

**Submission by SustainUS:
Views regarding the Fourth Review of the Financial Mechanism (SBI)**

Introduction

In order to minimize the risk of climate catastrophe, global average temperature increase due to anthropogenic emissions of greenhouse gases (GHGs) must be kept below 1.5°C. We must, at the very least, reduce atmospheric concentrations of GHGs to 350ppm CO₂-e as quickly as possible, and follow that with increased efforts to return to pre-industrial levels of greenhouse gases. Global emissions of GHGs must peak by 2015 and then rapidly.

To accomplish these targets we must shift our global economy from one focused on high GHG-intensive production to one of low GHG-intensive production. This shift will include major changes in our global, regional and state level portfolios of the following sectors, *inter alia*: energy production, industry, building, transportation, agriculture, waste, and forestry. *The required shift in global production will be costly, but much less expensive and destructive than inaction.*

The current level of global finance for climate change mitigation, adaptation and technology transfer under the Financial Mechanism is inadequate and inappropriate. Since its inception, the Financial Mechanism, through the GEF, has disbursed on the order of 3.3 billion USD. In contrast, recent assessments estimate at least 200 to 300 billion USD in new and additional investment and financial flows will be needed annually by 2020 for mitigation and adaptation in developing countries alone. *Major new and additional investment will be needed in climate change mitigation, adaptation and transfer of technologies.*

Principles

In order to ensure political feasibility, it is of paramount importance that the Financial Mechanism be transparent, accountable, efficient, and effective. It is also important to translate financial resources into cost effective solutions. *To secure these four pillars, SustainUS proposes that the financial mechanism must be reformed.*

In designing a reformed Financial Mechanism, we support the following principles proposed by the Philippines on behalf of G-77 and China on 25 August 2008. A reformed Financial Mechanism shall:

- 1) Be underpinned by the principle of equity and common but differentiated responsibilities;
- 2) Operate under the authority and guidance of, and be fully accountable to, the COP;
- 3) Have an equitable and geographically-balanced representation of all Parties within a transparent and efficient system of governance (Article 11.2), and;
- 4) Ensure recipient country involvement during the stages of identification, definition and implementation, rendering it truly demand driven.

Specific Recommendations

Developed countries should make annual contributions of funds new and additional to existing bilateral, multilateral and ODA commitments based on a combination of the polluter-pays principle and their ability to pay (GDP/Capita). The annual contributions should be set in the form of percentage of GDP (e.g. 0.5%-1% GDP). This recommendation supports principle one.

As argued in the Supplemental UNFCCC Submission by India on 10 February 2009, future funding for climate change mitigation, adaptation, technology transfer and capacity building must be provided by developed countries exclusively on a grant basis and not as foreign aid. The need for funds to be provided on a grant basis is to a) ensure that unique priorities of the recipient country are honored, and b) to avoid the bias of sourcing supplies and technology from the donor country, when more appropriate and cost effective solutions can often be found, sometimes within the recipient country. This structure increases the extent to which financing is demand driven. This recommendation supports principles one and three.

We support the use of country specific climate change funds, as proposed in the Oxford Institute for Energy Studies report on *The Reformed Financial Mechanism of the UNFCCC*. These funds would draw financial resources from a central pool operated by an Executive Board, under direct authority and guidance of, and being fully accountable to, the COP. The financial resources would then be more appropriately distributed based on the recipient country's unique needs and circumstances. The allocation of financial resources to country specific climate change funds applies the principle of subsidiarity. By distributing the management of financial resources to the country level, one alleviates the potential burden on an international level secretariat of organizing complex financing of site-specific projects, thus increasing bureaucratic efficiency. This recommendation supports all four principles.

Once financial resources are distributed to country specific climate change funds, they would be able to accept donations from philanthropies, individuals, domestic governments, and the private sector. Furthermore, on the domestic level, country specific climate change funds could be used to distribute financial resources for domestic, regional, and community projects, and in the form of public-private partnerships. It is critical that community-driven, low-tech, cost-effective climate initiatives in recipient countries are adequately financed. Recipient countries must be accountable to the COP for ensuring that a meaningful portion of received funds supports such projects. This recommendation supports all four principles.

A reliable Measuring, Reporting, and Verifying (MRV) structure is crucial to political viability. The reformed Financial Mechanism should contain country level registries with uniform MRV practices for each type of project (mitigation, adaptation, and technology transfer). These country level registries will report to a centralized registry under the Executive Board of the Financial Mechanism. This recommendation supports principle three.

Conclusion

The investment decisions that are taken today will affect the world's emission profile in the future. As youth, our future quality of life depends on the actions of today. We cannot afford *any* delay. As noted in the *SustainUS Views on the Bali Action Plan*, nations are not only investing in clean technology and equitable policies, they are investing in their children and future generations. We will still be here in 2050, suffering or benefiting from the decisions made today. Use this opportunity to invest in us.