



Equity in Finance for Adaptation in the Global Climate Regime

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Key elements of the presentation

- Finance as a central element to meet equity in adaptation practice
- International Air Passenger Adaptation Levy (IAPAL) as an ‘out of the box’ idea and a way forward



It is better to face a Sandy in the US than an Aila in Bangladesh?





Costs and losses of climate change in developing countries

DARA Vulnerability Monitor

Annual Losses Attributed to Climate Change for Developing Countries:

2010 - \$500 Billion

Current Global Annual Deaths Attributed to Climate Change & Carbon Economy:

5 million

Total Climate Change Mortality in Developing Countries:

98% with the LDCs likely to be hardest hit.

In the first ten years of the twenty-first century, LDCs experienced a **44% increase in the number of droughts** as compared to the previous decade and a **40% increase in the frequency of severe storms**. The number of **flood events more than doubled—from 170 to 369—killing over 200,000 citizens**, disrupting the lives of 200 million, and causing billions of dollars in damages. Since 1980, LDCs have collectively endured **1,146 climate-related disasters—close to a quarter of which have occurred in the last five years alone**.

In 2010, climate change cost 10% of GDP of LDCs

Recent estimates of what funds developing countries actually need to adapt to climate change impacts range from USD 86 billion to 109 billion by 2015 (UNDP). DARA report estimates USD 3 trillion by 2030.



Equity in adaptation in the UNFCCC: The mandate

All Parties, taking into account their common but differentiated responsibilities and their specific national and regional development priorities, objectives and circumstances, shall... Cooperate in preparing for adaptation to the impacts of climate change' Art 4.1.e

The developed country Parties and other developed Parties included in Annex II shall also assist the developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation to those adverse effects.' Art. 4.4

'The Parties shall take full account of the specific needs and special situations of the least developed countries in their actions with regard to funding...' Art. 4.9



Equity in adaptation in the UNFCCC: The mandate cont'd

- Planning: National Adaptation Programmes of Action (NAPAs), National Adaptation Plans (NAPs).
- Knowledge sharing and collaboration: The Nairobi Work Programme (NWP).
- Institutional framework: Cancun Adaptation Framework (CAF) & the Adaptation Committee
- Governance for financial arrangements: LDCF, AF, SCCF, GCF



Adaptation in practice

- Experience in adaptation practice is increasing rapidly, which serves to clarify the most significant barriers and opportunities in addressing equity issues related to adaptation.
- The main barrier for adaptation in most vulnerable countries is resources, mainly finance.



Case study 1: NAPAs and LDCF

All 48 countries have submitted their NAPAs. A total of over US\$ 3 billion is needed to fund implementation of all NAPA projects identified.

Key figures

Amount in million US\$

Total contributions to the LDCF needed to enable implementation of NAPA projects (excluding co-financing from LDCs)	3,000
Amount pledged to LDCF	536.7
Remaining contributions needed to enable implementation of NAPAs	2,463

Case Study 2: Fast Start Finance

Cancun Decisions: Took note of the collective commitment by developed countries to **provide new and additional resources... approaching USD 30 billion for the period 2010–2012**, with a **balanced allocation between adaptation and mitigation**; funding for adaptation will be prioritized for the most vulnerable developing countries, such as the least developed countries, small island developing States and Africa. The funds will be channeled to adaptation and mitigation funds through “**a governance structure providing for equal representation of developed and developing countries**”

	FSF Commitment [#]	Adaptation	% grants	% through UN funds
Norway (+)	1000	18%	100%	1%
Japan	9600	12-14%	21%	1%
EU	10020	21-32%	35-55%	4%
Australia	614	52%	100%	13%
Switzerland	157.5	41-62%	100%	11%
USA	5100	11-31%	61%	2%
Liechtenstein	2.1	35-55%	100%	0%
Canada	1200	7-10%	20-25%	3%
Iceland	1	23-34%	100%	13%
New Zealand	71.5	34-36%	100%	6%
Total	27766	16-22%	36-45%	5%

Source: Spencer Fields, Keith Madden, David Cipler, Mizan Khan, and Timmons Roberts, 'The Seven Unmet Promises of Fast-Start Climate Finance'.

[#] In millions of US\$

In comparison to funding needed for adaptation, a mere 1-2 percent a year was covered through Fast Start commitments.



The 'Out of the Box' idea: The International Air Passenger Adaptation Levy (IAPAL)

A proposed new levy on air tickets, dedicated to adaptation to climate change



Momentum

- **Concept** - International Air Travel Adaptation Levy (IATAL) proposed by Mueller and Hepburn (2007)
 - Maldives on behalf of LDCs proposed in Poznan at COP 14: *Adaptation Solidarity Levy on International Air Passengers*
- **Precedent** - French 'Leading Group' Solidarity Levy for HIV/AIDS an example of international passengers' solidarity with vulnerable societies
- **Willingness** - 75% of international passengers surveyed at Schiphol Airport (Netherlands) willing to pay a carbon tax in addition to price of ticket (IAPAL is not a carbon tax)

Underpinning variables

- **Size of levy**
 - French Levy as the basic scenario:
 - Economy trip \$6 (€4)
 - Business/first class trip \$62 (€40)
 - Can be reviewed upwards or downwards
- **Revenue base**
 - Airline industry handles average 760 million international passengers a year.
 - IATA forecasts annual passenger number growth of 5.1%
 - Fluctuations due to global economic trends possible

Operational options

- Revenues go to the *Adaptation Fund* or could equally be collected by the *Green Climate Fund*.
- In keeping with the Principle of Common but Differentiated Responsibilities, the levy could be collected domestically in developing countries– e.g. through National Funding Entities – for adaptation, thus ensuring *no net-incidence* on developing countries.
- Developed countries will transfer money to the AF or GCF
- AF/GCF compensates airlines for reasonable administrative costs
- AF/GCF work in consultation with international bodies concerned with aviation sector



Quality of funding

Quality	IAPAL
New and Additional	✓
Predictable	✓
Appropriate	✓
Equitable	✓
Adequate	\$8-10 billion ?



- IAPAL stands out as the most adaptation-focused innovative financing instrument
- Will not be subject to the problems of bilateral replenishment

Future options

- Further research
- If it is approved, this will be first of its kind as it is a proposal for raising adaptation finance including from LDCs. It will show that most vulnerable countries are also willing to contribute for addressing financial needs for adaptation .



Final comments

- Mitigation and adaptation must be treated equally
- Adaptation plans in developing countries cannot be implemented without adequate financial support
- Finance is an opportunity for developed countries to address equity issues in adaptation and demonstrate the goodwill
- In addition to public finance, innovative sources must be recognised to support adaptation



Questions

- How do we ensure a fair share of financial support for adaptation?
- How do we ensure that adaptation funding is debt free and flows through UN funds?
- Should the polluting countries and individuals pay for adaptation irrespective of their current country category?
- What will be the challenges for innovative proposals such as IAPAL?