9: adaptation	Existing: Kyoto Protocol Adaptation Fund

IV. Institutional arrangements

A separate but equally important consideration for meeting climate finance commitments surrounds the institutional arrangements involved, including the structure, governance, allocation and disbursement of the funds.

Parties to the UNFCCC have proposed numerous options for the future financial framework. The proposals can be roughly divided into: (1) proposals that support the creation of a new institutional arrangement, including funds, which is fully accountable to and potentially managed by the COP; and (2) proposals which prefer to use existing institutional arrangements by “making efficient and effective use of current institutions, including the Global Environmental Facility [GEF], multilateral development banks, specialized UN institutions and other existing funds ... with financial support provided by developed

country Parties and availed of by developing country Parties through bilateral, regional and other multilateral channels”^{iv}. The latter therefore includes financial institutions which are “outside” the COP. It is also possible that a future financial mechanism relies on existing institutional arrangements, but also commands institutional reform as well as a degree of new institution building as well.

In relation to the decision on institutional arrangements of climate finance, another important consideration is how the required finance should be both aggregated and delivered. There are two very different systems that can deliver climate finance which reflect how funds will be used by recipient countries: one option is an *integrated approach* to delivering funding; another is a *disaggregated approach*, which links funding directly to sector-specific needs. The advantage of an integrated approach is flexibility in allocating funds, with less dependence on individual fund flows and better coordination to ensure consistency with national development strategies. In contrast, a disaggregated approach with self-standing vertical funds, each with their own dedicated funding uses (with separate funds for technology, adaptation, etc), can fit more easily with existing institutional structures and avoids the need to create new institutions.

The Bangladeshi Multi-donor Trust Fund (MDTF) offers an example of an *integrated* approach to climate finance, where the financial disbursement for climate change is at a scale that makes it possible to have a country-led programmatic approach aligned with national development plans. The Bangladeshi MDTF Model supports the implementation of Bangladesh’s Climate Change Strategy and Action Plan, which was launched on 10 September 2008. According to the MDTF Concept Note, benefits of the fund include: high-level coordination, elimination of overlaps, donor harmonisation, flexibility in fund management and transparency”. The MDTF is designed to be a “one-stop” mechanism for large-scale climate change financing in Bangladesh and creates the potential to strongly ally the funding with national development plans. Similar approaches could be considered for African countries. However, this supposes that countries have clear strategies on climate change, which many LDCs currently do not.

V. State of play on financing proposals

Many national governments and regional/economic coalitions have come out in support of certain proposals for a future international climate finance mechanism. At the recent Major Economies Forum on Energy and Climate, which included the G8, the declaration of the leaders included the following statement on the future of climate finance:

“The expertise of existing institutions should be drawn upon, and such institutions should work in an inclusive way and should be made more responsive to developing country needs. Climate financing should complement efforts to promote development in accordance with national priorities and may include both program-based and project-based approaches. The governance of mechanisms disbursing funds should be transparent, fair, effective, efficient, and reflect balanced representation. Accountability in the use of resources should be ensured. An arrangement to match diverse funding needs and resources should be created, and utilize where appropriate, public and private expertise. We agreed to further consider proposals for the establishment of international funding arrangements, including the proposal by Mexico for a Green Fund.”

At the conclusion of the meeting, US Special Envoy for Climate Change Todd Stern conveyed both support for the Mexican proposal as well as sustained interest in the Norwegian proposal. The support for the Mexican Green Fund is based partly on its ability to take advantage of existing institutions, such as the World Bank. Stern reported “I think they [the World Bank and other international financial institutions] have good notions about governance which in our view ought to be fair and balanced between developed and developing countries, and they have good ideas about accountability of funding.”

In a recent statement made by the British government, Gordon Brown indicated that the country is willing to support an international mechanism for the setting aside and auctioning of a small percentage of national

emissions allowances, as Norway has proposed. Brown also mentioned interest in exploring other means of raising international finance, such as through aviation and maritime emissions, as well as the use of “forest-backed bonds” to bring early finance into sustainable forest management.

On the governance considerations of a future climate finance mechanism, the 2009 G8 Statement promoted efforts to ensure that the governance of mechanisms disbursing funds is transparent, fair, effective, efficient and of balanced representation among developed and developing countries. The statement also stressed the importance of “building on existing instruments and institutions, such as the GEF, multilateral development banks, adaptation funds and bilateral assistance agencies and the Climate Investment Funds” for a future international climate finance mechanism.

VI. Criteria for evaluating proposals

In order to ensure that proposals for revenue raising are internationally acceptable, they must satisfy the UNFCCC’s criteria of being adequate, predictable, additional to current ODA funding commitments and based on the “polluter pays principle”. These criteria were further emphasised in the Bali Action Plan and in the African Group’s submission to the UNFCCC in April 2009. As such, an assessment of the proposals against these criteria is essential.

- **Adequacy:** Funds generated are equal to the scale of the task identified;
- **Predictability:** Funding is secure (without unexpected fluctuations) over the medium term;
- **Additionality:** Funds provided are more than existing aid commitments;
- **Polluter pays:** Financial contributions are relative to the quantity of emissions produced.

Similarly, in order to understand the full implications of the proposed institutional arrangements for climate finance, the different options can be evaluated according to their accountability, representation, transparency and coordination. These criteria are described here:

- **Accountability:** Fund management is accountable to the COP;
- **Equitable representation:** There is a balanced representation of stakeholders involved in the decision making of the funds;
- **Transparency:** All information regarding the financial institution and its decision making processes are clear and available to the public;
- **Coordination:** Funding streams are coordinated with other sources of funding, to avoid fragmentation and overlap.

VII. Issues for consideration

A few crosscutting issues relevant to Africa are important to highlight when considering the future of climate finance.

COORDINATING CONVENTION AND NON-CONVENTION FUNDS

Given the current momentum of both bilateral and multilateral climate funds established outside the UNFCCC and the preference of some donor countries for channelling funds according to their own priorities, it is likely that there will be a coexistence of both Convention and non-Convention funds available for Africa. As such, African governments may need to manage multiple funding streams, creating an environment not dissimilar to the current flows of development assistance, leading to high transaction costs to the recipients. Closer harmonisation of the various funding efforts will need to be closely managed and monitored.

BUILDING CAPACITY

Within the context of “scaling up” financial flows for climate change, institutional capacity needs to be built up in the recipient country so that it can absorb and use new funds effectively. Even when adequate funds are raised and properly allocated to countries most in need, institutional, technical or managerial capacity constraints can prevent successful implementation. This should be taken into account in the design and implementation of any new financial framework of the post-2012 regime. Aside from this, the issue of procedural complexity common to international funding instruments merits some attention. A move towards simplification in access to funding could be beneficial.

Moreover, given that financing needs are likely to outweigh available resources significantly, Africa will be competing with other regions for a limited pot of funds. Building capacity, including sharing information on funding alternatives and procedures, is one way African governments can gain a competitive advantage to attract such funds.

INTEGRATING ADAPTATION FINANCE WITH DEVELOPMENT FINANCE

There are strong links between adaptation and development, from both a theoretical and a financial perspective. Development is an essential component of adaptation, as it enhances resilience and increases capacity. More often than not, adaptation to climate change will be carried out alongside development interventions. Lord Nicholas Stern argues that funding for development and for adaptation should be complementary, given that “adaptation is essentially development in a more hostile climate”. He states: “It is disruptive, and practically and conceptually confusing, to attempt a rigid and comprehensive separation of elements of investments in physical or human capital which are marked for ‘development’ or ‘adaptation’”. Efforts to streamline adaptation finance with ODA should be made, while avoiding displacement of current ODA streams essential for development.

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Acronyms

Key Acronyms	
AAU – Assigned Amount Unit	JI – Joint Implementation
AfDB – African Development Bank	LDC – Least Developed Country
AFOLU – Agricultural, Forestry and Other Land Use	LDCF – LDC Fund
A/R – Afforestation/Reforestation	LIC – Low-income Country
AUC – African Union Commission	MAF – Multilateral Adaptation Fund
BDEAC – Central African States Development Bank	MDG – Millennium Development Goal
BSM – Burden Sharing Mechanism	MDTF – Multi-donor Trust Fund
CDM – Clean Development Mechanism	MFA – Ministry of Foreign Affairs
CER – Certified Emission Reduction	MIC – Middle-income Country
COP – Conference of the Parties	MIGA – Multilateral Investment Guarantee Agency
DNA – Designated National Authority	NCCF – National Climate Change Funds
EC – European Commission	NEPAD – New Partnership for Africa’s Development
ECOWAS – Economic Community of West African States	NF – Nairobi Framework
ETS – Emissions Trading Scheme	ODA – Official Development Assistance
EU – European Union	OECD – Organisation for Economic Co-operation and Development
GCCA – Global Climate Change Alliance	pCDM – Programmatic CDM
GCFM – Global Capital Fund Mechanism	REDD – Reducing Emissions from Deforestation and Forest Degradation
GEF – Global Environment Facility	SCCF – Special Climate Change Fund
GNP – Gross National Product	SIDS – Small Island Development State
HIC – High-income Country	UNCTAD – UN Conference on Trade and Development
IAPAL – International Air Passenger Adaptation Levy on fuels	UNDP – UN Development Program
IATAL – International Air Travel Adaptation Levy	UNECA – UN Economic Commission for Africa
IET – International Emissions Trading	UNFCCC – UN Framework Convention on Climate Change
IFF – International Financing Facility	WCCF – World Climate Change Fund
IMERS – International Maritime Emissions Reduction Scheme	WRI – World Resources Institute
IPCC – Intergovernmental Panel on Climate Change	

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ⁱ IET forms one part of the three emissions trading schemes allowed under the Kyoto Protocol – the other two mechanisms are the CDM and JI – through which Annex I countries can exchange carbon credits.

ⁱⁱ The Swiss MAF is proposed to become part of the financial architecture developed under the Bali Action Plan, and would be able to operate complementarily with other similar facilities. It would be governed by the already existing structure under the Kyoto Protocol Adaptation Fund, at least in the start-up phase.

ⁱⁱⁱ It is important to note that each proposal uses its own unique set of assumptions (e.g. carbon price, carbon cap, etc) when estimating revenue figures. While streamlining the assumptions can create a truer comparison, the current figures provide a general idea of the sheer scale of funds likely to be generated from each proposal.

^{iv} From the AWG/LCA.6 Finance Text, 2009.

^v The Major Economies Forum on Energy and Climate includes the leaders of Australia, Brazil, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Mexico, Russia, South Africa, the United Kingdom and the United States.