REFERENCE SHEETS

FRANCE & THE PROMOTION OF INNOVATIVE FINANCING FOR CLIMATE ACTION

Innovative financing has attracted growing interest from governments, civil society and world public opinion ever since the 2002 Monterrey Conference on Financing for Development allowed for innovative financing to supplement official development assistance (ODA) to help achieve the Millennium Development Goals. France has been active in promoting these instruments for years within the Leading Group on Financing for Development as well as in international (UN, G20 and OECD) and European forums. Many innovative financing mechanisms have already proved their worth in the field of healthcare. They should be combined with other sources to achieve the goal of $100 billion per year (approximately €70 billion) for climate change mitigation by 2020.

The developed countries have committed to helping the developing countries with climate change mitigation by raising $100 billion (approximately €70 billion) per year in private and public financing by 2020. France, host country of the Permanent Secretariat for the Leading Group on Innovative Financing for Development, believes innovative financing is key to raising the resources needed. Therefore, France is promoting the international introduction of a financial transaction tax and an instrument in the aviation and maritime transport sectors.

Supplementing traditional aid resources

■ Sustainable development and combating climate change are two of France's five official development assistance sector priorities. Over the last three years, the French agency for development (AFD) has invested over €7 billion in financing the fight against climate change. The AFD's 2012-2016 strategy target is to earmark 50% of its total annual resources allocated to developing countries to climate action (30% for its specialized private sector financing agency, Proparco).

FRANCE TESTS A FINANCIAL TRANSACTION TAX

On 1 August 2012, France led the way with the introduction of a financial transaction tax (FTT). Some 10% of the revenues from this tax will be allocated to development. The President of the French Republic is also seeking to launch a European Union-wide FTT through enhanced cooperation among EU Member States. Ten other European governments have already agreed to support and build on the innovative French example.

Action in the international forums

France is very active in prompting discussion on raising financing for climate.

Report from the High-Level Advisory Group on Climate Change Financing (AGF)

■ The Group set up by the UN Secretary-General in 2010 published its report in November of the same year. The report presents an in-depth objective analysis of the different financing sources that could be used to raise $100 billion per year by 2020. It shows that the goal of $100 billion can be achieved if we manage to mobilize a combination of public and private, national and international, innovative and traditional financing sources. These would include the introduction of a carbon price of $20 to $25 per ton in 2020. Among the public sources, the report highlights the potential of a carbon emissions instrument (emissions trading scheme or tax) in the maritime and aviation sectors and a financial transaction tax. In addition, the report points to the significant multiplier role that the multilateral development banks and carbon markets could play in the public leveraging of private investment flows. Such mecanisms could also help foster low-carbon growth paths for developing economies.

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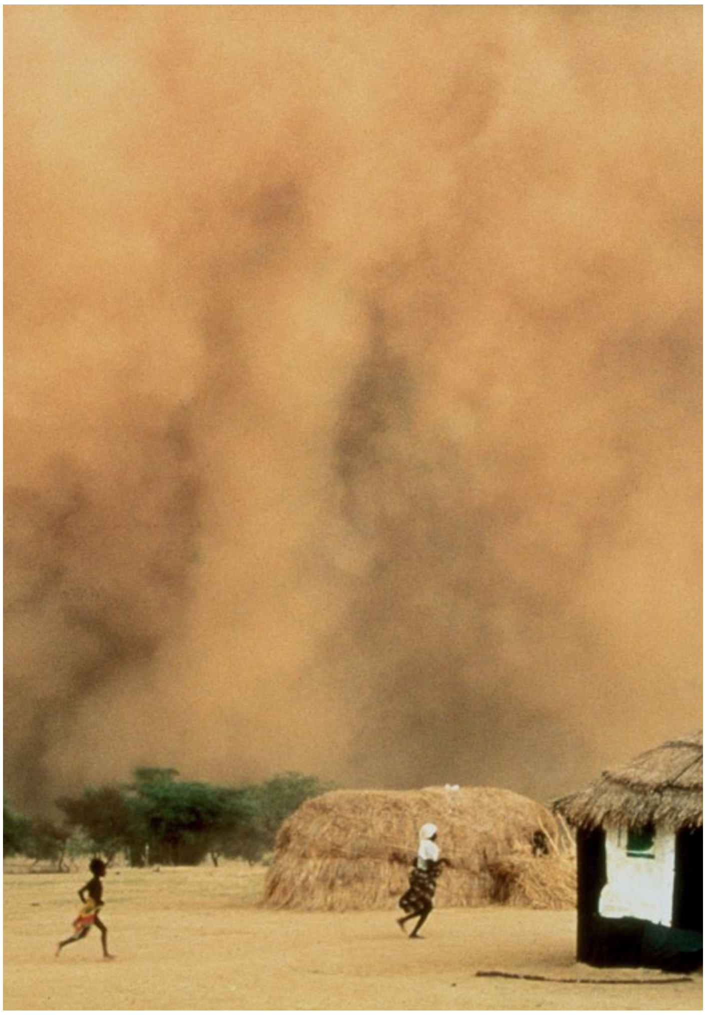

G20: the climate finance report from the international organizations

■ Under French Presidency, the G20 requested a report from various international organizations (World Bank, IMF, OECD) and regional development banks. The report analyzes the potential sources of finance that could be used to meet the financial commitments made at the 2009 Copenhagen Climate Change Conference. It highlights the advantages of reorienting subsidies for fossil fuel production and use and carbon pricing policies (emissions trading scheme or tax) at national level in developed countries. The report also demonstrates the considerable potential of specific instruments (emissions trading scheme or tax) in reducing international maritime and aviation transport emissions. These instruments would need to be consistent with the principles of the International Maritime Organization and the International Civil Aviation Organization and those of the United Nations Framework Convention on Climate Change (UNFCCC). The report found that the instruments would have a modest impact on growth and international trade, which would be offset for the developing countries, especially the poorest and most vulnerable nations. It points to the major role that the private sector could play, especially the carbon offset markets and the multilateral development banks, in catalyzing low-carbon economic development in the developing countries.

UNFCCC: the work programme on long-term finance

■ The work programme on long-term finance (LTF) was launched by the Durban Conference of the Parties to the Climate Convention in 2011 in a move for the UNFCCC to build on the AGF and G20's technical work. A first workshop on sources, needs and lessons learnt from fast-start finance was held in Bonn in July 2012 and a second workshop took place in Cape Town in October 2012. A report on the work programme prepared under the responsibility of the South African and Norwegian LTF Co-Chairs is due to be submitted to the Conference of the Parties in Doha. The Conference of the Parties will then decide on the next steps to be taken.

G20 working group

■ France and South Africa are co-chairing the G20 study group set up under the Mexican Presidency in April 2012. The group has been tasked with driving forward discussion of climate finance sources among G20 members based on the above-mentioned reports (AGF and G20) in order to define ways forward. The group held a meeting in Mexico City on 23 September to prepare a report for Finance Ministers on how to make efficient use of resources for the climate.

FAST-START

Under the 2009 Copenhagen Accord, the Heads of State and Government collectively committed to raising resources of $30 billion (approximately €23 billion) in fast-start finance for the 2010-2012 period. The European Union pledged to raise €7.2 billion during the fast-start period. France has delivered on its fast-start financing objective of contributing €1.26 billion to climate action in developing countries.

For further information

Ministry of Foreign Affairs
www.diplomatie.gouv.fr

Ministry for the Economy and Finances
www.minefi.gouv.fr

Ministry for Ecology, Sustainable Development and Energy
www.developpement-durable.gouv.fr

AFD (French agency for development)
www.afd.fr

French Global Environment Facility
www.ffem.fr

Leading Group on Innovative Financing for Development
www.leadinggroup.org

AGF report
http://www.un.org/wcm/content/site/climatechange/pages/financeadvisorygroup/pid/13300

G20 report
www.g20-g8.com/g8-g20/root/bank_objects/G20_Climate_Finance_report.pdf

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