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Funding Scheme for Bali Action Plan

A Swiss proposal for global solidarity
in financing adaptation

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Challenges and the key question

- DCs/LCDs most vulnerable to Climate Change
- CC is a threat to achieving MDGs
- How to raise **predictable, adequate** level of funding supporting a CC policy framework?
- Financing needs exceed resources available from GEF, Marrakesh Funds
- CC Programme funding / adaptation on basis of **common but differentiated responsibilities** and **polluter pays principles**

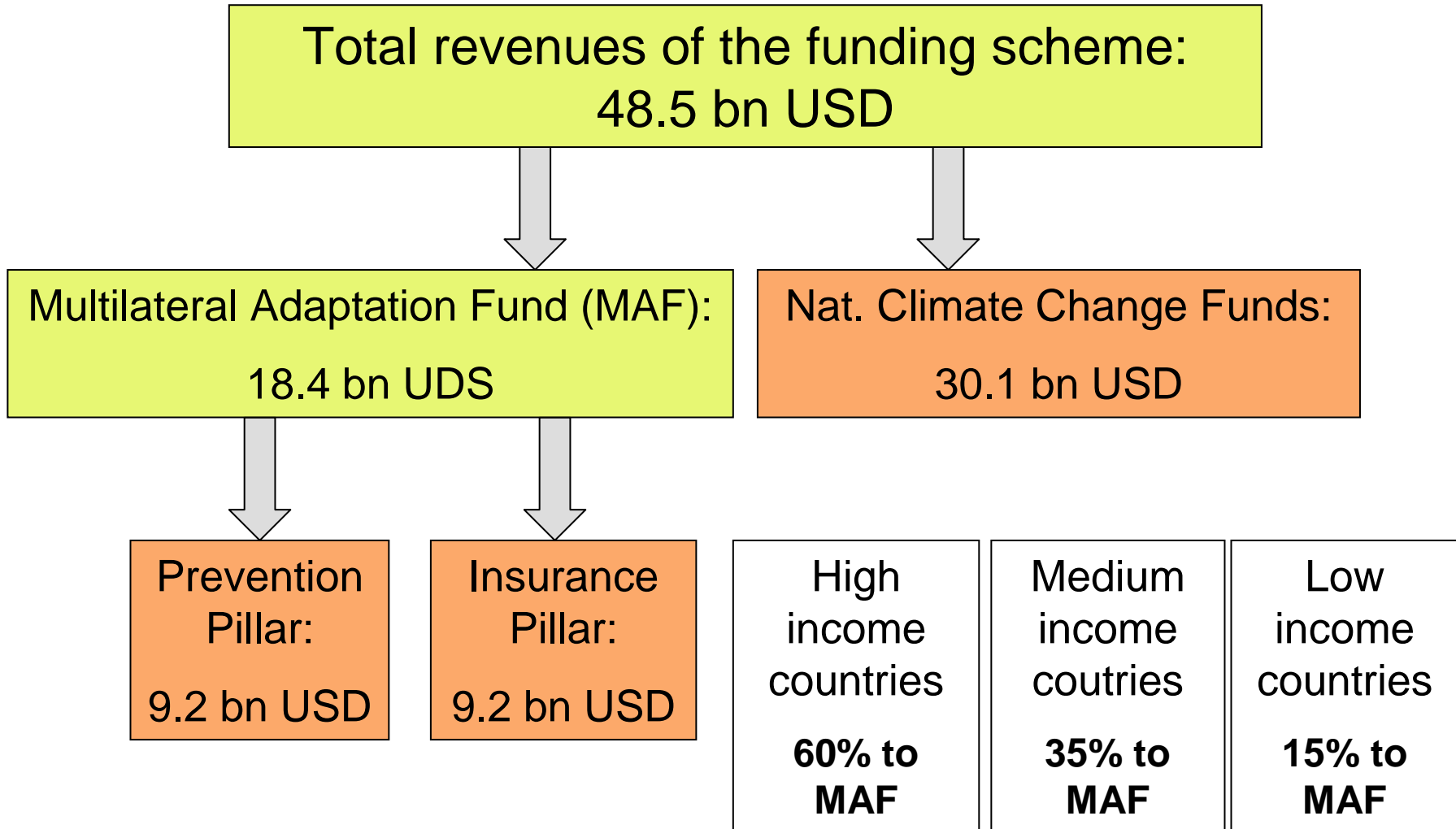


Objectives and revenue model

- Establishing a scheme for financing CC measures in developing countries – especially adaptation, meeting the spirit of the **Bali Action Plan**
- **global CO₂ tax** (2USD/tCO₂) is a fair and effective mechanism to finance adaptation and mitigation; 1.5tCO₂eq/cap = tax free
- **Multilateral Adaptation Fund (MAF)** proposed as governing body for operating **policy/prevention** and an **insurance pillar** of funding mechanism (50% each)
- **National Climate Change Funds (NCCF)** shall act as implementing partners of MAF



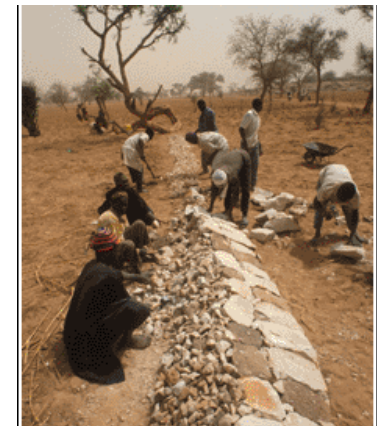
Annual revenues of the three pillars





Multilateral Adaptation Fund – Prevention Pillar

- Provides transparent governance of Multilateral Adaptation Funding, equal representation of stakeholders.
- Distribution of funds (9.2 bn. USD/a) on the basis of a combined vulnerability/per capita approach
- Financing contributions to developing and medium income countries based on policy support agreements
- Builds on existing initiatives (AF, World Bank CIFs)





Multilateral Adaptation Fund – Insurance Pillar (tentative design elements)

- Insures growing risks of non-insurable extreme, climate change related weather events (9.2 bn)
- Covers in participating DCs and LDCs:
 - Low probability, high consequences risks: Infrastructure & productive capital assets
 - Sub-regional pilots “micro weather risks”
- Cooperation with private insurance sector (PPP)
- -> Tenders insurances at a regional/sub-regional level based on agreements MAF - Parties in a sub-region
- -> Funds insurance premiums of agreed schemes
- Link to prevention pillar: Level playing field, check free riders/perverse incentives





Financial Transfers between regions

	Total revenue of tax	Multilateral Adaption Fund			NCCF + MAF	
		Revenue going to fund	Payments obtained from Prevention Pillar	Payments obtained from Insurance Pillar	Net payments to and from fund	Net receipts from NCCF plus contributions from MAF
United States	11'551	6'931			-6'931	4'620
Canada	1'224	734			-734	490
Oceania	890	534			-534	356
Japan	2'154	1'292			-1'292	862
OECD Europe	7'532	4'519			-4'519	3'013
Total high income group	23'351	14'011	0	0	-14'011	9'340
South Korea	907	272	96	268	92	999
Russia	3'236	971	138	142	-691	2'545
South Africa	962	144	74	85	15	977
Mexico	753	113	111	137	135	888
Non-OECD Europe & Eurasia	2'019	303	293	319	310	2'328
China	9'571	1'436	1'996	2'800	3'361	12'932
Middle East	2'711	407	212	182	-13	2'698
Brazil	704	106	194	182	271	975
Other Central and South America	1'282	192	282	260	350	1'632
Non-OECD Asia	2'143	321	1'594	1'859	3'132	5'274
India	315	47	2'324	2'046	4'322	4'637
Other Africa	0	0	1'410	702	2'112	2'112
Indonesia	535	80	476	219	615	1'150
Total medium and low income group	25'137	4'392	9'201	9'201	14'011	39'148
Total World	48'488	18'403	9'201	9'201		48'488



Further steps and discussion

- Views of Parties on leading idea and proposed design of the scheme? Scope for current negotiation process under Bali Action Plan?
- Economic impacts of 0.1-0.4 US cents/l fuel => e.g. 0.02 RMB/l relative to fuel price 5RMB/l -> are marginal
- Would an insurance pillar work on basis of *agreed risk coverage* on sub-regional basis?
- Criteria to reach a consensus how a fair distribution of resources under policy/prevention pillar could look like?
- Develop governance and implementation modalities of the scheme further



- More information:
www.bafu.admin.ch

Thank you