A global registry for climate commitments

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Commitments by the EU, the US, China and others to cut greenhouse gas emissions address only one element of a global climate deal. Financing from developed countries is also required to help developing countries to limit their emissions and adapt to climate change without the poor becoming even worse off. Both public and private investment flows from developed countries will be critical to the development and deployment of renewable energy, carbon capture and storage, and other green technologies in fast-growing, developing countries.

Last month's Copenhagen Accord promised €70bn (Dh370bn) to developing countries for mitigation and adaptation efforts. But the Accord does not specify whether this sum will be new money or redirected official development assistance (ODA). Given their experience with shortfalls in promised ODA and the disappearing donor problem, developing countries do not trust the rich countries to pay later what they promise now. Rich countries are suspicious that the funds they send will not be used effectively for mitigation. To break this impasse, a new institution – a global climate finance registry – should be established to monitor that promised funds are delivered to developing countries and that the latter are really reducing emissions.

The underlying reality is that significant new funding (in excess of that promised in Copenhagen) is needed to limit warming to 2°C. An estimated €55-€80bn in international financing is needed annually by 2020 to curb emissions in developing countries. Additional monies for adaptation will also be required. Most of this will come from public sources, including bilateral ODA, domestic emissions allowance auctions, the World Bank and other multilateral programmes, and international marine and aviation levies. But private finance must supply the balance, which could be up to €30bn annually.

This will largely be generated through international carbon markets. Emissions reductions in developing countries that are achieved through projects financed in part by private capital will generate offsets that are sold to regulated sources in developed countries under the cap-and-trade system. But how do we value and count private finance, and who should get credit for sending it? A similar accounting system is also needed for public finance.

At the Copenhagen conference, Mexico and Norway proposed a comprehensive multilateral fund that would disperse public funds raised from rich nations through a global contribution formula. But a huge global fund is politically infeasible and would likely be too rigid and bureaucratised, stifling innovation and experimentation.

It is only by engaging the private sector through market instruments that cost and environmentally effective development and application of new technologies can be achieved. Climate finance will necessarily be provided through a wide variety of public and private sources and mechanisms.

Ensuring that funding commitments from developed countries are credible requires an institution that can verify financial transfers and emission-reduction undertakings. What is needed is a global climate finance registry.

The registry would not disburse or spend funds or regulate carbon markets. Rather, it would first register climate finance commitments by developed countries to finance mitigation, adaptation, and technology transfer in developing countries from both public and private sources. Second, based on reports from participating countries, the registry would account for the funds actually delivered by developed countries and spent in developing countries. Third, it would apply methodologies for tracking emissions reductions actually achieved by public and private mitigation funding.

By providing a transparent overall accounting for climate finance commitments and expenditures, the registry would enable countries to judge the efforts of others, hold both donor and recipient nations accountable, and promote compliance with international commitments. It would also enable the global community to track the total amount of international finance being spent for climate mitigation and estimate the emissions reductions achieved as a result. This will send needed signals to private industry about states' commitment to carbon pricing and future public finance flows.

Developing and operating a global finance registry should be the responsibility of an international body. The details of this registry and its governance cannot be resolved in a matter of weeks or months. But in the short-term, the international climate negotiations must agree on a comprehensive framework and set of principles for both public and private climate finance and a climate finance registry. Such agreement is essential to winning trust and participation from developing nations, in providing avenues to engage both investors and sponsors of technologies in the private sector, and to ensure that there will be sufficient resources to curb and adapt to climate change.

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