

From: [Metcalf, Gilbert](#)
To: ["Dotson, Greg"](#)
Subject: RE: Christine Lagarde Speech
Date: Tuesday, June 26, 2012 7:35:00 PM

Greg,

I'd seen her speech and have talked extensively to IMF folks about the papers in this book. Thanks for thinking to share. I'm glad it caught your eye. The authors in the book are top notch academics and policy practitioners. It's a very good book. In fact, I think I may have provided a blurb for the book (in my former life as a Tufts economist). Happy to talk to you about it if you have any questions.

Best,
Gib

From: Dotson, Greg [mailto:Greg.Dotson@mail.house.gov]
Sent: Tuesday, June 26, 2012 7:00 PM
To: Metcalf, Gilbert
Subject: Christine Lagarde Speech

Gib,

Christine Lagarde, the head of the IMF, gave a speech this month which is relevant to the initiative we recently discussed. She said, "I believe we are facing a triple crisis – an economic crisis, an environmental crisis, and a social crisis." She urged putting a price on carbon as a key part of the response because "it is the best and most comprehensive route to reducing environmental damage" and "countries need revenue and these kinds of tax or tax-like instruments can deliver."

Her speech didn't seem to get much attention, so I'm forwarding it to you in case you missed it (pasted in below). At the same time, the IMF released a major report entitled "Fiscal Policy to Mitigate Climate Change." Here's a link to the report:
<http://www.imf.org/external/Pubs/FT/books/2012/climate/climate.pdf>.

Greg Dotson

Back to Rio—the Road to a Sustainable Economic Future

By Christine Lagarde
Managing Director, International Monetary Fund
Washington DC, June 12, 2012
As prepared for delivery

Good morning. It is a great pleasure to be here. I would like to thank the Center for Global Development for sponsoring this event. The Center does really great work under the inspiring leadership of Nancy Birdsall. Thank you, Nancy.

It has been twenty years since world leaders first went to Rio to commit to the noble goal of protecting the planet for future generations. And now, twenty years on, we will be journeying back to Rio to affirm our commitment to **sustainable development—the idea that we should strive for economic growth, environmental protection and social progress at the same time.** The idea that

different economic, environmental, and social objectives can be seen as distinct aspects of a single vision, essential parts of a connected whole.

But while those bound for Rio might have the best of intentions, they do not face the best of circumstances.

Today, **I believe that we are facing a triple crisis—an economic crisis, an environmental crisis, and, increasing, a social crisis.** The global economy is still rocked by turmoil, with uncertain prospects for growth and jobs. The planet is warming rapidly, with unknown and possibly dire consequences down the line. Across too many societies, the gap between the haves and have-nots is getting wider and strains are getting fiercer.

Although distinct, **these different threats feed off each other in an intricate interplay.** We cannot address each in isolation. We need to generate a *virtuous* and avoid a *vicious* circle.

And here I would argue that we must start with the basics—from a platform of restored economic stability and growth. From that base, we can achieve *green* growth and *inclusive* growth—the building blocks of our sustainable and equitable economic future.

So let me talk about three things this morning:

- Getting the basics right.
- Getting the pricing for a green economy right.
- Getting growth right—making it more inclusive.

1. Getting the basics right

Sustainable development must spring from macroeconomic and financial stability, which in turn paves the way for robust growth and a productive economy. This is the first key step of the journey.

Of course, it is of overwhelming importance today. Over the past four years, we have been mired in the worst economic crisis since the Great Depression. Great uncertainty hangs over global prospects. Too many regions today are still stuck in a trap of low growth and high unemployment.

Right now, 200 million people worldwide cannot find work, including 75 million young people trying to take their first step on the ladder of success.

So we need a strategy that is good for stability and good for growth—where stability is conducive to growth and growth facilitates stability.

This must start with the advanced economies, especially in Europe. Policymakers need to take decisive steps to break free of the crisis. This has a number of aspects.

First, they need to rekindle demand today, to get the growth engine up and running again. This requires a combination of (i) very accommodating monetary policy, (ii) use of common resources

to provide direct support to banks, and (iii) when fiscally available, growth-friendly policies.

In this context, fiscal stability is incredibly important. Policymakers must lay out a credible medium-term plan to lower public debt. Without such a plan, countries will be forced to make an even bigger adjustment sooner.

Second, they must make sure that any spark to demand today leads to sustained growth tomorrow, which means reforms on the supply side to boost the productive capacity of the economy: Product market reforms, especially in non-traded sectors and in regions lacking competitiveness. Labor market reforms, especially so that disenfranchised groups like younger and older workers can regain their footing.

The rest of the world also needs to invest in stability and growth. Most developing countries are doing relatively well right now, and are a source of strength and stability. But if conditions in the advanced economies continue to deteriorate, these countries will face a cold chill.

They must stand ready, to rebuild the policy buffers that served them so well during the crisis. **Those with fiscal space should prepare to use it**, especially if conditions continue to deteriorate.

Developing countries also need more economic diversification and trade integration, and greater investment in infrastructure. The infrastructure needs for sub-Saharan Africa, for example, amount to around 15 percent of the region's GDP. A huge challenge, but not insurmountable.

The international community must continue to help these countries help themselves. For our part, **the IMF will continue to stand by them**. When the crisis first broke, we responded to the needs of our low-income members with quadrupled lending, doubled access limits on loans, and zero interest rates, which have been extended to the end of this year. We also use our resources to help countries cope with the economic consequences of natural disasters—I am thinking of places like Kenya and Burkina Faso.

Now **the IMF needs more resources for concessional lending**, to help vulnerable countries navigate an increasingly volatile world. This is one of my top priorities.

2. Getting the green economy right

So, first and foremost, we need to get growth going again—but on a different track than before the crisis. We are all aware that economic growth can potentially harm the environment and that environmental degradation can in turn hurt economic performance. We need to get the green economy right.

Climate change is clearly one of the great challenges of our time, one of the great tests of our generation.

For the world's poorest and most vulnerable people, climate change is not some distant

possibility. It is a present reality.

Look at Africa. This is the continent that contributes least to climate change, and yet suffers most from it. It is among the regions most at risk from natural disasters. It is the region with the highest rainfall volatility—and the region that desperately needs the rain for agriculture, growth, and employment.

The writing is on the wall for all to read. We already see warning signs of desertification, recurrent drought and flooding, low crop yields, disease, and population displacement.

And it could get much worse. For example, the United Nations estimates that the hit to agriculture in Southern Africa could lead to nearly a million more undernourished children.

Look at the threat to the global economy and peoples' lives from rising water levels. Across the world, about \$3 trillion in valuable assets lie at or below three feet above sea level—a precarious location in a warming world. Once again, it is the world's poorest and most vulnerable people who will end up paying the steepest price.

Environmental problems, of course, do not end with climate change. In India, for example, pollution from coal generation plants causes about 70,000 premature deaths a year.

So what should we do? Let me start by noting that the IMF is not an environmental organization. But we cannot ignore the extensive human suffering and the misallocation of resources that leads us down the wrong path.

Perhaps we can help with a simple concept that everybody can understand—getting the prices right.

The late Nobel Prize winner Wangari Maathai put it succinctly: “The generation that destroys the environment is not the generation that pays the price. That is the problem”.

Getting the prices right means **using fiscal policy to make sure that the harm we do is reflected in the prices we pay**. I am thinking about environmental taxes or emissions trading systems under which governments issue—and preferably sell—pollution rights. It is basically a variation of the old mantra: “you break it, you buy it”.

You can read more about this in a new IMF e-book on carbon pricing, which we are launching today and which is intended as a practical guide for policymakers. You can find this on the IMF's webpage, by following the link to Rio+20.

This kind of environmentally-sensitive fiscal policy has two distinct advantages.

First, it is the best and most comprehensive route to reducing environmental damage. It changes relative prices and provides a powerful incentive to change. It can also galvanize clean technology development and deployment by the private sector, such as investments in energy efficiency and

renewables. This is confirmed by experience in many countries.

A push toward greener investment can be a great boon to developing countries. There is a lot of scope for filling infrastructure gaps in places like Africa with clean technology—this leads to *higher* growth and *greener* growth, the best of both worlds.

Second, in these difficult budgetary times, countries need revenue and these kinds of tax or tax-like instruments can deliver. In the United States, for example, a carbon tax of about \$25 per ton of CO₂—which would add 22 cents to a gallon of gasoline—could bring in about 1 percent of GDP, or over \$1 trillion over a decade. Charges on international aviation and maritime emissions would raise about a quarter of the \$100 billion needed for climate adaptation and mitigation in developing countries—resources that developed countries have committed to mobilize by 2020.

At present, however, **we are only at base camp in terms of getting the prices right.** Right now, less than 10 percent of worldwide greenhouse gas emissions are covered by formal pricing programs. Only a handful of cities charge for the use of gridlocked roads. Farmers in rich countries are undercharged—if charged at all—for increasingly scarce water resources.

Many countries continue to subsidize polluting energy systems. These subsidies are costly for the budget and costly for the planet. Countries should reduce them. But in doing so, they must protect vulnerable groups by tightly focusing subsidies on products used by poorer people, and by strengthening social safety nets.

As we move forward, there is **much work to be done at the technical level**, in terms of the appropriate design of taxes and tax-like instruments to get the prices right. The IMF will play an active role in this. We have an upcoming side event in Rio, plus another event with the United Nations Environment Program later this year. At both events, we will be talking about the use of fiscal policy, and reform of energy subsidies, to promote green growth.

I have asked my staff, in collaboration with others, to put principle into practice—by coming up with **actionable guidance** for both developed and developing countries on precisely how to get these prices right, or at least much better. I expect interim results by the end of this year, with a final report within twelve months.

Together with the United Nations and the World Bank, we are also working hard on the issue of natural resource accounting, to make sure we can properly measure the incomes and costs associated with natural resources and how extraction affects national wealth.

3. Getting inclusive growth right

This brings me to my third point today—**the need to make growth more inclusive.** This means making sure that *all* share in the fruits of prosperity and that *all* are given the opportunity to fulfill their potential.

Without this, the social threads that bind society together can rip apart, with devastating economic

consequences. Indeed, recent research¹ shows that countries with more equitable distributions of income are associated with greater macroeconomic stability and more sustainable growth over the longer term. It is all bound together.

Clearly, **jobs must be at the forefront** of any strategy for inclusive growth. Decent and steady employment is the sure foundation of human dignity, the best avenue to rewarding and fulfilling lives.

So we are working on ways to spur both growth and jobs, and to make sure that the growth we *get* produces the jobs we *need*. This affects all dimensions of policies—labor market, fiscal, monetary, financial, trade, and macro-prudential.

We are not a labor institution, and we should not become one. So we are collaborating closely with the International Labor Organization on employment and labor market issues. We are also working with the International Trade Union Confederation, which represents the world's unions during these difficult days.

We are also **looking at other ways to help promote more inclusive growth**—including better access to trade and finance, better transparency and governance, and better social protection. For example, we are looking at the role played by governance and the business environment in making growth more inclusive among the Arab transition countries.

On the fiscal side, we have new research showing that **government spending and taxes play a vital role in reducing inequality**, especially in advanced economies.² At a time of tightening budgets, it is imperative to keep distributional implications in mind. Options here include reducing tax evasion and avoidance, making income taxes more progressive at high income levels, and protecting the kinds of social transfers that promote a more even income distribution.

As well as advanced economies, **developing countries too need to allocate public spending on social safety nets**. In these countries, social safety nets might be all that stands between survival and catastrophe.

To make these reforms possible, countries need to **mobilize more revenue**. We think an extra 2-4 percent of GDP is plausible³, based around reforms like streamlining tax codes and procedures, getting rid of exemptions, and strengthening revenue and customs administration.

They also need to **target spending to the people who need it most**—by moving away from universal price subsidies, especially on energy, and moving toward effective and targeted social programs such as conditional cash transfers. As a good example, Iran slashed its enormous energy subsidies and compensated the population with cash transfers. Mozambique is also phasing out poorly-targeted fuel subsidies and using the savings to improve social protection.

We take these issues seriously in the programs we support. For instance, spending on health and education rises faster in countries with IMF-supported programs than in developing countries as a

whole . Over an average five year program period, health spending rises by 1 percentage point of GDP, and education spending by ¾ percentage point. Obviously, it is the countries themselves that deserve credit for this—our job is simply to help them along the way.

We are also collaborating closely with the International Labor Organization, the World Bank, and other United Nations agencies on the **social protection floor initiative**, which helps poor countries set up basic levels of protection at an affordable cost. This is a crucial first step in the right direction. At the end of the day, social protection should not be seen as a cost but as an investment—an investment in sustainable development.

Conclusion

Let me conclude by saying that behind sustainable development lies a bold vision of the future. **The future we want**, as Ban Ki-Moon puts it.

It is about the vitality of our global economy, the harmony of our global society, the nurturing of our global inheritance.

It is about laying the foundation so that every single person can flourish and reach their true potential.

Once again, Wangari Maathai said it best: “We are called to assist the Earth to heal her wounds and in the process heal our own—indeed, to embrace the whole creation in all its diversity, beauty and wonder. This will happen if we see the need to revive our sense of belonging to a larger family of life.”

We all belong to this larger family of life. Rich nations and poor nations. Economists, environmentalists, and social policymakers. Public sector, private sector, civil society, and international organizations. We must all come together and work together.

For in the end, we all share the same goal—to make this small planet we call our home a better place for this generation and for generations to come.

Thank you.

From: [Hayes, Kristin](#)
To: [Kopp, Ray](#); [Wulf, Shannon](#); [Hill, Key](#)
Subject: Phil Sharp's testimony today for the Senate Finance Committee
Date: Tuesday, June 12, 2012 10:35:56 AM
Attachments: [Phil Sharp Senate Finance Testimony 12june12.pdf](#)

Dear all,

As many of you know, RFF President Phil Sharp is testifying this morning before the Senate Finance Committee at a hearing entitled "Tax Reform: Impact on U.S. Energy Policy." Phil has just wrapped up his initial presentation, and a copy of his testimony is attached. If you're interested, please feel free to watch the remaining segments of the hearing, including the Q&A, by clicking here <<http://www.finance.senate.gov/hearings/hearing/?id=990f1101-5056-a032-5202-6921d68e8769>>.

Many thanks for your interest in the research RFF is doing around the intersections of tax reform, energy policy and climate. Comments and questions welcome.

Best wishes,
Kristin Hayes
Center Manager, Center for Climate and Electricity Policy, RFF

Tax Reform: Impact on U.S. Energy Policy

**Testimony of Philip R. Sharp
Prepared for the U.S. Senate Committee on Finance
June 12, 2012**

Chairman Baucus, thank you for the opportunity to be here today. For the record, I am president of Resources for the Future (RFF), a 60-year-old research institution based in Washington, DC, that focuses on energy, environmental, and natural resource issues. RFF neither lobbies nor takes institutional positions on specific legislative or regulatory proposals.

I emphasize that my views today are my own, and not those of Resources for the Future. I have included in an appendix, however, some related key studies and forthcoming research from RFF.

My purpose today is simply to provide background on the status of national energy policy and not to advise you on the myriad decisions faced by your committee. Much of what I say will not be new to the members of this committee who for years have been engaged on energy issues.

In the United States, energy production, distribution, and consumption have major implications for our economic prosperity, our national security, and the health and safety of the environment on which our lives depend. Our energy markets are vital to our economic wellbeing; they are vast—some global in scope, creating major national security concerns—and they can create major risks to health and safety.

At the global level, energy markets face major challenges. Population growth and rapid economic growth in major developing economies add significantly to the global demand for more energy, to the scramble for resources, and to the degradation of the environment. These markets periodically face the threat of military or political disruption. And scientists tell us that human activities are at such a scale that we are collectively changing the chemistry of the oceans and atmosphere and indeed the earth's climate system.

U.S. Policymaking

Whenever the Congress undertakes major legislation on energy issues, it is besieged by groups arguing for proposals to advance a variety of goals, many of which conflict with one another. There is always a major clash of ideas, of values, and of economic interests. This is one of the committees where those clashes come home to roost as everyone here is painfully aware.

Invariably, major energy legislation is a collection of provisions—a package of compromises that are not necessarily consistent and not necessarily the most cost-effective means to advance intended goals. Indeed, some are undoubtedly

counterproductive. The results are always unsatisfying to many Americans and lead to the often heard claim that we “lack an energy policy.”

In truth, we have a host of energy policies, especially with the adoption of so-called comprehensive energy bills in 2005 and 2007 and the stimulus package of 2009. This committee certainly has played a major role in creating various policies.

I daresay, not since the 1970s has there been as much effort by the government to reshape our energy markets as there has been in this last decade.

It is worth noting, however, that there has remained for decades a core principle or cornerstone of U.S. policy: an overwhelming reliance on private capital to produce and distribute the energy we need. Many citizens participate in this investment through their pension plans and other investment activities.

Most energy policies, such as tax credits, are attempts to change the behavior of consumers and/or investors. The success of a policy at any given time depends upon many other influences facing consumers and investors, including, among the most important factors, the prices of our major fuel sources: coal, oil, and natural gas.

Given the major fiscal crisis this country faces, there is great pressure to rethink current tax and appropriations policies and little room for any new provisions that further cost the treasury. A major question that must always be asked about each provision is whether it generates new activity in the public interest or just picks up the tab for stuff that would have happened anyway.

In some areas, the law restricts actions or mandates the improvement of products or fuels with major effect—such as the renewable fuel standard, as well as CAFE and appliance standards. The continuing question is whether these measures are cost effective, as well as whether they might be better designed for greater effectiveness

At the end of the day, we need to periodically review the wide variety of incentives and mandates to assess whether they are cost-effectively achieving the intended results.

While tax provisions and appropriations certainly can be very important in the development of a new technology or a fuel struggling to gain a foothold in our competitive markets, they remain, on the whole, a small proportion of the annual sums invested in production and infrastructure. In short, when provisions are adopted, they are seldom guaranteed to be successful and often disappoint proponents in their effectiveness because of the vast array of consumer decisions and investor decisions that constitute the market. This is not to say that such provisions are not important.

Our Changing Energy Picture

In the last decade we have witnessed dramatic changes in America’s energy picture:

- A raft of new technologies has entered the marketplace in virtually every sector of production, distribution and use.
- Dramatic new supplies of natural gas—shale gas—are being produced.
- Our dependence on foreign oil has seen significant decline as a result of added oil production (primarily tight oil), improved vehicle efficiency, and a major increase in ethanol use. The expectation is for the decline to continue.
- Carbon dioxide emissions are in decline not only as a result of the economic slow-down but also because of heightened efficiency and a change in our fuel mix, especially in the electric sector. The expectation is that our emissions growth ahead will be modest.

These changes were driven by several factors:

- *The significant rise in the price of natural gas at the beginning of decade and of oil a few years later.* As with past price rises, consumers and investors find ways to produce more and use less of the higher-cost fuel, and governments respond with new efforts to advance alternatives to oil and improve efficiency.

We have witnessed major price swings several times over the last four decades and each time have seen major changes in consumer, investor, and government behavior.

Invariably, there are arguments over how the government might be able to prevent the big swings up, or even down.

Given the size of these markets, government policy is very unlikely to prevent such swings; certainly, our experience with oil and natural gas price controls was not a good one.

- *Entrepreneurial risk taking.* Incentivized by high prices and in some cases government policy, some entrepreneurs defied the conventional wisdom about what is possible. This was particularly the case with respect to shale gas development, but it also applies in many other areas of renewable energy and energy-efficiency technologies.
- *Decades of private and public research on a host of technologies,* including solar, wind, fuel efficiency, advanced vehicles, digitization of the electric grid, and advanced nuclear reactor designs to provide but a partial list.

- *A variety of state and federal policies that promoted market adoption of more efficient technologies and practices as well as renewable and alternative fuels.*

It is very important to recognize that many of these developments defy views that were widely held at the beginning of the decade: the dramatic rise in natural gas and oil prices, the development of shale gas, the marketing of hybrid vehicles, the reduction in oil imports, the decline in carbon emissions, the licensing of a nuclear plant, and so on.

During the last 40 years, we have witnessed a number of big developments not anticipated by industry, government, or academia, which is a major caution about grand plans by government or anyone else. And certainly these unanticipated developments are another reason that policies need serious reassessment periodically.

In many respects, these developments of the last decade are very positive. The picture, of course, is also marred by the terrible explosions at the Macondo well in the Gulf of Mexico and at the nuclear plants in Fukushima. These were painful reminders that the scale of our energy operations entails major risks. And with respect to global warming, neither our government nor much of the international community has yet found a strong path forward. But most of the major economies, including China, are actively engaged in some kind of efforts to reduce the projected growth in greenhouse gas emissions.

Challenges of the New Natural Gas Supply

Perhaps the singular most significant development of the last decade is the new natural gas supply. It has the potential to generate major economic benefits for the nation. At the same time, it generates a number of uncertainties and challenges:

- Industry and government must work through a number of issues—water, air, methane leakage—to assure responsible development. See the National Petroleum Study on Responsible Development in the appendix.

The public discussion has been exceedingly stormy, making it difficult for many citizens to sort out the real risks from imaginary ones. At RFF, we are currently conducting a widespread survey of knowledgeable people inside and outside of industry to ascertain how experts assess the relative risks of various stages of development and production of shale gas.

- How fast this major new resource will develop is not altogether clear, nor is what kind of price volatility to expect, given the limited experience with developing and marketing this resource. Already we see shrinkage in shale gas production as the excess supply has driven down gas prices and drillers have focused on more lucrative tight oil and gas wells with associated liquids.

- The new gas supply is creating major adjustments in the planning and investment for virtually all other major fuel sources.

The near term impact of lower natural gas supplies has been to change the way electric utilities are using their current generating capacity—using more gas and less coal. In the longer run, the supply picture is changing the calculations used by utility companies and state regulators to assess new facilities and the various tradeoffs among coal, nuclear, renewables, and natural gas.

- With respect to greenhouse gases, there is some dispute over how much methane leakage occurs in the course of current development activities and to what extent this can be mitigated.

The larger question is of its impact in replacing other fuels in our energy mix. To the extent, for example, that it replaces coal in our electric generation, it is clearly beneficial with regard to carbon dioxide emissions. To the extent it replaces nuclear or renewable sources, it is likely to increase, rather than decrease, the carbon intensity of our energy mix. It also has the potential to work well with renewables, helping solve the intermittency problem of wind and solar.

The Possibility of Significant Tax Reform

If this committee and the Congress (in the next session I presume) want to attempt a major overhaul of the tax code of the magnitude as great or greater than last achieved in 1986, the challenges are major, as you know better than most of us. How to address the critical need to get America's fiscal house in order? How to reshape the code to better support economic growth in a highly competitive world? How to address the conflicting views over what is fair?

Many reformers advocate simplification, elimination of most of the deductions or tax preferences, and rate reductions. On paper this may add up, but in practice it is obviously considerably more difficult.

To achieve significant reform that focuses on economic progress and efficiency, the committee may want to consider some version of a carbon tax with revenues dedicated to cutting other taxes that impede economic growth.

I need to repeat that RFF does not take a position on this or other issues, and I am not here to say that this is the only choice we have for addressing greenhouse gas emissions. But it is a choice that many economists believe is the most cost-effective way for the United States to address the carbon problem.

A carbon tax has several features that make it attractive from an economic perspective and, from the committee's point of view, maybe an avenue to enable the transformation of the tax code. Of course, the devil and the angels are in the details.

- It is a policy that fits well with market economics.
- It could generate revenue that, if recycled into the economy by cutting so called "distortionary taxes," has the potential for contributing to economic growth rather than being a depressant.
- It has many design options that make it possible to address a variety of the concerns expressed about carbon policy, such as the impact on trade-sensitive industries.
- It could begin modestly and rise over time, permitting adjustment.
- It could reduce the need for more extensive subsidies and regulations to address the climate problem.

However, I think it is obvious that a carbon tax proposal is not ready for prime time. Indeed, there is a clear need for greater analysis, more consideration of design options, and extensive vetting with various sectors of the economy.

At RFF, our scholars have spent a great deal of time assessing the costs and effectiveness, design options, as well as the regional impacts of major climate and energy policy proposals and actions at the state and federal levels, as well as those of foreign governments, including various cap-and-trade systems, alternative paths under the Clean Air Act, and clean energy standards. We are now doing the same type of analysis of carbon tax proposals.

Our folks stand ready to discuss this work with policymakers of all points of view.

Thank you again for the opportunity to speak today.

Appendix: Further Reading

America's Climate Choices | The National Research Council | The National Academies Press | 2011

http://www.nap.edu/catalog.php?record_id=12781

Direct Federal Financial Interventions and Subsidies in Energy in Fiscal Year 2010 | Energy Information Administration | July 2011

Energy Tax Policy: Historical Perspectives on and Current Status of Energy Tax Expenditures | Molly F. Sherlock | Congressional Research Service | May 2011

Energy Tax Policy: Issues in the 112th Congress | Molly F. Sherlock and Margot L. Crandall-Hollick | Congressional Research Service | March 2012

Estimates of Federal Tax Expenditures for Fiscal Year 2011-2015 | Joint Committee on Taxation | January 2012 |

<https://www.jct.gov/publications.html?func=startdown&id=4386>

Prudent Development: Realizing the Potential of North America | The National Petroleum Council | September 2011 | <http://www.npc.org/NARD-ExecSummVol.pdf>

Reforming US Energy Policy to Better Address Market Failures | Ian Parry and Dirk Heine | International Monetary Fund | Unpublished Manuscript

The Variability of Potential Revenue from a Tax on Carbon | Karen Palmer, Anthony Paul and Matt Woerman | Resources for the Future | May 2012

<http://www.rff.org/RFF/Documents/RFF-IB-12-03.pdf>

Toward a New National Energy Policy: Assessing the Options | Alan Krupnick, Ian Parry, Margaret Walls, Tony Knowles, and Kristin Hayes | Resources for the Future, National Energy Policy Institute | September 2010

http://www.rff.org/Documents/RFF-Rpt-NEPI%20Tech%20Manual_Final.pdf

From: [Jaffe, Judson](#)
To: [Metcalf, GilbertDisabled](#)
Subject: RE: legislation
Date: Monday, August 20, 2012 9:27:00 AM
Attachments: [BILLS-112hr6338ih.pdf](#)

The full text is now available.

Judson Jaffe
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From: Metcalf, Gilbert
Sent: Monday, August 20, 2012 9:23 AM
To: Jaffe, Judson
Subject: RE: legislation

Interesting. This approach is similar in spirit to an idea I proposed in a paper a few years ago on how a price based approach could be modified to account for quantity targets.

Gilbert E. Metcalf
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From: Jaffe, Judson
Sent: Friday, August 03, 2012 9:13 AM
To: Metcalf, Gilbert
Subject: RE: legislation

Here's a section by section summary of the bill from Congressman McDermott's website. The text of the legislation still is not available from his website or from Thomas/GPO. I'll keep looking...

<http://thomas.loc.gov/cgi-bin/bdquery/D?d112:30:./temp/~bdydst:./bss/>

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From: Metcalf, Gilbert
Sent: Thursday, August 02, 2012 10:46 AM
To: Jaffe, Judson
Subject: legislation

Can you get a copy of this?

McDERMOTT TO INTRO CARBON TAX LEGISLATION: Rep. Jim McDermott (D-Wash.) will introduce a bill today to create a carbon tax that he says will create incentives for long-term changes in the U.S. energy market without harming the economy, and in fact, providing much needed revenues. McDermott: In politics, "you plant seeds. You put ideas out there and you let people think about" it, he said. "If someone has a better idea, I'm willing to consider it. I think that when we come back in January, we talk about tax reform, I don't want it to be thrown on the table" at the last minute. "So I'm putting it out there as a think-piece.'

Gilbert E. Metcalf
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112TH CONGRESS

2D SESSION H. R. 6338

To amend the Internal Revenue Code of 1986 to reduce greenhouse gas emissions by requiring a Federal emission permit for the sale or use of covered substances, reduce the deficit, and return funds to the American people.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 2, 2012

Mr. MCDERMOTT (for himself, Mr. BLUMENAUER, Mr. STARK, Mr. LARSON of Connecticut, and Mr. RANGEL) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to reduce greenhouse gas emissions by requiring a Federal emission permit for the sale or use of covered substances, reduce the deficit, and return funds to the American people.

1 Be it enacted by the Senate and House of Representa2
tives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “Managed Carbon Price
5 Act of 2012”.

2

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1 SEC. 2. GREENHOUSE GAS EMISSION SUBSTANCES.

2 (a) IN GENERAL.—The Internal Revenue Code of

3 1986 is amended by adding at the end the following:

4 “Subtitle L—Greenhouse Gas

5 Emission Substances

“Sec. 9901. Condition precedent to sale or use of greenhouse gas emission substance.

“Sec. 9902. Federal emission permit.

“Sec. 9903. Definitions.

“Sec. 9904. Information reporting requirements.

“Sec. 9905. Regulations.

6 “SEC. 9901. CONDITION PRECEDENT TO SALE OR USE OF

7 GREENHOUSE GAS EMISSION SUBSTANCE.

8 “(a) IN GENERAL.—No covered person may sell any

9 greenhouse gas emission substance except pursuant to a

10 Federal emission permit for each carbon dioxide equiva11

12 lent that the Administrator of the Environmental Protec12

13 tion Agency determines would be emitted from the com13

14 bustion or other greenhouse gas emitting use of such sub14

15 stance.

16 “(b) COVERED PERSON.—For purposes of this sub16

17 title, the term ‘covered person’ means—

18 “(1) in the case of coal (including lignite and

18 peat) produced from a mine in the United States,
19 the producer of such coal,
20 “(2) in the case of crude oil or petroleum prod21
ucts received at a United States refinery, the oper22
ator of the United States refinery,

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1 “(3) in the case of natural gas, the first seller
2 of such natural gas,
3 “(4) in the case of any greenhouse gas emission
4 substance not described in paragraph (1), (2), or (3)
5 produced in the United States, the producer of such
6 substance, and
7 “(5) in the case of any greenhouse gas emission
8 substance entered into the United States for con9
sumption, use, or warehousing, the person entering
10 such substance for consumption, use, or warehous11
ing.

12 “(c) USE TREATED AS SALE.—

13 “(1) IN GENERAL.—If any person uses a green14
house gas emission substance before the first retail
15 sale of such substance, then such person shall be lia16
ble for the purchase of a Federal emission permit
17 under section 9902 in the same manner as if such

18 substance were sold at retail on the date of such use
19 by such person pursuant to a Federal emission per20
mit.

21 “(2) EXEMPTION FOR USE IN FURTHER MANU22

FACTURE.—Paragraph (1) shall not apply to use of

23 a greenhouse gas emission substance as material in

24 the manufacture or production of, or as a component

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1 part of, another article to be manufactured or pro2

duced by such person.

3 “(d) EXCEPTIONS.—Subsection (a) shall not apply

4 to—

5 “(1) a greenhouse gas emission substance to be

6 used for noncombustion agricultural purposes, or

7 “(2) a greenhouse gas emission substance with

8 respect to which a Federal emission permit has pre9

viously been purchased.

10 “(e) IMPORTATION OF CARBON INTENSIVE GOODS.—

11 “(1) GREENHOUSE GAS EMISSION PERMIT

12 EQUIVALENCY FEES.—The Secretary shall impose a

13 greenhouse gas emission permit equivalency fee on

14 imports of carbon intensive goods that shall be

15 equivalent to the cost that domestic producers of

16 comparable carbon intensive goods incur as a result
17 of—
18 “(A) permit fees paid by covered persons
19 for greenhouse gas emission substances under
20 this section, and
21 “(B) greenhouse gas emission permit
22 equivalency fees paid by importers of carbon in23
tensive goods used in the production of the
24 comparable carbon intensive goods in question.

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1 “(2) EXPIRATION.—Paragraph (1) and 6433(b)
2 shall cease to have effect at such time as and to the
3 extent that—
4 “(A) an international agreement requiring
5 countries that emit greenhouse gases and
6 produce carbon intensive goods for international
7 markets to adopt equivalent measures comes
8 into effect, and
9 “(B) the country of export has imple10
mented equivalent measures, and the actions
11 provided for by paragraph (1) and 6433(b) are
12 no longer appropriate.
13 “SEC. 9902. FEDERAL EMISSION PERMIT.

14 “(a) IN GENERAL.—The Secretary shall, subject to
15 subsection (d), issue Federal emission permits, as provided
16 for in this subtitle. A Federal emission permit may only
17 be obtained upon making payment to the Secretary.

18 “(b) RULES RELATING TO PERMITS.—For purposes
19 of this subtitle—

20 “(1) Each Federal emission permit shall be de21
nominated in one-quarter carbon dioxide equivalents.

22 “(2) A Federal emission permit may only be
23 purchased within fourteen calendar days before or
24 after a greenhouse gas emission substance is pro-

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1 duced or entered into the United States, as the case
2 may be.

3 “(3) Except as provided in subsection (a), a
4 Federal emission permit may not be sold, exchanged,
5 or otherwise transferred.

6 “(c) PERMIT PRICE.—

7 “(1) IN GENERAL.—The Secretary, after con8
sultation with the Administrator of the Environ9
mental Protection Agency and the Secretary of En10
ergy, shall establish the price of obtaining a Federal
11 emission permit for a calendar year based on a de12

termination of the dollar amount necessary to meet
13 the emissions reductions targets specified in sub14
section (d).

15 “(2) 5-YEAR PRICE SCHEDULE.—

16 “(A) IN GENERAL.—Not later than Janu17

ary 1, 2014, the Secretary shall publish a

18 schedule of the prices determined under para19

graph (1) for obtaining a Federal emission per20

mit during each of the five years from 2015 to

21 2019. The Secretary shall publish the price for

22 obtaining a Federal emission permit in each

23 year after 2018 no later than five years before

24 January 1 of the applicable year.

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1 “(B) REDUCTION IN PRICE IF TARGET RE2

DUCTIONS BEING EXCEEDED.—If the Secretary

3 determines—

4 “(i) that greenhouse gas emissions are

5 being reduced at a rate that exceeds the

6 reduction expected in national greenhouse

7 gas emissions for the year, and

8 “(ii) that the Federal permit price can

9 be reduced while still attaining the national

10 greenhouse gas emission target reductions
11 specified in subsection (d) for the year,
12 the Secretary may, at any time before the be13
ginning of the year, reduce the Federal permit
14 price for that year.

15 “(3) INCREASE IN PRICE IF TARGET REDUC16
TIONS NOT BEING MET.—If the Secretary deter17
mines that the reduction of greenhouse gas emis18
sions is failing to meet the target reductions speci19
fied in subsection (d) for a year in such period, the
20 Secretary may increase the Federal permit price for
21 permits no earlier than 2 years after the year for
22 which the determination is made.

23 “(4) MAXIMUM AND MINIMUM PRICE.—

24 “(A) IN GENERAL.—Not later than Janu25
ary 1, 2021, and every 10 years thereafter, the

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1 Secretary, after consultation with the Adminis2
trator of the Environmental Protection Agency
3 and the Secretary of Energy, shall publish a
4 10-year schedule of the minimum and max5
imum prices for Federal emissions permits.

6 “(B) PRICES SPECIFIED.—The maximum

7 and minimum price for a Federal emission per8
mit issued by the Secretary in a year may not
9 be below the minimum price or the maximum
10 price for the corresponding year specified in the
11 following table:

“Year: Minimum Price is: Maximum Price is:

2015	\$6.25	\$18.75
2016	\$18.75	\$31.25
2017	\$31.25	\$43.75
2018	\$43.75	\$56.25
2019	\$56.25	\$68.75
2020	\$68.75	\$82.25
2021	\$81.25	\$93.75
2022	\$93.75	\$106.25
2023	\$106.25	\$118.75
2024	\$118.75	\$131.25.

12 “(C) ADJUSTMENT FOR INFLATION.—In
13 the case of any calendar year beginning after
14 2015, each dollar amount contained in the table
15 in subparagraph (B) shall be increased by an
16 amount equal to—
17 “(i) such dollar amount, multiplied by
18 “(ii) the cost of living adjustment de19
terminated under section 1(f)(3) for the cal20
endar year, determined by substituting

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1 'calendar year 2014' for 'calendar year

2 1992' in subparagraph (B) thereof.

3 "(d) NATIONAL LIMITATION.—

4 "(1) TARGETS.—For purposes of this section—

5 "(A) 2015 THROUGH 2019.—The average

6 emissions for the period 2015 through 2019

7 shall be no more than the carbon dioxide

8 equivalents emitted in the United States in

9 2005.

10 "(B) 2025 THROUGH 2029.—The average

11 emissions for the period 2025 through 2029

12 shall be no more than 70 percent of the carbon

13 dioxide equivalents emitted in the United States

14 in 2005.

15 "(C) 2035 THROUGH 2039.—The average

16 emissions for the period 2035 through 2039

17 shall be no more than 50 percent of the carbon

18 dioxide equivalents emitted in the United States

19 in 2005.

20 "(D) 2045 THROUGH 2049.—The average

21 emissions for the period 2045 through 2049

22 shall be no more than 30 percent of the carbon

23 dioxide equivalents emitted in the United States

24 in 2005.

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1 “(E) 2055 THROUGH 2059.—The average

2 emissions for the period 2055 through 2059

3 shall be no more than 20 percent of the carbon

4 dioxide equivalents emitted in the United States

5 in 2005.

6 “(2) DETERMINATION OF 2005 LEVELS.—For

7 purposes of subparagraph (A), the number of metric

8 tons of carbon dioxide equivalents emitted in the

9 United States in 2005 shall be the number deter10

mined under section 1605(a) of the Energy Policy

11 Act of 1992 and published by the Energy Informa12

tion Administration.

13 “(e) REPORT.—

14 “(1) IN GENERAL.—Not later than the second

15 March 1 after the date of the enactment of the Man16

aged Carbon Price Act of 2012, and annually there17

after, the Secretary shall publish a report describ18

ing—

19 “(A) the extent to which the United States

20 greenhouse gas emission limitations specified

21 under subsection (d) are being achieved,

22 “(B) the United States greenhouse gas

23 emission permits sold during the previous cal24

endar year and the impact of the number of

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1 such permits on greenhouse gas emissions in

2 the United States, and

3 “(C) the total greenhouse gas emissions

4 worldwide for the previous calendar year in re5

lation to such emissions for 2005.

6 “(2) REPORT DETAILS.—Such report shall in7

clude—

8 “(A) an explanation of the methodology

9 and assumptions the Secretary has used in es10

tablishing prices under this section, and

11 “(B) an estimation, or range of esti12

mations, of the price of permits for the 10-year

13 period following the current prices published

14 under subsection (c).

15 “SEC. 9903. DEFINITIONS.

16 “(a) IN GENERAL.—For purposes of this subtitle—

17 “(1) ADMINISTRATOR.—The term ‘Adminis18

trator’ means the Administrator of the Environ19

mental Protection Agency.

20 “(2) CARBON DIOXIDE EQUIVALENT.—The

21 term ‘carbon dioxide equivalent’ means, for each

22 greenhouse gas emission substance, the quantity of

23 the greenhouse gas emission substance that the Ad24

administrator determines makes the same contribution

25 to global warming as 1 metric ton of carbon dioxide.

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1 “(3) GREENHOUSE GAS EMISSION SUB2

STANCE.—The term ‘greenhouse gas emission sub3

stance’ means—

4 “(A) coal (including lignite, peat, and de5

rivatives of coal), to be used as a combustion

6 fuel,

7 “(B) petroleum and any petroleum prod8

uct, to be used as a combustion fuel,

9 “(C) natural gas (including the gasses re10

leased as a result of flaring or venting such nat11

ural gas),

12 “(D) methane,

13 “(E) nitrous oxide,

14 “(F) sulfur hexafluoride,

15 “(G) a perfluorocarbon,

16 “(H) a hydrofluorocarbon, and
17 “(I) any other substance that is deter18
mined by the Administrator to contribute to
19 global warming to a nonnegligible degree.
20 “(4) FEDERAL EMISSION PERMIT.—The term
21 ‘Federal emission permit’ means a permit required
22 under section 9901.
23 “(5) CARBON INTENSIVE GOOD.—The term
24 ‘carbon intensive good’ means—

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1 “(A)(i) iron, steel, any steel mill product
2 (including pipe and tube), aluminum, cement,
3 glass (including flat, container, and specialty
4 glass and fiberglass), pulp, paper, chemicals,
5 and industrial ceramics, and
6 “(ii) any other manufactured product that
7 the Secretary determines—
8 “(I) is sold for purposes of further
9 manufacture, and
10 “(II) generates, in the course of the
11 manufacture of the product, direct and in12
direct greenhouse gas emissions that are
13 comparable (on an emissions per dollar of

14 output basis) to emissions generated in the
15 manufacture or production of a good identified in clause (i), and
16
17 “(B) a manufactured item in which one or
18 more goods identified under subparagraph (A)
19 are inputs and the cost of production of which
20 in the United States the Secretary determines
21 is significantly increased by this subtitle.

22 “(6) PETROLEUM PRODUCT.—The term ‘petroleum
23 leum product’ has the meaning given such term in
24 section 4612(a)(3).

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1 “(b) IDENTIFICATION OF CARBON INTENSIVE
2 GOODS.—The determinations by the Secretary required by
3 subsection (a)(5) shall be by rule.

4 “(c) PUBLICATION OF SCHEDULE.—Not later than
5 one year after the date of the enactment of the Managed
6 Carbon Price Act of 2012, the Administrator, in consultation
7 with the Secretary and the Secretary of Energy, shall
8 publish a schedule listing each greenhouse gas emission
9 substance and the quantity of each substance required to
10 make 1 metric ton of carbon dioxide. The Administrator,
11 in consultation with the Secretary and the Secretary of

12 Energy, may update such schedule from time to time.

13 “SEC. 9904. INFORMATION REPORTING REQUIREMENTS.

14 “Secretary may solicit information from covered per15
sons regarding estimated future use of greenhouse gas
16 emissions substances.

17 “SEC. 9905. REGULATIONS.

18 “The Secretary shall issue such regulations as may
19 be necessary or appropriate to carry out this subtitle, in20
cluding regulations relating to the timely and efficient
21 issuance of permits and collection of payments for such
22 permits.”.

23 (b) REFUND OF FEDERAL EMISSION PERMIT FEE.—

24 Subchapter B of chapter 65 of such Code is amended by
25 adding at the end the following new section:

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1 “SEC. 6433. REFUNDS OF FEDERAL EMISSION PERMIT FEE
2 FOR CERTAIN USES.

3 “(a) IN GENERAL.—If a Federal emission permit has
4 been acquired with respect to a greenhouse gas emission
5 substance pursuant to section 9902 and the acquirer of
6 such permit uses such substance in a manner that will
7 make a negligible or no contribution to global warming,
8 as determined by the Secretary in consultation with the

9 Administrator of the Environmental Protection Agency,
10 the Secretary shall pay (without interest) to the acquirer
11 of such substance pursuant to such permit an amount
12 equal to the amount paid for the applicable Federal emis13
sion permit.

14 “(b) PAYMENTS TO EXPORTERS.—The Secretary
15 shall pay (without interest) to the exporter of a carbon
16 intensive good (as defined in section 9903(5)) produced
17 in the United States an amount equal to the cost that
18 domestic producers of such carbon intensive goods incur
19 as a result of—

20 “(1) the dollar amount paid by covered persons
21 for Federal emission permits for greenhouse gas
22 emission substances under this section 9902, and

23 “(2) greenhouse gas emission permit equiva24
lency fees paid under section 9901(e) by importers
25 of carbon intensive goods used in the production of
26 the comparable carbon intensive goods in question.”.

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1 (c) FAILURE TO OBTAIN PERMIT.—Chapter 38 of
2 the Internal Revenue Code of 1986 is amended by adding
3 at the end the following new subchapter:
4 “Subchapter E—Greenhouse Gas Emission

5 Substances

“Sec. 4691. Greenhouse gas emission substances.

6 “SEC. 4691. GREENHOUSE GAS EMISSION SUBSTANCES.

7 “(a) IMPOSITION OF TAX.—There is hereby imposed

8 on any covered person who fails to obtain a Federal emis9

sion permit pursuant to subtitle L a tax equal to 100 per10

cent of the dollar amount of the fee that would have been

11 charged for such permit but for such failure.

12 “(b) COVERED PERSON.—The term ‘covered person’

13 has the meaning given such term by section 9901(b).

14 “(c) FEDERAL EMISSION PERMIT.—The term ‘Fed15

eral emission permit’ means a permit required under sec16

tion 9901.

17 “(d) COORDINATION.—The tax imposed under this

18 section is in addition to the fee imposed under subtitle

19 L.”.

20 (d) ESTABLISHMENT OF ENERGY AND ECONOMIC

21 SECURITY TRUST FUND.—

22 (1) FINDING.—The Congress finds that revenue

23 generated from the sale of Federal emission permits

24 must be recycled into the American economy—

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1 (A) to facilitate economic growth and clean

2 energy production, and

3 (B) to protect the economic security of

4 American families and communities.

5 (2) ESTABLISHMENT OF TRUST FUND.—Sub6

chapter A of chapter 98 of such Code (relating to

7 trust fund code) is amended by adding at the end

8 the following:

9 “SEC. 9512. ENERGY AND ECONOMIC SECURITY TRUST

10 FUND.

11 “(a) CREATION OF TRUST FUND.—There is estab12

lished in the Treasury of the United States a trust fund

13 to be known as the ‘Energy and Economic Security Trust

14 Fund’ (referred to in this section as the ‘Trust Fund’),

15 consisting of such amounts as may be appropriated or

16 credited to the Trust Fund as provided in this section or

17 section 9602(b).

18 “(b) TRANSFERS TO TRUST FUND.—There is hereby

19 appropriated to the Trust Fund an amount equivalent to

20 75 percent of the amounts received in the Treasury pursu21

ant to subtitle L. The remaining 25 percent of such

22 amounts shall be retained in the Treasury for deficit re23

duction.

24 “(c) EXPENDITURES FROM TRUST FUND.—

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1 “(1) IN GENERAL.—The Secretary shall pay
2 monthly from the Trust Fund the dividend amount
3 to each taxpayer.

4 “(2) DIVIDEND AMOUNT.—For purposes of
5 paragraph (1), the term ‘dividend amount’ means
6 the sum of—

7 “(A)(i) in the case of the taxpayer filing a
8 joint return, the individual share for the hus9
band and the individual share for the wife, and

10 “(ii) in the case of a taxpayer other than
11 a taxpayer described in subparagraph (A), the
12 individual share, and

13 “(B) in the case of an individual who is a
14 dependent (as defined in section 152) of the
15 taxpayer, $\frac{1}{2}$ of the individual share.

16 For purposes of subparagraph (B), not more than 2
17 dependents may be taken into account for each tax18
payer.

19 “(3) INDIVIDUAL SHARE.—For purposes of this
20 subsection, the term ‘individual share’ means the
21 amount determined by the Secretary by dividing the
22 total amount deposited in the Trust Fund for the
23 month by the total number of individual shares pay24
able at the end of such month.

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1 “(4) LIMITATION.—For purposes of this sub2
section—

3 “(A) IN GENERAL.—No amount is payable
4 under this subsection with respect to an indi5
vidual unless the individual is a qualified indi6
vidual.

7 “(B) QUALIFIED INDIVIDUAL.—The term
8 ‘qualified individual’ means an individual who is
9 a lawful resident of the United States on the
10 date of such payment. For purposes of ensuring
11 that payments are made under this subsection
12 to all qualified individuals, the Secretary shall
13 consult with such other Federal and State offi14
cials as the Secretary determines necessary or
15 appropriate.

16 “(C) UNITED STATES.—For purposes of
17 subparagraph (B), the United States includes
18 the District of Columbia, the Commonwealth of
19 Puerto Rico, the Virgin Islands, Guam, Amer20
ican Samoa, and the Commonwealth of the
21 Northern Mariana Islands.”.

22 (e) CONFORMING AND CLERICAL AMENDMENTS.—

23 (1) The table of subchapters for chapter 38 of

24 such Code is amended by adding at the end the fol25

lowing new item:

“SUBCHAPTER E. GREENHOUSE GAS EMISSION SUBSTANCES.”.

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1 (2) The table of subtitles for the Internal Rev2

enue Code of 1986 is amended by adding at the end

3 the following new item:

“Subtitle L. Greenhouse Gas Emission Substances.”.

4 (3) The table of sections for subchapter B of

5 chapter 65 of such Code is amended by adding at

6 the end the following new item:

“Sec. 6433. Refunds of Federal emission permit fee for certain uses.”.

7 (4) The table of sections for subchapter A of

8 chapter 98 of such Code is amended by adding at

9 the end the following:

“Sec. 9512. Energy and Economic Security Trust Fund.”.

10 (f) EFFECTIVE DATE.—The amendments made by

11 this section shall apply with respect to the sale of any

12 greenhouse gas emission substance after øDecember 31,

13 2013¿.

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From: [Jaffe, Judson](#)
To: [Metcalf, GilbertDisabled](#); [Hall, Daniel](#)
Subject: RE: NZ cap and trade
Date: Sunday, March 25, 2012 10:30:01 PM
Attachments: [NZ ETS Summary.docx](#)

Gib,

Here are some summary points. I'll be on email tomorrow morning, so let me know if you have any follow-up questions before your meeting.

Jud

-----Original Message-----

From: Metcalf, Gilbert
Sent: Friday, March 23, 2012 8:17 PM
To: Jaffe, Judson; Hall, Daniel
Subject: NZ cap and trade

Can one of you shoot me an email with a brief summary of NZ's cap and trade program by Monday morning? I am particularly interested in any unique wrinkles to their program (if any). I am meeting with their climate change special envoy Monday at 9:30 and want to be vaguely conversant with it. Apologies for the late tasking but the meeting got set up today.

Thanks.

Gib

Gilbert E. Metcalf
Deputy Assistant Secretary
For Environment & Energy
US Treasury

Summary Points Re: New Zealand's Emissions Trading Scheme

- Timeline of coverage (current timeline, as amended in 2009):
 - 2008: Forestry first covered (allowances granted for afforestation, and compliance obligations for deforestation). Note that NZ credits the program with shifting NZ from net deforestation to net afforestation.
 - July 2010: Transportation, stationary energy (including electricity and natural gas), and industry first covered. Electricity contributes relatively little to NZ's GHG emissions, as <5% and ~20% of electricity generation comes from coal and natural gas, respectively.
 - January 2013: Waste and synthetic greenhouse gases covered.
 - January 2015: Agriculture covered. About 50% of NZ's GHG emissions come from agriculture.
- 2009 amendments in response to the economic downturn, include, among others:
 - A "transition phase" through year-end 2012, including, among other things:
 - Option to buy unlimited allowances from the government at \$25 (price cap).
 - A compliance obligation of one allowance for every two tons of emissions (rather than one for one), effectively cutting demand in half.
 - Output-based allocations to certain trade-exposed sectors (including industry and agriculture).
 - Deferral of agriculture's inclusion under the ETS from 2013 to 2015.
- Free allocations:
 - Neither the transportation nor energy sector receives free allocations.
 - Energy-intensive trade-exposed industries do receive annual output-based free allocations at one of two levels (60% or 90% of benchmark emission-intensity) depending on how emission-intensive they are. As such, there is not a cap on total allocations. While industry traditionally viewed as energy-intensive receives many of the allowances (e.g., aluminum, steel, cement, pulp and paper), allowances have also been provided to a variety of other industries (e.g., tomato hothouses, protein meal)
 - One-time allocations have been provided to: (1) those owning pre-1990 forested areas, as they face a compliance obligation if they deforest their land; and (2) those owning fishery quotas, whose value may decline due to higher fuel prices.

- It does not appear that any allowances are auctioned. In addition to free allocations, a significant share of the allowance supply appears to come from issuance of allowances for afforestation.
- In addition to using domestically issued allowances, participants can meet their compliance obligations by using CDM and JI credits (CERS and ERUs).
- In June 2011, a statutorily required review was completed.
 - Among its many recommendations were to extend the transition measures that are scheduled to expire at the end of 2012 by:
 - Gradually phasing in the one-for-one compliance obligation through 2015 (from the current transition requirement of one allowance per two tons of emissions), rather than immediately at the end of 2012.
 - Raise the price of allowances available from the government by \$5 annually, until it reaches \$50 in 2017, rather than eliminating entirely the option to buy allowances at \$25 at year-end 2012.
 - The review also noted that many market participants emphasized uncertainty about the future of the system, including whether, when, and how transition measures would, in fact, be lifted, and uncertainty about future carbon prices.
 - See page 85 of the review (2nd link below) for a complete summary list of recommendations.
- There has been just one compliance true-up (or “surrender period”) since the major GHG-emitting sectors were first covered, and this only covered their emissions during 2H2010. Nearly 2/3rds of the allowances surrendered were generated from the forestry sector.
- Likely in part due to the transition rule of one allowance per two tons of emissions, the number of allowances freely allocated or issued to forestry for afforestation appears to have significantly exceeded the allowance compliance obligation to date.
- From 2005 to 2007, NZ was about 10% above its Kyoto target (i.e., its 1990 emission level). In 2008 and 2009, it was about 10% below that level.

Useful Links:

<http://www.climatechange.govt.nz/emissions-trading-scheme/building/reports/ets-report/ets-report-final.pdf>

<http://www.climatechange.govt.nz/emissions-trading-scheme/ets-review-2011/review-report.pdf>

From: [Dower, Tom \(Commerce\)](#)
To: [Metcalf, GilbertDisabled](#)
Subject: Re: Sen. Rockefeller speech
Date: Tuesday, July 17, 2012 10:24:16 AM
Attachments: [Senator Rockefeller Floor Statement on coal 062012.pdf](#)

It was nice catching up, Gib. Attached is the full floor statement as delivered. Enjoy!

From: Gilbert Metcalf <Gilbert.Metcalf@treasury.gov<<mailto:Gilbert.Metcalf@treasury.gov>>>
Date: Tuesday, July 17, 2012 8:40 AM
To: User <Tom_Dower@commerce.senate.gov<mailto:Tom_Dower@commerce.senate.gov>>
Subject: Sen. Rockefeller speech

Interesting speech. Did you write it? (just kidding)

Sen. Rockefeller doubles down on industry criticism

Manuel Quinones, E&E reporter

Published: Tuesday, July 17, 2012

Sen. Jay Rockefeller (D) is taking on a sacred cow in his home state of West Virginia, stepping up his criticism of the coal industry in recent interviews with various news outlets in the Mountaineer State.

The flurry of criticism has sparked speculation that Rockefeller may not seek a sixth term in 2014.

"I've just had it. I've had it," Rockefeller told West Virginia Public Broadcasting recently, referring to the industry's intense fight against Obama administration proposals to curb mine and power plant waste.

Rockefeller shocked colleagues and coal boosters with a speech last month ahead of a planned Senate vote to scrap a key U.S. EPA proposal aimed at power plant pollution ([Greenwire](http://www.eenews.net/Greenwire/2012/06/20/archive/2)<<http://www.eenews.net/Greenwire/2012/06/20/archive/2>>, June 20). He says the industry is not doing enough to modernize and adjust to a changing economic climate.

"Coal company operators deny that we need to do anything to address climate change despite the established scientific consensus and mounting national desire for a cleaner, healthier environment," he said on June 20 on the Senate floor. He also accused the industry of using scare tactics to get its way.

In more recent interviews, Rockefeller expressed pride in the speech, saying the subject had been gnawing at him for years. He casts his recent and very public comments as part of a calculated approach.

"I wanted to do it on the floor of the Senate," he said on public radio. "I wanted to make it as official as possible." To The Charleston Gazette he said, "I've never felt so proud about anything in my life."

Rockefeller says the coal industry needs to recognize economic factors like competition from natural gas and depleting Appalachian coal reserves for at least some of its decline. He says he has been trying to tell executives that things like cap and trade will some day be a reality.

In the public radio interview, Rockefeller recounted a speech to industry stakeholders in which he expressed some of his concerns -- what Rockefeller calls the truth as he sees it. "They didn't like," he said. "When I finished there wasn't a single applause. No two hands met."

"All they did was to complain about EPA and Obama," Rockefeller said about a follow-up meeting.

"That's all they did. Obama hates coal; we hate EPA."

Rockefeller has positioned himself as a believer in the need to deal with climate change while also wanting to boost his state's coal industry. He made a political turn in the 1970s after his opposition to strip mining contributed to his 1972 loss in his first race for governor (E&E Daily <<http://www.eenews.net/EEDaily/2011/01/18/archive/1>>, Jan 18, 2011). He was elected governor in 1976 and moved on to the Senate eight years later.

Coal industry advocates at the National Mining Association and the American Coalition for Clean Coal Electricity said they were not surprised by the June speech but were disappointed. ACCCE's policy senior vice president said, "I think the way he spoke about the coal producers was a bit of a surprise to us."

Industry leaders accuse the Obama administration of being too heavy-handed and not doing enough to promote coal. They say rules are making a tough situation worse. And they don't welcome Rockefeller's candor.

But West Virginia's senior senator has gotten even more blunt since the speech.

"That head in the sand stuff. They're not leveling with their miners, which is what really bothers me, because miners have the most to lose," he said. "I really resent when they pretend to speak on behalf of coal miners. They don't."

Rockefeller echoed environmental groups in calling for a more diversified economy for West Virginia, which is heavily dependent on coal mining. "Change is hard in West Virginia," he said. "Change doesn't come easy in West Virginia."

Rockefeller appeared to fault many lawmakers, especially Republicans, and his colleagues in the state's congressional delegation for feeling the need to be on the side of coal. "I've been guilty of that myself in some cases," he told West Virginia Public Broadcasting news director Beth Vorhees. "I've had it. I've had it."

Vivian Stockman, project coordinator for the Ohio Valley Environmental Coalition, joined other green advocates in welcoming Rockefeller's comments. She said, "He just hit the nail in the head."

She and others compare it to the late West Virginia Sen. Robert Byrd's increased candor toward the end of his life. "I think a lot of people are very appreciative," said Stockman of Rockefeller's comments. "It's really great to have him speaking out."

Observers have wondered whether Rockefeller's comments are an indication that he is not running for re-election in 2014, when he will be 77 years old. A Public Policy Polling survey taken last October showed Rockefeller trailing Rep. Shelley Moore Capito (R) by 4 points in a hypothetical 2014 match-up.

Rockefeller sidestepped questions about his political future last night. Asked whether his comments were inviting opposition or a backlash from the coal industry, Rockefeller replied, "I would welcome that."

"I am extremely worried about the future of West Virginia," Rockefeller told E&E Daily. "And the only way I can worry about that, except in private, is to do it publicly."

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Floor Statement of Senator John D. Rockefeller IV (D-WV) on the future of coal

Congressional Record -- June 20, 2012

Mr. ROCKEFELLER. Madam President, in the shadow of one seemingly narrow Senate vote, that being the Inhofe resolution of disapproval of the EPA's rule on mercury and air toxins, I rise to talk about West Virginia, about our people, our way of life, our health, our State's economic opportunity, and about our future.

Coal has played an enormous part in our past and can play an enormous part in our future, but it will only happen if we face reality.

This is a critical and a very contentious time in the Mountain State. The dialogue on coal, its impacts, and the Federal Government's role has reached a stunningly fevered pitch. Carefully orchestrated messages that strike fear into the hearts of West Virginians and feed uncertainty about coal's future are the subject of millions of dollars of paid television ads, billboards, breakroom bulletin boards, public meetings, letters, and lobbying campaigns.

A daily onslaught declares that coal is under siege from harmful outside sources, and that the future of the State is bleak unless we somehow turn back the clock, ignore the present, and block the future.

West Virginians understandably worry that a way of life and the dignity of a job is at stake. Change and uncertainty in the coal industry is unsettling and nothing new. But it is unsettling. My fear is that concerns are also being fueled by the narrow view of others with divergent views and motivations, one that denies the inevitability of change in the energy industry and unfairly--and I feel this strongly--leaves coal miners in the dust.

The reality is those who run the coal industry today would rather attack false enemies and deny real problems than solve problems that would help them and the people they employ and the States in which they work.

Instead of facing the challenges of making tough decisions, similar to men of a different era, they are abrogating their responsibilities to lead. Back in the 1970s, I remember a fellow from Consolidation

Coal named Bobby Brown. He got together with the United Mine Workers on his own. We were having a lot of temporary restraining orders and strikes at that time. They sat down, and because Bobby Brown was not a timid man--he was the head of a company, but he was a forceful leader--they worked out something which gave us peace in the coalfields of West Virginia--which is something--for a long time. It was a courageous act by a courageous nontimid man.

Scare tactics are a cynical waste of time, money, and worst of all, coal miners' hopes. Coal miners buy into all the television they hear, are controlled by it, have large salaries. So in a sense they are stuck where they are, happily funded but without a place to look forward to. But sadly these days, coal operators have closed themselves off from any other opposing voices and almost none has the courage to speak out for change--any kind of change--even though it has been staring them in the face for decades. They have known about it. They have ignored it.

This reminds me of the auto industry, which also resisted change for decades. Coal operators should learn from both the mistakes and the recent success of the automobile industry. I passionately believe coal miners deserve better than they are getting from coal operators, and West Virginians certainly deserve better also.

Let's start with the truth. Coal, today, faces real challenges, even threats, and we all know what they are.

First, our coal reserves are finite and many coal-fired power plants are aging. The cheap, easy coal seams are diminishing rapidly and production is falling, especially in the Central Appalachian Basin in southern West Virginia. Production is shifting to lower cost areas such as Illinois and the Powder River Basin in the Wyoming area. The average age of our Nation's 1,100-plus coal-fired plants is 42.5 years, with hundreds of plants even older. These plants run less often, are less economic, and are obviously less efficient.

Second, natural gas use is on the rise. Power companies are switching to natural gas because of lower prices, cheaper construction costs, lower emissions, and vast, steady supplies. Even traditional coal companies such as CONSOL are increasingly investing in natural gas as opposed to coal.

Third, the shift to a lower carbon economy is not going away. It is a disservice--a terrible disservice--to coal miners and their families to pretend it is, to tell them everything can be as it was. It can't be. That is over. Coal companies deny that we need to do anything to address climate change, despite the established scientific consensus and mounting national desire--including in West Virginia--for a cleaner, healthier environment.

Despite the barrage of ads, the EPA alone is not going to make or break coal. Coal operators would love to think that is the case because it is a great target, and it is much easier to criticize than to do something. But there are many forces exerting pressure, and that agency is just one of them.

Two years ago, I offered a time-out on EPA carbon rules, a 2-year suspension that could have broken the logjam in Congress and given us the opportunity to address carbon issues aggressively and legislatively.

But instead of supporting this approach, coal operators went for broke--they saw a fatter opportunity--when they demanded a complete repeal of all EPA authority to address carbon emissions forever. They demanded all or nothing. They turned aside a compromise and, in the end, they got nothing.

Last year, they ran exactly the same play, demanding all or nothing on the cross-State air pollution rule, refusing to entertain any middle ground and denying even a hint of legitimacy for the views of the other side and they lost again--badly.

Here we are with another all-or-nothing resolution, which is absolutely destined to fail, and we are arguing as months, weeks, and years go by. This foolish action wastes time and money that could have been invested in the future of coal. Instead, with each bad vote the coal operators get, they give

away more of their leverage and lock in their failure.

This time, the issue is whether to block an EPA rule, as has been said--the mercury and air toxics standards--that require coal-fired power plants to reduce mercury and other toxic air pollution.

I oppose this resolution because I care so much about West Virginians.

Without good health--demeaned in this debate so far--it is hard to hold down a job or live the American dream. Chronic illness is debilitating. I have made a career in the Senate of health care. It impacts families' income, their prosperity, and ultimately families' happiness. The annual health benefits of the rule are enormous. EPA has relied on thousands of studies--thousands--that establish the serious and long-term impact of these pollutants on premature death, heart attacks, hospitalizations, pregnant women, babies, and children. Do West Virginians care about these kinds of things? I think they do.

Moreover, it significantly reduces the largest remaining human-caused emission of mercury, which is a potent neurotoxin with fetal impact. Maybe some can shrug off the advice of the American Academy of Pediatrics and many other professional medical and scientific groups, but I do not.

The rule has been in the works through a public process for many years. Some businesses--including some utilities in West Virginia--have already invested in technology and are ready to comply.

Others have not prepared because they have chosen to focus on profit rather than upgrading or investing in these smaller, older, and less-efficient coal-fired plants that were paid for decades ago and that they will tell us would be retired anyway.

That is right. Every single plant slated for closure in West Virginia was already on the chopping block from their own corporate board's decision.

It is important to be truthful with miners. It is sort of a forgotten art, and that is a travesty. We have to be truthful with miners that coal plants will close because of decisions made by corporate boards long ago, not just because of EPA regulations but

because the plants are no longer economical as utilities build low-emission natural gas plants.

Natural gas has its challenges too, with serious questions about water contamination and shortages and other environmental concerns. But while coal executives pine for the past, the natural gas folks look to the future, investing in technology to reduce their environmental footprint, and they are working with others on ways to support the safe development of gas. We are all going to be watching that very closely, are we not?

It is not too late for the coal industry to step up and lead--leadership--by embracing the realities of today and creating a sustainable future. It has not been too late for a long time. Discard the scare tactics. Stop denying science. Listen to what markets are saying about greenhouse gases and other environmental concerns. Listen to what West Virginians are saying about their water, air and health and the cost of caring for seniors and children who are most susceptible to pollution.

Stop and listen to West Virginians--miners and families included--who see the bitterness of the fight we are having now and which has been going on forever. The bitterness of the fight has taken on more importance than any potential solutions. The point is put up block after block, which loses time after time, but at least they have a fight and something to scream about, all with no progress.

Those same miners care deeply about their children's health. They care about them. They are family people. I know that. I went there in 1964 and lived among miners for 2 years, and I have now lived among them ever since, closely and intimately. They care about what people all over the country care about. They care about the streams and mountains of West Virginia. They know down deep we can't keep to the same path. They are not allowed to say so, but they know that.

Miners, their families, and their neighbors are why I went to West Virginia. They are why I made our State my home. I have been proud to stand shoulder to shoulder with coal miners, and we have done a lot of good together over the years.

For more than 36 years, I have worked to protect the health and safety of coal miners, everything from the historic Coal Act back in 1992 to my

safety laws, pensions and black lung benefits--always with miners' best interests in mind.

Despite what critics contend, I am standing with coal miners by voting against this resolution.

I don't support this resolution of disapproval because it does nothing to look to the future of coal. It moves us backward, not forward. Unless this industry aggressively leans into the future, coal miners will be the big losers.

Beyond the frenzy over this one EPA rule, we need to focus squarely on the real task of finding a long-term future for something called clean coal. That is possible. We have demonstrated that. That is being done in various places in the country right now. This will address legitimate environmental and health concerns and, of course, global warming and all that counts.

Let me be clear. Yes, I am frustrated with much of the top levels of the coal industry, at least in my State of West Virginia, but most of the corporate headquarters are elsewhere. However, I am not giving up hope for a strong clean coal future. I am not giving up. To get there, we will need a bold partner, innovation, and major public and private investments.

In the meantime, we should not forget that coal-fired power plants would provide good jobs for thousands of West Virginians. It remains the underpinning for many of our small communities, and I will always be focused on their future.

Instead of finger-pointing, we should commit ourselves to a smart action plan that will help with job transition opportunities, sparking new manufacturing and exploring the next generation of technology--not just be dependent upon coal but a lot of things.

None of this is impossible. Solving big challenges is what we do in West Virginia. I would much rather embrace the future boldly.

I yield the floor.

From: (b) (6) @worldbank.org on behalf of (b) (6) @worldbank.org
To: (b) (6) @dfid.gov.uk; (b) (6) @ausaid.gov.au; (b) (6) @dgtresor.gouv.fr;
(b) (6) @meh.es; (b) (6) @minhap.es; Demopulos, Abigail; (b) (6) @foreign.ministry.se;
(b) (6) @mof.go.jp; Metcalf, GilbertDisabled; (b) (6) @bmz.bund.de; (b) (6) @mic.gov.eg;
(b) (6) @hazine.gov.tr; (b) (6) @environment.gov.za; (b) (6) @worldbank.org; (b) (6) @affaires-generales.gov.ma; (b) (6) @worldbank.org; (b) (6) @yahoo.com; (b) (6) @fazenda.gov.br;
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Cc: (b) (6) @kfw.de; (b) (6) @bmz.bund.de; (b) (6) @worldbank.org; (b) (6) @mof.go.jp;
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(b) (6) @eauxetforets.gov.ma; (b) (6) @worldbank.org; (b) (6) @worldbank.org;
(b) (6) @fazenda.gov.br; (b) (6) @hazine.gov.tr; (b) (6) @eda.admin.ch;
(b) (6) @hacienda.gob.mx; (b) (6) @aristeascorp.com; (b) (6) @fazenda.gov.br;
(b) (6) @fazenda.gov.br; (b) (6) @worldbank.org; (b) (6) @worldbank.org
Subject: Comments from Germany on the Investment Plan for Chile
Date: Tuesday, May 08, 2012 5:18:45 PM
Attachments: [45919192.doc](#)

Dear CTF Trust Fund Committee Members,

Attached please find comments from Germany on the investment plan for Chile. The comments are also available on the CIF website here.

Sincerely,

CIF Administrative Unit
1818 H Street NW
Washington, D.C. 20433
www.climateinvestmentfunds.org

(See attached file: CTF_IP_Chile_DEU_Comments.doc)

Investment Plan for Chile

Summary

We generally welcome the Chilean Investment Plan (IP). The IP outlines systematically why the following areas for intervention have been selected: (I) Concentrated Solar Power project (CSPP); (II) Large Scale Photo Voltaic Project (LSPVP) and (III) Renewable Energy Self-Supply and Energy Efficiency (RESSEE).

By supporting the implementation of the first large scale solar power projects in Chile, the CTF will significantly support the transformation of the Chilean energy matrix towards renewable energy sources. The energy efficiency sector in Chile also requires substantial support to unlock its potential. Therefore we believe that the planned components of the Chilean CTF investment plans could achieve significant greenhouse gas (GHG) emission reductions, not only through the direct financing of the CTF pilot projects, but through creating an enabling environment for scaling-up effects.

We therefore fully support the approval of the investment plan. However, we suggest to consider the following recommendations in the project phase.

The project proposals based on this investment plan should consider:

- Knowledge Management: creation, collection and dissemination of project related knowledge will be key to reach a transformational impact;
- The involvement of the local financial sector will be key for a sustainable scaling-up of solar energy, renewable energy self-supply and energy efficiency projects in Chile
- The German development bank KfW has an existing financing program with the Chilean development bank CORFO, which also focuses on the financing of energy efficiency and renewable energy through local financial institutions. We recommend that the planned CTF programs are being coordinated with these ongoing efforts.

Comments on rational for selecting the project components (section 5)

a. CTF Intervention in the solar sector

The CTF Investment Plan has rightly identified the great potential of solar energy in Chile, in particular in the Northern region. The private sector is showing a great interest in entering this market. As of now private sector solar projects with a capacity of 467 MW have been approved and an additional 302 MW are in the approval phase. However, only 1 MW is currently in the construction phase.

The IP identifies as a main barrier the lack of adequately structured financing mechanisms.

According to the IP, the CTF interventions could contribute to financing initial plants/large-scale demonstration actions, via financing and technical assistance.

Additional points to be considered:

The financing of initial large scale demonstration projects will be crucial for proofing the viability of solar energy in the Chilean market. However, the further development and scaling-up of the solar sector in Chile will need further assistance:

1. The local financial institutions are key for the provision of sustainable financing sources for scaling-up the solar sector in Chile. Therefore we recommend a strong focus on the knowledge creation, collection and deployment of the first pilot projects that will be financed within the framework of this IP.
2. For the successful scaling-up of the solar energy sector in Chile (especially for PV) the access to an efficient and stable grid connection will be crucial. Currently the grids in Chile are not very stable, which has caused frequent black-outs in the past.
3. KfW Development Bank has significant experience in the successful implementation of solar projects (photovoltaic and concentrated solar power) world-wide. The Gesellschaft für Internationale Zusammenarbeit (GIZ) has been active in Chile as a technical advisor in the area of renewable energy, with a focus on solar energy. We therefore recommend a close cooperation with KfW and GIZ.

b. CTF Intervention in the Renewable Energy Self-Supply and Energy Efficiency

The IP has rightly identified the importance, cost-effectiveness and potential of energy efficiency investments in Chile. We fully agree with the rationale why this sector should be supported.

However, we also would like to emphasize the need to set clear targets for energy savings on a national level, which then need to be broken down into concrete programs. Without clear incentives for energy efficiency measures or requirements for energy saving targets the sector will not be able to realize its potential.

Chile as a country has not yet established any legally binding energy saving targets. The political goal is to save 12% by 2020.

Comments on enabling policy and regulatory environment (Section 6)

Chile has done a lot in recent years with regards to the creation of an enabling regulatory environment, especially in the field of renewable energy. For instance, based on a law from 2008 it is mandatory for power companies to incorporate 5% of Non Conventional Renewable Energy (NCRE) into their electricity sales.

Chile has set up an energy ministry that also has specialized renewable energy and energy efficiency departments. The Chilean Renewable Energy Center (CER) as well as the Chilean Energy Efficiency Agency (AChEE) have been set up by the government to foster the respective sectors.

This year (2012) Chile has developed a National Energy Strategy (ENE) which has identified the major challenges of the energy sector as well as concrete action plans for 2012-2020.

The challenges Chile is facing are significant, for instance with regards to energy security, and the action plans are ambitious. However, Chile has a proven track record and we believe in a successful implementation of the National Energy Strategy.

Comments on the Project components (ANNEX I-IV)

Component/ Annex I: Concentrated Solar Power project (CSPP)

Cost/Financing Investment cost: 486 million US\$

100 million US\$ CTF resources

Background:

The second largest power grid system in Chile, SING, consists of almost 100% fossil fuels, and supplies 90% of its electricity to large industries, mainly to the mining sector, the main driver of the Chilean economy (19% of the GDP). Meanwhile, the northern region of Chile has the highest irradiation rate worldwide, and is also where most of growth on demand for electricity will occur, due to the expected new investments in mining operations.

The IP argues that large-scale solar projects have the potential to reduce the fossil fuel energy dependence of the SING, decoupling economic growth from GHG emissions. Furthermore the IP argues, that utilizing CSP plant with energy storage would allow for a flatter generation profile (in comparison to PV) and therefore fit better the energy demand of the mining industry, which consumes most of the energy in the SING grid.

Comment:

We agree with this line of argumentation that from a technology point of view CSP energy would be the most efficient and compatible renewable energy source in the SING grid. If the CSP technology would reach market competitiveness in the SING grid, this RE source could contribute to a significant GHG emission without jeopardizing the economic growth.

However, as the IP also rightly points out, capital cost of a solar CSP plant is still high and makes any potential solar CSP project economically unviable.

We would like to add here, that in the Chilean context a potential CSP plant with estimated generation costs of 15-23 \$ct/kWh (depending on the expected IRR, financing costs etc.) would need to compete with energy generated from coal at cost of 6-7 \$ct/ kWh. The IP expects the planned CSP pilot project to be bankable as it will receive concessional financing from CTF resources as well as a grant from the GoC. However, additional concessional financing might be necessary to reduce the gap between the estimated CSP production cost and the actual generation cost from coal fired plants.

Furthermore, we would like to understand better, how additional CSP projects could reach economic viability without significant concessional financing sources (e.g. a carbon tax could lead to a higher competitiveness of CSP projects).

Furthermore we would like to understand better, how the lessons learnt from this pilot project will be systematically collected and disseminated. (Knowledge creation and management)

Also, we would like to understand better whether the proposed timetable with an anticipated disbursement for June 2013 is realistic.

Component/ Annex II: Large Scale Photo Voltaic Project (LSPVP)

Cost/Financing

Investment cost: about 300,6 million US\$

50 million US\$ CTF resources

Background:

In the case of Chile, high solar radiation coupled with very high energy prices present a favourable context for the implementation of solar technologies. PV generation in Chile could displace diesel or coal generation. Despite this potential there is a lack of financing for these

projects and only two exist (and are still in construction) so far in the country. Solar power has not yet gained acceptance in the market as a reliable and practical power generation alternative. For solar financing, there is a high perception of risk and lack of technological familiarity amongst LFIs, leading to a lack of domestic debt for large PV projects, and high interest rates where available.

The IP argues the following: By providing CTF and MDB financing, and taking into account the expected cost reduction in the technology, it is expected that in the medium term existing barriers will be sufficiently reduced in order to allow PV technology to reach financial sustainability and to achieve market transformation, while reduction in technology costs per MW of PV power enables closing the gap vis-à-vis grid parity.

Comment:

We agree with this line of argumentation that in particular a lack of financing is one of the main barriers for the development of a PV market in Chile. The reluctance of local financial institutions to finance PV projects in Chile is based on their lack of familiarity with this technology, but also on the missing experience with non-recourse financing (project finance) which is the common financing structure for renewable energy projects like large-scale PV projects.

A successful scaling-up of the PV sector in Chile would strongly depend on a local financial sector, that is ready to finance this kind of projects. Therefore we would very much welcome a project proposal that would invite local financial institutions in the financing of the pilot projects and share the lessons learnt with the entire Chilean financial sector (knowledge creation and management).

For the successful scaling-up of the solar energy sector in Chile, especially for PV, the access to an efficient and stable grid connection will be crucial. We would recommend to take this into consideration in the project phase.

Component/ Annex III: Renewable Energy Self-Supply and Energy Efficiency (RESSEE)

Cost/Financing Investment cost: about 421,8 million US\$
49 million US\$ CTF resources; preparation grant 1 million US\$ CTF resources

Background:

At present, Chile has the most expensive electricity in South America. Chile's competitiveness and economic success is particularly threatened by having much higher electricity costs compared to other countries. The most cost-effective action to reduce GHG emissions in Chile is energy efficiency (EE). EE as well as renewable energy self-supply, namely generating their own power, would furthermore increase the competitiveness of the Chilean economy. Nevertheless RESSEE projects face various barriers including: (i) financial barriers resulting from a lack of knowledge and experience among financial institutions related to project-based financing for self-supply and EE projects; (ii) lack of information on potential technologies and use of alternative energy resources; and (iii) lack of experience among energy end-user clients and technical service providers on the potential technologies and energy business models.

Comment:

We agree with the suggested approach of the IP to fast-track the scale-up RESSEE projects through providing concessional finance and training to local financial institutions in order to incentivise them to finance eligible RESSEE projects. These will lead to a sustainable provision of financing in the long run.

The German development bank KfW has an existing Financing Program with the Chilean development bank CORFO, which also focuses on the financing of energy efficiency and renewable energy through local financial institutions. We recommend to cooperate and coordinate these efforts with the planned CTF programs.

Component/ Annex IV: Preparation Grant for RESSEE

Background:

The need for greater levels of energy efficiency (EE) in Chile is evident. Factors such as high energy prices faced by consumers, the growing public concern for the environment, reduction of domestic resources and national energy security contribute to a growing awareness of the need for greater EE. Empirical evidence has shown recently that EE is not implemented to its full potential due to the existence of certain barriers. These include barriers related to information available, economic barriers, technical barriers, institutional barriers and cultural barriers.

This grant support includes four activities: (1) Market Development, where concrete actions towards reducing the entry barriers for EE and energy self-supply production schemes must be assessed; (2) Capacity development, aimed to increase the knowledge and expertise of all the key actors of the market; (3) Project development, to develop a series of EE and energy self-supply production projects to the point of being fully prepared for funding ; and (4) funding of projects through a series of different governmental and private schemes.

Comment:

We agree with the necessity and goals of this preparation grant.

From: [Metcalf, Gilbert](#)
To: [Jaffe, Judson](#)
Cc: [Hall, Daniel](#)
Subject: FW: market distortions panel
Date: Thursday, July 12, 2012 9:40:47 AM
Attachments: [Carbon Taxation in the EU. Expanding the EU Carbon Price.pdf](#)

fyi

Gilbert E. Metcalf
Deputy Assistant Secretary for Environment and Energy
U.S. Department of the Treasury
(202) 622-0173 (office)
(202) 316-8028 (mobile)
(202) 622-0037 (fax)
Email: gilbert.metcalf@treasury.gov

-----Original Message-----

From: Weisbach, David [<mailto:d-weisbach@uchicago.edu>]
Sent: Thursday, July 12, 2012 9:36 AM
To: Metcalf, Gilbert
Subject: RE: market distortions panel

This is the published version.

-----Original Message-----

From: Gilbert.Metcalf@treasury.gov [<mailto:Gilbert.Metcalf@treasury.gov>]
Sent: Thursday, July 12, 2012 8:04 AM
To: Weisbach, David
Subject: RE: market distortions panel

Thanks. is the August 1, 2011 version of the paper "Carbon Taxation in Europe: Expanding..." the most recent version? If you've made substantive revisions, could you send me the newer version.

Gilbert E. Metcalf
Deputy Assistant Secretary for Environment and Energy U.S. Department of the Treasury
(202) 622-0173 (office)
(202) 316-8028 (mobile)
(202) 622-0037 (fax)
Email: gilbert.metcalf@treasury.gov

-----Original Message-----

From: Weisbach, David [<mailto:d-weisbach@uchicago.edu>]
Sent: Wednesday, July 11, 2012 5:47 PM
To: Metcalf, Gilbert
Subject: RE: market distortions panel

This is the version we wrote for a law journal.

From: Gilbert.Metcalf@treasury.gov [<mailto:Gilbert.Metcalf@treasury.gov>]
Sent: Tuesday, July 10, 2012 4:17 PM
To: Weisbach, David
Subject: market distortions panel

Bob Inglis's new organization got a lot of press today as it rolled itself out. I see you were on a panel at Booth on fixing market distortions back in April. Curious to get your take on it sometime. You

around this week?

Gilbert E. Metcalf

Deputy Assistant Secretary for Environment and Energy U.S. Department of the Treasury

(202) 622-0173 (office)

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Email: gilbert.metcalf@treasury.gov <<mailto:gilbert.metcalf@treasury.gov>>

Carbon Taxation in the EU: Expanding the EU Carbon Price

David A. Weisbach

Downloaded from <http://jel.oxfordjournals.org/> at
University of Chicago on February 20, 2012

Journal of Environmental Law Advance Access published February 19, 2012

From: [Tonkonogy, Bella](#)
To: [Hall, Daniel](#)
Subject: delta
Date: Thursday, January 05, 2012 2:50:08 PM

Out of curiosity I pretended to book a ticket to Amsterdam. They don't itemize the carbon charge anywhere. I suspect it's added into their general Taxes/Fees category, under "International Surcharges", which for this particular flight totaled \$476 (compared with the \$379 base fare).

From: [Danny Cohen](#)
To: [Ryan_Abraham@finance.senate.gov](#); [liwayway.adkins@hq.doe.gov](#); (b) (6) [@hks.harvard.edu](#); [John-Michael Arnold](#); [Govinda_Avasarala](#); (b) (6) [@exxonmobil.com](#); [Phil.Barnett@mail.house.gov](#); [curt_beaulieu@finance.senate.gov](#); (b) (6) [@corporate.ge.com](#); [Bordoff, Jason](#); (b) (6) [@rff.org](#); (b) (6) [@rff.org](#); (b) (6) [@epri.com](#); [Kemal Dervis](#); [terryd@cbo.gov](#); [Harun_Dogo@finance.senate.gov](#); (b) (6) [@rff.org](#); [William Gale](#); (b) (6) [@brookings.edu](#); [Ted Gayer](#); (b) (6) [@rff.org](#); (b) (6) [@stanford.edu](#); (b) (6) [@aei.org](#); [mike.hauswirth@mail.house.gov](#); [Colin_hayes@energy.senate.gov](#); [elizabeth.berman@mail.house.gov](#); (b) (6) [@rhgroup.net](#); [Jaffe, Judson](#); [Aruna.Kalyanam@mail.house.gov](#); [Keohane, Nathaniel](#); (b) (6) [@rff.org](#); (b) (6) [@bipartisanpolicy.org](#); [Alan.Lee@mail.house.gov](#); (b) (6) [@duke-energy.com](#); [wesley_look@cantwell.senate.gov](#); [jim_lyons@finance.senate.gov](#); (b) (6) [@rff.org](#); (b) (6) [@aei.org](#); [Ryan_Martel@bingaman.senate.gov](#); [Maureen_mclaughlin@finance.senate.gov](#); (b) (6) [@us.pwcglobal.com](#); [Metcalf, Gilbert](#) Disabled; [Joshua Meltzer](#); [Bryan.Mignone@hq.doe.gov](#); (b) (6) [@dow.com](#); (b) (6) [@rff.org](#); (b) (6) [@rff.org](#); [Adele Morris](#); [James_Mueller@cantwell.senate.gov](#); [Mark Muro](#); (b) (6) [@duke.edu](#); (b) (6) [@wri.org](#); (b) (6) [@rff.org](#); (b) (6) [@usa.dupont.com](#); (b) (6) [@imf.org](#); (b) (6) [@rff.org](#); (b) (6) [@c2es.org](#); (b) (6) [@duke.edu](#); [Kevin_rennert@energy.senate.gov](#); (b) (6) [@americanactionforum.org](#); (b) (6) [@c2es.org](#); (b) (6) [@coned.com](#); [Spencer Smith](#); (b) (6) [@cbpp.org](#); (b) (6) [@southernco.com](#); [Daniel_West@finance.senate.gov](#); (b) (6) [@rff.org](#); [jeff_ziarko@mail.house.gov](#); (b) (6) [@rff.org](#); (b) (6) [@rff.org](#); (b) (6) [@rff.org](#); (b) (6) [@rff.org](#); (b) (6) [@rff.org](#); (b) (6) [@rff.org](#); (b) (6) [@rff.org](#); (b) (6) [@rff.org](#)
Cc: [Adele Morris](#)
Subject: [Brookings Carbon Tax Workshop Agenda for Friday, July 27, 2012](#)
Date: [Friday, July 20, 2012 12:52:27 PM](#)
Attachments: [Carbon Tax Workshop Agenda July 27 2012.pdf](#)

Dear Colleague:

Please find attached the agenda for the Brookings Carbon Tax Workshop. We hope you can attend.

Date: Friday, July 27, 2012
Time: 9:15am to noon. Continental breakfast is at 9:15. Program begins at 9:30.
Location: Stein Room, 2nd floor, The Brookings Institution, 1775 Massachusetts Ave., NW, Washington, DC.

If you haven't already done so, please RSVP to Danny Cohen at (b) (6) [@brookings.edu](#) <[mailto:\(b\) \(6\) @brookings.edu](mailto:(b) (6) @brookings.edu)> or call (202)-797- (b) (6)

Best regards,
 Adele Morris

Fellow and Policy, Director
 Climate and Energy Economics Project
 The Brookings Institution



Carbon Tax Workshop Agenda

Friday, July 27th, from 9:30 a.m. to noon
The Brookings Institution, Stein Room
1775 Massachusetts Avenue NW.

- 9:15 Continental Breakfast**
- 9:30 – 9:45 Introductory Remarks, Adele Morris**, Fellow and Policy Director, Climate and Energy Economics Project, The Brookings Institution
- 9:45-10:20 Aparna Mathur**, American Enterprise Institute
She will present new results on the distributional effects of a carbon tax and carbon tax swaps. Her study uses data from the Input-Output tables to calculate the effect of a \$15 carbon tax on industry and consumer goods prices.
- 10:20-10:55 Dick Morgenstern, Jared Carbone, and/or Rob Williams**, Resources for the Future. Scholars will discuss work with their new general equilibrium model.
- 10:55-11:10 Coffee Break**
- 11:10- 11:45 Pete Wilcoxon**, Syracuse University and The Brookings Institution
“The Potential Role of a Carbon Tax in U.S. Fiscal Reform” (co-authored with Adele Morris and Warwick McKibbin) The paper examines US fiscal reform options with an intertemporal computable general equilibrium model of the world economy called G-Cubed. Six policy scenarios explore two overarching issues: (1) the effects of a carbon tax under alternative assumptions about the use of the resulting revenue, and (2) the effects of alternative measures that could be used to reduce the budget deficit.
- 11:45- 12:00 Group discussion: Carbon tax research and the analytical needs of the policy process.**

Please RSVP to Danny Cohen at (b) (6) [@brookings.edu](mailto:(b) (6)@brookings.edu) or call (202)-797-(b) (6)

From: [Brown, Jessica S](#)
To: [Bodnar, Paul](#); [Lien, Elizabeth](#)
Subject: FW: [CAN Finance] Extensive and compiled notes from LTF workshop in Bonn
Date: Friday, July 13, 2012 10:53:45 AM
Attachments: [Extensive notes from LTF WORKSHOP in Bonn 072012.docx](#)

FYI

This email is UNCLASSIFIED.

From: Parker, Charlie [mailto:(b) (6)@WWFUS.ORG]
Sent: Friday, July 13, 2012 10:18 AM
To: Brown, Jessica S
Subject: FW: [CAN Finance] Extensive and compiled notes from LTF workshop in Bonn

Charlie Parker

Deputy Director
Forests and Climate



World Wildlife Fund

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Fax +1 202 3312391
Skype davidcharlesparker

www.worldwildlife.org

From: can-finance@googlegroups.com [mailto:can-finance@googlegroups.com] **On Behalf Of** Alix Mazounie
Sent: 13 July 2012 08:51
To: can-finance@googlegroups.com
Subject: [CAN Finance] Extensive and compiled notes from LTF workshop in Bonn

Dear all,

please find attached our compiled notes from the 3 days of the meetings. I've attempted to clean them as much as possible but it's still very messy I'm afraid.
I've inserted a few slides that we thought useful from the presentations made during the

workshop.
and I highlighted in green interesting quotes from participants.

Thank you so much Imelda, Mark, Sven and Lies for their great work in Bonn!

--

Alix MAZOUNIE

*Chargée des politiques internationales
Réseau Action Climat / Climate Action Network - France*

Tel: (b) (6)

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Twitter : (b) (6)

Skype: (b) (6)

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You received this message because you are subscribed to the "CAN Finance" group.
To post to this group, send email to can-finance@googlegroups.com
To unsubscribe from this group, send email to
can-finance+unsubscribe@googlegroups.com

Monday 9TH OF JULY 2012

Session 1 - LTF needs and potential

Thank you Henriette, Lies and Sven for taking extensive and exhaustive notes!

Presentations available here:

http://unfccc.int/cooperation_support/financial_mechanism/long-term_finance/items/6963.php

Opening speech by Christiana Figueres

- this is a television show
- exciting moment, our very first fully interactive workshop, kick ourselves into 21st century
- thanks to chairs and those who helped with preparation
- you pushed this type of open conversation on LTF
- podium arrangement should show us that this is not negotiation, take your Maritim hats off
- get all your inspiring ideas
- thanks to chairs, Jeffrey Sachs, representative from Qatar (?)
- Sachs is one of the most enthusiastic proponents of interactive media
- It is quite clear that we do not know yet how climate finance is going to be structured, how developing countries will use it but we know that climate finance is at the core of addressing climate change
- ***Developing countries are going to be constrained in address cc if they do not have access to new and additional finance***
- Without involvement of broad array of stakeholders in finance world we will not have the new and innovative options we will need
- Both put together made the co-chairs chose 4 main topics for this workshop
 1. Assess financial needs
 2. Potential sources, public private, bilateral, multilateral, clear that not one single sources is going to be appropriate, reach out to broad array of sources
 3. Options how to mobilise climate finance, what kinds of financial instrument would that mobilisation bring. We can not depend on only one or two instruments, need to put on out financial architect hat. Need to use all and/or create new instruments in a way that optimises climate finance
 4. Lessons learnt from fast-start finance, to go into finance post-2012 as we ramp up to 2020
- encourage you to look not from our traditional way of thinking and solving problems, but force ourselves to think out of the box
- we have never been faced with the challenge of financing climate finance
- need to go to creative combination of instruments
- ***whatever you come up with here as part of the larger LTF is going to inform discussion and negotiations under UNFCC***
- emphasise it is not negotiations
- there is a hat bin: if you walked in with negotiator hat please go back and leave your that there and come back in again
- those joining via twitter, facebook, put on your very creative hat

Speech by Co-chair Zaheer Fakir (South Africa)

- the end goal is to come to Doha and to present a COP report on LTF
- the work programme is not limited to workshops: consultations, web-based tools
- during May meetings we had extensive consultations, trying to run the programme as open and transparent as possible: we hope to do justice to this expectation
- you told us to be bold and ambitious (I have my orange pants on)
- the work programme allows us to deal with a wealth of issues, bring together a wealth of experts, also those who usually do not have the opportunity to engage in the negotiations
- we want to change the mood. We try to create an intimate environment where we can have a robust dialogue, but there were some security regulations: no tables, no flags
- As a roadtrip to Doha, first pit stop here in Bonn, achieve good technical discussions

4 points:

- talk less and say more
- tell us what we need to here
- from my previous minister: **if you snooze you lose**
- Nelson Mandela: if you speak in a language you understand it goes to their head, if you speak in a language that they speak it goes to their heart

Speech by Co-chair Georg Boersting (Norway)

- We tried to enhance participation, be transparent, we are pleased that the workshop is webcasted
- gGrateful of experience here in the room
- Interactive discussions wanted

Presentation by Jeffrey Sachs (webcast from Senegal)

Slide 2

- Need for rapid and deep decarbonisation (unlike anything ever achieved before)
- Need for deep technological change
- Need for climate adaptation and resilience
- All of these pose significant incremental costs
- but the costs are much less than BAU costs
- target per unit of energy we use to reduce by 80% or so
- it is not a bit more energy efficient, new transport systems, fuel cell power, electric vehicles, different kind of production processes, electricity generation
- we are at the very beginning of the transformation, not yet succeeded
- new york this summer: we need adaptation because cc is happening now, it will intensify, we are already in dangerous anthropogenic interference
- loss of lives will be multiplied compared to now
- adaptation and mitigation will impose significant incremental costs, this is not for free, this is not that green economy will give us just money, this will cost money
- **costs to undertake mitigation and adapt are far lower than cost of BAU**
- cost-benefit analysis for the planet

Slide 3

- to some extent actions will be taken through: peer pressure, moral imperatives, reputational benefits, and first-mover advantages
- Yet to a great extent, **actions will be taken because of policy incentives: regulations, carbon permits, carbon taxes, feed-in tariffs, and other subsidies**

- While we are in a moral framework, voluntarism is important, but we will need a policy framework that stakeholders take the incremental costs needed for the transformation

Slide 4

- under Art. 4.3 developed countries promised to finance incremental costs, specific pledge of at least USD 100bn of incremental, public finance

Slide 5

- Three climate financing challenges: international financing of 100 bn per year, financing of national mitigation strategies, and adaptation strategies
- plus additional complexities: how to design national strategies, but here only a few words
- fund low-income countries: adaptation and mitigation strategies in all countries
- we are talking about several things but especially we should talk about international financing to mobilise resources as promised, but also national financing
- 100 bn is easy to state but hard to mobilise
- as development practitioner and advisor difference between promise and action is life and death issue
- rich countries have made promises that they have not fulfilled, development and sustainable development
- translating promise into action is difficult task on the political level, but not on the conceptual level
- some powerful countries including my own have resisted to put formulas on the table
- world is terrified of what is happening to earth
- public is ahead of politicians, but they are not leading
- 100 bn is not a lot of money, we are talking about the future of the world. The world GDP is 70 trillion per year and we are talking about 1/7 of 1%
- this is political crisis

slide 6

- we need a simple straightforward assessment rule, should be based on carbon emissions (polluter pays) and ability to pay
- it is about a free-rider problem and lack of clarity, desire of politicians to hide transparency
- ***polluter pays should be based on GHG emissions and ability to pay, as in the UNFCCC itself***

Slide 7

Simple formula

Assessment: CO2 emissions (i) x CO2 assessment reate x GDP Factor (i)

The assessment rate is expressed in USD /tons of CO2

I would suggest a GP factor as follows

high-income countries (< 12,276 USD) 1.0

high middle-income countries (\$3976-12275): 0.5

low middle-income country (1006 to 3975): 0.25

low income country : 0

Slide 8

- Amounts raised globally for different levels of assessment per ton of co2

- conclusion: ***\$4 per ton for high-income, \$2 per ton of upper-middle income, \$1 per ton for lower-middle income, and \$0 for low-income would achieved the global objective of around USD 100 bn***
- Us perspective: 3.4 US cents per gallon (?)
- We arguing over pennies literally with the future of the world at stake - less than half a cent per kWh: small stuff for the future of the world
- all of the anguish is largely about the fact that US do not want to pay anything
- we do not have a deep problem in coming up with a formula that raises 100 bn
- extremely small effect, small fraction yet we can not get it done because the political class wants to ask for zero while the public is prepared to pay
- recent surveys have once again shown which is the land of the most corporate propoganda
- we are suffering droughts, heat waves, massive storms. 4 US cent at the gas tank is absolutely manageable

Slide 9

- will middle income countries agree to share in the support of low-income countries? I think yes
- will the US and other "resistant" high-income countries finally agree on a CO2 assessment system? I think yes, US position is a bluff (?)

Slide 10

- shows what it would mean for a number of countries
- it is not a great deal, but in the negotiations we get firm no from some countries. That has to end

Slide 11 to 16

- At national level, mitigation efforts are best guided by a long-term and predictable "net tax" on CO2 which is far more powerful and efficient than an emissions trading (cap-and-trade) market ETS does not give predictable price signal
- "Net carbon tax" = carbon tax and feed-in subsidy for low-COs energy
- What counts right now is not the annual flow of emissions but the deep technological transformation
- We need a known price for 20 years from now so that everyone knows there will be a clear price for CO2
- US all we are doing is local minimum of emission reductions with natural gas, but it is nothing like the deep carbonisation we need
- Need to move to renewables and CCS. We need transformation not year-to-year emission reductions in the short term. Emission trading do not promote deep transformation
- If utility is going to make a decision on energy investments it has to look at CO2 price plus subsidies for low-carbon energy. Rather politically attractive way of doing this
- we need to put into place predictable net-carbon tax: say 40 dollars per tonne over the next 20 years, so that utilities see the difference, can be financed in a balanced way by very low rising carbon-tax combined with high but decreasing feed-in, so that the sum of the two is always 40 dollars
- feed-in tariff paid by carbon tax
- Transformation from high-carbon economy to low-carbon economy, graph looking at 38 year period: predictable rise of CO2 tax and decline of feed-in tariff
- we need many other things complementary to the public financing, we need regulatory frameworks to permit CCS,
- This is the most complicated transformation that humanity has ever had to carry out in a joint manner in a time horizon which is extremely short, we are at the cliff, less than 2 generations, because we gave up just 1 generation by not implementing properly this treaty

Slide 16

- climate change mitigation and adaptation programmes are highly context specific, and require detailed and costing plans from local to national levels.
- Such plans are only now formulated.
- The emerging sustainable development goals can become an important stimulus to detailed local-to-national planning
- financing is no panacea but a necessary component
- carbon price necessary component which needs to be combined with transformation
- we need to be honest enough to plan for how this is going to happen, need frameworks so that new technological cycles can be initiated
- translation to decarbonised system as core element of the SDGs, every child of the world needs to understand why we need to move there, why we need such systems and plans
- the public does not yet understand that we have practical alternatives that we are fighting over fractions of the GDP as the world burns

OECD presentation

- look at climate finance and finance that creates the emissions
- it is possible to scale up and shift investment
- globally half a trillion USD fossil fuel subsidies
- estimates at IRENA: 66 billion USD for renewables >> shift subsidies to cleaner energies
- *if Annex I countries would use co2 taxes for their pledges they could generate 250 bn by 2020*
- environmental taxes already raise 680 bn globally (?)
- export credits support much more emitting sectors than low-carbon
- but decision for special repayment modalities for low-carbon (?), special conditions under export credits
- governments key role to play to incentivise private investment
- risk-return profile of low-carbon investments similar to high-carbon
- policy actions to strengthen return side
- pension funds 850 bn annual influx
- less than 1% of pension funds investment go to infrastructure, and much less into green
- but some of the larger pension funds also invest into green infrastructure since they have dedicated teams to research
- tracking climate finance quite challenging

Presentation by EBRD

- do not tinker too much with developing new untested instruments
 - transformation and technological change are only coming from actions which are investments
 - we need governance system which is good enough and does not stand in the way of progress
 - we are focused on the client, the investors
- mainstream RE etc. into EBRD financing
- climate finance must be delivered in a way that climate finance understands
- fill a skills gap, filter out complexity of climate finance
- we in EBRD can take some responsibility for
- how can we effectively leverage funding?
- you need good pilots and then lots of good projects

- lots still to be done in middle-income countries
- grants and concessional funds
- energy efficiency still seems to be difficult to finance, only few cases with progress at large-scale
- fragmented end user structure, there is the need for elements of concessional
- still lack of capacity in companies to implement and plan low-carbon projects
- we have financed first wind farm in Ukraine, bring this message now to Kazakhstan
- with high transaction costs it is expensive
- Ukraine wind farm probably one of the most expensive if we would factor in all costs, we need public money to cover such transaction costs
- do not overload the climate finance mechanism with too many criteria which could scare away the private sector
- banks are a good delivery mechanism, we can put together a one-stop shop
- engaging with banks, there is a real opportunity for bankers to rebrand themselves
- what the banks bring is distribution capacity

Presentation by Anthony Nyong, AfDB

- AGF came up and showed that getting 100 bn is possible
- *Africa requires 22-31 bn a year by 2015 and 52-68 billion per year by 2030*
- *Climate-proofing MDGs: +40% of the initial cost = 30 billion*
- Also about the institutional arrangement to make it easy to meet the demand. And not the current complex landscape. Simplicity to improve accessibility
- On adaptation: current cumulative finance less than 500 millions. Mitigation, less than 2 billion from 2003 to 2010.
- Carbon markets are very important – why isn't Africa an important player? Africa did not benefit from CDM because too complex. Carbon market should differentiate Africa from developing regions with less need for external finance
- Critical that emission reductions from LULUCF are included in any financing initiative.

Role of MDBs :

- Help mobilize private savings
- Able to fund/leverage investments by borrowing in private capital markets
- Understand CC in context of development
- Already working on CC and on improving access to existing climate finance instruments.

Session 2 – understanding LTF needs

Presentation by Manuel Montes, South Center.

Variety of approaches to assess needs : 600-1000 billion a year for a low-carbon economy

- IEA : 750 bn a year until 2030 and twice as much until 2050
- Mckinsey : 660 billion a year in 2020 and 1000 bn a year in 2030

UNFCCC had an expert group on technology in 2009. Estimated that 300 to 1000 billion year was needed in total, 182-505 billion in developing countries. DCs need to innovate, and do their own R&D, will not just import technology from other countries.

WB report in 2010 estimated incremental cost of mitigation was 140-175 bn and associated costs : 265-565 billion a year

UNDESA (WESS 2011): 1800 billion a year in total for global investments for energy transformation. In DCs, this amounts to 1080 billion a year for energy and 20 billion for agricultural investments.

India. Centre for Science and Environment estimates that power sector alone needs 10 billion a year.

China's human development report in 2009-2010 requires 355 billion a year.

Adaptation needs: 27 to 66 billion a year according to the UNFCCC. 75 to 100 billion according to the World Bank.

Idea of adaptation costs based on existing disasters in 2011:

- Pakistan 2011 floods, 14 million affected: 10 to 15 bn for reconstruction
- Thailand flood in 2011: 46 billion according to WB
- US Mississippi flooding in 2011: 9 billion

Presentation by Eric Usher, UNEP (Seed Capital Programme, Energy Branch)

- **Report by UNEP in 2010, ADAPTCost Report: 20-60 billion a year in Africa by 2030**
- Assessments often omit certain costs – ecosystem services, soft costs. Don't give insight on vulnerability, aggregate numbers but no differentiation at national and sub-national level
- Most believe that we need to shift towards national costing approach.
- Costing at national level is ongoing in Africa:
 - South Africa : water study shows there is too much emphasis on damage and not enough on benefits of adaptation
 - Tanzania, study by Global Climate Action Partnership, bottom-up analysis locally aggregated at national level
- Additional vs. BAU to stay under 450 ppm?
- IEA 450 scenario (WEO 2011) highlights that +15.2 trillion is needed : 160 bn today to 1.1 trillion a year in 2035 in transport, building, power generation.
- Not just investments: global fuel cost will decrease by 690 billion (but some regions will see increase) + subsidies will increase from 4.1 to 6.3 trillion
- Renewable energy subsidies up to 550 billion
- Today, we're investing more than we should be in renewable energies. Good news but also bad news: **fossil fuel plants received twice the investment they needed last year (IEA).**

- trillion investment in ENR since 2004 (6.6 increase in 7 years). Scaling up everywhere, including Africa.
 - Namely because of public policy changes: most countries now have at least on RE target/policy
 - Also because of decrease in cost: cost of PV has decreased by 30% (Bloomberg New Energy Finance estimates)
- India is the country with most growth in solar power:
- Cost of energy in Africa still high: hydro and diesel very expensive, RE will be competitive very quickly.
- Policy is driving investment. Public finance should reinforce policies rather than circumvent. Poorly targeted, public finance can crowd out the private sector.
- Public finance must target clear market failures...

- Globally, it has been easier to mobilise investments into higher cost renewable energy than no-regret energy efficiency.
- The many types of private finance are better understood than the many shades of public finance.
- Private sector is not ready to invest in all climate finance. Sometimes, public finance will not be required to mobilise private finance but make the investment.
- Some countries (LDCs and SIDS) will need support to mobilise the private sector.

Presentation by Ulric Trotz, Caribbean Community Climate Centre (focus on loss and damages)

- BAP mentioned loss and damage for the 1st time, and called for Risk Reduction strategies and management. At that time, no mention of compensation or liabilities, or finance.
- Copenhagen accord identified question of funding. In Cancun, agreement called for strengthened cooperation and expertise on slow-onset events: sea level rise, temperature rise, salinization, loss of biodiversity, desertification
- In Durban, SBI was requested to continue implementation of the work programme and make recommendations at COP18. Thematic areas: assessing risk of loss and damage ; approached to address loss ; role of Convention in implementing

- Caribbean are working to address L&D:
- Caribbean Catastrophic Risk insurance facility: regional insurance and micro-insurance. Provides cost-efficient options for 15 (?) countries. Only working multinational risk pool. Viable template for replication/expansion. AOSIS made submission at COP14
- Regional framework strategy and implementation plan

- Interesting numbers on cost of impacts of sea-level rise (see powerpoint): 100 000 people displaces, and annual GDP losses up to 1.2 billion
- Total economic impact of 1 meter sea-level rise: 1.2 billion a year + 70 billion in land losses

Q&A

Seythi (ex Indian climate negotiators) :

- is there an agreement on what constitutes climate finance ? Everyone has their own definition. More than 80% of totally output is consumed by less than 20%. Poverty eradication is still a fight. Poverty will not be going away unless we increase consumption by the poor. Resource efficiency is improving, but total resources use is increasing.

- The only positive thing this morning: Sachs did not mention markets. Private finance and sector cannot fund our needs in real climate finance. Market has shown its limits. How we can expect this market to solve the CC challenge.
- Not just about resource efficiency or counting private sector investments in RE but about transformation.
- Convention is best and most rigorous and most defensible definition of what climate finance is all about. We must be smoking something we should not. It is a transformation that is needed

German (World Future Council):

- SDRs would be a good instrument to invest in RE.

Paul Watkinson (lead negotiator for France):

- how does this discussion fit into wider context ? where should we be focusing on
- the question is not about the big figure but whether it brings about the required transformation, need to unlock investments or change the flows, scale-up action; where should we be particularly focusing on scaling-up?

Guyana:

- Heavy focus on energy in mitigation number estimates. Did not hear much about mitigation potential and costs in land-use and agriculture. Want a more comprehensive approach.
- Appreciated presentation on L&D
- It is not about freeing money and giving it to existing institution to deploy it. Need to change the governance and institutions if we want the transformation we're looking for. Private sector needs rule.

Questions from twitter:

- how do we ensure developing countries stay on low-carbon trajectories ?
- how do we distinguish loss-related and loss-unrelated damage ?

SESSION 2 - DISCUSSION

Nasr Mohamed (Egypt)

- we have agreed on a Convention and on 2°C target.
- Should be basis for our discussion on needs of developing countries.
- It is a global challenge that requires global financing, need to stop thinking in terms of donor/recipient.
- We should learn from existing processes: NAPAs, etc. Was not part of global process. No clear guidelines or method on adaptation – major gap. Assessing the needs is a learning process.
- Sustainable development is key. Removing subsidies eg – there is also a social dimension, what is social effect of that.
- A lot of donor countries are already investing in RE in developing countries, but GCF replenishment would help countries move forward.
- Need clear process where countries identify adaptation, mitigation needs and also differentiates levels of urgency and timeline (short term vs medium term). It was done for 11 countries.

Australian replacing David Gracey (?):

- Manuel reminding us of the needs,
- 2nd speaker insisted on importance of strategies and plans,
- other speakers showed difficulty of articulating public and private financing.
- More questions than answers: not just how much is needed, but what kind of needs, where, and how can we address the needs.
- Need track record. Once we have a list of actions, need to discuss priorities, capacities.

Maldives:

- limits of adaptation and mitigation (?)
- missed that

Bernarditas (Philippines):

- we are now in 2012, and convention was entered into force in 1995. And we're only talking now about long-term finance.
- What we need to know is why it hasn't worked and why needs are still not addressed. Maybe our instruments and institutions are exacerbating CC.
- Even regional development banks pursuing its own interests and not addressing national needs.
- How do we access predictable and sustainable sources instead of address climate change in an adhoc manner ?
- Part of the money on the table today is paying for itself.
- *It's not so much about how to define needs, but who defines needs – it needs to be country-driven. « balanced » means you address needs, not because you split the money 50/50.*
- When you do mitigation and adaptation actions, you may actually be doing one and only thing. When you're shifting to RE, then you're adapting and become more climate-resilient. Need to focus on climate resilience.
- The extent to which I will be able to do something is linked to the extent to which you can fulfil your financial commitments

Uganda :

- shares Jeffrey Sach's ideas from this morning. He used to be an outsider – but things have changed. Now, honesty about numbers.

- LTF is all about business and investment, not about livelihood and social welfare.
- Let us reconsider the words used. On sharing responsibilities, how do we apply the principle?

Jessica Brown (US del, ex-ODI):

- presentations have mainly focused on estimates of incremental/global needs.
- If we focus on international support needs, need to rely on domestic resources, etc.
- ***International flows will always be insufficient, so we should get this money to countries that have least domestic resources.***
- Need to differentiate capabilities – Singapore will not have the same domestic potential as Uganda.

India Ministry of Finance:

- even after many years of development, 1/3 of the population is still living below the poverty line. And yet, we have a very ambitious national climate plan.
- Not acceptable for a country like India to contribute to international climate finance. Even India has some kind of carbon tax. Does not mean it should contribute to climate finance effort?!
- Carbon markets should not contribute to 100 bn. If you look at the climate finance landscape, 93 billion going to mitigation.

Brazil:

- lack of reference to past agreements – we agreed to enhanced action on mitigation.
- On needs of developing countries, too much focus on private sector and investments.
- Lack of balance in discussion: need global efforts that are thus government-led. Need institutional building and capacity-building too. We should not rely on private sector.
- ***We have little flexibility with regards to our budget – a lot of money going to poverty and development projects- not to be expected that we will jeopardize development money by reallocating it to CC.***
- Very ambitious domestic action. But requires extra climate finance

Swaziland:

- I'm hungry and a chef comes, and he tells me the ingredients I need to buy and altogether, it's very expensive.
- And then my neighbour has the same problem.
- Then, someone comes along and pays for the food, but my neighbour ends up with more food than me. T
- the pb is not addressed, I'm still hungry.
- Development is carbon-intensive still, how do we handle this equation?
- -

African country or AOSIS rep ? :

- to the Caribbean presentator, impressed by number of activities on L&D.
- These activities will be funded by international finance – but what domestic money is going to be used? Clearly, international finance will not suffice.

Saudi Arabia:

- We need to align on principles of CBDR and equity and yet no references to these so far.
- ***We are here to learn from developed countries how they plan to mobilise 100 billion – need clarity on this LTF.***
- Developed countries should focus on how to avoid/minimise impact on developing countries. We're discussing international sources of finance, should not be a burden for developing countries.

- Also, need to look at MRV.
- Also, on private sector: we do not know how to mobilise the money, and do not know their motivations

Norway/Denmark?

- Pleased to hear from the Philippines that action and ambition are 2 sides of the same coin, and linked in terms of implementation.
- How do you scale up implementation, and then assess needs? Both are articulated, and need to discuss this otherwise debate is entertaining, sterile and not solving any problems...

Indian ex negotiator:

- to clarify intervention from this morning, private sector will always have a role but not meant to provide concessional finance.
- On role of development banks. Net disbursement from WB is negative (?)

CAN input to Monday's debate by Henriette Imelda, Indonesia

Jeffrey Sachs and other speakers made it clear this morning that we need **much, much more than the 100 billion dollars** of the current political commitment to engage in the transformational change we need, ensure our emissions peak soon enough to stay below the 2°C threshold and help developing countries cope with devastating impacts and the damage caused climate change

Many DCs are developing national strategies or have already come forward with plans for national action. But in order for more countries to come forward with plans and the existing plans to be implemented on the ground, developing countries need to know about what finance they will be able to expect, and they need scaled up financing starting now. At this point however, there is no clarity on what climate finance will look like after 2012 – the end of this year - to address urgent adaptation and mitigation needs.

Considering the urgency and the huge needs identified, it is clear that we need, starting now, a steady increase of climate finance, scaling up from the fast-start finance commitment, that is we need **more than 10 billion of new and additional public finance** in 2013, and continue to scale up steadily **towards at least 100 billion by 2020**.

We also believe that a substantial part of this funding should go through the Green Climate Fund. In its initial phase from 2013 to 2015, the Green Climate Fund will need at least 10 to 15 billion dollars

Isabelle from Colombia:

- After La Nina floods in 2009-2010, loss over 2 years: a) loss due to damage and b) cost of repair.
- With the WB, studied abatement curves for different sectors on Colombia – hope to get estimate of mitigation needs.
- 3 lessons learned: need more capacity to systematize calculations, many development projects with important climate co-benefits (will need to be included in calculations), need standardized methodology to calculate sectoral and regional potential.

Nauru (AOSIS):

- costing is important, but urgency and vulnerability should also be taken into account.
- Adaptation financing is a matter of priority, should be scaled up with grants.

- Private finance will not fund adaptation and resilience.

China:

- **assessment of needs of developing countries – we should bear in mind that workshop happening in UNFCCC – CBDR and other principles should apply.**
- Responding to those who raised idea of China's contribution to intl climate finance, China still tackling extreme poverty and natural disasters. One of the most affected regions by CC.
- Countries like China still need intl funding and assistance
- We also need predictability – the question we need to address is how do we make sure that GCF is not an empty shell, need initial replenishment

Andres (Chile):

- presentations were useful but we still need more time to discuss needs.
- Chile is an upper middle income country but there are still alot of development needs in our country.
- Funding these needs with our domestic finance- very ambitious already on CC. Doing our best to comply with out mitigation target.
- Money coming from many donors to support our efforts.
- Let's not forget the context: decision in Cop15, COP16 to mobilise LTF until 2020. If we succeed, in 2020, we have a legally-bin and global agreement. **If we want to raise ambition in terms of mitigation, we will need money.**

Tanzania:

- Need to look at issue from Convention perspective – in 2001, we agreed that anything beyond 18 months, finance for NAPAs was considered LTF.
- So LTF was yesterday. On needs, important to understand they change – the less the ambition, the higher the costs.

Paul Watkinson (France):

- interesting that reps are sharing their experiences (Egypt, Colombia), need to learn from that.
- Doubt there is a point in having a perfect figure.
- More about identifying what countries need: a REDD+ partnership maybe ? something else ?
- **Need to understand the TYPE of investment – where is it that international finance can make a real change, where will it make a difference**

UK:

- on the mitigation side, need to focus on gaps that are not receiving enough money.
- Clear from the numbers that one source will not suffice.
- Need to maximize use of different sources.

Poland:

- idem P. Watkinson.
- Presentation by J.Sachs – liked the idea of engaging all countries into climate finance (or the opposite?).
- **Reacting to the J Sachs presentation, calculated that based on the high income country formula, Poland is at the bottom of the list of high income country, would have to bear a disproportionate share of the bill (rough number : 1.5% of the GDP), quite high figure. So Poland would be paying more than France.**
- Polluters-pay principle does not always take into account country specifics.

Caribbean Climate Center:

- Not expecting intl climate finance to fund all our actions. *More about mainstreaming risk reduction in all our programmes* in any case. We need to adapt smartly.
- Eg. We were addressing water shortage issue: water available went to the hotel instead of agriculture! So worked with the hotel to develop water harvesting, water recycling and conservation, etc. Hotel put in 30% and us 70%. But in the end, they funded 70% of the programme because they realised they were making significant benefits.
- Business model on adaptation was possible in that case.

Mohamed Nasr;

- success stories allow policy to move forward.
- Need country-driven approach, not in contradiction with global assessments.
- If you look at national figures, they add up to the global trillions needed.
- At this stage, not about questioning the figures but about ensuring national and country-driven approach.
- Agree with China, and others have said they want social to be overriding. How can you engage and prepare adaptation policies if you don't know how much money is available.

Australian replacing David Gracey:

- Main idea highlighted by countries is that bottom-up and tailored approaches are needed. How do we translate desires, best intentions, figures, etc

AfDB (Nyong):

- some countries doing wonderful things already. Some countries like DR Congo are protecting their carbon sinks and sacrificing livelihood for many people without any intl help (?)
- ODA/climate are matters of accounting but in practise, mitigation and adaptation must contribute to development. Otherwise, waste of resources and time.
- *fast-start finance was « magic »: 30 billion over 3 years, wow. But then, the money never came, and never met the needs. And now we're moving on to LTF ?*

UNEP:

- Governments are mostly technology agnostic – look at energy efficiency, they can't seem to figure out how to do it.
- Within climate discussion / grant/loan distinction is important, but it's much more difficult than that.
- First movers success stories are more expensive.
- In the Montreal Protocol, interesting mechanisms that we should at (tech transfer mechs for ex, soft skills). UNEP created center in Francfurt to fund climate-energy projects
- What is capacity to mobilise finance domestically? Don't have the answer to that. Need new financial communities to do investments

South Centre:

- *the 100 billion does not derive from any methodological process. It's a political figure.*
- *Carbon taxes in developed countries could also raise climate finance.*
- you need to get the #US involved on climate finance especially on some sources of finance.

Smitha (ODI, facilitator):

- Need to keep creativity and open minds. Need to come to grips with reality of the challenge, but need to break it down into manageable pieces.
- Not just about volumes of money, but also about the way we use the money and unlock barriers. Differences among us on where to start.
- The longer we wait, the greater the L&D we will be faced with.

Tuesday 10TH OF JULY 2012

Session 1 - LTF sources

Questions by the moderator (Sethi, ex-climate negotiator for India)

Does the proposed funding conform to the principles enunciated in Framework convention?
Is the proposed funding new, additional
What is the grant equivalent of the proposed funding? Does it meet the agreed full incremental cost?
How is the balance of climate investment going to be funded? Does the co-financing impose hidden costs and/or conditionality?
Does the recipient have direct access to the proposed funding and does the recipient have a say in the use of the proposed funding
Does the proposed funding assist development by making it climate-proof?

Presentation by Mattia Romani, LES, Mobilizing resources for climate finance?

Context and rationale

- For a 50% chance to keep GW below 2°C, then our emissions need to decrease by 2.5 factor in next 40 years
- Need industrial transformation
- Rich countries have emitted 75% of cumulative global GHG emissions
- But we need developing countries to reduce their emissions as well. No other way
- Which also means rich countries will need to support mitigation and adaptation investments necessary in poorer countries
- Conversation since last year has shifted from responsibility to the future: everyone should have equitable access to SD. More constructive language than CBDR because it is forward-looking
- The commitment is for public and private: *the equity suggests that a significant part of the funds should be grants or grants equivalent, and public. Since private flows require repayment and come with other obligations*
- *Rio has increased pressure on developed countries, since little delivery on climate finance*
- “sensible ideas like green growth” could disappear unfortunately
- The current economic crisis makes it hard to deliver but also makes it clearer that we need to deploy effectively and efficiently, and that low-carbon technologies are not just about equity but also about ensuring longer term stability of the macroeconomic framework (cf. last IMF report)
- Investments in low-carbon tech have recovered very quickly (cf. graph)

There has been little done since climate finance reports.

AGF said:

- it was feasible although challenging
- need reliable and bundle of sources
- funds should be scalable
- sources should provide incentives for sustainable production and consumption

- we need to start now to fill the fund by 2020

Current financial flows:

- CPI says there are 100 bn of finance already: 50 bn of public of which 20 bn of grants (CPI presentator did not give the same numbers)
- The other 50 bn is private
- but Copenhagen is about additional flows, so we are not done yet.

Principles for climate finance

- tax the bad
- additionality
- incidence
- public
- scalability, robustness and credibility
- raising domestic revenues in developed countries

Sources of finance: individual sources identified in WB/IMF report

- *AAU/EtS:*
- *Offset levies*
- *Maritime*
- *Aviation*
- *Carbon tax*
- *Subsidies*
- *Royalties*
- *FTT*
- *Direct budget contribution*
- *MDB contribution*
- *Carbon marker offsets*
- *Public/private leverage: 200 bn (with medium carbon price)*

Why does the AGF call for bundles of finance?

- They provide developed countries with flexibility in choosing domestic sources
- Spread the risk and increase reliability
- Different sources can reinforce each other
- Some sources will overlap so overall revenue is not necessarily the sum of its parts

Overall, lack of momentum is mostly due to US politics and Euro crisis

Removing FFS in developed countries is the best short-term priority, alongside international transport taxes, revenues from ETS through auction (do it now that the price is low), the reforms of carbon markets.

There is also potential space for a new institution focused on sustainable infrastructure

The GCF must demonstrate it can deliver quickly. Funding the GCF will set a good example

Ro rejected the concept of green growth due to shift in responsibilities

At the same, many countries are pursuing inclusive green growth strategies and attracting finance

Are the public funds from developed countries going to green growth part of the 100 billion, or are they normal ODA? Challenge of additionality!

Presentation by Jane Ebinger, WB, Mobilizing Climate Finance

- G20 mandate: deepen the AGF analysis
- Public and private flows are complementary

Public sources 1: Work on comprehensive carbon pricing

- Was led by IMF
- Most effective mitigation opportunities
- 25\$/ton = 250 bn a year in 2020 I developed countries
- for efficiency, need fiscal consolidation
- Choice to makes between carbon tax and ETS does not really matter as long as the design is right
- Economic costs expected to remain modest
- Several options to improve acceptability. It would reduce revenue but you can compensate vulnerable households.

Public source 2: international aviation and maritime fuels

- **Sizeable source of emissions that is undertaxed from both environmental and fiscal perspective**
- Need global approach especially for maritime due to mobility
- **So would require compensation mechanisms for developing countries**
- **Compensation and implementation need further study but seems feasible**
- Revenue potential of about 40 billion: 22 billion net of compensation for climate finance.

Public source 3: FFS

- **10 bn per annum if reforms in developed countries led to 20% of subsidies were directed to international climate finance**
- Scope for reforms in developing countries: 300 bn+ per annum
- Last OECD inventory (cf. numbers on the slide)

New OECD inventory of fossil-fuel support in developed economies

- US\$40-60 billion p.a. (2005-10) for Annex II (OECD: \$45-75 billion p.a.)
- half for oil; two-thirds for consumption
- over 250 support mechanisms, mostly budgetary transfer and tax expenditures
- not all are inefficient and lead to wasteful consumption
- estimates must be interpreted and aggregated with caution, since majority are tax expenditures (in reference to country-specific benchmark)

Investment and leverage sources

- Climate investment has grown fast and has more potential if market failures and barriers can be tackled
- We need to leverage. Look at 100 bn/year as a catalyst for investment and to cover additional costs, as well as enhance
- Financial instruments and support mechanisms can facilitate clean energy: cf. graph which shows phases: planning – incentives (feed-in tariffs, etc), phase-out support, accelerate adoption by addressing market barriers (codes, standards, information).
- CIF have leverage ratio of 1 to 11
 - Eg. Piloting index-based agricultural insurance (contingency funding to farmers in Niger),
 - Eg. Transform clean tech markets in 5 Mediterranean countries
 - Eg. Opening domestic capital markets for clean energy in Turkey
 - 1 billion for 14 LDCs, and 68% going to adaptation

Carbon markets are alive despite the low price

- different scenarios for carbon markets:
 - Copenhagen low: 5 to 9 bn p.a /
 - Copenhagen high: 31-43 bn p.a /
 - 2°C: 150 billion p.a
- to do that, we need to bridge the gap in demand, as well as give visibility and clarity to investors

MDBs = 19 bn for mitigation in 2011 (3 billion from carbon markets, 6 billion in green bonds, etc?)

- can pool flows to support targeted concessional lending
- can leverage shareholder capital with private market borrowing

Taking this financing forward:

- FFS: expand inventories,
- Carbon markets: implement targets under cope15 and 16 agreement, continue reform
- Expand MDB pooled financing arrangement
- Build in country readiness to facilitate access
- Generate knowledge and share experience
- Improve monitoring and tracking

Presentation by Barbara Buchner, CPI

What is climate finance? "All financial flows covering financial support for mitigation and adaptation for various geographical configurations. for public, public-private and private flows, For incremental cost and investment capital"

Cf. "spaghetti graph"

Looked at data by OECD, ODI,

Key insights

- The amount of private finance is almost three times greater than public finance. Capital investment is crucial. Public budgets at least 20 bn
- Intermediaries such as bilat and multilat financial institutions play a key role in distributing climate finance (channel more than 40%)
- Most climate finance can be classified as investment/ownership rather policy incentive, carbon offsets and grants: 74 to 87 bn
- The large majority of climate finance is used for mitigation measures: rationales beyond climate change
- 97 bn is currently provided to support low-carb climate-resilient development activities
- *but don't confuse the 97 bn with the 100 bn of the Copenhagen accord: not necessarily additional, includes some developing countries and domestic money, includes incremental costs and capital investment*
- *97 bn must be put in perspective of what is needed to finance a transition to a low emission future*

Picture of climate finance is still patchy, needs improvement. Complex nature and lack of definitions hampers tracking efforts. Several information gaps

There is no integrated international system for storing and accessing financial data: wealth of data but limited coordination and gaps in collecting

Case study 1: Prosol Tunisia is a financial mechanism supporting the penetration of solar water heaters in the Tunisian residential sector. Teaches us a lesson on the role of public money to provide stable and credible policy framework.

Case study 2: walney offshore windfarms in the UK. Shows us the need to align public and private objectives

Critical role of private finance: need to address limited understanding of the effectiveness, the effective balance of public and private capital.

Paul (US)

- disagrees with Sachs, US committed to climate finance

- UNFCCC financial review highlights that US public contribution in 2011 was 6 times more than average of previous years
- Not enough and needs to be continued. On of 3 priority areas identified by Obama in intl assistance
- 6 Ps: public and private, push and pull, pre-2020 and post-2020
 - work we do on climate finance should be grounded in reality
 - ideological debate on public vs private. Need to step away and beyond definitional debate. We can do more than definitions.
 - Our goal is to get finance flowing on the ground. That is how we will measure success
 - What kind of investments are we promoting.
 - These sources of finance have to do more than coexist – public and private finance get blended together on the ground. A windfarm in a DC should get built using 100% grant money from the north? No, it will generate revenues.
 - One under-appreciate element: the institutions that understand best how to blend are not just MDBs but also national development banks. Brazil funded 4 times what WB funds globally (?)
 - Without strong enabling envs, and supportive national policies, difficult to attract investments; Something countries need to work towards
 - Work programme is a continuation of the AGF, G20, etc: conversation going on under the LCA. But now, negotiating platform: LTF has something after 2020. The world will be different then – the assumptions we make here will have changed then, and will be irrelevant. Take incidence on bunker levy – debate will evolve with each decade. In 40 years from now, 70% of emissions will come from NA1 countries with GDP higher than the poorest A1 countries.

Guo Wensong from China

- Public finance should continue to make major contribution to climate finance
- Most adequate, predictable and reliable source of finance
- Lessons learnt from AGF report: importance of carbon markets (?)
- Under current circumstances, north countries have burden on public budgets – but we still hope budgetary contributions will continue to play a role
- We understand role of private sector, but we should also consider limitations to tackle CC in developing countries. We have a lot experiences of market-based experiences of failure involving private sector
- Public finance can catalyse/incentivize role of private sector
- *A lot of developing countries, especially LDCs, capital markets are less developed and to facilitate the role of the private sector, need to emphasise public finance*
- When talking of the sources, should also respect CBDR and national circumstances: some speakers in last session talked about the need to develop consumptions to meet the needs of populations: clothes, food, health. Still major poverty issue, major disasters, depleting natural resources. In a process of industrialisation.
- *Look at different responsibilities and capabilities, and keep it in mind.*

Indian moderator

- FYI: India would have to grow GDP 3 or 4 times to achieve poverty line in OECD

Presentation by Eric Haites, Margaree Consulting

- Different categories of funding:
 - Collected domestically through national decisions: carbon tax, auctioned allowances, reduced FFS, royalties, wire charges
 - Funds collected domestically, intl agreement: FTT, border cost levelling, carbon export optimization tax
 - Funds collected internationally, international agreement: share of proceeds, pricing of shipping and aviation emissions (will help remove distortions too), auctioned AAUs
 - Leveraged private funds: carbon market, MDB capital increase, private flows leveraged by public policies
 - Which are more predictable? Flows of different sources differ in terms of how they get to financial mechanism
 - IPCC: first draft in 10 days on climate finance.

Q&A

Martin Khor, South Centre:

- Need to distinguish commitment of developed countries to support climate finance from the rest
- What is important and what should count in the 100 bn is the grant element or grant equivalent: grant element in the concessional loan, not the total loan
- The issue of carbon trading as a source of finance: sunshine of carbon trading is fading, price is unpredictable and low as ever. A TAX is more predictable.
- On private sector finance, debate on this during GCF discussions: we should be wary of loan guarantees, responsible of financial crisis, big source of controversy in the US. Use of climate fund for speculative activities is a source of concern
- @Eric Haites: what did you mean border cost levelling tax? @USrep: what did you mean by post-2020 scenario where recipient countries would be joining into global effort? Maybe in the negotiations, but very controversial still.
- On mix between public and private money: in developing countries, PS is always the main player in the concerning and climate-threatening investments. (check Lies' notes):

Indonesian delegate (Santy Sitorus):

- Useful to discuss existing reports here
- Now, we can go to the same level in the negotiations,
- What do u mean by innovative and alternative sources? It's good that we have this forum to clarify
- On the sources, Barbara made a serious point on transparency and definition of climate finance. Not just about categories, but *also about making sure we differentiate financing from developed countries and from developing countries. Countries have their plans and will be resorting to domestic revenue. But this is different from 100 bn commitment*
- If we manage to achieve the reform of FFS and shift the money to green investment, it's up to the country to decide- national sovereignty. Need to be clear about what is climate finance;

India, govt rep

- Have listened carefully – at the end, what I expect is better clarity on what we call climate finance – what does art. 4 mean? It says grant element of concessional financing
- This morning we have talked of several financing – what are terms and conditions of this climate financing.
- We heard a lot of ref to carbon markets as climate finance – to my understanding – credit

is used as mitigation commitment – no

- Loans – there is no net flow – cannot be climate finance
- International transport levy: question here – there should be no incidence,, no net incidence on developing countries on maritime or aviation – otherwise you risk the convention
- Have to be practical – yes we know that – domestic, private finance – but point is that we shouldn't be calling that climate finance – but that should not be climate finance.

Armenia

- One question to Barbara – was surprised that private sources are ... than public sources – why? Please elaborate – a lot of this could be domestic policy initiative.

Philippines - Bernaditas

- On first presentation – when you don't talk about equity – you talk about equal – that developing countries should be taking actions – if we agree on 2 degrees, problem of reaching it depends on level of concentration – one, we probably already overreached
- But we already are doing things. Some of our objectives are more ambitious than developed countries.
- DCs have sought clarification since Copenhagen – 100bn is not goal of 100bn, but that of mobilising 100bn given specific actions and conditions – so as far as I am concerned there is no commitment – so this is not long-term finance at all.
- So AGF report – is focussing only on a certain amount that has no scientific basis comes from somewhere – it could be one of the target amounts that we are looking at but it's not THE LTF amount we are looking at.
- Which private sector are we talking about here? Are we talking about chimney operators from Philippines or from US? We should be clear about that.
- In any country, if you listen to WCSO, they say they need a clear regulatory mechanism, they need to know that countries are taking up obligations and commitments in the countries where they come from. Do we have that common understanding about which private sector we are talking about?
- How do you use the money to stimulate the domestic private sector in order to be able to meet the commitments undertaken by the government? To allow us to do more than we are doing now.
- *Pre2020 and post 2020: My understanding is what we have now – convention and protocol – we have those – post 2020 we might have something – it might replace the convention – it might lead to more mitigation obligations, but doesn't change everything else – doesn't change all the provisions we have now. We don't know about 2020, nature of the convention. We shouldn't be putting things on hold until 2020.*
- Who is providing climate finance – if it's a debt, than I am paying it – so that's not climate finance. Benefits go back to investors.
- Voluntary channels – MDBs,
- Outside of the framework of the mechanism of the convention. All these years we have been looking at guidance from the convention, there is a listing in the convention 4.1 – tells you which sectors, which areas, including public awareness raising, everything is there – it can be said to be there. CF is not just about financing, it is to address the problem of climate change.

Andrew Bishop

- Question on public/private: given scale of financing that is required – we agree no single source will fill need. We'd like
- Public finance has to be primary – burden of financing cannot be shifted – we need grant finance. Re argument about being cash-strapped – we are not talking about a lot of

- money – it's not about availability it's about will
- Public funds should be for adaptation, not for mitigation – I fully agree
- But we cannot draw limits around public finance – it's also needed about
- Taxing the bad: who is bad – what criteria are we using to identify the bad. If a DC want to double its emission from 0.1 to .2 – does that make it a bad guy? Need space to grow on a green trajectory
- Question of markets and market linked financing. Auctioning of AAUs
- Market based financing – needs to be incentivised. 25dollars can raise 250bn
- Other thing is related to ambition reduction targets – if that doesn't happen, there will be no money

Paul Watkinson

- This morning brings us at heart of what we should be doing. Yesterday – what we should be
- France put in law in 2005 that we should be going below 2tonnes per capita by 2050.
- Recognise importance of equity in this debate – we are at the heart of this debate in the work programme
- Before we talk about definitions – let's see what is going. What I heard from everyone is that there is both public and private funding which is both necessary – understanding how it works in-countries is important.
- See need of continuing public climate finance beyond 2012. Sup adaptation for most vulnerable and LDCs should continue
- Need for fair burden sharing
- How we mobilise inn sources? Looking at the AGF report – what is scalability.
- Areas where aviation and maritime – conscious that there are concerns about this around impacts – would be interested in how we can address those –
- Removing fossil fuel subsidies: currently they benefit more the rich than the poor – but how do we address some legitimate concerns, and how can we work together on addressing those?

Toy Ushiniwa – UNESCO

- Someone said something about the principles –
- I want to understand more – are we excluding the aerospace industry or can we include them also.
- 100 bn is a construction, but we have to go way beyond that – not interested in definition
- What I am interest is in – how can we use public money to leverage a huge amount of private finance?
- Chair – big fight on EASD with my minister

World Bank

- We only looked at FFS removals in developed countries –
- Where we are now is that a number of studies are needed to implement these studies. We have experience in France, Germany, Mexico – what are lessons from that – how can we address issues of social impacts
- Need to make sure that reforms are well understood.
- -Same comment for aviation and bunker fuel charges – a lot more work is to be done on whether you would levy, how you would design compensation – that could be a step to undertake
- how can we make sure that there is maximum leverage from the public finance that will come available

CPI:

- There are larger incentives than climate change – RE can be justified for other reasons.

Eric Haites:

- FFS in developing countries are much larger than in developed countries – phasing them out is a sovereign decision – it raises an interesting question how to calculate the incremental cost for a country that has a FFS as supposed to a country that doesn't have them.

From my perspective, a couple of confusing discussions:

- It's clear that we need major transformation of global economy – looking at finance associated with that is one definition of climate finance, and there PS will be big part
- That is separate from climate finance under the convention, what, how it flows and what nature of flows are.

Don't have clear definition on climate finance on public private, on climate finance

This morning largely about possible flows into the financial mechanisms, as well as flows under art 11.

My reading of the Convention is that issue of grants apply to the outflows of the financial mechanism, not for the inflows – we can make progress if we distinguish on inflows, what are the conditions of the outflows

Paul

Pre and post 2020 – mainly raise it as a question for all of us to think of it – we want the report to be relevant for that discussion – we don't know what 2020 will look like, but it will be radically different:

- *If you think historical responsibility should be based on a list drawn up in 1990 – that's your entitlement, but not based in political reality.*
- As developing countries are developing, they should be starting to take up their responsibilities
- Grant equivalent: Distinguish between financial flows and the instrument – grant equivalent – grant and concession financing refers to that of the operating mechs of the finmech. We don't want to be discouraging other finances. Eg OPEC financed 1bn in india for projects – that's not all grant finance, but provides finance that

I take the view that we should concentrate on what we mobilised

- Under UNFCCC we have SC and GCF, in course of discussion on TC a lot of discussion happened here
- Great expectation of GCF, we might be address some of these issues there. Eg on how we define grants, loans – we cannot wait for operationalisaion as soon as possible
- On international transport and bunkers – when we are talking about FSS, we do have to take a country specific approach, need to take into account energy security, promotion international trade, which is important in social progress

Isabel Cavalier – Colombia

- Definition of climate finance and definition of incremental, when they are not earmarked, or for things that is not for climate finance, than we cannot track effectiveness for example – we have identified 4 difficulties
- Credit ceilings that MDBs have per country and Credit conditions are not harmonised with our country. We have our own definition of national policy priorities – doesn't help to prioritise loans
- Also, bureaucratic obstacles
- Regarding grants – our main difficulty – there is a very big unbalance between adaptation and mitigation
- We have plan for adaptation but received virtually no finance
- Lack of transparency in information – we don't know if FSF or not – doesn't help to identify and track

- Very sincere obstacle in lack of national MRV system – we see that this is clearly identified need for public finance that then will help us to have more efficient tracking and use of flows
- Re private sector role at home – we haven't been able to track PS finance at home – but have identified opportunities – 1) in designing of instruments that already helped leverage PS - eg. line credit for mitigation created with public sources 2) we expect to create good coordination between national devpt banks and resources coming from international 3) banks – voluntary commitments of – incl agreement to incl env analysis in projects
- Financial analysis
- VAT exclusions for projects that reduce emissions and imports on
- Income tax inclusions for sales on energy, and projects financed from Montreal protocol
 - For control of environment.
- We haven't been able to monitor impact of these in terms of emissions reductions
- Public sources – FTT implemented at home – unfortunately only with big catastrophic events (la Nina – 2010-2011) – took part of FTT to fund a national adaptation fund. Plus patrimony tax – broadened tax base and earmarked them for climate mit and ad.
- Challenge is on how to keep these resources going in the long term and not just in response to catastrophic events.
- Nat fin strategy for reducing vulnerability
- Reserve funds
- Unsurance and securities
- This is just beginning
- We are front runners – but we need to scale up from 2013 to 2020 – if we have to prioritise – what are the key sources with major substantial to be scaled up between 2013 and 2020.

Maldives

- Struck by number of presenters. Question to Barbara – obj of target of 100bn. It seems we are only close to it.
- From balance sheets – it was terrible
- When I speak to my communities – from perspective of recipient – have they received anything? Frankly it's very difficult to show.
- It's very important to look at that perspective when looking at the targets.

(NB. Chair Asks for a show of hands of whether countries have received climate finance – 2,5 hands. Laughter and opposing noises)

Sweden

- Concept of bundle and baskets
- I haven't really heard any disagreement that it's useful that we have a pool of sources for public finance. We have carbon taxes as well as ETS for many years – those that do have emissions trading, and auctioning. We should show some fairness in how we go forward
- National sovereignty in the use of revenues for developing countries,
- Should we keep the baskets flexible – not keeping public and private separate
- transparency and reporting – what counts – many reps from DCs talk about importance of comparability – we also need to see that burden is shared fairly –
- Some degree of transparency is needed.
- We don't have time to replicate discussion on transparency of mitigation, and what is practical way forward.

AOSIS (Nauru?)

- Which are ¾ most promising sources and how do you see this UNFCCC process facilitating agreement.

Saudi Arabia

- Commitment not to provide / to mobilise 100bn. Appreciate the commitment and the SecGen initiative – **but it is really the duty of the developed countries to explain how they will mobilise it.**
- We need an assessment of the alt climate change mechanisms within UNFCCC – additionality, predictability.
- Regarding private sector, we need to know how it will be mobilised – bearing in mind that it can only play a supplementary role in CF.
- We also need to know what are the related trade concerns and the spill-over of effects on developing countries. How can we ensure that the revenues are in compliance with the principles of the convention
- Both reports were produced outside of the convention – whatever options are proposed need to be aligned and complied with principles, especially CBDR
- How can we ensure negative impact on dev countries have been minimised – reports don't answer this – reports acknowledge the lack of
- More detailed analysis of costs and incidence –
- How long do you plan for these measures to go on – no reference to timeline

Emmanuel Ndiaye (Swaziland)

- How can developing countries take commitments and developed countries provide finance, tech and CB?
- In order to achieve goals of conventions, will not be achieved if no finance
- Pledges that are made by developing countries are more than that of developed countries – **we need to make sure that jumping out of the ship is not happening – we need to try to think pre 2020** – we talk about a clear division in commitments in
- What can we do to make sure that funds are flowing?
- Challenge on how to account and make sure that this is addressing climate change?

Cuba

- No balance in the representations – no developing countries on the panel–
- No balance in views – a lot on private sector and markets – but not about the limitations of them. Need to know advantages and disadvantages.
- We have to change approach in our minds re climate change finance. **Providing funds is not 'loosing' funds for developed countries – this is a win-win situation.**
- If not we will be running in big trouble with the climate
- **You provide finance ad a lot of money will go back to developed countries to provide the environmental goods often produced in developed countries**
- Dispel notion that because of crisis that there is no money. between 2008 and 2012 billions of dollars have been mobilised to rescue the banking system. So the CF figure is a tiny figure. There is no excuse, and the reality shows exactly the opposite, and there is money

Brazil:

- Amazon fund is administered by national dev bank – eg Norway – that's a good approach
- **Many speakers mentioned international transport as additional finance – but these would (especially for those with large trading distances) increase price of foods and good energy such as biofuels – although there have been proposals to address impacts – they don't address extra costs and admin impacts of these measures.** Would impair food security and energy security
- How can we integrate climate, SD, possible impacts on Developing countries, and in light of Rio outcome? Would be good idea to insert in agenda a consideration of SD into considerations of OECD and of World Bank – and options that in any way jeopardise

sustainable development

Responses from the Panel

Matti Romani

- Public finance private finance bundles – to give long term signal
- Promising sources:
 - Taking out revenues from auctioning revenues – during period of financial crisis it is a good opportunity to build mechanism. Commitment now is easier than when prices are high
 - Removal of FFS
 - International transport

World bank

- How to track – start with places where already something is going – OECD DAC – work by CPI, work with MDBs on transparency in climate change.
- Tracking CF in national budgets eg Vietnam

CPI

- Need to understand what works on the ground, and how to include a recipient countries perspective – is it in line with country priorities?

Eric Haites

On shipping and aviation

- In medium term is most promising – best on global scale rather than regional
- Question is incidence on non-annex 1 – that is a question of distribution amongst non-annex1 countries
- You take 4-5 bn out of 10 and on basis of a formula redistribute, and rest 5 billion for climate finance (part of this for response measures)
- This would be distributed through GCF to non-annex 1 parties.
- Non-annex 1 have a choice: all revenues put through GCF – the other one is to have part addressing compensation, the other to GCF
- ***This is a political choice. The distribution of the economic consequences is different from distribution of climate impacts – that would need to be settled by G77-China***

On questions of moderator – for me this is all about the distribution of revenues of the GCF – SC should look at that – but we shouldn't be looking at them necessarily now – important question about outflows, but we should be focussing on in-flows.

Carbon markets: over time:

- CDM 75% of geothermal projects have been CDM,
- Only 28% of small hydro has been CDM. CDM has been able to mobilise funds that have significant transitional effect. CDM has been larger and cheaper than

Paul US

- International revenue mechanism can seem attractive but they are probably conceptually – eg FTT, this would be almost impossible – it would be diff to raise revenues if private actors. A number of sources are not linked to emissions
- ***Shipping and aviation – int coordination is required for this. But we believe that any such policies should be implemented nationally and through national authorities.***
- ***Rebate idea is not consistent potentially with IMO***
- Need to be linked to emissions, relevant to climate and politically feasible.

SESSION 2 - MOBILISING CLIMATE FINANCE

Delia Villagrasa (ECF - moderator)

- What are the options for mobilising the LTF?
- What is the liability of carbon markets as a source of investment and revenue
- What are policies and instruments to leverage and scale up
- How can we share experiences, involve NGOs, private sector, etc.

Mobilising private sector climate finance – a project-based approach, EBRD

How to use public money as a support mechanism for private investment?

SEI is the business model to work with governments to develop strong institutional and regulatory frameworks, and help overcome barriers. Grant cofinancing.

EBRD is utilising concessional climate finance from a variety of sources: EC, CTF, GEF, bilateral donors

- to address specific barriers (lack of CO2 pricing, capital gaps, risks)
- to reward energy and/or CO2 savings – the more you save, the more concessional
- protect clients through reporting, MRV, co-benefits.

Grant intensity: 15/20%

EBRD combines different sources to mobilise investment: sponsor equity, repayments, co-lending, syndicated finance

Concessional support for country support systems: feed-in tariffs, green certificates

EBRD leverages 1.1 to 1.3 factor

Biomass is still underdeveloped. Investments in hydro and wind power dominated in 2009-2011. SEI planning to extend loan policy

CTF funding was instrumental to develop RE project in Ukraine.

EBRD believes in sustainable energy financing facilities at national levels.

Presentation by UNEP Finance Initiative

Difference between:

- financing and covering incremental cost.
- Public, private and polluter money

What are the barriers to more private climate mitigation finance?

- No level playing field between high carbon and low-carbon investment alternatives
- Regulatory barriers in developing countries. In the energy sector, there is no easy market access for low-carbon techs, and energy prices are unsustainable
- Political and regulatory investments: country risks: need domestic regulatory change

What can governments do?

- create a level playing field

From the private sector point of view, there is a basket of options (cf. slide).

Role of commercial banks on the ground is very important – leave a mechanism in place that is sustainable

Example of Turkey project:

- Initially 1 -6 leverage – this was followed by further projects that didn't require any conditionality eventually 1 euro public – 25 euro private.

Really important to have a few pilot projects for financing sustainable energy. Half of our business is done without concessional finance – just like a normal bank. Only 20% needs concessional funding.

Presentation by Geoff Sinclair from Standard Bank – South Africa

- Member of UNEP financing initiative = over 200 institutions around Climate finance
- Financing = making finance available with expectation that it will be repaid.
- Incremental cost = topping up the cashflows of the project so that it is at least as competitive as the cheapest alternative.**
- A lot of projects are financed with private money – the incremental costs cannot be – they would be paid by tax.
- Benefits of public versus private versus polluters finance

	Public money	Private money	'Polluter money'
Criterion			
Is this 'finance' or 'covering the incremental cost'?	Can be both.	Can only be 'finance'.	Can only cover 'the incremental cost.'
Political versus commercial motivation	Does often not have to be repaid (or it has to be repaid at favorable conditions).	Does have to be repaid (usually at market conditions, meaning at conditions which are competitive with the risk/return profile of other investments).	Does not have to be repaid.
Availability (in principle)?	Very limited, particularly at the moment; unlikely that availability will increase in light of budget situations of Annex-1 countries.	Vastly available (in principle).	There is a lot of GHG pollution: vastly available, in principle.

Reliability and predictability over time	Depends on politics which tend to be volatile.	Depends on economic fundamentals of investments which tend to be stable. Regulatory regime needs to be well designed and stable.	There will be a lot of GHG pollution in the future: flows will tend to be stable.
Effectiveness (will finance truly lead to mitigation?)	No automatically built-in guarantee for effectiveness.	Built-in guarantee for effectiveness: finance only flows at high levels of certainty that it will be repaid. Repayment hinges on successful project implementation.	Built-in guarantee for effectiveness: money flows ex-post on the basis of verified emissions reductions.
Efficiency (how much mitigation is achieved by unit of finance)	Given political motivation, no automatically built-in guarantee for efficiency.	Given commercial motivation, there is an automatically built-in guarantee for efficiency.	Given commercial motivation, there is an automatically built-in guarantee for efficiency.
Can it be used for Readiness?	Yes; the built-up of capacity and readiness typically does not lead to immediate cash flows and/or emissions reductions. No money can be repaid on the basis of capacity and readiness improvements.	No, because the built-up of capacity and readiness typically does not lead to immediate cash flows and/or emissions reductions.	No, because the built-up of capacity and readiness typically does not lead to immediate cash flows and/or emissions reductions.

- **Public finance = political**
- Private = depends on economic fundamentals as well as regulatory needs to be well designed and stable
- Effectiveness: public finance not automatic
- **Private finance is generally most effective**

Key points on level playing field. There are two parts to this costs:

- In East Africa for example – Kenya investment market – if you try to distribute in private finance in Kenya – you can only do over 5 years, while requirement is over 20 years.
- Normally should be overcome
- High operating costs – low operating cost of windfarm – this works against these investments in developing countries.
- what are barriers in DCs ?
- need to create a level playing field – tragedy of the CDM
 - Spotprice for CER was 4 Euros this morning. Need to increase this ambition
 - Some possibilities looked at – 10 options –

Panelist- ABG asset management – pension funds in the Netherlands

- Need to make sure that pensions remain affordable – **group of investors that is concerned about climate change – 20trillion total assets – doesn't mean that all of it is invested in RE – only small portion would be on RE – this is about 1% - if all institutional investors would invest 1% - that would be a lot**
- Our company – 1 billion in RE – if also counting water, railway, carbon trading, schools and hospitals, figure goes up to 1 billion.
- Good news is that amounts in RE is increasing (except last quarter)
- Need to keep in mind that returns offset risks
- Eg solar energy less risky, but returns need to become a bit better to make it competitive in the market. Prices have gone down so much that hopefully it will change – but for now a lot of this still relies on policy.

- But what is policy risk – need to keep that in mind – policy frameworks are very important.
- Often we invest in infrastructure funds, these can group together some projects. They need to have good management – we get a lot of proposals, but need to give it to managers with good management.
- These are some of the risks, but also opportunities. Why do we like to invest in infrastructure? If the right frameworks are created – gives us stable framework and return – we also have a stable outflow (pensions) – good alignment with liabilities of long-term investor.
- In Europe in discussion with EC to understand how ETS can be improved and if prices of carbon are back up should be beneficial for RE investment.

Panelist - Mexican rep from Finance ministry of Mexico -

- Mexico passed 2 laws recently: law on climate change that provides an institutional framework to plan public climate policies.
- Recipients should have strong legal framework to host/attract climate investments. Mexico working on PPPs – national infrastructure plan gradually became a fund, that supports private investments.
- Also in the process of establishing a fund for green investments, with 100 million dollars.
- 2 from perspective of international cooperation – work in G20 – this is the first time that green growth is priority for the for G20 – specific mandate from G20 leaders on climate finance
- Reaffirms to continue working on climate finance and makes a concrete contribution where finance min are going to provide some efforts in order to study climate finance in G20 – establishing specific climate finance working group to study those issues.
-

Panelist - Germany (Norbert):

- public sources in times of crisis are not as reliable as often perceived. Decided in Germany to use auctioned ETS allowances.
- Expecting 2.8 billion in 2013 (10 euros/tonne CO₂) for domestic and international climate activities. Parliament decides every year on what goes to the fund, and what share will be international/domestic. One of the challenges we are facing: carbon prices are much lower than expected. If we are not ambitious enough on the mitigation front in the EU, climate finance will also suffer;
- No silver bullet, all sources will play a role, including Innovative sources. Need portfolio approach.
- Difficult to decide where and when to subsidise private finance

Seyni Nafu from Mali:

- when you read the AGF report and G20 report, puzzling to see the focus on carbon market-related sources of finance.
- When you see that the mean price use for calculations is 15 to 25 dollars – but to get this price, need strong demand. Also need strong accounting regime. If we want carbon instruments to contribute to the 100 bn, need to answer these questions first.
- Back to Africa, as most impacted region by CC, it's scary to see level of finance available vs. level of finance needed. Senegal solar project: 250 megawatt, 650 million dollars (?) – looking to CDM to cover incremental cost but that's it. Korea Investment Bank is ready to invest a lot of money- much easier, creative thinking. More and more often, developing countries are looking for LT investments in infrastructure. there needs to be more grants and concessional finance since developing countries have other priorities e.g. energy prices

- PPCR – 60 million max as grant – this is nothing.
- On adaptation projects like a hydro project in agriculture – average land ownership is like 2 acres so no carbon market is interested.
- CC is a development issue first of all – how we climate-proof investments/infrastructure, etc? National Banking system will play an essential role. Microfinance will also play a role in agricultural finance;
- Need massive scaling up of finance needed?

Daisy (UK):

- putting money on the table until 2015. 1.9 bn until then –demonstrating that climate finance will be continuing.
- Defending the idea of sending money overseas when UK is cutting budgets in every ministry is difficult.
- CP3: Public Private Partnership Fund focused on Asia, AfDB and more global initiative. Looking to attract large-scale investments. Using public money to unlock private investments
- Capital markets climate initiative – trying to develop common understanding on what is necessary
- Public and private are both very important – other sources with potential: development bank flows, bunkers => need this work programme to help us move forward on the most feasible sources.
- It's important not to miss the opportunity to incentivize private sector to do adaptation when it can.

Q&A

India delegate Sethi:

- Confused because when you look at the data, OECD has 12 times the power generation capacity compared to India – yet 50% of renewable energy investments are in developing countries.
- What's wrong with developed world and why aren't u invested there? What's missing in the developed world?

Mark Lutes for CAN:

- To stay below 2 degrees we need to mobilise resources at scale of several billions per year – of course we will need PS finance – but we can separate that question from whether PS can make a significant contribution to the commitment of the 100bn. To meet adaptation and mitigation goals large majority of 100 bn needs to be public.
- Where will public finance come from – scale up from budgetary,
- But looking also at FTT, AAUs, measures to put price a carbon
- That will be public finance even if generated from private sector –
- Can be designed to respect equity and CBDR
- Bunkers is a promising source – it's public finance, impacts on trade are limited, will increase shipping sector efficiency, also positive impacts on trade.

Pierre Forestier (AFD):

- AFD committed last year to dedicate 50% of finance to climate. 2.5 bn a year.
- No institution can mobilise enough money. How can these institutions mobilise international sources of finance.
- Interesting example of South African Dev Bank with specific mandate on climate.

Japan:

- While I'm not undermining the role of public finance, need to discuss how to mobilise private finance – we should focus on it at next workshop?
- A lot of FSF by Japan, ready to share information on this (?)

David (Gambia?)

- on adaptation finance, bankers are irrelevant generally.
- What role should SMEs play in mitigation and adaptation?
- *SMEs represent a large part of the private sector in our countries.* On viability of microfinance?

EBRD:

- Link question of SMEs and global instruments – rural/farmers the only way to do that is through national banks – the need to provide capacity and fill skills gap has to be addressed – when moving away from commercial banks, it's also about institutional strengthening etc – in our region there's been a lot of experience
- Traditional thinking of DFIs – changing – EE can pay for itself in 2-3 years, is no brainer. Seems to be the poor cousin of RE,
- SMEs are engine of local economies, we should
- Adaptation – it's true to invest easier in mitigation, but is important for us – screening and adaptation risk of projects – using 10s of million of euros for this

Selyn

- In this forum we sometimes forget how we deal with this issue at home
- Development is the primary concern. Climate change has to be integrated within that. We shouldn't be redefining the whole system – ad and mit have been doing in it for the longest, but now, how do we climate proof the infrastructure we have.
- In every country your own national development bank is your first port of call.
- Role of microfinance – they would be playing that role in agr and rural areas – but problem is that the scale of resources is far beyond what we have and it's still not clear where this money is going to come from.

Ireland

- *Policy environment adds to the reliability of investments. What is international role in that*
- @EBRD: What spurred EBRD policy discussions with DCs

South Africa bank:

- When putting money into developing countries – need to keep in mind that it would be nice to avoid more problems with sovereign debt –
- there is also a limited amount of guarantees that developing country governments can bear – would be good to try to avoid

Armenia

- PS money is many times more
- We can't increase taxes much – ppl will be on the street
- On other hand, there will be other side of the coin, eg lower economic growth, higher transport prices etc. We can't borrow too much either.
- So what alternatives: *we need to work on reallocation in public finance expenditures.* Eg. Trillions of dollars to military expenditure – gradual reduction from military to climate not only in developed countries.

Daisy – even if guarantees don't involve a money transfer, we should still be

Poland

- FTT, bunkers, no one size fits all and depends on sovereign decisions in country
- *Poland has committed equivalent of 10% of surplus AAUs auctioning to FSF and rest of revenues for green investment domestically like EE*

Brazil:

- All options on risk management and burden – have discussed issues on enabling environments – two questions
- First – given circumstances of political will which would be easier to achieve – enabling env in developed countries for mobilising sources
- Or enabling env in developing countries to attract intern finance

- From Public perspective – DCs find public sources very important – what would be more diff to make internal changes in Dd C for NAMAs or for in developed countries to try to enhance possibility of direct access to budgetary resources from developed countries.

Martin:

- How can international finance help with enabling environments

German Norbert.

- In order to mobilise private finance – critical issue is on how to manage the risk that the PS sees – the idea is to help PS with a learning curve and give experience
- We are going to provide finance for activities to prepare for DA, but first of all we need a board meeting.
- Raising tax is also burden for developing countries – not just tax – ets. You also have to see the opportunities to make the transition.

International Trade Association –

- public sector finance needs to catalyse private finance. Investments needs depend from one region to another.
- What is key here- *need partnership between public and private sector.*
- A lot of misperceptions on MBMs, on private sector flows and etc.

Jessica Brown (ODI):

- Are there gaps that we need to address in terms of financial arrangements? Do we have the right tools or do we need to create instruments especially if we want to scale up?

Delia Villagrasa (ECF/moderator)

- ECF has done a lot of work on the role of private finance- the 1st lesson to be taken away from today: *we need more ambition, because we need a higher price of carbon to make these private finance investments more attractive.*
- Need LT commitments/investments. Need partnerships between public and private financiers, and use “bundles” to dilute risk for investors.
- Adaptation: some sectors can attract private finance with the help of public finance (?)

DAY 3- WEDNESDAY 11TH JULY

SESSION 1 - Learning lessons from FSF

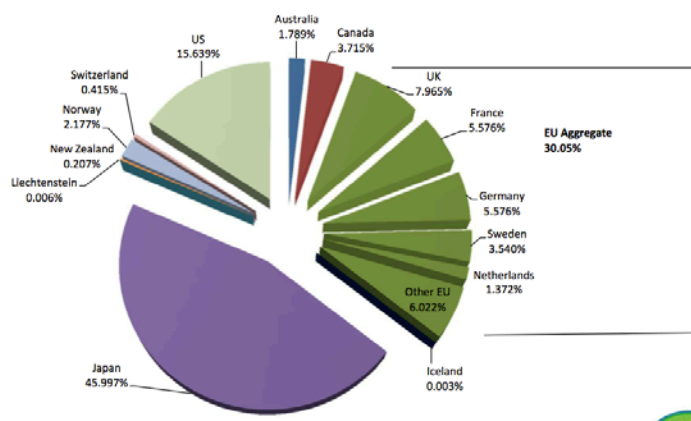
Presentation by Derek Gibbs, Chief Economist, Ministry of Finance, Barbados

Observations

Why fast-start finance

- Confidence-building
- In 2010, Geneva finance dialogue "fsf is the golden key"
- Basic criteria for FSF: volume, balance between mitigation and adaptation, prioritization for vulnerable developing countries, access

Fast Start Finance current country shares as of 02 July 2012



Balance between thematic areas:

- from 2004 to 2012, mitigation = 56% of finance
- from 2010 to 2012, imbalance continues. Mitigation = 55%
- although adaptation increases from 10 to 22%

Evolution of FSF distribution

- no major readjustment of funding for adaptation
- share of non-transparent "mixed funding" has been increasing.

In terms of prioritization of SIDS, LDCs and Africa?

- difficult to know exactly because only Japan and NZ have specific statistics for amounts allocated to SIDS, LDCs. Others require reconstruction based on list of projects
- different understanding of what prioritizing means? Are we talking about volumes, instruments or type of access?

On access:

- 0.4% through Adaptation Fund (=direct access). Missed opportunity to strengthen direct access experience
- CIFs attracted nearly 9%
- When channelled through bilat agencies, their procedures apply specific priorities. Lesser diplomatic presence = less money.

Lessons learnt...

- 1) FSF demonstrated capacity to scale up and mobilize substantial amounts of public funding in limited period of time
- 2) Some re-adjustments between ad and mit happened at country level
- 3) *A promising innovative source: auctioning of ETS allowances = new and additional and earmarked climate finance*
- 4) There was no agreed definition of burden sharing- 30 billion is not balanced among developed countries
- 5) *Not all parties have announced their pledges for the entire period: lack of intermediate targets allow for predictability (need something like that for 2013-2015)*
- 6) FSF shows it is possible to achieve balance between mitigation and adaptation
- 7) Adaptation will require public finance
- 8) Partners have been less forthcoming to support adaptation projects in vulnerable countries
- 9) Comparability is difficult without standard thematic categories
- 10) Need a definition of new and additional
- 11) *How do we account for private sector contributions: funding for export credit agencies, different types of loans, etc.*

=> Fast-start or slow-start?

Presentation by Stefan Agne, EU Fast-Start Finance

Basics:

- EU committed to provide 7.2 bn euros over 3 years = 1/3 of 30 bn commitment
- EU on track: 2.32 bn in 2011
- Contributions to date represent 65% of the total EU pledge
- 1/3 to adaptation
- 15% to REDD
- 49% for mitigation
- annual summary report presented at the COP with detailed list of actions + database + project examples.
- 150 million grants in total: 50% focusing on adaptation in DCs and SIDS via GCCA; 33% for REDD and 17% for capacity-building
- +1 bn euros in grants via the EU budget (but not counted in FSF). Next time, we will include this in the report

GCCA

- since 2008, 201 million, including 74 million through FSF
- preferred delivery modality is sectoral budget support (form of direct access)

Examples

- support of institutional capacity building under the national climate-resilience strategy in Ethiopia. Using direct budget support
- Pacific small island states: mainstreaming CC into poverty reduction and development. Implemented through agency
- Cambodia, mainstreaming as well. Sector policy support programme with different donors
- Guyana: coastal zone management using sectoral budget management and project support.

The more the transparency, the more the complexity, the more difficult it is to communicate and promote our action

Downside of counting climate and development finance separately

Lessons learnt

- Tracking of climate finance that qualifies as ODA through reporting to the DAC
- Separate reporting of FSF increased transparency but also added complexity
- ***Ideally all of public finance should be reported in a single format***
- Aud effectiveness principles also apply to climate finance
- Programme design must be country-specific and country-owned
- ***Robust national strategy facilitates quick start up of climate action***

Key issues

- what are the lessons learnt from public climate finance outside of FSF? Will help give a comprehensive analysis
- how can we make use of cobenefits between climate action and development: how do we integrate climate actions into overall development plans and development banks? Should not be decoupled.
- How do you make private and public investments climate-friendly and resilient? We need more than 100 bn, the private money must favour climate-resilient investments
- Which policies, investments, frameworks do we need for transformation

What should come next, after FSF? Which innovative sources of finance should be mobilised: which one have the most potential and which one can we make progress on now

Presentation by Jean Touchette, OECD DAC Reporting framework: Overview of resource flows for CC

Data on mitigation since 2002 and data on adaptation collected since 2010

Looks at concessional and non-concessional flows from countries, as well as from MDBs, EU, and UN agencies

Rio markers: activity-level database. Common reporting rules and standards to ensure comparability and comprehensive analysis of climate-related aid

Donors are requested to report their climate activities and indicate whether it targets CC as a principle or significant objective.

Trends:

- mitigation-related aid is increasing rapidly. From 4 billion in 2006 to 17.6 bn in 2010.
- Adaptation: from 4 (?) to 8 bn in 2010
- More than ¾ of mitigation aid in energy, env protection and transport
- ¾ of adaptation aid in env protection, water, agriculture and rural development

Rio markers are applicable to bilat contributions only. However, data on multilat ODA to specific climate funds (ie. GEF-SCCF) can be identified through channels of delivery

You can also calculate imputed amounts to CC based on agencies' reporting.

DAC countries' multilat aid to CC= 726 million

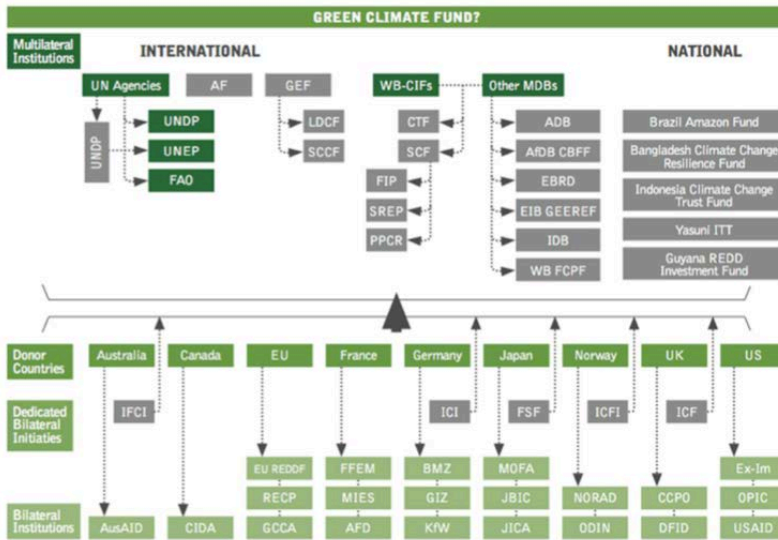
Lessons learnt:

- Rio markers only allow for approximate quantification
- Watch out for double counting
- Capacity-building support included but not identifiable
- G8 Muskoka accountability report and OECD DAC recos on good pledging practices
- When crafting financial commitments: define a base year, decide on progress indicators, differentiate between funds previously committed and incremental money

Private sector flows, largest but also most uncertain flows
 Complexity of financial architecture.

- Cf 2009 UNEP overview of climate finance landscape.
- And www.climatefundsupdate.org landscape also.

Comment [AM1]: Insert slides from presentation



From www.climatefundsupdate.org (Heinrich Böll Stiftung and ODI)

=> Risk of overlapping

Busan building block on climate finance and development effectiveness.

- Voluntary partnership to share lessons with CSOs, Donors and recipients.
- Developing countries supporters have stronger capacities: stronger institutions and stronger tracking: integrated planning, coordination mechanisms, national pooled funding, international flow data system

In terms of work in progress:

- expanding rio markers to bilat non-oad (non-export credit flows)
- improving sectoral data on officially supported export credits
- clarifyinf defitions of various categories of private flows

Panelist - ALIDE/FIRA Mexico: LatinoAmerican Association of financial institutions for development.

- 23 development banks involved in sustainable development
- FIRA is developing internal capacity of these funds
- Low-carbon strategic partnerships to create the necessary internal capacity and specialized products.

FIRA’s experience of the CDM – too difficult to register projects, too many requirements.

Need to create capacities before even obtaining the registry.

Also, costly process. Depressed and volatile carbon prices

Panelist - Isabelle from Colombia

- difficult to identify specifically climate-related projects while ensuring they are crosscutting
- need to make climate visible without making it a “niche”
- adaptation projects funded by national reconstruction fund. How do we continue to climate-proof investments to protect ourselves from next El Nina.
- Currently, it’s a reconstruction fund but funding adaptation also, because no access to international adaptation finance.
- *In FSF, we received money for low-carbon strategy. But we did not receive any money for adaptation although it is our priority. This imbalance has created difficulty for adaptation*
- Predictability really helped us implement more long-term projects. With no idea on coming years, difficult to plan ambitious actions
- Issue of information flow: Colombia needs more data and coordination from donor side.
- Need standardized reporting system. Cannot adapt to too many MRV different requirements.

Panelist - Amina from UNEP

- When you design a programme to delete market barriers, need to know who your ‘client’ However ambitious target of CF, the overall financial flows are much bigger. -
- What are the opportunities to make those investments
- One of the investors sold emissions credits to a donor – how can we then report again?

Q&A

Manuel Montes/ “butch”?:

- unfortunate that PS is not here –
- there is no business model for funding energy efficiency the EBRD said yesterday. Need to distinguish different types of energy efficiency –
- romantic notions about what the private sector can do it seems

Nepal rep

- how will LTF address cc issues in LDCs
- what lessons...? (missed that)

Uganda

- *need to earmark and eyemark FSF*
- OZ said they did a lot in Uganda. But focal point was not sure about state of FSF. He knew that Finance Ministry had signed MOU with Australian government but climate focal point was not even in the loop.
- The government mobilises private finance and makes it “public”

Japan rep

- Recipient countries must understand the time to prepare, implement and assess a project
- On the issue of information flow, I understand statement by Uganda on challenge of coordinating and accessing information.
- Need donor coordination mechanisms/platforms

OECD

- Not an expert on CC but development. Aid effectiveness lessons apply

- strong local ownership will improve coordination and discipline. Automatically, you will harmonize donors and channel finance in line with national strategies
- That's the challenge of building capacity

Colombia

- information gap should be bridged by both sides.
- This means we need institutional capacity: created climate change finance management committee. They (focal points, reps from different ministries, development banks, CSO, academics) have access to different data which aggregated, give us a good idea of CC finance landscape in Colombia
- Wants to study barriers at improved data flow.
- Donors, please include UNFCCC focal point and whoever is negotiating finance internationally
- **Timing is key: budgetary and project cycles are different but we need to look at both.** Change perspective and put an end to divide donors/recipients. We are partners.

Stefan Agne

- FSF is only a small share of our EU climate finance commitment
- We have regional cooperation programmes and EC budgets.
- Need to use this finance to mainstream CC –resilience in infrastructure investments.
- Different tools for different needs

Indonesia

- There is a study in Indonesia on channeling, delivery of FSF
- We don't look at effectiveness yet because it takes time to see impacts
- Conclusions:
 - o on channeling of FSF, consulted different ministers: only 2 out of 45 participants had heard of FSF.
 - o On tracking of climate finance: we are considering whether to integrate climate finance in ODA monitoring system or whether to have a stand alone MRV mechanism. In any case, requires strong coordination among ministers and national agencies, among donors, between national gov and donor community
- The consultation concludes that issues with tracking climate finance are comparable to ODA grant tracking issue. Gap on commitment vs. flows (changes in commitment are generally not reported even if money was not delivered effectively).
- Indonesia is part of the countries looking at carbon markets to enhance mitigation action through FCPF and WB

Guyana

- Received money from GCCA
- **National plan/strategy really helps channel and mobilise finance**
- But you need money to prepare your plan
- Forestry country – need to be innovative: Guyana developed a reference level
- Will need to reflect on whether FSF was all new and additional
- Also need to start fixing targets for post-2012 financing

India

- **in the context of LTF, it is very important that climate finance is channelled through financial mechanisms of the convention. Will make things easier**
- need to make sure these flows are channelled in line with strategies, priorities and programmes
- the role of the NDA is very important:
- important that these flows are new and additional

- Important to capitalise the GCF. Don't need LTF sources to get solved before we can pledge to the GCF

CAN International/Oxfam

- *common accounting rules, common baseline to ensure additional climate finance*
- *want bottomline % for adaptation: 50% in the short term*
- *only count grant-equivalent of loans*
- *predictability: need 10 to 15 billion for the GCF*

US (Jessica)

- in terms of what climate finance is: it's not always direct support, generally project-based, delivered through multilateral, private sector and NGO channels
- and generally, focal point is informed – how can it be they don't know about our support. Number of possible issues: it is not being called FSF on the ground, there is a different time line for project and budget cycles; Need to be realistic about this
- moving away from what we're doing wrong or right, there are collaborative partnerships: ***counter-productive to hear countries not acknowledge our support. How can we convince our gov to keep up or scale up support***
- open to recommendations on how to improve country-driven, transparency and coordination of flows
- there are successes on the ground with our help.

Tanzania (Richard)

- there is a national strategy
- how do we track: 125 million were delivered to the Adaptation Fund through FSF. But it existed before the Copenhagen accord

Philippines

- why is it called FSF? Name is evolving, why?
- How did the EU decide that 7.2 billion was their fair share?
- FSF was used to encourage developing countries to endorse the Copenhagen accord – this was done to countries (cf. final plenary in COP15 with Uk minister)
- OECD must understand climate change is not development finance: it's not voluntary aid
- ***Any cc-related aid is counting towards climate finance – this thinking has undermined trust***
- It must be predictable – how can you plan long-term adaptation if you don't know how much money you can count on?
- Agree with Colombia: ***you need to stop drowning before you can start mitigating.***
- If you have same resources given with different names, difficult to quantify.
- CIF, one of the 11 financial institutions outside the convention – sunset clause once GCF agreed.
- Climate finance is an obligation – we therefore agree that climate aid effectiveness indicators can be used but not relevant here

Stefan Agne

- 7.2 bn came about: aggregate pledges by the EU
- EU is not a member to the GEF so cannot contribute

- Interesting to know that people implementing projects don't necessarily know that it's FSF, as long as they get the support
- Now assessing work by GCCA

OECD

- oda vs climate finance – both are labels
- a commitment is a commitment whether under the Convention or under the G8
- is there under the convention an enforcement clause?
- Development agencies have long experience of delivering finance, that's why it's mainly flowing through them

Mexico:

- some projects not clearly labelled as FSF although counted in the end. So difficult for us to track.

Paul Watkinson

- more fruitful exchanges than usual on FSF
- it's an experiment- it's more about drawing lessons and improving than deciding what was right and wrong
- it doesn't matter at the end of the day whether it's fsf but about using rio markers
- about strengthening national capacity
- ¾ of our climate finance is going through I'AFD
- as we move forward after 2012, we will need to look at all the flows. Current definition is creating tension, we need to move beyond it
- need country-driven, country-owned with simple international system.

Mohamed Nasr (Egypt)

- waiting for responses to Bernadita's question on how developed countries calculated their fair-share of climate finance
- issue of additionality and predictability
- we need to understand needs of countries said Japan to unlock misunderstandings
- someone said we should move into innovative sources and quoted the german example: in German example, ETS auctioning was channelled through domestic . At the end of the day, if innovative funds are channelled through donor countries, they become assessed contributions. ***We want assessed contributions, does not matter to us which sources donors will rely on.***

Maldives

- there has to be responsibility of recipient: prepare national policies and strats.
- Yes, trying to use own resources to meet our needs.
- Maldives has announced a voluntary contribution of the tourists to scale up climate finance: 10 to 100 million a year

Caribbean – regional climate change center

- now, plan for implementation on CC
- as a user of climate finance, we want to know whether we are eligible, where is the money, what kind of money, how do we access it.

- Experience of EU GCCA: did the whole process, and we negotiated xx million euros in less than a year. What we have talked about here and is critical – need capacity to manage climate finance to access the finance.

UK

- transparency of FSF is not as good as it could be
- need to create a better understanding on the timeline – delivering a good country-driven project takes time
- on monitoring and evaluation – different standards place burden on developing countries. Need to harmonize those more

Athena's concluding remarks

- we've removed our emotions and frustrations for the first time in this debate on FSF
- lessons are very relevant to GCF, LTF and standing committee

Zaheer

- we're on a journey... and this is a first stop
- good mix of people, you couldn't tell ngos from parties

2nd workshop from the 1st to the 3rd of October – cape town

From: [McKeehan, Robert](#)
To: [Bonaiuto, MatthewDisabled](#)
Subject: RE: Climate News of the past week: Apr 09, 2012 (24 articles)
Date: Monday, April 09, 2012 3:35:17 PM

That would be great – thanks a lot.

- Rob

From: Bonaiuto, Matthew
Sent: Monday, April 09, 2012 3:21 PM
To: McKeehan, Robert
Subject: FW: Climate News of the past week: Apr 09, 2012 (24 articles)

Rob,
Do you want me to add you to the distrib list for this?
--Matt

Matt Bonaiuto
Office of Environment & Energy | International Affairs division | U.S. Department of Treasury |
on loan from U.S. Dept of State | matthew.bonaiuto@treasury.gov | tel: 202-622-9352 |

From: Bonaiuto, Matthew
Sent: Monday, April 09, 2012 3:19 PM
To: Bonaiuto, Matthew
Subject: Climate News of the past week: Apr 09, 2012 (24 articles)

Dear *Climate News* readers:

Please find attached a selection of the past week's news on climate change from several regulatory and industry trade press sources. The first file is a condensed list of titles and sources for the 24 articles; the second file contains the complete text of each article. For your convenience, the title and source publication for each article are listed below in the body of this email.

For those at Treasury, these files (and similar ones for previous weeks) can be found at:
[T:\Climate Team\Climate News.](#)

--Matt

Matt Bonaiuto
Office of Environment & Energy | International Affairs division | U.S. Department of Treasury |
on loan from U.S. Dept of State | matthew.bonaiuto@treasury.gov | tel: 202-622-9352 |

1) EPA Climate NSPS Prompts Some Industry To Call For Cap-And-Trade Bill
Inside EPA Weekly Report Author: N/A; Word Count: 1735; Loaded Date: 04/05/2012;
4/6/12 INSEPA (No Page) 2012 WLNR 7212888

2) States Fear EPA Delaying Long-Sought Revisions to Arc Furnace Air Rule
Inside EPA Weekly Report Author: N/A; Word Count: 813; Loaded Date: 04/05/2012;
4/6/12 INSEPA (No Page) 2012 WLNR 7212904

- 3) EPA Stalls Drilling Air Rules As Industry Seeks To Soften Emissions Limits**
Inside EPA Weekly Report Author: N/A;Word Count: 908; Loaded Date: 04/05/2012;
4/6/12 INSEPA (No Page) 2012 WLNR 7212908
- 4) Following Sackett, EPA Drops SDWA Enforcement Suit Against Texas Driller**
Inside EPA Weekly Report Author: N/A;Word Count: 1221; Loaded Date: 04/05/2012;
4/6/12 INSEPA (No Page) 2012 WLNR 7212911
- 5) Judge Grants Industry Intervention In Tort Suit Seeking EPA GHG Rules**
Inside EPA Weekly Report Author: N/A;Word Count: 868; Loaded Date: 04/05/2012;
4/6/12 INSEPA (No Page) 2012 WLNR 7212918
- 6) Coal Utilities' Ability To Qualify For Climate NSPS Exemption Seen In Doubt**
Inside EPA Weekly Report Author: N/A;Word Count: 1358; Loaded Date: 04/05/2012;
4/6/12 INSEPA (No Page) 2012 WLNR 7212931
- 7) Empire District puts more focus on natural gas to meet supply needs in updated resource plan**
Electric Utility Week Author: Ethan Howland;Word Count: 585; Loaded Date: 04/09/2012;
3/26/12 ELUTW (No Page) 2012 WLNR 7462899
- 8) CPUC OKs plan to negotiate power contract for Sutter; approves Mexico wind farm PPA**
Electric Utility Week Author: Hilary Milam,Geoffrey Craig;Word Count: 941; Loaded Date:
04/09/2012;
3/26/12 ELUTW (No Page) 2012 WLNR 7462904
- 9) Oglethorpe Power stands behind Vogtle investment despite declining gas prices**
Electric Utility Week Author: William Freebairn,Housley Carr;Word Count: 556; Loaded Date:
04/09/2012;
3/26/12 ELUTW (No Page) 2012 WLNR 7462919
- 10) Saskatchewan Power will construct a test facility to capture.....**
Electric Utility Week Author: Beth Ward;Word Count: 159; Loaded Date: 04/09/2012;
3/26/12 ELUTW (No Page) 2012 WLNR 7462930
- 11) California launches EV station push with NRG Energy funds**
Electric Power Daily Author: Jeff Barber;Word Count: 463; Loaded Date: 04/09/2012;
3/26/12 ELECPOWERDLY 1 2012 WLNR 7462824
- 12) CPUC approves resolution on Sutter contract**
Electric Power Daily Author: Hilary Milam,Geoffrey Craig;Word Count: 932; Loaded Date:
04/06/2012;
3/23/12 ELECPOWERDLY (No Page) 2012 WLNR 73089
- 13) Brazilian regulator: Chevron not negligent in oil spill.**
Oil Daily Author: N/A;Word Count: 300; Loaded Date: 04/07/2012;
3/23/12 OILDAILY (No Page) 2012 WLNR 7360538
- 14) Empire District puts more focus on gas**
Electric Power Daily Author: Ethan Howland;Word Count: 637; Loaded Date: 04/05/2012;
3/22/12 ELECPOWERDLY (No Page) 2012 WLNR 7202423
- 15) Imperial deploys new technologies at oil sands operations.**

**Oil Daily Author: Shook, Barbara;Word Count: 670; Loaded Date: 04/06/2012;
3/22/12 OILDAILY (No Page) 2012 WLNR 7294445**

16) Dominion CEO touts idea for presidential energy adviser

**Electric Power Daily Author: Tom Tiernan;Word Count: 615; Loaded Date: 04/04/2012;
3/21/12 ELECPOWERDLY 1 2012 WLNR 7118866**

17) Oglethorpe stands behind Vogtle investment

**Electric Power Daily Author: William Freebairn,Housley Carr;Word Count: 694; Loaded Date:
04/04/2012;
3/21/12 ELECPOWERDLY (No Page) 2012 WLNR 7118882**

18) SaskPower-Hitachi team to build CCS test facility

**Electric Power Daily Author: Beth Ward;Word Count: 233; Loaded Date: 04/04/2012;
3/21/12 ELECPOWERDLY (No Page) 2012 WLNR 7118897**

19) Utica JV talks with 'pretty far along': Caiman CEO

**Gas Daily Author: Samantha Santa Maria;Word Count: 543; Loaded Date: 04/04/2012;
3/21/12 GASDLY 3 2012 WLNR 7119059**

20) Confluence of events in 2013 may drive discussion of carbon tax: Waxman

**Electric Power Daily Author: Cathy Cash;Word Count: 538; Loaded Date: 04/03/2012;
3/20/12 ELECPOWERDLY 1 2012 WLNR 7062411**

21) Williams Partners buying Caiman unit for \$2.5B

**Gas Daily Author: Samantha Santa Maria;Word Count: 448; Loaded Date: 04/03/2012;
3/20/12 GASDLY 1 2012 WLNR 7062641**

22) Short-term outlook not too rosy for big renewable projects.

**Oil Daily Author: Zeidel, Matthew;Word Count: 456; Loaded Date: 04/04/2012;
3/20/12 OILDAILY (No Page) 2012 WLNR 7102006**

23) EPA encounters criticism as it prepares 'fracking' rules.

**Oil Daily Author: O'Neil, Lauren;Word Count: 404; Loaded Date: 04/03/2012;
3/19/12 OILDAILY (No Page) 2012 WLNR 7013693**

24) US April NatGas futures hold steady, but bullish indications seen.

**Oil Daily Author: Haywood, Tom, Lawson, Lisa;Word Count: 583; Loaded Date: 04/03/2012;
3/19/12 OILDAILY (No Page) 2012 WLNR 7013696**

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