Overcoming distrust – the need for a global climate finance registry

by Bryce Rudyk

The one thing that has become abundantly clear this week at Copenhagen is that there is very distinct lack of trust between developed and developing countries. This came to a head on Monday with the walkout of some of the G77 countries as they believed that developed countries were attempting to scrap the Kyoto Protocol.

A critical element in building trust and securing a deal is climate finance; public and private funding by developed countries for mitigation and adaptation in other developing countries. Some recent progress has been made on this issue. A consensus is emerging among developed countries on significant "Fast Track" funding for the next several years. Also, the recent **AWG-LCA Chair's draft**, recognizes that private finance through carbon markets should be included in climate finance arrangements along with public funds. However, there is still no agreement on long-term financing, regulatory and other mechanisms, or governance structures.

The impasse stems from two basic problems: first, the lack to date of credible and substantial developed country commitments on public funding; and second, the absence of institutions and governance structures to ensure both equity and environmental effectiveness in climate finance.

Public Finance

Developing countries—wary from a half-century of often-frustrating experience with official development assistance (ODA)—are rightly skeptical of developed country assurances regarding future climate finance through public funding arrangements. The gap between promises and performance in general ODA, including the problem of the "disappearing donor," is well known. Developed countries, on the other hand, are generally only willing to spend to spend significant domestic funds on international projects when they can maintain flexibility regarding future spending levels depending on program performance, unforeseen developments, and competing priorities.

At the same time, developing countries are seeking to replace or reform existing donor-dominated multilateral institutions, in favor of new structures that give them significant decision-making power over cost sharing, conditionality, and disbursement and use of funds. Developed countries, on the other hand, are rightly unwilling to commit funds without mechanisms to ensure adequate financial controls and assurances of positive environmental outcomes.

Although **Mexico and Norway** (among others) have very recently re-proposed a single global fund to collect and disperse all climate-related finance, such an agreement is politically infeasible and unsuited to advance the policy needs of decentralization, innovation and experimentation.

Private Finance Through Carbon Markets

Moreover, there is no way that such a fund could include private finance through carbon markets, which must play a major role in any carbon finance arrangements. Even if a single multilateral fund is established to receive and disburse public funds, such funds will, for a variety of reasons, continue to flow through bilateral and other arrangements. Climate finance will also be provided through a variety of means, including loan guarantees, concessionary debt, insurance, and mechanisms such as **George Soros' proposal** to use IMF special drawing rights to leverage climate mitigation. Private capital through carbon markets will also be generated through a variety of channels. The EU, US, and other OECD countries are unilaterally developing domestic or regional cap-and-trade and offset credit systems that will likely become the main vehicle for private climate finance. This will fragment the existing multilateral Clean Development Mechanism (CDM) approach and potentially marginalize developing countries' role in governance.

A Global Climate Finance Registry

In order to promote and track compliance with a climate finance deal, we envisage a global climate finance registry (with balanced governance) of funding commitments and actions financed by those funds, including all forms of both private and public finance, and covering both developed and developing countries. Because future climate finance mechanisms will be highly pluralistic, operating through a variety of bilateral, plurilateral, and multilateral arrangements, a single global registry is needed to recognize, track and ensure domestic verification of all of the many different undertakings and programs and present an aggregate accounting.

Recognizing that transparency is necessary for countries to judge the efforts of others, hold them accountable, and draw countries into compliance with their commitments, the global registry would build on current proposals for NAMA registries so as to include both public and private financing commitments (including those taking the form of credit offset programs under domestic ETS) from all relevant countries, as well as the fulfillment of these commitments.

Developing and operating a global finance registry should be the responsibility of an international body enlisting the participation of all nations. The registry would not disburse or spend funds or regulate carbon markets. Those actions would be carried out by an array of different international and domestic authorities.

The Registry would make important contributions by accounting for and reporting on the undertakings and outcomes achieved by these different bodies, serving as a clearing house for best practices for mitigation and adaptation performance assessment methodologies and results-based financial accountability, and promoting harmonization in carbon market credit offset recognition practices by domestic and international regulatory bodies. It should accordingly strive to develop performance metrics for emissions reductions achieved through different modes of financing.

The details of such a registry and other elements of a global regime for climate finance cannot feasibly, or appropriately, be resolved in the short term. But the Copenhagen process must, at a minimum, reach agreement on a comprehensive framework and set of principles for both public and private climate finance as well as an agenda for future elaboration and implementation. Such agreement (which should include credible arrangements for significant adaptation as well as mitigation funding) is essential to winning developing country trust and engagement and providing resources sufficient to curb, and adapt to, anthropogenic climate change. An agreed architecture and correlative set of undertakings for developed and developing country emissions reductions is also indispensible. But without the finance to achieve those reductions, the architecture by itself will be largely a façade.

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