

Proceedings of the Climate Finance Workshop (15/05/2013)

1. Introduction & background

Organized by the Climate Change Service of the FPS Health, Food Chain Safety & Environment at the initiative of the State Secretary for Environment, Energy and Mobility and State Secretary for Institutional Reforms Melchior Wathelet, this workshop aimed at exploring and discussing Belgium's contribution to international climate finance post-2012 during a morning of presentations and debates. The event gathered about sixty people coming from the civil society and the various Belgian administrations, some political representatives, and some journalists.

Agenda of the event¹ :

- **Introduction Speech:** Pr. Dries Lesage (Ghent University)
- **Welcoming Speech:** H.E. Melchior Wathelet (State Secretary)
- **Context and future prospects for international climate finance:** Jane Wilkinson (Climate Policy Initiative)
- **European context and initiatives on ICF:** Mette Quinn (DG CLIMA, EC)
- **The Belgian experience with climate finance:** Peter Wittoeck (FPS HFCSE)
- **Belgiums contribution to climate finance post-2012:** Pr. Marc Pallemmaerts (IEEP)
- **Case study: the German Energy and Climate Fund:** Jan Kowalzig (Oxfam Germany)
- **Panel debate with the civil society²:**
 - a) Bogdan Vanden Berghe: Secretary General of 11.11.11
 - b) Michel Genet: Director of Greenpeace Belgium
 - c) Daniel Van Daele: Secretary General of the General Federation of Belgian Labour (ABVV/FGTB)

¹ The presentations and speeches made during the workshop are available on the website of the FPS HFCSE : http://www.climat.be/spip.php?article862&id_mot=26

² The Belgian Federation of Enterprises was invited, as panellist, but was not in a position to participate.

2. Key messages

International climate finance

- **Melchior Wathelet** opened the debates by reminding the broadly-accepted fact that international climate finance (ICF) is crucial for (i) mitigating our impact on and adapting to climate change as well as for (ii) facilitating the international negotiations process;
- **Dries Lesage** explained that given the current financial crisis, creative ideas and solutions (such as a tax on airline tickets, revenues from the ETS or a carbon tax developed in a study led by IEEP for the FPS HFCSE) for leveraging finance will be necessary. He also urged to see the crisis as an opportunity to implement innovative sources of financing and not as an excuse to be inactive;
- **All speakers** recognized that the revenues from the auctioning of EU allowances are tightly linked to ICF. **The IEEP-study** calculated that with a price of 30 € per EUA, Belgium could leverage an average 755 million € per year for 2013-2020 (378 million € with a price of 15 €).³ The study also estimated that a carbon tax in the non-ETS sector could leverage 67-525 million € and a tax on airline tickets 25-493 million € ;
- Both **Jane Wilkinson** and **Jan Kowalzig** reminded that while it is important to mobilise private finance, there is a role for public finance in leveraging private finance through removing barriers and lowering risks, and for adaptation finance in vulnerable countries.

Belgium's contribution to ICF

- **Peter Wittoeck** explained that with regard to Fast Start Finance (FSF), Belgium financed some high quality projects, but did not achieve in meeting its 150 million € pledge. **Melchior Wathelet** deplored this situation and emphasized that this impacts profoundly our credibility on the international stage. All civil society panelists (**Daniel Van Daele, Bogdan Vanden Berghe, Michel Genet**) demanded to solve this issue as soon as possible and imperatively before the next COP (end of November 2013);
- **Peter Wittoeck** reminded that for the period 2013-2015, Belgium agreed the decision in Doha asking developed country Parties to provide funds for ICF at least at the level of the FSF phase (for Belgium, this would mean providing a minimum of 50 million € per year);
- **The IEEP-study** suggests that Belgium's fair contribution to ICF from 2020 onwards could amount to 126-542 million US\$ per year.

³ However, the representative of IEEP noted that the carbon price dropped significantly since the study was finalised.

Ideas from the Panel debate

- Both the presenters and the audience agreed that Belgium needs a burden-sharing agreement regarding ICF.
- **Bogdan Vanden Berghe** and **Michel Genet** reminded the audience that there is important public support for climate action (cf: Sing for the Climate Campaign mobilized 380,000 people in 2012). They also underlined that proposals exist regarding ICF and that what Belgium needs is political action;
- **Daniel Van Daele** and **Bogdan Vanden Berghe** proposed that for the next COP, Belgium develops its pathway towards 2020 ICF with commitments increasing year by year until 2020, decides to use ETS revenues for climate finance and fights for a reform of the ETS market;
- **Jan Kowalzig** depicted the German Special Energy and Climate Fund as an appealing initiative. Such a Fund was deemed useful by representatives from civil society, under the condition that its shortcomings are addressed. He also explained that revenues from the auctioning of EU allowances innovative sources such as a tax on airline tickets are transferrable in such a fund;
- **Daniel Van Daele** and **Michel Genet** stated that future Belgian contribution to ICF should be 100% additional, sustainable, respect international conventions and come from public sources;
- A discussion between the audience and the panel pointed at a possible interim solution regarding ICF in terms of shorter-term objectives. Belgium could put in place short-term periods (eg: three years) with a concrete objective with regard to ICF, in order to reach them more easily;
- **Daniel Van Daele** explained that fixing the EU-ETS was of utmost importance and should be a priority of the EU. He proposed a mechanism of set-aside to revive the market and suggested to implement a tax for regulating the price of carbon in the future;
- **Michel Genet** sharply emphasized the importance of greening the tax system for leveraging new funds for ICF. The idea of removing environmentally-harmful subsidies and using the money thus saved for climate action was discussed by the audience.

3. Detailed summary

Chair Dries Lesage started the event by introducing the various speakers to the audience, and gave a quick overview of the importance of ICF. At this occasion, he reminded that the 400 ppm threshold of CO₂ in the atmosphere was recently surpassed and that climate finance was of vital importance to mitigate the human impact on climate change and to adapt to its negative effects. He also underlined the additional difficulties linked to the current global financial crisis, and expressed his conviction that in this regard such a workshop would be very pertinent, as creative ideas and innovative solutions will be very helpful in order to deliver a credible level of financial assistance to developing countries.

This message of urgency was also expressed in the welcoming speech of the **Secretary of State Melchior Wathelet**, who also reminded the various international climate agreements signed by Belgium and the commitments they contain⁴. In his speech, **H.E. Wathelet** emphasized the importance of climate finance, both in the context of facilitating the international negotiation process and in responding to the urgent needs that exist regarding climate mitigation and adaptation action in developing countries. The Secretary of State also considered the Belgian situation regarding climate finance, and expressed his regrets that our country had not met its Fast-Start Finance pledge of 150 million euros made in 2009 at the European Council, due to the incapacity of the competent authorities to find common ground on a burden-sharing agreement on this matter. He reminded the harm this situation caused to the Belgian credibility on the international stage and urged the different parties to show their goodwill to meet and sit around the table in an effort to solve this regrettable state of things. Finally, he stressed the importance of innovative sources of climate finance, by stating that he would do everything that was in his power to make sure that the revenues linked to the EU-ETS are used for international climate finance.

Introduction to international climate finance and success-stories from EU countries

Subsequently, the workshop continued with presentations from various Belgian, European and international experts on climate finance. The presentation of **Jane Wilkinson** was the occasion for many in the audience to discover the complexity of tracking climate finance, and especially private climate finance. Mrs. Wilkinson noted that the private sector would play a significant role in climate finance in the future, but she highlighted that the responsibility is there for governments to leverage private finance. She ended her presentation by underlining once more how important it was that countries meet their pledges, so as not to undermine trust at the international level.

Mette Quinn introduced various EU initiatives regarding climate finance, and explained the importance to have pledges from EU member states for the post-2012 phase, as this makes the EU voice stronger within the international negotiations. She also reiterated the importance of a reform

⁴ In 2009, developing countries (and amongst them Belgium) engaged themselves to provide developing countries with new and additional resources that approach 30 billion US\$ for the period 2010-2012, and 100 billion US\$ per year through a large variety of sources from 2020 onwards.

of the ETS and informed the audience that the backloading proposal was being restructured at the moment.

Jan Kowalzig explained the functioning of a model of innovative sources of climate finance that could potentially inspire Belgium: the German Energy and Climate Fund. This Fund allows the German authorities to earmark the entirety of ETS-revenues for climate-related expenses and represents approximately 25% of total German international climate finance, despite the current low price of carbon. According to him, the main advantages of this solution are the undoubted additionality of the funds channeled through this mechanism and the possibility to channel revenues from other innovative sources (such as airline ticket taxes) through such a Fund. He explained that if more problematic aspects of this mechanism (low revenues coming from the ETS due to massive oversupply of allowances on the market, some counter-productive measures financed by the Fund, reduction of national ODA,...) could be overcome, this was an interesting idea to keep in mind for Belgium.

Belgium's contribution to international climate finance

In the second part of the morning, **Peter Wittoeck** and **Marc Pallemmaerts** gave an overview of the various aspects of the Belgian contribution to International Climate Finance.

Mr. Wittoeck explained that Belgium was usually considered as performing well with regard to development assistance, but also underlined that Belgium hadn't lived up to its 150 million euros FSF commitments and that – despite the high additionality standards of the finance that was supplied, and the good quality of the projects funded on the ground – this impacted the credibility of Belgium on the international stage. He also explained that the country had had stricter rules of reporting than other EU countries, but that this could not be used as an excuse for the 57 million gap between its pledge and the actual contribution (92,56 million). Reflecting on future contributions to ICF, he also reminded that in 2012 Belgium agreed to the Doha Climate Gateway, which encourages developed country parties to provide resources of at least the average annual level of the fast-start finance period for 2013-2015. For Belgium, this average level is 50 million euros per year.

Marc Pallemmaerts presented the results of the 2012 study “Belgium's contribution to International Climate Finance”. In his presentation, he explained that depending on the scenarios, Belgium's contribution to ICF finance from 2020 onwards was likely to be between 126-542 million US\$ per year in 2020. Mr. Pallemmaerts also stated that the IEEP-study reviewed possible sources of additional public income that could be used to fulfill our international engagements and concluded that three of these sources were considered as most appropriate: a carbon tax, a tax on airline tickets and revenues from the EU-ETS. Furthermore, he underlined the importance of a credible price on the carbon market to leverage finance for ICF. For example, with a price of 30 EUR per EUA Belgium could leverage an average 755 million euros per year for 2013-2020; with a price of 15 EUR that would be 378 million euros. The current price is however, under 4 EUR.

Panel debate and discussion with the audience

In the last part of the workshop, a panel debate between representatives of civil society was organized. At this occasion, **Bogdan Vanden Berghe** (Secretary General of 11.11.11), **Michel Genet** (Director of Greenpeace Belgium) and **Daniel Van Daele** (Secretary General of the General Federation of Belgian Labour) expressed their views on Belgium's contribution to ICF. Unfortunately, the Federation of Belgian Enterprises was not able to attend and requested to be excused. Several points of convergence emerged from the discussion. All panelists and the audience alike regretted the absence of a Belgian burden-sharing agreement regarding ICF and recognized that this had a profound impact on Belgium's credibility on the international stage. Mette Quinn also reminded that the EU needed pledges from Member States in order to strengthen its position within the international negotiations. During their respective introductions, Michel Genet and Bogdan Vanden Berghe both emphasized the fact that there is a broad public support for climate action, but that this has not been followed suit by the appropriate political decisions. They cited the action "Sing for the Climate" that mobilized 80,000 people last year, in an attempt to express public concern over climate change.

Regarding Belgium's contribution to ICF post-2012, all panelists emphasized that it should be 100% additional, sustainable, respect international conventions and come as much as possible from public sources. Daniel Van Daele explained that the Belgian Federal Purchase Program of CDM credits, by its strong focus on sustainability⁵, was an example in that matter. Daniel Van Daele also suggested that for the next COP, Belgium develops its pathway towards 2020 ICF with commitments increasing year by year until 2020, decides to use ETS revenues for climate finance and fights for a reform of the ETS market. During the Q&A session, the idea of having short-term concrete objectives for climate financing (e.g. every three years), in order to be able to assess more easily the progress made, also came out from the audience.

Regarding innovative sources of ICF, both Michel Genet and Bogdan Vanden Berghe deemed the Special Energy and Climate Fund very interesting, and especially the possibility it offers in "ringfencing" climate finance against other uses. Jan Kowalzig made use of this opportunity to remind that revenues from other innovative sources (such as a tax on airline tickets) could also be transferred into such a fund. The commitment of Melchior Wathelet to use ETS revenues for ICF was also particularly welcomed by the panelists, even if they deemed the current functioning of and price on the market insufficient. Daniel Van Daele explained that fixing the EU-ETS was of utmost importance and should be a priority for the EU. He proposed a set-aside mechanism to revive the market and suggested to implement a tax to regulate the price of carbon in the future. Michel Genet also strongly emphasized the importance of greening the tax system to leverage new funds for ICF.

⁵ In addition to excluding certain project types (large hydro, industrial gas projects, forestry, nuclear) due to their questionable contribution to sustainable development (SD), the Federal Purchase Program requests that several social responsibility criteria are fulfilled by all participants to its purchase initiative. It also analyzes the contribution to SD of every project it finances through different criteria that were established in consultation with Belgian stakeholders and are based on the three main "pillars" of sustainable development.

This led to a debate with the audience, during which the idea was raised that environmentally harmful subsidies should be removed, and that the money consequently saved should be used for climate action.

Useful links and information

- **The presentations and speeches made at the workshop are available on :**
 - **NL:** <http://www.klimaat.be/spip.php?article863&fs=>
 - **FR:** http://www.klimaat.be/spip.php?article862&id_mot=26

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