

WORLD CLIMATE CHANGE FUND

A proposal by Mexico

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Workshop on investment
and financial flows
AWG-LCA**

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CURRENT FINANCING AND CHALLENGES

Current status	Challenges
Large number of specific funds	To overcome atomization
Unpredictability of current financing	To develop a strong and predictable source of financing
KP flexible mechanisms that offset developed countries' emissions in developing countries	To widen the scale of global mitigation activities

The current financial system is insufficient to sustain the scale of global actions needed to address climate change

The World Climate Change Fund

Main purpose

- To build, through common understanding, a non substitutive but complementary scheme to the Kyoto Protocol, that ensures the full, sustained and effective implementation of the Convention

Objectives

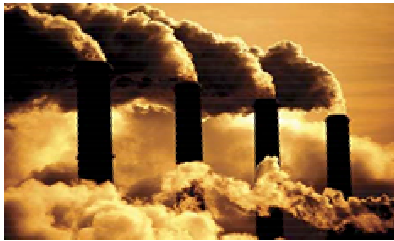
- To expand the scale of global mitigation efforts and enable the participation of all countries
- To support adaptation activities
- To promote technology transfer and difussion
- To underpin, financially, the new climate change regime

Advantages of the proposed Fund

- **Increased access to financial and technical resources**
- **Expansion of the global mitigation scale** - Developing countries will have positive incentives to widen their mitigation efforts.
- **Broader participation** - The governance scheme of the Fund will be open to all countries.
- **A predictable and verifiable regime**: activities will be subject to independent supervising.
- **Not necessary to demonstrate additionality**, since the Fund is not a compensatory mechanism to offset emissions.

Contributions to the Fund

- In principle, all countries should contribute to the Fund in strict accordance with the principle of common but differentiated responsibilities.
- Contributions shall be agreed multilaterally and could be determined by criteria, such as:



- Greenhouse gas emissions
- Population
- Gross Domestic Product (GDP)



The Fund should mobilize no less than 10 billion usd per year



Allocation of resources and eligible activities

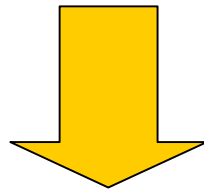
- All countries could benefit from the Fund.
- Mitigation activities to be supported should yield real, measurable, reportable and verifiable mitigation results.
- Examples of possible eligible activities are:

Green agenda	Grey agenda
Reforestation and afforestation	Energy efficiency
Reducing emissions from deforestation and forest degradation	Large scale promotion of renewable energy
Reducing emissions by management of agricultural soils	Green buildings
Sustainable production of biofuels	Low emission vehicles

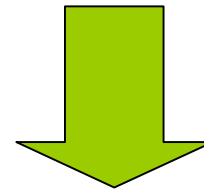
Activities to be eligible range from the project scale to the programme, subsector, complete sector or sub national entity scale.

How does the Fund relate to adaptation and technology transfer activities?

- All contributions received by the Fund should be subject to a double levy, whose amount needs to be determined multilaterally.



Adaptation Fund



Clean Technology Fund

- The Fund would operate under an inclusive and transparent governance regime and will depend on an Executive Council, constituted by all participant countries.

Final remarks

- The Fund can provide a predictable and strong financial underpinning for the new climate regime
- The Fund will widen participation scaling up current mitigation efforts
- Some issues for multilateral consideration are:
 - Possible links with existing carbon markets
 - Negotiation of criteria for determining contributions