Climate Justice Fund:

A fund to meet Ireland's international climate finance commitments

Why establish a Climate Justice Fund?

Climate change is an immediate, grave, and growing threat to development, making the battle to overcome poverty increasingly harder and more expensive. International climate finance is vital in the global effort to prevent worsening climate change and to adapt to current impacts. The lives and livelihoods of millions of poor women and men, who are at increased risk of flooding, hunger, drought and disease, depend on it.

Climate Justice is the recognition that those who have done the least to cause the climate crisis are the most affected by it; this recognition is a central consideration in Irish climate policy and is being enshrined in law in the Climate Action and Low Carbon Development Bill currently making its way through the Oireachtas.[1]

We propose the establishment of a Climate Justice Fund which would be financed from relevant revenue streams such as the Carbon Tax and from ETS auctioning and use this money to meet Ireland's international climate finance obligations.

The establishment of a Climate Justice Fund would serve to ensure Ireland meets its fair share of obligations to provide climate finance without diverting funds from Overseas Development Aid (ODA). It would also allow Ireland to continue to set an example by prioritising adaptation in its climate finance contributions.

Background

At the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP) in Copenhagen in 2009, developed countries promised to mobilise $100 billion per annum by 2020 to support the efforts of developing countries to deal with climate change. Copenhagen also decided to

[1] http://www.oireachtas.ie/viewdoc.asp?fn=/documents/bills28/bills/2015/215/document1.htm

establish the Green Climate Fund, which is intended as the delivery mechanism for a significant portion of that funding.

As part of the Copenhagen Accord, developed countries, including Ireland, committed to this finance being ‘new and additional’.[2] This requires funding contributions to come from new finance streams and not from existing ODA budgets.

Commitments were also made by these countries, including Ireland, to provide $30billion in ‘fast start finance’ over 3 years (2010-2012). Ireland agreed to provide €100m (€33m p.a.) over three years.

While Ireland’s initial ‘fast start finance’ contribution was taken from the Environment Fund, subsequent contributions have simply been made by identifying finance within the current overall ODA budget that is relevant to climate change.

In relation to the Green Climate Fund, the vast majority of developed countries have made pledges over 2014 and 2015. However, Ireland is the only Western European country which has not yet made a pledge.[3] This was a matter of considerable embarrassment to Ireland at the last COP in Lima in 2014.

A group of 20 nations deemed most vulnerable to the impacts of climate change (known as the ‘V20’) recently warned that funding pledges to date are insufficient and called for new mechanisms to help mobilise funds to meet the $100bn a year objective.[4]

The expected climate agreement in Paris

Climate finance will be a key part of the new climate agreement, due to be finalised at the forthcoming COP in Paris in December 2015. The agreement will not be limited to new pledges and will include provisions on mechanisms to ensure developed countries provide scaled up, new and additional funding to meet the $100 billion goal by 2020. It will also likely establish ongoing reviews of levels of climate finance contributions in order to guarantee the provision of consistent, predictable and adequate climate finance post-2020.

The range of provisions on pre and post 2020 climate financing likely to be included in the Paris agreement means that Ireland will continue to have climate finance obligations into the future.

A national Climate Justice Fund would ensure that Ireland has a dedicated transparent stream of additional financing to deliver on its international commitments.

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[2] Copenhagen Accord of 18 December 2009 by way of decision 2/CP.15 Chapter IV A. fccc/cp/2010/7/add.1 http://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf

[3] http://news.gcfund.org/wp-content/uploads/2015/04/Status-of-Pledges-2015.10.1.pdf

[4] http://www.businessgreen.com/bg/news/2429807/vulnerable-nations-unite-under-v20-banner-to-step-up-calls-for-climate-finance

What would a Climate Justice Fund look like?

The report of the Joint Oireachtas Committee on the Environment, Culture and the Gaeltacht on the Outline Heads of the Climate Action and Low Carbon Development Bill 2013 recommends that the Climate Bill should provide for the establishment of a '*national Green Climate fund ring-fenced within, or separate to, the Environment Fund*.'[5]

A Climate Justice Fund would be a simple fund established within the Department of the Environment, Community and Local Government fed by revenue from the existing carbon tax and from the auctioning of EU Emissions Trading Scheme (ETS) permits. It would operate either within or along the same lines as the Environment Fund established under the Waste Management (Amendment) Act, 2001 within the Department of the Environment. The monies would then be allocated to meet Ireland's climate finance obligations through various bilateral and multilateral routes including the UNFCCC's Green Climate Fund.

Additionality

Developed countries committed that climate finance would be new and additional. This means it must be additional to existing ODA commitments. The practice of many donor countries has been to count financing from their ODA budgets towards climate commitments without any corresponding increase in overall funding. This runs contrary to the explicit undertaking from Copenhagen that these funds be 'new and additional'. Double-counting will not build trust at the climate negotiations. More importantly, it will not deliver the needed changes on the ground – relief for the most vulnerable, and a just transition to a clean and sustainable economy for developing countries.

Ireland reported a contribution of €110.2m to fast start climate finance, covering the period 2010-2012. However, €76m of this money was simply the identification of climate relevant Official Development Assistance.[6] The Department of the Environment recently confirmed that contributions in 2013 and 2014 were also based entirely on the ODA budget. This has been in the context of falling overall ODA levels – ODA in Ireland has decreased by €319 million since 2008 (i.e. by almost 35% in volume terms), representing a drop from 0.59% to 0.34% of GNP.

The need for greater public finance

The purpose of increasing climate finance is to support vulnerable countries' right to development by funding climate-resilient and low carbon development strategies in line with recipient countries' development priorities and the challenges posed to them

[5] http://www.oireachtas.ie/parliament/media/committees/environmenttransportcultureandthegaeltacht/Report-on-the-Outline-Heads-of-the-Climate-Action-and-Low-Carbon-Development-Bill-2013.pdf
[6] Ireland's Sixth National Communication to the UNFCCC p.172

by climate change. Public finance must play the primary role amongst the range of differing private and public instruments and financial supports.

First and foremost, public money is needed to provide basic public goods and services that are impacted by climate change – such as access to water, food security, disaster preparedness and recovery, and access to clean energy. Public finance is needed to cover the costs of activities that will never be directly profitable, such as protecting urban areas against sea level rise, replacing threatened water supplies or assisting poor farmers to cope with climatic change and variation.

Even with existing and future measures to mitigate climate change, the adaptation needs of vulnerable developing countries will continue to grow. Indeed, so will the adaptation needs of developed and middle-income economies. Predictable public finance for adaptation is essential for developing countries to deal with the unavoidable impacts of climate change.

Public money will also be needed to support emissions reductions in countries with smaller economies, and less developed financial infrastructure – all factors that discourage private investment.

Finally, public finance is critical for charting new territory and reducing risk in sectors, technologies, and at scales that the private sector considers too risky for investment. However, current levels of public finance are far below what is needed[7], and adaptation in particular remains under-funded.[8]

Private finance should not be substituted for public funding or counted towards international climate finance commitments. However, as an incentive towards additional private sector financing, public finance can leverage new investments that would not occur otherwise. For instance, public finance is needed to ensure that interventions that remain unattractive for the private sector, especially in lower income countries and in marginalized communities, receive the required support. Public finance can, for example, help promote micro, small, and medium-scale and off-grid sustainable energy solutions, lower the cost of renewable energy access for the poorest, ensure forest protection, and build capacity in developing countries. Public finance can help ensure private finance investments are not detrimental to the poorest and most vulnerable and are based on international best practice, and adhere to the ‘do no harm’ principle.[9] All climate finance, whether public or private, should be held to the same accounting and transparency rules and have strong social and environmental safeguards.

Revenue Sources

There are a number of current and possible future revenue streams which could be used to resource a Climate Justice Fund.

[7] http://www.worldbank.org/en/news/feature/2015/04/09/closing-the-climate-finance-gap

[8] http://www.wri.org/blog/2015/04/costs-climate-adaptation-explained-4-infographics

[9] This is to ensure that such funding does not entail support for polluting fossil fuel projects or other false solutions.

Carbon Tax
The Carbon Tax currently stands at €20 per tonne of CO_2, bringing in around €400m per annum. The revenue from the Carbon Tax has thus far been allocated to general revenue.

Emissions Trading System (ETS) Revenue
Ireland's revenue from auctioning of ETS credits in 2015 is estimated at around €40m. The revenue from the ETS has thus far been allocated to general revenue. The EU's Emissions Trading System has been running since 2005 and is currently being revised, thus providing a key opportunity to showcase EU leadership on implementing innovative sources of climate finance. Through the revision countries can commit to direct a portion of the revenues from auctioning into the Green Climate Fund.

Figure 1. Summary of income from possible revenue streams

Revenue Stream	**Year**	**Revenue**
Carbon Tax	2015	€403m estimate
ETS	2015	€41m estimate

Future Revenue Streams

There are various possible revenue streams that could be considered for funding a Climate Justice Fund in Ireland

Eleven EU countries are implementing a Financial Transaction Tax (FTT), and the use of revenues from the tax for climate finance is under consideration. FTT revenue allocations are a matter for individual states. Although not opposed to FTT in principle, Ireland is not currently part of the group planning to introduce it. The German Chancellor and French President have stated their intention that a part of the revenues from an FTT be allocated for development and climate action.

Should the FTT be extended to Ireland, we would advocate for 25% of revenues from the FTT be allocated for climate adaptation and mitigation efforts at home and abroad.

Revenue from shipping and aviation are likely to be part of any international financing mix, and EU Finance Ministers have already outlined their support for this. The redirection of fossil fuel subsidies is also being considered as a mechanism for funding mitigation and adaption in developing countries.

International and EU negotiations will influence the mix of funding for climate action and this mix will change and develop over time. At this juncture it is important to recognise the potential of new and innovative sources for generating climate finance automatically and independently of national budgetary decisions.

Uses of the Climate Justice Fund

The Climate Justice Fund should be used to deliver the funding required to fulfil Ireland's international climate finance obligations, including making contributions to the Green Climate Fund.

The report of the Joint Oireachtas Committee on the Environment, Culture and the Gaeltacht on the Outline Heads of the Climate Action and Low Carbon Development Bill 2013 recommended that the fund 'be used to support climate mitigation and adaptation in developing countries and constitute Ireland's contribution to the International Green Climate Fund.'

The 2012 fodder crisis exposed the potential vulnerabilities of the Irish livestock sector to adverse changes in weather and climate. The extreme weather experienced in Ireland in early 2014 highlights the costs involved in preparing for and responding to climate risks.[10] Lengthier rainfall events in winter, more intense downpours in summer and increased summer droughts are all projected to occur over the course of this century and this will put small local farmers at particular risk.[11]

Once international obligations have been met, the Climate Justice Fund could also provide finance for dealing with climate change domestically. The potential revenue from the streams already highlighted could deliver finance on a scale that could both fulfil Ireland's international climate finance obligations and start to support people in Ireland suffering from more extreme weather and other impacts of climate change.

The Scottish Example

As climate adaptation funding is a function currently reserved to the Westminster UK Government the Scottish Government established a small Climate Justice Fund predominantly intended to be an example/catalyst rather than a significant funding stream in its own right.[12] There were two concepts that Scotland was keen to establish. The first was that of explicit additionality to Scotland's International Development Fund (aid budget). The second was to frame considerations of adaptation finance around the concept of climate justice. Much of this stemmed from a challenge by Mary Robinson to the Scottish Government to complement their strong mitigation targets with a climate justice approach to the international climate challenge.

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[10] Local authorities have distributed €2.2.m since 2010 to deal with flooding http://www.irishexaminer.com/archives/2014/0204/ireland/funds-to-help-alleviate-flood-costs-257592.html while building flood defences in Cork is estimated to cost €50-100m http://www.irishtimes.com/news/ireland/irish-news/cork-flood-defences-could-cost-100m-says-taoiseach-1.1680398

[11] Dr. Stephen Flood, Research Associate, ICARUS, NUIM, '*Projected Economic Impacts of Climate Change on Irish Agriculture*'. Commissioned by Stop Climate Chaos, October 2013.

[12] http://www.gov.scot/Topics/Environment/climatechange/international/climatejustice

Like Ireland, Scotland has committed itself to climate justice as the basis for their climate change policy. In establishing a Climate Justice Fund, they have given concrete expression to that policy. Ireland should do likewise at a scale commensurate with our international obligations.

Stop Climate Chaos is a coalition of civil society organizations campaigning to ensure Ireland plays its part in preventing runaway climate change. It was launched in 2007 and is the largest network of organisations campaigning for action on climate change in Ireland.

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The members of Stop Climate Chaos are: Afri, BirdWatch Ireland, Christian Aid Ireland, Comhlámh, Community Workers' Cooperative, Concern, Cultivate, Dublin Friends of the Earth, Eco Congregation Ireland, ECO UNESCO, Feasta, Friends of the Earth, Gorta, Just Forests, Kimmage Development Studies Centre, Latin America Solidarity Centre (LASC), Liberia Solidarity Group, Methodist Church of Ireland – Council of Social Responsibility, Mountmellick Environmental Group (MEG), National Youth Council of Ireland, Oxfam Ireland, Presentation Ireland, Progressio Ireland, Sustain West Cork, Trócaire, An Taisce, VITA and VOICE.