The pressure to agree lasting decisions about limiting dangerous climate change is intensifying, as 2012 – the end of the first phase of the Kyoto Protocol on climate change - draws ever closer. Financial transfers for Southern countries to reduce greenhouse gas emissions and adapt to the impacts of climate change are a key part of current climate negotiations. Yet government negotiations on climate finance seem to be deadlocked, with the global North insisting on a self-interested neoliberal approach to selecting and financing climate change measures, which includes the use of carbon offsetting mechanisms, and channelling climate finance through the World Bank rather than the UNFCCC.

These 'false solutions' are designed to enable Northern governments to leverage private finance and avoid difficult decisions about domestic emissions reductions they are already committed to. But the global North is responsible for climate change and owes a climate debt to the global South. Climate finance is about the payment of that debt, as well as enabling developing countries to adopt low carbon societies and increase communities' resilience to climate change. Measures to address climate change have to be based on a fundamental transition to new, equitable and sustainable societies if they are to succeed, and climate finance must be firmly based on the principles of climate justice and people's sovereignty.

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Young girl with a 50 Franc CFA Coin in her hand in Mali.

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friends of the earth international is the world's largest grassroots environmental network, uniting 77 national member groups and some 5,000 local activist groups on every continent. With over 2 million members and supporters around the world, we campaign on today's most urgent environmental and social issues. We challenge the current model of economic and corporate globalization, and promote solutions that will help to create environmentally sustainable and socially just societies.

our vision is of a peaceful and sustainable world based on societies living in harmony with nature. We envision a society of interdependent people living in dignity, wholeness and fulfilment in which equity and human and peoples' rights are realized. This will be a society built upon peoples' sovereignty and participation. It will be founded on social, economic, gender and environmental justice and free from all forms of domination and exploitation, such as neoliberalism, corporate globalization, neo-colonialism and militarism.

We believe that our children's future will be better because of what we do.

you can download the full position paper here:
www.foei.org/en/resources/publications/climate-justice-and-energy/2009/financing-climate-justice-position paper

Friends of the Earth International

climate justice & energy

Flooding in Calcutta, India. © partha pal.

financing climate justice

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december 2009 | summary

Friends of the Earth International

climate finance and climate debt

Governments engaged in climate change negotiations are currently prioritizing the design and development of new climate finance mechanisms. Some of them hope to leverage private finance to cover some of the escalating costs of mitigating and adapting to climate change. These costs could include increasing investment in energy efficiency and renewable energy technologies, paying for reductions in deforestation rates, changing food production and water management practices, and implementing disease control and prevention systems.

However, climate finance mechanisms put in place so far, such as the Kyoto Protocol's Clean Development Mechanism (CDM) and the EU's Emissions Trading Scheme, have been remarkably ineffective. Yet they remain popular in the global North precisely because they offer a way for wealthy countries, elites and companies, including banks, investors and financiers, to 'buy' or profit from the transformation to supposed low carbon development, whilst increasing earnings, expanding power and influence over economic systems, and maintaining control over responses to global problems like climate change. But they are not aimed at addressing the main causes of climate change – industrialization, the over-consumption of fossil fuels by the world's wealthy minority, and the increasing commodification of life. They are also complex, volatile and subject to fraud.

The parameters of climate finance are also being bent by some governments. For example, certain countries are attempting to use existing and proposed 'carbon offsetting' mechanisms such as the CDM (which allows them to purchase cheaper emissions reductions in developing countries) to 'double count' the monies they spend on meeting their own already-agreed emissions reductions obligations as new climate finance for developing countries. Some countries are also counting Official Development Assistance (ODA) funds – already promised as dedicated contributions to the Millennium Development Goals – as new climate finance. This contradicts the UN Framework Convention on Climate Change's (UNFCCC) obligations.

Climate finance channelled through the World Bank's Climate Investment Funds is also increasing the debt burden of the global South, as developing countries are increasingly finding that they are obliged to take out new climate-related loans to cover these costs, even for adaptation. But why should countries that are not responsible for climate change be burdened with further illegitimate debts? And why should lending countries be permitted to count even these loans, which will have to be repaid, as new climate finance for developing countries?

The deepest irony of all is that the developed countries actually owe developing countries a much larger and longer standing debt, because of their excessive use of fossil fuels, which has resulted in the emission of excessive quantities of greenhouse gases into our shared atmosphere. It is they that have created the climate crisis, but it is already being felt most sharply in already impoverished developing countries and will be borne by future generations. This climate debt is part of a broader ecological debt owed by the global North to the global South, as a result of centuries of exploitation of impoverished nations' and communities' natural resources, which has been enabled by colonial and neoliberal economic policies and practices.

These debts continue to accumulate as natural goods are plundered and degraded. Economic liberalization programs imposed by Northern governments and international financial institutions such as the World Bank continue to force Southern economies to open their borders to resource exploitation, including the continued extraction of climate-damaging fossil fuels. The forced transformation of these countries into export-dependent economies is robbing communities of the right to access their own resources. At the same time it impoverishes people even further, exacerbating their vulnerability to climate change.

The deepest irony of all is that the developed countries actually owe developing countries a much larger and longer standing debt, because of their excessive use of fossil fuels.

Left: Climate Justice Now! action.
Right: Girls fetching water, India.

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false solutions

Those countries, corporations and institutions that support the neoliberal approach to resolving climate change have generated a set of solutions that stem from the same unjust model that created the crisis in the first place. These 'false solutions' fall into three categories: technical, financial and institutional. Whilst each can have devastating environmental and social impacts on its own, together they form an integrated and mutually reinforcing process, a system that perpetuates itself. And far from resolving the climate crisis, these false solutions tend to exacerbate it, as well as making people ever more vulnerable to its impacts.

Technical false solutions include agrofuels, forest and agricultural monocultures, large hydroelectric dams, nuclear energy, carbon capture and storage (CCS), genetic modification and other unsustainable options primarily intended to engage industry and private finance. Many of these require large tracts of land and can often lead to violent conflict over land and territories. They undermine peoples rights and sovereignty, and destroy natural and cultural goods and heritage. There is also a risk that much of the world's remaining forests will be placed in 'carbon offset schemes', which could significantly undermine Indigenous Peoples' and local communities' land rights.

Financial false solutions include 'carbon offsetting' which enables the global North to avoid its responsibility for reducing emissions by looking to private sector finance; this effectively removes democratic control over the governance and allocation of climate finance. Other culprits include unjust economic instruments such as patenting, which lead to monopolies that inhibit the diffusion of climate-friendly technologies; and the use of border tax adjustments which, by raising the cost of imports from developing countries in order to protect domestic industries, contravenes the principle of common but differentiated responsibility and fails to address climate debt and historical responsibility. In the absence of a genuine will to repay climate debt, impoverished nations and communities are effectively forced to compete amongst themselves for inadequate and harmful financial flows like those of the CDM.

Institutional false solutions are a result of the global North's insistence that climate finance is channelled through neoliberal economic institutions such as the World Bank, rather than the United Nations. The World Bank is trying to set itself up as the world's climate bank, through its Carbon Finance Unit (which purchases emissions reduction credits directly) and its Climate Investment Funds (which currently channel a large part of the funds for climate change measures in developing countries). Regional development banks are also increasing their portfolios of climate investments funds and loans. Yet these same institutions continue to finance fossil fuel extraction and use: the World Bank, for example, is the largest multilateral lender for oil and gas projects and more than 80% of all oil projects it finances are for export back to wealthy Northern countries. Climate Investment Funds are also used to support so-called 'clean technologies', but these actually include coal, agrofuels and large hydroelectric dams.

These false solutions are attractive to large transnational businesses because they facilitate access to the global South's domestic markets and natural resources. Business is particularly supportive of the CDM process, which allows them to access huge additional subsidies, even for unsustainable operations in the South, by selling the carbon credits generated (it has now been exposed that many projects that have already been funded would have been undertaken anyway). Companies also play a leading role in the operations of carbon markets, acting as brokers, certifiers, consultants and lobbyists.

The corporate sector is also responding to the climate crisis by engaging in fuel switching – investing heavily in second generation and synthetic agrofuels, geo-engineering (including genetically-modified cellulosic trees), and other risky emerging technologies. The corporate sector is lobbying governments to channel significant quantities of climate finance to the development of these new technologies, even though they are as yet unproven, have large social and environmental costs, and divert investment from other proven and reliable technologies.

Focusing on technofixes such as these, without addressing the underlying drivers of climate change, is a high risk strategy. It may have little or no impact on climate change; the only guaranteed outcome will be that large transnational companies will continue to profit from their domination of the energy sector, ensuring technological dependency and the privatization of knowledge (which in turn perpetuates corporate control over local solutions and increases the cost of clean energy in the South).

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conclusions

Friends of the Earth International (FoEI) recognizes that tackling climate change will involve dismantling the current corporate-driven political and economic model that drives climate change, global competition for energy resources, and the degradation of the environment (which reduces human and ecological resilience to climate change). We cannot continue to favour a few rich elites over the impoverished majority, which brings with it the unsustainable exploitation of natural heritage, the commodification of life, the privatization of public services, and the increasing control of production and trade by a few powerful transnational corporations.

Measures to address climate change have to be based on a fundamental transition to new, equitable and sustainable societies if they are to succeed. Climate finance should be used to create climate justice and foster peoples sovereignty – communities' ability to manage their local resources sustainably, including energy, forests and water. It should also prioritize local technologies and knowledge, and empower Indigenous Peoples, women and other vulnerable populations.

Climate finance transfers are part of the global North's ecological debt to the global South, which includes climate debt. Repayment of this debt must include financial transfers, but it should also incorporate the unconditional annulment of all illegitimate foreign debts; immediate and rapid emissions reductions in Annex I countries; and the global sharing of appropriate technology and knowledge, to enable developing countries to adopt low carbon societies and increase communities' resilience to climate change.

Climate finance must also be consistent with existing international treaties and conventions, including those that ensure compliance with appropriate safeguards for Indigenous Peoples, women, displaced and other vulnerable communities; and those that mandate strategic environmental assessments. Particular care must be taken to ensure that climate finance is not used to fund mechanisms that could restrict Indigenous Peoples' and local communities' access to resources (as could happen under Reducing Emissions for Deforestation and Degradation (REDD), for example).

The global North cannot use fulfilling climate finance obligations to pre-determine the appropriate use of funds – these debates must be concluded in the UNFCCC with full participation of civil society. Climate finance must also be free of any conditionalities that might restrict Indigenous Peoples' or local communities' involvement in decision-making and the design and implementation of related activities, both nationally and internationally: at all stages the meaningful involvement of local communities, Indigenous Peoples, and women will be vital to the success of measures to mitigate and adapt to climate change.

Effective governance structures also need to allocate flows of climate finance in ways that protect Indigenous Peoples' and local communities' rights, cultures, lands, traditional practices and natural resources; ensure the Free Prior and Informed Consent of affected Indigenous Peoples and local communities; and establish the right to redress. Support must also be provided for workers and sectors of society involved in carbon-dependent industries, to ensure a just transition.

The provision of climate finance should be mandatory, and derive from stable and predictable public sources in climate debtor (global North) countries. It must also be new and in addition to existing ODA obligations. It must be sufficient in scale to repay the climate debt and meet the mitigation, technology and adaptation needs of the global South; but it should not be raised through border tax adjustments on goods imported from the global South, or violate existing agreements under the UNFCCC. Domestic tax revenues and policies designed to raise climate finance in debtor countries must not burden poorer households unfairly.

Climate finance must come under the authority of the UNFCCC, not international financial institutions. Governments have already agreed that the UNFCCC, which is guided by multilaterally negotiated principles based on historical responsibility, is the main international framework for addressing climate change. It is also governed democratically.

Any executive board established to manage climate finance must be based on equitable representation consistent with the balance of representation of parties to the UNFCCC. Transparency and accountability mechanisms at the local, national, and international levels will also be essential to effective public scrutiny. A penalty system should be established to ensure fulfilment of all climate finance obligations.

Technical, financial and institutional 'false solutions' must be rejected; and climate finance should not be channelled through or support offsetting mechanisms, sectoral or otherwise, or institutions and private entities that finance and/or profit from the promotion of false solutions. These include the World Bank, regional financial institutions, and other public and private agencies with poor environmental and social track records and undemocratic governance structures.

Finally, climate finance should not be used to support the private acquisition of intellectual property rights for climate technologies and know-how; and any provisions in free trade and investment agreements that interfere with the establishment of adequate governance structures, or support corporations engaged in false solutions, should also be dismantled.