

Additionality of Climate Finance

**Prepared by World Resources Institute
May 2010**

Contacts: Athena Ballesteros (aballesteros@wri.org) and Remi Moncel (rmoncel@wri.org)

Definition

The concept of additionality is firmly grounded in international climate law. The United Nations Framework Convention on Climate Change (UNFCCC) (1992, Art. 4.3), the Kyoto Protocol (1997, Art. 11.2), the Bali Action Plan (2007, Para 1e), and the Copenhagen Accord (2009, para 8) all call for developed countries to provide, “new and additional” climate change financing to developing countries. The term ‘new’ generally refers to the fact that the funds should represent an increase over past and existing climate-related funds. The term ‘additional’ refers to the idea that financial resources raised for one objective, such as climate change, should not substitute or divert funding from other important objectives, in particular economic and social development. The process of determining additionality is complicated by the inherent difficulty in determining a counterfactual: it is hard to know with certainty what countries would have given as development assistance under business-as-usual (BAU) in the absence of climate financial transfers. Parties to the UNFCCC have not yet achieved consensus on a clear and specific definition of ‘additionality’ that can be applied to developed country financial pledges and transfers.

Country Positions

Countries have proposed various methods for defining additionality (see Annex I). In particular, they hold differing views on the baseline relative to which additionality should be measured. The funding provided by developed countries for development objectives has been termed and tracked by the Organisation for Economic Cooperation and Development (OECD) as official development assistance (ODA). Consequently, countries in the international climate negotiations have often referred to additionality in relation to an amount or percentage of ODA.

The United Nations General Assembly adopted a Resolution in 1970 which committed industrialized nations to increasing development assistance to 0.7% of their Gross National Income (GNI) by 1975. While the 1975 target was not met, the 0.7% target has since been reaffirmed by developed countries in various international gatherings and agreements, including the Monterrey Consensus in 2002, at the World Summit on Sustainable Development in Johannesburg in 2002, and most recently at the Gleneagles G8 summit in 2005. Some countries, such as Bangladesh and the Alliance of Small Island States have proposed that climate finance can only be considered additional if it is above and beyond the 0.7% of GNI baseline set by this pledge. Sweden and Denmark have supported this definition.¹

¹ Some aid experts have argued that countries must rethink the traditional measure of Official Development Assistance given the diversification of goals it is asked to pursue and the multiplication of instruments used to achieve policy objectives. Source: Severino, Jean-Michel and Ray, Olivier. “The End of ODA: Death

Very few countries—Denmark, Luxembourg, the Netherlands, Norway and Sweden—have surpassed the 0.7% target for ODA. Thus, climate funding from the majority of countries would not qualify as ‘additional’ in the short- or mid-term under this definition.²

UNFCCC submissions summarized in Annex I and information provided by countries in the context of their fast-start pledges show that many countries have not provided a definition for assessing the additionality of their contributions. Similarly, while countries are required to clarify in their national communications how they determine which financial resources provided under Article 4.3 of the Convention are “new and additional,” expert review teams have noted that the European Union, Japan, and the United States, among others, often leave this question unanswered.³

Importantly, climate change and aid for other developmental needs are not mutually exclusive. These objectives can often overlap, particularly when dealing with adaptation. Accordingly, climate and development needs should be mainstreamed where possible in order to maximize the impact of the aid. Some countries consequently argue that climate finance should be composed of a blend of ODA and non-ODA resources. The United Kingdom (UK), for example, bases its proposal for defining additionality on this premise. Although details remain scarce on how they calculated this percentage, the UK proposed that up to 10% of its climate finance in the long-term can be counted as ODA (however, all of its fast-start funding from 2010-2012 will be counted as ODA).

Additionality in Practice: Fast Start Finance

An important outcome of the 15th Conference of the Parties (COP) in December 2009, which is contained in the Copenhagen Accord, was the “The collective commitment by developed countries [...] to provide new and additional resources, including forestry and investments through international institutions, approaching USD 30 billion for the period 2010-2012, with balanced allocation between adaptation and mitigation.”⁴ Several developed countries have come forward with individual ‘fast-start’ climate finance pledges to help reach this global goal. Some countries have provided information on whether or not these pledges will be new and additional (see Table 1). However, the information provided by contributing countries thus far is of varying nature and often insufficient to determine additionality. The diversity of information provided by countries reflects the current absence of agreement among countries on what the baseline of additionality should be, as well as a common format to report contributions. Some countries chose to characterize their pledge as an increase in relation to previous levels of climate finance. Others explain how the finance provided relates to development assistance and ODA levels or pledges.

and Rebirth of a Global Public Policy.” Working Paper 167. Center for Global Development. 3/25/2009. <http://www.cgdev.org/content/publications/detail/1421419>

² For example, US ODA in 2009 was equivalent to 0.20% of its GNI (which is an increase from 0.19% in 2008). Source: “Development aid rose in 2009 and most donors will meet 2010 aid targets.” OECD. April 14, 2010. http://www.oecd.org/document/11/0,3343,en_2649_34487_44981579_1_1_1_1,00.html

³ See, for example: Report of the centralized in-depth review of the fourth national communication of the United Kingdom of Great Britain and Northern Ireland. FCCC/IDR.4/GBR. 18 January 2009

⁴ UNFCCC (2009). Copenhagen Accord. FCCC/CP/2009/L.7

Table 1: Are Developed Countries' Fast Start Finance Pledges New and Additional?⁵

Donor	Pledge	New	Additional
EU Member States	\$3.36 bn/year	Fredrik Reinfeldt, the Swedish prime minister, acknowledged that the EU pledges were "a combination of new and old resources."	Did not provide information.
France	\$560 mn/year	Did not provide information.	Did not provide information.
Germany	\$588 mn/year	Unclear—EUR70mn anticipated to be new.	All will be counted towards Germany's 0.7% ODA commitment.
Ireland	\$47 mn/year	Did not provide information.	Did not provide information.
Nether-lands	\$140 mn/year	Did not provide information.	Funds are in addition to the Netherlands' structural commitment of spending 0.7% of GDP on ODA and another 0.1% on non-ODA development cooperation.
United Kingdom	\$800 mn/year	The Environmental Transformation Fund, which will be used as a "backstop" contribution, is all counted as ODA by the UK. Over half the amount pledged was first pledged by Brown in 2007.	All of the 2010-2012 funding comes from pre-existing ODA commitments.
Australia	\$243 mn/yr in 2010 & 2011, \$140 mn in 2012	These figures are not new.	These figures are not additional.
Japan	\$5 bn/yr	Of the total \$15 billion pledged, \$11 billion will be publicly funded and \$4 billion will come from private sources. Only \$1 billion of the public money is new to previous pledges because \$10 billion was previously pledged to developing countries under the Cool Earth Partnership.	About 60% of the Cool Earth Partnership is classified as ODA.
USA	\$776 mn in 2010, \$1,045 mn in 2011	\$692 million of the \$776 allocated in the FY2010 budget is new, while \$384 million of the \$1,045 requested in FY2011 is new.	Did not provide information.

⁵ Numbers are evolving. They are based on publicly available information and conversations with government officials. From WRI's "Summary of Climate Finance Pledges Put Forward by Developed Countries." See the publication at <http://www.wri.org/> for updated numbers in the future.

Concluding Observations

- Individual contributing countries must balance two objectives when administering climate finance: (1) funding for mitigation and adaptation must be additional to avoid diverting funding from other essential development projects; and (2) mainstreaming climate change into development planning can foster a dual objective with limited resources.
- The mainstreaming of climate change support into development assistance cannot, on its own, provide the scale of public finance resources required for mitigation and adaptation. It is therefore important for developed countries to generate significant, new finance for climate change.
- The absence of a common definition for additionality complicates comparisons among countries and makes it difficult to assess whether climate finance is being diverted from ODA.
- New, innovative finance sources, such as the auctioning of assigned amount units (AAUs) proposed or an international levy on air and maritime transport, have the potential to generate hitherto non-existent resources that are new and additional if structured correctly.
- While it is a significant issue to resolve, political disagreements over additionality should not hinder progress on other important political and technical issues relating to climate finance, such as the measurement, reporting and verification (MRV) of finance using a common reporting format.

Annex I: Country Negotiating Positions on Additionality and ODA

Additional to ODA (Non-Specific)	
Africa Group	“Developed country Parties and other developed Parties included in Annex II...shall provide substantial, new, additional, adequate, predictable and sustained public funding additional to and different from the ODA...” (UNFCCC Party Submission, December 2009)
Argentina	Financial commitments of developed countries on adaptation should be, “new and additional to the official development assistance (UNFCCC Party Submission, April 2010)
Bolivia	“Contributions from developed countries must be additional to Official Development Assistance (ODA), bilateral aid, or aid channeled through organs that are not part of the United Nations” (UNFCCC Party Submission, December 2008)
Brazil	“(…) new, additional, and predictable financial resources separate and apart from ODA” (UNFCCC Party Submission, April 2009)
China	“The funding scale shall be at the level of a certain percentage, e.g. 0.5%-1%, of their annual GNP, in addition to the existing ODA.” (UNFCCC Party Submission, February 2009)
Colombia	“(…) additional to official development assistance (ODA)” (UNFCCC Party Submission, February 2008)
Costa Rica	“(…) additional resources to ODA financing” (UNFCCC Party Submission, April 2009)
G77 &	“(…) ‘new and additional’ financial resources, which are over and

China	above ODA.” (UNFCCC Party Submission, August 2008)
India	“The financial resources committed under the Convention cannot be new and additional if they merely divert any existing or likely resources, including ODA” (UNFCCC Party Submission, October 2008)
Suriname	REDD+ goals of developing countries should be supported by funding, “additional to ODA, as well as international levies and/or market-linked mechanisms” (UNFCCC Party Submission, April 2009)
Lebanon	“The funding will be 'new and additional' and not included within ODA and under the UNFCCC” (UNFCCC Party Submission, February 2008)
Trinidad & Tobago	“(…) additionality would be over and above ODA funding,” (UNFCCC Party Submission, December 2009)
Venezuela, on behalf of Bolivia, Cuba, Ecuador and Nicaragua	“Developed countries should provide a new, public-sourced annual financing, additional to the Official Development Assistance.” (UNFCCC Party Submission, April 2010)
Additional to ODA Targets	
AOSIS	“(…) separate and apart from traditional ODA and the 0.7% target,” (UNFCCC Party Submission, July 2008)
Bangladesh	“(…) additional to Overseas Development Assistance (ODA) financing as committed by developed countries (0.7% of GNI)” (UNFCCC Party Submission, February 2008)
Ghana	“(…) new and additional to official development assistance commitments” (UNFCCC Party Submission, April 2010)
Maldives	“Financing is to be new and additional (with a number of Annex I Parties planning to repackage Overseas Development Assistance rather provide new and additional financing required by the UNFCCC).” “grant-based finance must be predictable, sustainable, transparent, new and additional – on top of developed country commitments to deliver 0.7% of their Gross National Income as Overseas Development Assistance.” (UNFCCC Party Submission, April 2010)
Singapore	"Funding for adaptation assistance should also be additional to existing ODA commitments," (UNFCCC Party Submission, July 2008).
Blend of ODA and non-ODA Resources	
Mexico	“Some of the additional investment needed for mitigation could be met with existing mechanisms (carbon finance, GEF, Official Development Assistance, etc.)” (UNFCCC Party Submission, August 2008)
UK	“The UK would like a proportion of this climate finance to be on top of long term ODA commitments,” i.e. 0.07% of GNI by 2013. However, the UK also believes, “a small percentage of ODA could also legitimately be used to tackle climate change.” More specifically, the UK estimated that it will spend up to 10% of ODA, “on activities which achieve both climate and development objectives.” ⁶

⁶ “The Road to Copenhagen: The UK Government’s case for an ambitious international agreement on climate change.” Building Britain’s Future. Act on C02 At Copenhagen. London. June 2009. Online at:

EU	“In the medium to long term after 2013, climate financing could become a blend of ODA and non-ODA resources. In this context, ODA and additional climate finance should be seen as complementary.” ⁷
USA	“(…) we cannot discount the role of ODA and the importance of incorporating adaptation into development assistance” (UNFCCC Party Submission, September 2008)

Sources

Moncel, Remi et al. “Counting the Cash: Elements of a Framework for the Measurement, Reporting and Verification of Climate Finance”. WRI Working Paper. World Resources Institute, Washington DC. Available online at <http://www.wri.org>.

Ballesteros, Athena et al. “Summary of Climate Finance Pledges Put Forward by Developed Countries.” February 18, 2010, updated March 4, 2010. World Resources institute, Washington DC. Available online at <http://www.wri.org>.

“The Road to Copenhagen: The UK Government’s case for an ambitious international agreement on climate change.” Department of Energy and Climate Change. June 2009. <http://www.official-documents.gov.uk/document/cm76/7659/7659.pdf>

“Commission on Climate Change and Development announced final report to UN Secretary-General.” Permanent Mission of Sweden to the United Nations, New York. May 14, 2009. http://www.swedenabroad.com/News_11143.aspx?slaveid=89229

“Securing additional international public finance for climate change: How much is needed and can it be achieved?” Overseas Development Institute (ODI). April 15, 2010. <http://www.odi.org.uk/events/report.asp?id=2127&title=securing-additional-international-public-finance-climate-change-much-needed-can-be-achieved>

<http://centralcontent.fco.gov.uk/central-content/campaigns/act-on-copenhagen/resources/en/pdf/road-full-document-pdf> (October 1)

⁷ “Climate Change: Questions and Answers on the EU Communication ‘Stepping up international climate finance: A European blueprint for the Copenhagen deal.’ European Union @ United Nations. September 10, 2009. http://www.eu-un.europa.eu/articles/fr/article_8975_fr.htm (October 1)