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Climate Justice and International Climate Finance from a Development Policy Perspective:

The Position of Alliance Sud

Proposals for a fair and adequate Swiss contribution to the agreed 100 billion US-dollar target of the Paris Climate Agreement.

In recent years, dramatic floods have also occurred in the Niger Delta as a result of climate change.   Foto: EPA/George Esirii

English Summary with Key Messages and Chapter Synopsis

September 2019

1. Summary

«Make no mistake: it would be suicide for the world to continue to emit greenhouse gases at the current pace and we should all demand a rapid transition to renewable energy. But for small island nations, it would also be suicide not to use every lever of power we have to demand what is fair and just: the support we need to manage a crisis that has been thrust upon us».

Thoriq Ibrahim, former Environment and Energy Minister of the Maldives; Chair of the Alliance of Small Island Development States (SIDS).

Tasks for poor countries used to focus primarily on the social and economic dimensions. Developing countries need to increaspingly protect their population and invest in infrastructure to prepare for, and cope with, the impacts of climate change. Yet these countries in particular have hardly contributed to the climate crisis. However, in the Paris Climate Convention of 2015 - together with wealthy and much CO_2-emitting states such as Switzerland – they also committed themselves to reducing emissions.

In Paris in 2015 the world community agreed to adequately support the financially weak, most climate-exposed countries and communities in fulfilling these additional tasks. In concrete terms, the industrialized countries have committed themselves to collectively contributing at least USD 100 billion per year from 2020 for so-called international climate financing. Contrary to international development cooperation, international climate financing is not aimed at combating poverty nor promoting prosperity, but is intended to support developing countries in preventing and coping with climate change. New and additional public funds are therefore needed. Using the already limited resources of official development assistance (ODA) for this purpose – or merely claiming them a second time as international climate finance, as is sometimes the case today – is cynical and counterproductive.

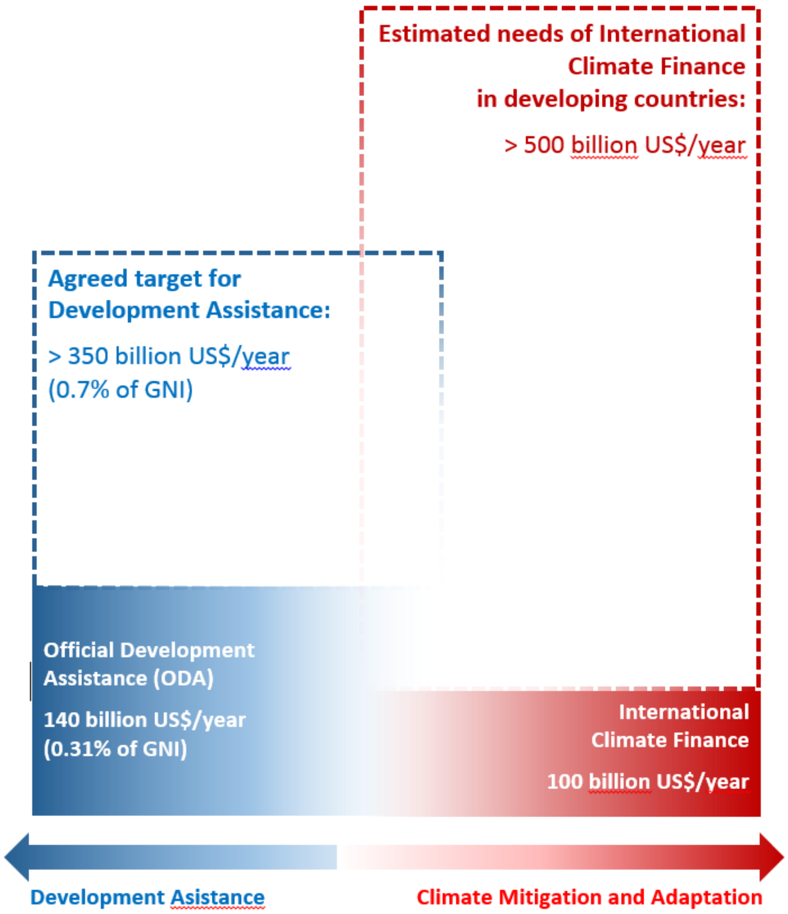
Due to its relative climate responsibility and its global economic strength, Switzerland must contribute at least 1 percent of the due 100 billion US-dollar – equaling 1 billion Swiss Francs – per year to international climate finance. While it is true that development and climate measures in developing countries can complement each other in a certain way, Switzerland must not finance this «climate billion» at the expense of existing development cooperation. This is all the more true as the funds for development cooperation still fall well short of the long-promised 0.7% of gross national income (GNI). Switzerland must fulfil its international (financing) obligations in both areas on its own and on an equal footing.

In this paper, Alliance Sud presents how the mobilization of 1 billion Swiss Francs annually in new and additional public funding for international climate finance is already feasible today. This requires (partially) earmarked taxing mechanisms based on the polluter-pays principle. The target-oriented use of the proceeds to combat climate change and its impact on the poorest is sensible and, as a matter of fact, possible without a constitutional amendment.

In the course of the total revision of the CO2 Act, three options are to be considered: the introduction of an earmarked flight ticket levy, the expansion of the existing CO2 levy on fuels and an extension of their (partial) earmarking. In this way, Switzerland's entire climate financing obligation could be fulfilled without imposing an unreasonable burden on development cooperation budget lines.

Alliance Sud calls on Switzerland to fulfil its commitment towards international climate financing primarily through new public funds levied according to the polluter-pays principle. Private funds can at best supplement, but by no means replace, the public «climate billion»».

Financing of Development Assistance and Climate Measures in Developing Countries



Synopsis and key messages by chapter

2. Introduction

The countries most affected by climate change are facing an additional financial burden; despite the fact that they are barely the ones responsible for the global temperature rise and the climate crisis.

That's why the parties to the Paris Agreement from 2015 agreed that the industrial countries are to mobilize new and additional climate finance. In 2021, when the Kyoto Protocol (1997) will be replaced by the Paris Climate Agreement, at least 100 billion US-Dollar per year needs to be provided in support of the poorest and most affected population in development countries.

Migration induced by climate change has become a reality; not only in Latin America, where more and more people are embarking onto a journey to seek better livelihoods and an income to survive abroad.

3. Purpose of International Climate Finance

The 2015 Paris Climate Summit clearly stated, that international climate finance not only is aimed at supporting developing countries in their fight against the causes of climate change, but equally at coping with their escalating impacts.

The principle of "common but differentiated responsibilities" is based on the "polluter pays" principle. It signifies that the industrialized countries, being the primarily responsible for the global climate crisis, must support developing countries, which suffer from climate impacts without any wrongdoing.

Instead of fulfilling their financial obligations, the industrialized countries are bargaining over the interpretation of the agreement. At the same time, island states are drowning in the Pacific Ocean, drinking water supplies in Asian coastal areas are shrinking, changing weather patterns are causing African regions to dry up or perish in floods.

The listing of (often inflated) climate-relevant financial transactions must under no circumstances serve as a pretext for distracting from the necessity and the international legal obligation under international law to provide true and adequate additional funding towards climate action in developing countries.

4. Ambition versus Reality

Climate financing does not aim to promote development and prosperity. Rather, it is intended to support developing countries in meeting the challenges posed by climate change and in fulfilling the Paris Agreement.

Projects that generate both a development and a substantial climate benefit generally involve additional costs.

Climate sensitive development projects are neither climate projects per se, nor do mitigation or adaptation projects automatically reduce poverty, even if the latter may contribute to preventing new, future poverty or inequality.

Mitigation, adaptation and sustainable development are interdependent and must not be set against each other. Climate protection cannot replace poverty reduction - and vice versa.

The textbook example: Development and/or climate protection

If a new school is built in such a way that the building can withstand stronger storms (so-called climate proofing) or even serve as emergency shelter (so-called adaptation), then this improves climate resilience for the local population. However, compared to the construction of a conventional school building, nothing has changed in the level of education of the target group. On the contrary: If the additional costs for the structural reinforcements aren't covered by additional financing (i.e. international climate financing or an increased project budget), fewer school buildings can be built on the same budget.

It is cynical for the Federal Council and the Parliament to intend to sell the same Swiss Franc twice to developing countries – once as official development aid (ODA) at development summits; and a second time as international climate financing at UNFCCC summits.

5. State of Play in Switzerland

Switzerland has continuously increased reported climate finance, while ODA overall has stagnated, reaching 371 million Swiss Francs in 2017.

Evidence to the effect that climate measures financed with development cooperation funds, while delivering climate benefits, at the same time effectively reduce existing poverty remains to be provided.

A dilemma exists between development cooperation on one hand, whose projects must focus on poverty and inequality reduction, and international climate finance on the other, which must be tailored to emission intensity and/or climate exposure.

It appears illusory that the private sector can be persuaded to invest in energy or mitigation projects in particularly poverty-stricken developing countries on a large scale – the primary target for international climate finance. Too dim appear any outlooks for profit.

Almost two thirds of Swiss emissions occur abroad. Switzerland is responsible for almost 0.7 % of total emissions of all industrialized countries. Investments made on the Swiss financial market trigger even twenty times that amount.

In contrast to Switzerland, countries like Norway only report funding as climate finance that is spent over and above 0.7% of its gross national income (GNI).

6. Possible Solutions

Alliance Sud commissioned various studies on how to generate or mobilize new and additional climate finance. The most promising approaches are:

- An air ticket levy between 25 and 100 Swiss francs would generate revenue of around one billion Swiss francs per year. If not the total amount, half (500 million/year) or just one third (330 million/year) of this amount could be earmarked for international climate finance.
- An increase in fuel prices of five cents per liter would generate around 300 million Swiss francs a year. This could be achieved through an increase in the mineral oil tax, a levy on internationally traded emission credits or an extension of the existing CO_2 levy on fossil fuels.
- At present, around one third of the CO_2 tax on fossil fuels is earmarked for insulating buildings and feeding a technology innovation fund (up to CHF 450 million/year by 2021). Earmarking another third of the proceeds for climate finance instead of redistributing it to citizens and companies could generate almost half of the needed «climate finance billion»; nota bene without even increasing the CO_2 levy.

The proceeds from any of these measures – except for the increased mineral oil tax – could be utilized for international climate finance purposes without amendments of the constitution.

7. Conclusions and Recommendations

Swiss contributions to international climate financing must not be financed at the expense of development cooperation. Both are international obligations that constitute equal and complementary tasks of Switzerland; thus they must be fulfilled and financed in parallel and independently of each other. International climate finance and development cooperation may and should complement each other conceptually; they should also be linked institutionally and operationally to the extent that this is expedient and meaningful. But they cannot and should not replace each other. On the contrary, advancing climate change further exacerbates the poverty situation and tends to create increasingly difficult framework conditions for social and economic development. For this reason, in compliance with the Paris Agreement adequate funds are needed both for established development cooperation as well as additional funds for the emerging task of international climate finance.

While Scandinavian countries spend more than 1% of their gross national income (GNI) on official development assistance (ODA), Switzerland has not yet managed to match even the 0.7% it committed itself to in the UN framework. This, despite the recent confirmation at the international summit on the UN Agenda 2030 for Sustainable Development in 2015. Despite a Parliamentary decree to allocate at least 0.5% of GNI to ODA from 2015 on, the newest Federal Dispatch on international cooperation for the period 2021-2024 proposes only 0.45%.

Yet, also in 2015, Switzerland undertook, within the framework of the historic Paris Agreement on Climate Change, to make a fair and adequate contribution to the USD 100 billion/year owed as international climate finance to developing countries. As the paper demonstrates, due to Switzerland's climate responsibility and relative capacity its fair share amounts to at least 1 billion Swiss Francs per year.

The annual mobilization of 1 billion Swiss francs in new and additional public funds for international climate financing is possible without burdening the budgets of established development cooperation and humanitarian aid. Reasonable alternatives exist that can be introduced in the context of pending Federal business without a constitutional amendment being required.

Alliance Sud calls on the Swiss Federal Council and the Parliament

- to ensure the mobilization of at least 1 billion Swiss francs of additional public funds per year for international climate financing, wherever possible according to the polluter-pays principle;
- not to burden the existing framework credits of development cooperation through increasing climate financing contributions;
- to prevent trade-offs between climate measures and poverty alleviation;
- not to naively rely on the private sector for Switzerland's contribution to international climate finance;
- to introduce new (partially) earmarked climate levies and/or to expand existing ones in the framework of the total revision of the CO_2 Act;
- to increase overseas development expenditure (ODA) to 0.7% of gross national income in the wake of the Federal Dispatch on International Cooperation 2021-2024;
- to promote the consistent and timely implementation of the Paris Convention on Climate Change in multilateral fora and organizations.

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