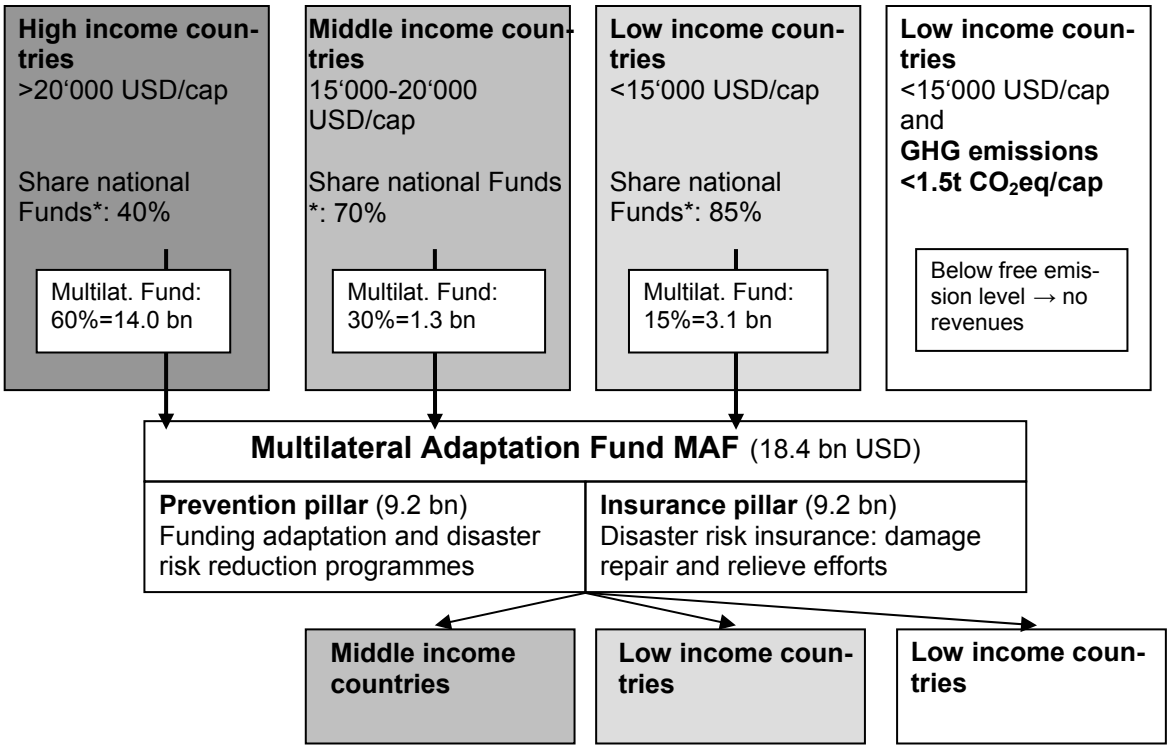
Abstract of the Swiss Proposal "global solidarity in funding adaptation"[1]

The following graph visualises the key elements of the proposed mechanism for funding climate change adaptation

Graph on key elements of the scheme for funding adaptation

The most important design parameters of the scheme proposed are:

- Tax rate of the global CO_2 based levy: 2 USD/t CO_2 (corresponds to 0.5 cents/litre of liquid fuel)
- Tax free emissions: 1.5t CO_2-equivalent /capita
- Total annual revenue: 48.5 bn. USD, of this total 18.4 bn. USD will flow to the Multilateral Adaptation Fund (MAF)



*National Climate Change Funds (NCCF) for mitigation action and adaptation programmes

Tax rates of global based CO_2 levy in revenue model

The revenue model is based on the polluter pay principle. The global CO_2 based levy shall be applicable to CO_2 emissions related to energy from fossil fuels. The proposed taxation rate is 2 USD/t CO_2, which corresponds approximately to 0.5 cents/litre liquid fuel.

[1] Source: Funding Scheme for Bali Action Plan, UVEK, Bern, 21. Mai 2008, www.environment-switzerland.ch/climate

Tax free emission level

The revenue model applies tax-free CO_2 emission level of 1.5 tons CO_2-equivalent per capita (1.5t CO_2eq/cap), applicable to all countries. This tax-fee emission level corresponds to a long term global emission goal in accordance with the Climate Convention targeted for the second half of this century and put in relation to the expected Earth population. Developing countries with greenhouse gas emissions below 1.5t CO_2eq/capita will hence be fully exempted form the CO_2 levy, but will benefit from the disbursement model.

Revenues

A revenue model with this design allows raising 48.5 bn USD per year. Of this amount 30.1 bn USD flow into the National Climate Change Funds (NCCF). The second part of the revenue stream of 18.4 Mia USD flows to the Multilateral Adaptation Fund (MAF) (see graph).

National Climate Change Funds, NCCF

All participating countries may use the resources flowing into their National Climate Change Funds for climate change adaptation and mitigation programmes according to national circumstances and priorities. The funding demand for such programmes is huge across the globe. Such National Climate Change Funds can also play a vital role for enhancing the capacity to address climate change, particularly in the most vulnerable developing countries.

Multilateral Adaptation Fund, MAF

Industrialized countries with a high per capita income contribute 60% of their revenues from the CO_2-levy to the global fund; this share is 30% for middle income countries and 15% for the low income developing countries. Developing countries with per capita emissions of less than 1.5t CO_2eq/cap do not raise the CO_2-levy and therefore do not contribute to the global fund. These governance principles establish a significant resource transfer from rich to poor countries: 15.1 bn USD or 82% of the annual revenues of 18.4 bn USD are contributed by the industrialized countries.

The Swiss proposal sees the Multilateral Adaptation Fund as a mechanism, not necessarily as a new multilateral institution. An existing institution could be mandated to manage this fund.

The financial resources from the global fund do exclusively flow into middle and low income countries. Adaptation comprises of climate resilient development, gradual adjustment of infrastructure and practices, and disaster risk reduction on one hand and disaster relieve/rehabilitation measures following extreme climate events on the other. The Multilateral Adaptation Fund therefore shall consist of two pillars:

a) Prevention pillar: the fund contributes to national programmes reducing the disaster risk and making development more climate-resilient. The implementation shall not be project based but in the frame of eligible programmes.

b) Insurance pillar: The fund insures large event risks to public goods/infrastructure which can not be covered otherwise and cooperates with the insurance industry for service delivery.