

# Footing the bill: What is Sweden's 'fair share' of global climate finance?

**ATT TA ANSVAR FÖR KLIMATNOTAN: BETALAR SVERIGE SIN BESKÄRDA DEL AV DEN INTERNATIONELLA KLIMATFINANSIERINGEN?**





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Omslagsbild: COP17 i Durban, Sydafrika, nov/dec 2011. Ageravolontärer från Svenska kyrkan och Svenska Kyrkans Unga, tillsammans med medlemmar i Aprovech and ACT Alliance, på plats för att påverka för ett rättvist, ambitiöst och bindande klimatavtal.

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# Förord

**Anders Wejryd**

Bara med tydliga värderingar i botten, blir det kraft i klimatomställningen. De måste finnas såväl hos enskilda som i det gemensamma. Kortsiktig bekvämlighet talar emot förändring och omställning för de allra flesta i Sverige.

Men vad värderar vi? En massiv majoritet vill handla mot andra så som man vill att de ska handla mot en själv. Många, men långtifrån alla, utvidgar detta till människor utanför den närmaste nåbara kretsen, liksom över tiden, mellan generationer. Ömsesidiga beroenden blir allt synligare, världen över. Med kraftfull teknologi och växande befolkning påverkar vi livsvillkoren också för avlagset boende och ännu inte födda.

Vad värderar vi, egentligen? Är det inte möjlighet till liv, som är viktigast? Livet är livet värt. Det är i gemenskap vi blir människor på riktigt, lever för varandra och tas i anspråk för varandra.

Klimatförändringarna slår hårdare mot människor som lever i fattigdom och är direkt beroende av naturen och jordbruket för sin egen försörjning. Skilda ekonomiska, sociala och politiska förutsättningar ger människor varierande möjlighet att tackla förändringar. Det är normalt de människor som bidragit minst till utsläppen av växthusgaser som drabbas hårdast.

Vi i Sverige har ansvar gentemot människor och gentemot miljön. Det rör sig både om ett historiskt ansvar då vi bidragit till växthusgasutsläpp under industrialiseringen och fram till idag och om ett solidariskt ansvar gentemot våra medmänniskor.

Att anpassa samhällen till klimatförändringar, förnya teknik och ställa om konsumtion är kostsamt. Hur stor är Sveriges egentliga klimatnota? I denna rapport har *Stockholm Environment Institute* beräknat hur stor del av klimatfinansieringen som Sverige bör stå för. Här konkretiseras den ekonomiska delen av Sveriges ansvar för klimatförändringarna, vilket kan bidra till välinformerade beslut och handlingar, vilket kan skapa positiv förändring.

Men – utan värderingar som går utöver kortsiktig bekvämlighet blir det ingen kraft till förändring. Allt vad ni vill att andra ska göra mot er, det ska ni också göra mot dem...

Uppsala i juni 2013



Anders Wejryd  
Svenska kyrkans ärkebiskop

# Förord

**Johan L. Kuylenstierna**

Stockholm Environment Institute (SEI) har under nära 25 år bidragit med vetenskaplig forskning i syfte att uppnå en hållbar utveckling. SEI strävar efter att bygga broar mellan vetenskap och politik, samt verkar för att skapa dialog och samverkan mellan människor och aktörer med motstridiga perspektiv, intressen och ideologier.

Verklig dialog och utbyte av idéer och synsätt som ett sätt att skapa förtroende tar tid. En väl genomförd procedur leder till starkare relationer – vilket i sin tur stärker effektiva beslutsprocesser. Detsamma gäller för internationell klimatpolitik. Förhandlingar har pågått under väldigt lång tid inom ramen för FN:s ramkonvention om klimatförändring (UNFCCC). Mycket har åstadkommits, men det är också tydligt att det finns djupa olikheter avseende synsätt mellan olika länder och aktörer i centrala frågor, och att grundläggande förtroendekapital ibland saknas.

Denna rapport fokuserar på frågeställningen: ”Vad är Sveriges ’rättvisa andel’ av global klimatfinansiering?”. När orsakerna bakom förtroendeunderskott mellan olika länder studeras, hamnar frågan om global klimatfinansiering ofta i centrum. Utvecklingsländer hävdar att dagens nivåer av klimatfinansiering är otillräckliga, samt att den sker på bekostnad av grundläggande utvecklingsbistånd. Många biståndsgivare efterfrågar starkare institutioner och att klimatanpassning integreras i den övergripande utvecklingsplaneringen, för att det direkta stödet ska kunna ökas. Att överbrygga denna förtroendeklyfta kräver öppenhet och transparens och är ett ansvar som vilar på alla inblandade parter. Det kräver inte minst att världens länder enas om en definition för att fastställa vad klimatfinansiering verkligen innebär och vilka metoder som ska användas för att implementera globala finansieringsflöden.

Denna rapport handlar inte enbart om huruvida Sverige finansierar en ”rättvis andel” av den globala klimatfinansieringen. Den handlar också om klimatfinansieringens roll för att nå ett globalt klimatavtal, om Sveriges egenintresse i att göra detta, samt om olika aktörers ansvar. Det är i denna anda som SEI samarbetar med Svenska kyrkan. Syftet är att engagera allmänheten, beslutsfattare och andra nyckelaktörer i debatten och att lyfta denna centrala fråga till den politiska diskussionen. Stockholm Environment Institute har bidragit med det vetenskapliga perspektivet och önskar att detta kan leda till en saklig och konstruktiv dialog, med syfte att bygga förtroende för att därigenom kunna lösa en av de största utmaningarna mänskligheten står inför.

Stockholm, juni 2013



Johan L. Kuylenstierna  
VD, Stockholm Environment Institute

# Sammanfattning

Denna rapport ställer frågan huruvida Sverige betalar sin "rättvisa andel" av internationell klimatfinansiering. Svaret är mer komplicerat än bara ett enkelt "ja" eller "nej", vilket till stor del beror på att varken begreppet "rättvis andel" eller "klimatfinansiering" har fått tydliga definitioner.

I rapporten används begreppet klimatfinansiering för att beskriva finansiella flöden från industriländer till utvecklingsländer som är avsedda för utsläppsminskningar och klimatanpassningsåtgärder i mottagarländerna. Fokus ligger på resurser från stater, även om det i verkligheten är så att betydande delar av klimatfinansieringen kommer från privata källor.

Olika förslag har presenterats för hur ett lands "rättvisa andel" ska beräknas och flera av dem beskrivs i denna rapport. En viktig slutsats är att det inte finns något objektivt rätt sätt att definiera "rättvis andel" för enskilda länders ansvar för klimatfinansiering. En del metoder kan anses ha större chans att upplevas som "rättvisa" än andra – exempelvis, skulle kostnaderna fördelas lika för både rika och fattiga länder skulle det vara oacceptabelt för de flesta, medan metoder som kombinerar beräkningar av ekonomisk kapacitet och ansvar för utsläpp är mer troliga att få större gehör, åtminstone i princip.

Rapporten kommer fram till att det i dagsläget inte finns något enkelt sätt att räkna samman vad Sverige faktiskt ger till klimatfinansiering, helt enkelt därför att det inte finns någon definition och för att Sverige inte gör någon

sammanhållen rapportering av detta. Då inte det totala bidraget säkert kan uppskattas är det svårt att utvärdera ifall Sveriges bidrag motsvarar en "rättvis andel".

I rapporten beskrivs att det mesta av Sveriges rapporterade klimatfinansiering ingår som en del i Sveriges vanliga budget för internationellt utvecklingssamarbete (ODA), vilket leder till frågan om Sveriges bidrag är "nytt och additionellt" – en princip för all klimatfinansiering som överenskommit inom FN:s Klimatkonvention – och som Sverige aktivt stött. En ledande definition av "ny och additionell" skulle vara "utöver ett lands reguljära biståndsåtagande". Enligt en sådan definition, ger Sverige väldigt lite klimatfinansiering. Detta är noterbart då Sveriges bidrag till internationellt utvecklingssamarbete i förhållande till BNP är bland de största i världen.

Rapportens slutsats är att även om ansvaret för att skapa ett mer "rättvist" ramverk för klimatfinansiering ligger hos olika aktörer i internationella forum, så kan Sverige helt oavsett ta flera egna steg för att ge ett mer tillfredsställande svar på frågan hur mycket man faktiskt ger i klimatfinansiering. I frånvaron av en global överenskommelse av vad som kvalificeras som klimatfinansiering och vad ett lands "rättvisa" bidrag är, kan Sverige ta ledningen internationellt, genom att 1) ta fram en tydligare rapportering av sina olika bidrag till klimatfinansiering, 2) klart och tydligt definiera sin egen uppfattning av vad en ambitiös "rättvis andel" är, och 3) utmana andra EU länder att göra detsamma.

# Report Summary

This report asks whether Sweden pays its ‘fair share’ of international climate change finance. Reaching an answer is more complicated than a simple ‘no’ or ‘yes’, due in large part to the fact that neither operative concept – ‘fair share’ nor ‘climate finance’ – have been clearly defined.

For purposes of this report, global climate finance describes financial flows from developed to developing countries, for mitigation and adaptation activities in recipient countries. Focus is on public finance, though in reality significant climate finance has and will come from private sources.

Different formulas are explored in this report to measure a country’s ‘fair share’. Several are tested in the Swedish context and are found to achieve results which vary quite broadly from each other, and importantly, demand significantly more climate finance than is provided today. A key finding is that **there is no objective ‘fair share’ of the climate finance burden**. Some formulas might be more likely to be deemed ‘fair’ than others – for example, allocating costs equally among rich and poor countries would be unacceptable to most, while formulas that combine measures of capacity to pay and responsibility for emissions tend to have wider appeal, at least in principle.

This report determines that at present, there is no straightforward way to calculate what Sweden has provided as climate finance – in large part because there is no clear definition of what ‘climate finance’ includes and

excludes, and no central reporting for climate finance. Not knowing the total makes it difficult to assess whether Sweden’s contribution is fair. This report also demonstrates that much of Sweden’s reported climate finance is delivered as part of official development aid (ODA), raising the question of whether Sweden’s climate finance is ‘new and additional’ – a principle of climate finance agreed to under the United Nations Framework Convention on Climate Change. A common definition of ‘new and additional’ is ‘above a country’s ODA commitments’. According to this definition, Sweden provides very little climate finance. This is notable as Sweden’s ODA commitments per capita are among the highest in the world.

The report concludes that while much responsibility for achieving a ‘more fair’ climate finance architecture lies with actors in international forums, Sweden can nevertheless take unilateral policy steps to facilitate a more satisfying answer to the question of whether it provides a ‘fair share’ of climate finance. In absence of a global agreement for what qualifies as climate finance and of what a country’s ‘fair’ contribution is, Sweden can lead by 1) pursuing clearer reporting of climate finance, 2) clearly defining its own understanding of an ambitious ‘fair share’, and 3) challenging its EU peers to do the same.



# 1. Introduction: A simple question with an elusive answer

*Our assessment is that by 2020, developing countries will need around an additional EUR 100 billion a year to tackle climate change and this was fully backed by the European Council, as is the [...] agreement that the European Union will pay its fair share.*

José Manuel Barroso, President of the Commission, European Parliament Debates on 11 November 2009 in Brussels, Belgium (emphasis added).

## 1.1 THE QUESTION: DOES SWEDEN PAY ITS 'FAIR SHARE'?

The United Nations Framework Convention on Climate Change (UNFCCC, or 'Convention') is a global agreement reached in 1992, with an 'ultimate objective' of stabilising greenhouse gas (GHG) emissions at a level that prevents dangerous climate change. With 195 country Parties, the UNFCCC enjoys near-universal membership by the nations of the world.

Under the UNFCCC, developed countries have agreed to decrease ('mitigate') their GHG emissions, and to provide financing and technology transfer to help developing countries anticipate and cope with the inevitable impacts of climate change ('adapt'), and to develop on a less carbon-intensive pathway. Countries party to the UNFCCC also agreed to a number of equity principles to help achieve this ultimate objective of stabilising GHGs, including the principle of 'common but differentiated responsibility and respective capabilities'. This principle recognises the historical differences in what developed and developing countries have contributed to global GHG emissions, and that countries today have different economic, technological, governance and knowledge capacities to address the challenge. It follows, as stated in UNFCCC article 3.1, that developed country Parties acknowledge that they must 'take the lead in combating climate change and the adverse effects thereof'.

What 'taking the lead' means in broad and practical terms is that industrialised countries, including the former Soviet bloc (listed under Annex I of the UNFCCC<sup>1</sup>) have accepted obligations to reduce their GHG emissions, and the wealthiest of those countries (listed under Annex II of the UNFCCC<sup>2</sup>) have additionally agreed to provide financial assistance to developing countries and to countries with economies in transition to help these latter address climate change. As shown in the quotation above, the European Union (including Sweden) has promised to contribute its 'fair share' of climate change finance – though no global formula for distributing financial obligations among Annex II countries has been agreed to. Although the Parties to the UNFCCC agree that there is a need to quickly and drastically reduce GHG emissions, there is even less agreement on how to allocate responsibility for doing so: By how much and by when must developed countries reduce their GHG emissions? Which developing countries may still increase their emissions, by how much and until when? And how much should developed countries contribute to the cost of curbing emissions in the developing world?

Developing countries have long argued that Annex I countries have an obligation to pay for climate change mitigation and adaptation in developing countries, as Annex I countries developed at the 'climate expense' of the rest of the world. In other words, because Annex I countries emitted so much in pursuit of their own development, there is little 'emissions space' left for non-Annex I countries. They are willing to pursue 'greener' or low-carbon development pathways, but given that these are more costly, they believe Annex I countries cover the extra cost. Meanwhile, emerging economies such as China, India, South Africa and Brazil, whose rapid growth has been accompanied by rapid increases in GHG emissions, are under increasing pressure to take on emission reduction obligations – especially China, which is now the world's top GHG emitter in absolute terms.

1 Annex I of the UNFCCC includes developed countries and countries with economies in transition. There are 41 Annex I Parties to the UNFCCC, plus the European Union.

2 Annex II of the UNFCCC includes those developed countries which were members of the Organisation for Economic Cooperation and Development (OECD) in 1992. There are now 21 Annex II Parties to the UNFCCC, plus the EU.



This report does not seek to resolve this conflict, which is at the heart of the deadlock in global climate negotiations. Instead, the focus is on the narrower finance question: **Does Sweden pay its ‘fair share’ of climate change finance?**

### 1.2 INSIDE PANDORA’S BOX: AN ANSWER?

The question may seem simple, but it actually opens a Pandora’s box of unresolved issues which make a simple ‘yes’ or ‘no’ answer impossible. This is because **neither ‘climate finance’ nor ‘fair share’ have clear definitions**, and agreeing to such definitions within an international political process such as the UNFCCC has so far proved impossible. Thus, the first step in this analysis must be to examine the gamut of ‘climate finance’ and ‘fair share’ definitions and set parameters by which Sweden’s contributions can be evaluated in this report. It follows that absent a domestic definition for ‘climate finance’, it is also difficult to decipher what Sweden’s total ‘climate finance’ contribution is. There is no budget line called ‘international climate change finance’, and there is no clear distinction between climate finance and the financing of activities where climate benefits are secondary to the main purpose of the funding.

In what follows, Part 2 of this report explains what global climate finance is and the principles purported to guide its size, governance and distribution, and presents a definition for use in this report. Part 3 presents a logic and series of assumptions in order to present and evaluate ways in which a country’s ‘fair share’ of climate finance has and can be measured, while Part 4 describes Sweden’s financial flows to climate change and demonstrates the challenge of reporting climate financing. Based on the methods to measure a ‘fair share’ laid out in Part 3 and the actual figures in Part 4, Part 5 considers whether Sweden meets its ‘fair share’. In Part 6, the report concludes by presenting some lessons learned from this exercise, and identifies some policy options for Sweden to achieve and maintain a position as a leader in international climate financing.

### 1.3 WHY SHOULD SWEDEN CARE ABOUT GLOBAL CLIMATE FINANCE?

Before delving into these issues, however, it is important to understand why it matters whether Sweden pays its ‘fair share’. At home and abroad, Sweden is often looked to as a leader in addressing environmental issues in general and climate change in particular. Sweden’s

climate finance record can strengthen or weaken that leadership position. Moreover, if Sweden wants its actions on climate to be more than a ‘drop in the bucket’, it needs to support coordinated and consequential global action on climate. If developed countries such as Sweden do not provide some fair semblance of climate finance, it is unlikely that developing countries will agree to a future global climate change deal. Furthermore, climate finance and development cooperation are closely interlinked. Sweden prides itself as a leader in providing exceptional levels of development cooperation financing and it is important that its climate finance be distinguishable (in reporting transparency as well as in fact) from its official development assistance (ODA).

In what follows, Part 2 of this report explains what global climate finance is, the principles purported to guide its size, governance and distribution, and presents a definition for use in this report. Part 3 presents a logic and series of assumptions in order to present and evaluate ways in which a country’s ‘fair share’ of climate finance has and can be measured, while Part 4 describes Sweden’s financial flows to climate change and demonstrates the challenge of reporting climate financing.

## 2. What is global climate finance?

### 2.1 GLOBAL FINANCIAL FLOWS FOR CLIMATE CHANGE

At the UNFCCC 13th Conference of the Parties (COP 13) in Bali in 2007, the ‘Bali Action Plan’ was agreed upon to guide the global climate change negotiations. In addition to a focus on shaping a ‘shared vision’, it comprised four ‘building blocks’ or interlocking, essential elements, on which agreement would be imperative: mitigation, adaptation, technology and financing.

Given that climate finance is considered central to reaching a global agreement to deal with climate change, it is somewhat surprising – and problematic – that there is no clear and universally accepted definition of what climate finance includes and excludes. Climate finance broadly describes financial flows from developed countries to developing countries, destined to activities that help to decrease GHG emissions (mitigate) and/or help people to adapt to the inevitable impacts of a changing climate.

Figure 2.1 offers a simplified story of global climate finance. It shows that climate finance comes from both government budgets (public) and capital markets (private), and is channelled through various agents, including bilateral and multilateral actors, as well as development cooperation agencies, the UNFCCC (various funds including those managed by the Global Environment Facility), and the private sector. These agents disburse climate finance as, new and additional climate finance, as official development aid (ODA), or through carbon markets. An important point of disagreement, discussed in more detail below, is whether or to what extent ODA should be included as part of climate finance (See ‘Challenges to measuring climate finance’, below).

Parts of the story are also missing from Figure 2.1. The types of financial instruments used are invisible – is the money given as grants, concessional loans, market-rate loans, or as something else? What proportion of these funds is from private versus public sources? Hidden in

the big grey box at the bottom should be a series of complex decisions and relationship about who receives climate finance: In absence of sufficient financial flows to address all problems, how are recipients prioritised?

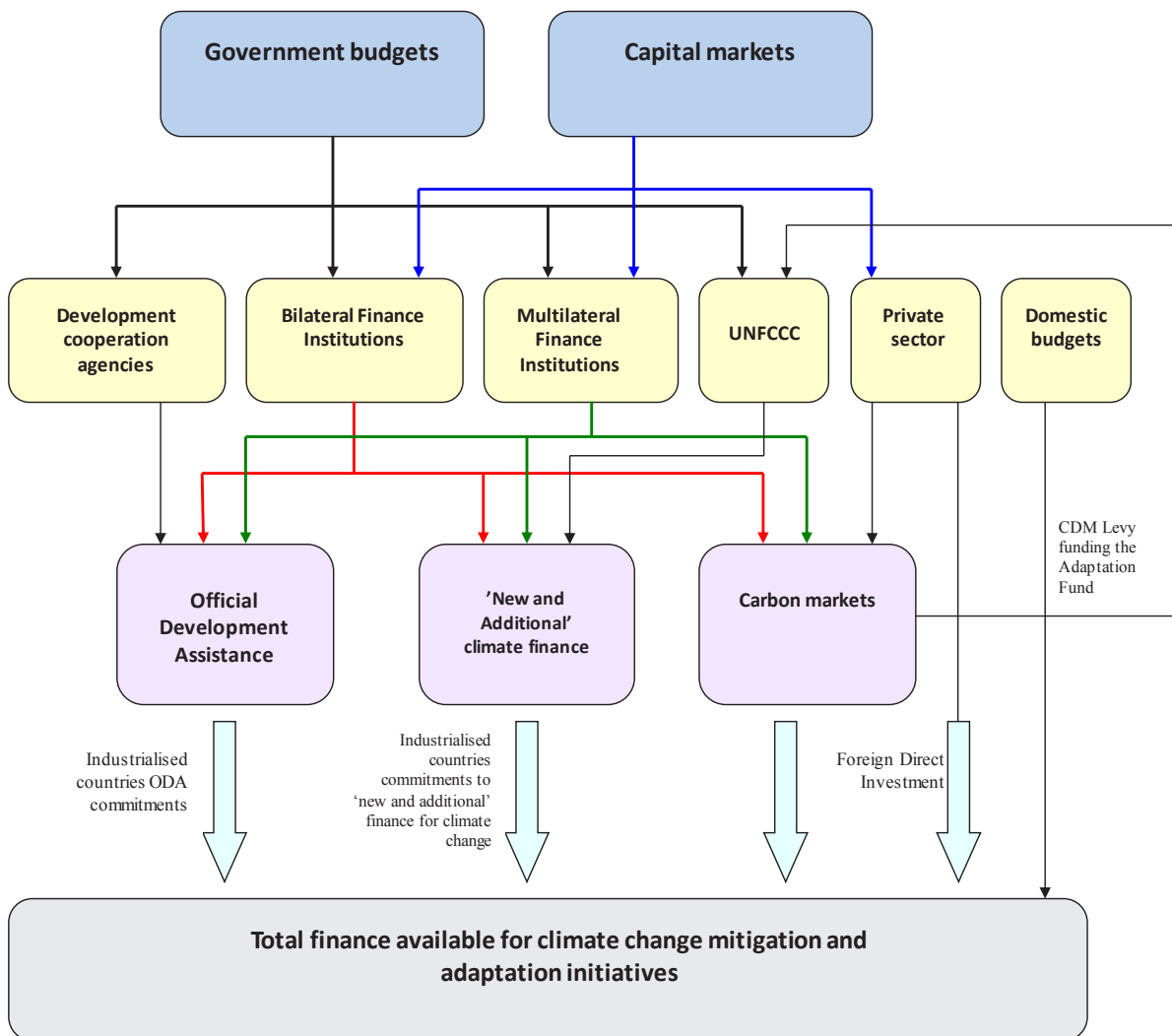
For purposes of this report, global climate finance describes financial flows from developed to developing countries, for mitigation and adaptation activities in the recipient countries. The focus in this report is on public commitments. This is a pragmatic choice, as it is only public funds to which a given country’s government can absolutely commit. While the reality is that global climate finance will require and include private finance, a discussion of ‘mobilising’ or ‘leveraging’ private finance – and related measurement and accountability mechanisms – is beyond the scope of this of this report.<sup>3</sup> Finally, climate finance *should* include only financing beyond existing ODA. However, absent a global, politically agreed definition of climate finance, the priority should be to ensure there is transparent and accessible information from developed countries of what they include and exclude from their climate finance reporting.

### 2.2 PRINCIPLES TO GUIDE CLIMATE FINANCE

The full story of climate finance can also be conceived of as a process with several phases, involving the generation of funds (potentially from multiple sources), governance or administration of funds, delivery of funds (disbursement), and use of the funds in developing countries (Persson et al. 2009). As noted in the introduction, a number of principles have been identified to guide that process, distilled from the text of the UNFCCC. They are summarised in Table 2.1, arranged by phase of the climate finance process. It has been suggested that these principles are a ‘collection of inter-dependent attributes, all of which are necessary’ (Bird and Brown 2010) for the climate finance architecture to function as a whole. Thus, the principles should guide a country’s individual climate finance commitments as well as the global architecture for climate finance.

<sup>3</sup> For a discussion of leveraging private sources of climate finance, see the UN Secretary General’s High-level Advisory Group on Climate Change Financing (United Nations 2010). For a discussion of mobilising and leverage climate finance, including private sources, see Caruso and Ellis (2013) at 2.1.1.1 and 2.1.1.2. For a discussion of why private finance is problematic, see Atteridge (2010), Private Sector Finance and Climate Change Adaptation

Figure 2.1: Global Climate Financial Flows



Source: Adapted from Atteridge et al. (2009).

## 2. WHAT IS GLOBAL CLIMATE FINANCE?

**Table 2.1 Principles relevant to guiding climate financial flows**

<b>Phase of funding</b>	<b>Principle</b>	<b>Criteria</b>
<b>Generation of funds – how they are raise and from where?</b>	Polluter pays	Financial contributions are commensurate to emissions (rooted in historic responsibility).
	Respective capabilities	Financial contributions are relative to national wealth.
	Additionality	Funds do not replace existing aid, but rather supplement it.
	Adequacy	Funds are sufficient to tackle the challenge of abating dangerous climate change – defined here as below 2°C of warming.
	Predictability	Funding is secure over a multi-year funding cycle.
<b>Governance – how funds are managed</b>	Transparency	Funding structure, financial data, decision-making processes and decision are in the public domain.
	Accountability	Provisions in rules of procedures to prevent conflicts of interest and deter corruption; fund management reports to a recognised authority.
	Equitable representation	A broad stakeholder base is represented in decision-making.
<b>Delivery</b>	Transparency	Operational policies and guidelines are transparent.
	Accountability	Adherence to operational policies and guidelines in delivering resources.
	National ownership	Recipient countries demonstrate leadership over their climate policies and strategies.
	Timeliness	Funding is available and delivered when required.
	Appropriateness	The financial instrument used does not result in additional or unreasonable burdens for the recipient.
	Access for 'most vulnerable'	Credit, sources and technologies are made available to vulnerable groups.
<b>Use of funds in developing countries</b>	Transparency	A transparent selection process is used.
	Accountability	Monitoring and reviewing of the implementation of adaptation actions.

Source: Adapted from Klein (2011) and Bird and Brown (2010).

### 2.3 SIZE MATTERS! HOW BIG ARE GLOBAL, PUBLIC CLIMATE FINANCIAL FLOWS?

Given that there is no global definition for climate finance, it is impossible to convincingly quantify global climate finance. However, multilateral and bilateral donors have tried to demonstrate – at least in order of magnitude – the size of climate financial flows. In 2009, for example, the multilateral banks reported delivering \$15-17 billion USD in climate finance, while bilateral banks reported roughly \$13 billion, making a total figure of \$28-30 billion USD in public funds from these two most significant channels of funds in 2009.<sup>4</sup> A more recent analysis estimated between \$92.7 billion and \$99.3 billion USD in public funds for 2010/2011 (Buchner et al. 2012). These figures are inconclusive but can be used to illustrate the range of the size of public flows for climate, as well as the range of uncertainty or lack of clarity in what climate finance is and how it is measured.

A question that *can* be answered is, ‘What have country Parties to the UNFCCC pledged to provide as climate finance?’ At COP 15 in 2009, the Parties took note of the Copenhagen Accord, which states that:

The collective commitment by developed countries is 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.

[...] In the context of meaningful mitigation actions and transparency on implementation, developed countries commit to a goal of mobilizing jointly USD 100 billion dollars a year by 2020 to address the needs of developing countries. This funding will come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance.<sup>5</sup>

The first, short-term commitment was labelled as ‘Fast Start Finance’. The second, longer-term commitment

was formalised at COP 16 in Cancún in 2010,<sup>6</sup> but the details of how that commitment will be met in practice – and what happens between 2013 and 2020 – have been an important subject of negotiations since.

The rest of this section describes the more specific challenges to defining and reporting what is counted as climate finance. These issues are particularly germane now that the ‘Fast Start Finance’ period 2010–2012 has come to close. Developed countries have asserted, based on certain understandings of what qualifies as climate finance and what does not, that they have met their FSF commitments; however, developed countries, based on different understandings of what qualifies as climate finance, have argued that this is not the case. This is new – or, some may argue, extended – disagreement is further hindering progress towards a global agreement on climate change.

### 2.4 CHALLENGES FOR CLIMATE FINANCE

Besides the challenge of the term ‘climate finance’ being widely used and poorly defined, there are other challenges to measuring ‘climate finance’. Some relate to establishing parameters, while others have more mundane roots related to budget cycles, the breadth and uncertainty of climate change causes and effects, political priorities, and the mixing of concepts and understandings that inevitably flow from interdisciplinary exercises.

#### 2.4.1 What is ‘new and additional’?

At article 4.3, the UNFCCC states that developed country Parties shall provide ‘new and additional financial resources’ to meet the ‘full costs’ incurred by developing country Parties to comply with their commitments under the Convention. These ‘full costs’ cover everything from reporting requirements under the Convention; to taking climate change into account when pursuing more general development ambitions; to promoting research, education and public awareness; to preparing to adapt to climate change. ‘New and additional’ means that the climate finance commitment must

4 These data were included in a draft Joint Multilateral Bank Financing Report circulated in early 2010. A final version of this report was never issued. Instead, separate reports on mitigation finance and adaptation finance were issued in 2011. The mitigation finance report is available here: [http://www.eib.org/attachments/documents/joint\\_mdb\\_report\\_on\\_mitigation\\_finance\\_2011.pdf](http://www.eib.org/attachments/documents/joint_mdb_report_on_mitigation_finance_2011.pdf). The adaptation report can be downloaded here: [http://www.eib.org/attachments/documents/joint\\_mdb\\_report\\_on\\_adaptation\\_finance\\_2011.pdf](http://www.eib.org/attachments/documents/joint_mdb_report_on_adaptation_finance_2011.pdf).

5 Copenhagen Accord, para. 8; see [http://unfccc.int/meetings/copenhagen\\_dec\\_2009/items/5262.php](http://unfccc.int/meetings/copenhagen_dec_2009/items/5262.php). Emphasis added.

6 See the Cancún Agreements, <http://cancun.unfccc.int/>.

## 2. WHAT IS GLOBAL CLIMATE FINANCE?

be in ‘addition’ to existing ODA commitments (even though the aid and climate adaptation agenda overlap in substance) and ‘new’ requires that the funds are not already pledged elsewhere. A first challenge exists in wide disagreement on how to apply those standards, as discussed in Box 1.

### **Box 1: 195 countries in search of a baseline: What is ‘new and additional’?**

The lack of a definition for what is new and additional has left room for many proposals to grow. A starting point for all is to determine what is ‘old and established’ – that is, to choose a baseline against which ‘new and additional’ can be measured (Stadelmann et al. 2010, p.2).

Developing countries advocate that additionality be measured against the target set long ago for ODA by OECD members, 0.7% of gross national income (GNI). This is problematic, however, as few developed countries accept this threshold, and few have met it. Sweden is one of few exceptions, but the question is then, if existing ODA commitments are redirected to climate finance, can any of them count as ‘new’, whether or not Sweden still meets the 0.7% standard for (non-climate) ODA? A further complication is that Sweden has set its own ODA target at 1% of GNI, not 0.7%. Thus some argue that the ‘additionality’ baseline for Sweden should be 1%.

Another proposed solution to the baseline question is to count only money channelled through UN climate funds, such as the Adaptation Fund or the new Green Climate Fund, as climate finance. A further option is to count only funds that are not ODA – this would force contributor countries to determine whether the main purpose of a given sum is for development or to address climate change. Yet another option is to only count finance derived from innovative mechanisms such as international air transport levies or auctioning emissions allowances, as money derived from new means is unquestionably ‘new’. While each of these options have pros, cons and degrees of acceptability or aversion with different country actors, they illustrate that there are many ways in a baseline for ‘new and additional’ could be established.

Meanwhile, in the absence of a uniform standard for setting a baseline – developed countries have each defined their own baseline. This makes comparison difficult, and thus undermines transparent and accurate accounting of how developed countries have (or have not) met their climate finance pledges (see, for example, Stadelmann et al. 2010; Brown et al. 2010). As a result, Stadelman et al. (2010) and others argue, an opportunity for trust-building has been lost.

### **2.4.2 Transparency, accountability and reporting**

Efforts to clearly and transparently report climate financial flows have proven to be challenging, even when serious efforts are made (see, for example, Atteridge et

al. 2009; UNEP 2010). Producing comparable data across institutions or between countries is difficult, as budgets group and prioritise different sectors and regions in their reporting. Multiple channels of reporting leads to double-counting – for example, when a country provides climate finance through a multilateral bank, both the individual country and the bank are likely to report those sums as climate finance. This makes it complicated to add up a global total. As noted in Table 2.1, transparency and accountability are challenges not only to reporting, but also to decision-making, delivery and use of climate finance.

### **2.4.3 Needs vs. commitments**

A focus of Part 3 below is that while climate finance pledges are often made – and even met – the peculiar reality is that there is no implicit connection between the pledge and the real need. That is, the finance provided may be insufficient to achieve the goal of curbing climate change. Some literature has shown that the financial commitments made under the Copenhagen Accord and after are indeed insufficient to keep climate change below the stated ambition of keeping global temperature increases under 2°C (see, for example, UNEP 2012).

### **2.4.4 Public vs. private**

As noted above, the terminology of ‘mobilising’ and ‘leveraging’ climate finance leaves a somewhat fuzzy picture of what national governments are committing to. By saying they will help mobilise funds, it is unclear what governments are actually committing in terms of public funds. This report has focused on public financial flows, but acknowledges that a large component of climate finance (or at least finance to address climate change) is anticipated and indeed required from private sources.

### **2.4.5 Timing**

When trying to answer the question of what a given country such as Sweden has committed to climate change, one is confronted with different commitments over different time frames. When a country commits climate finance to purposes over several different time spans, it is very difficult to explain what was contributed, and also whether the money was disbursed. This might be characterised as inadvertent lack of transparency – an actor will commit finance in a way that makes sense, not necessarily by budgetary or calendar year.

### 2.4.6 Use

Where does the money go, and who should it go to? There has been some agreement within the UNFCCC that adaptation finance, at least, should target the ‘most vulnerable’ countries, but there is no agreed-upon definition of what constitutes ‘most vulnerable’ or which countries qualify. As Klein and Möhner (2011) note, these are questions that require political decisions, because there are no ‘right’ answers.

These challenges are quite well understood, and the climate finance literature is full of suggestions on how to define, address and overcome them. But ultimately, political choices are necessary to decide many of these issues, and that requires a consensus amongst the Parties to the UNFCCC. That has not been achievable within the climate negotiations precisely because the issues are so highly politicised, and the actors’ interests so vested.

This remainder of report focuses on the monetary aspects of fairness (‘How much is fair?’ and ‘Is this amount met?’) but acknowledges that at the heart of the issue is not simply numbers, but rather agreement and understanding of a wide array of principles and issues.



## 3. Measuring a ‘fair share’ of climate change finance

### 3.1 DEFINING FAIRNESS

What is fair is usually in the eye of the beholder – yet experts in political science and international law generally agree that perceived fairness a necessary condition to success in reaching and sustaining multilateral agreements (see, for example, Barrett 2003). That insight clearly applies to the UNFCCC negotiations, including discussions on climate finance.

The question of fairness in financing is not only about whether sufficient money is made available. It must also address questions such as where the money comes from (e.g. public or private sources, new taxes), how it is managed and disbursed, to whom it is destined, what types of financial instruments are used (e.g. market-rate loans, concessional loans, grants), what portion is destined for mitigation vs. adaptation, and who participates in the decision-making processes.

These non-numeric fairness attributes are all relevant to a climate finance fairness equation. In this analysis, however, we focus more narrowly on the quantifiable question of how large a climate finance contribution by Sweden is a ‘fair share’.

That still leaves the question of how to define ‘fair’. In common usage, the word can mean many things, including ‘equitable’ or ‘just’, ‘neutral’ or ‘impartial’, ‘legal’ or ‘legitimate’. It is quite easy to imagine an action that is legal and believed legitimate within the experience or beliefs of the actor or group who made the law, but which may be perceived as overtly unjust by those outside the policy-making circle. Similarly, a ‘fair’ share of climate finance is very different to a small island state threatened by sea-level rise, and to citizens in a developed country who see climate finance as one of several competing priorities for the use of government funds. Of course many actors’ own perceptions lie in-between. Unfortunately, it is inherently impossible to find an impartial actor to mediate these differences in the pursuit of a global solution to a global problem such as climate change mitigation and adaptation. All actors have vested, and to varying degrees divergent, interests in the outcome.

### 3.2 MEASURING A ‘FAIR SHARE’ IN MONETARY TERMS

Given that it is impossible to objectively identify parameters for a fairness equation to measure climate finance contributions, this report looks at multiple approaches that have been or can be used to assess a ‘fair share’ of climate finance, briefly assessing their strengths and weaknesses. For purposes of this report, these ‘fairness assessments’ are classified according to two conceptual categories introduced below and summarised in Table 3.1.

1. **Needs-based assessments:** In this report, a needs-based assessment of a ‘fair share’ is based on how much money is considered necessary to finance adaptation and mitigation in developing countries, and dividing this ‘bill’ among the relevant actors. While this works neatly in theory, in reality a very wide range of estimates has been made for the total potential costs of addressing climate change on a global scale. An equally wide range of formulas have been proposed for divvying up the bill.
2. **Promise-based assessments:** Annex I countries to the UNFCCC have at various landmarks, domestically or at UNFCCC negotiations, made promises to deliver climate finance. In this report, a pledge-based assessment of a ‘fair share’ looks at what a given country has pledged to provide as climate finance, then asks whether it has delivered on the pledge. This approach may appear more straight-forward to calculate, although this report has also addressed the complexity of measuring what an individual country delivers as ‘climate finance’ (and this is further illustrated in Part 4). However, there is a different kind of fairness flaw innate to this approach, in that there is no guarantee that the financial pledges are sufficient to keep global warming at a level considered safe. That is to say, pledges may (and as already addressed, likely do) fall short of the financial and GHG reduction ‘needs’ to adequately address climate change.

Table 3.1 Evaluating fairness assessments

Type of fairness assessment	Definition	Pros, cons and challenges
Needs-based	Based on how much money is needed for climate change mitigation and adaptation in developing countries	<ul style="list-style-type: none"> <li>- Theoretically can help achieve the UNFCCC's 'ultimate objective' of stabilising GHG emissions by providing sufficient funds to address mitigation needs</li> <li>- Broad disagreement on how much money is needed to address climate change</li> <li>- Unlikely: There is nowhere close to this type of financial commitment at present</li> <li>- There will always be disagreement on how to divvy up burden-sharing (split the bill among capable countries or actors) even if needs can be agreed to</li> </ul>
Pledge-based	Based on what has been pledged by developed countries in international forums	<ul style="list-style-type: none"> <li>- Fails to meet UNFCCC ultimate objective as pledges may be (and presently are) insufficient to meet the need according to science</li> <li>- Challenge to measure what a country has actually contributed to climate change finance</li> </ul>

The remainder of this section examines needs-based and pledge-based fairness assessments that can then be applied to the Swedish context.

### 3.2.1 Needs-based assessments

How much do climate change mitigation and adaptation cost? This question is the focus of many studies, which have measured everything from the estimated actual costs of mitigating and adapting to climate change, to the costs of inaction (the potential losses due to climate change, which can then be compared with the cost of mitigation to determine the 'optimal' investment). Recently, modellers have tried to assess the implications of different geophysical, technological, social and political uncertainties for the cost of limiting global warming to different target temperatures (Rogelj et al. 2013). Table 3.2 summarises some of the findings. Note that non-monetary metrics to measure climate costs, for example the value of human lives, also abound and have strong 'fairness' implications, but are beyond the scope of the present analysis.

Table 3.2 An indicative range of climate cost estimates

Assessment	Cost	Timeframe	Countries included	Comments and assumptions
<b>Mitigation</b>				
Roberts et al. (2010) Sandahl (2011, citing Roberts et al. 2010) Eklöf (2009)	\$340–360 billion USD	Per annum by 2030	Developing countries	
Stern (2006), with update in 2008	\$1.5 trillion USD	Per annum 2010	Global	About 2% of gross world product (at PPP in 2010, GWP was \$74.5 trillion USD)
DARA and Climate Vulnerable Forum (2012)	\$1.2 trillion USD	Per annum	Global	Cost of averting climate change + economic losses attributed to climate change
<b>Adaptation</b>				
World Bank (2006)	\$9–41 billion USD	Per annum 2010–2015	Developing countries	
Stern (2006); see above	\$4–37 billion USD	Per annum 2010–2015	Global	
Oxfam International (2007)	More than \$50 billion USD	Per annum 2010–2015	Developing countries	
UNDP (2007)	\$86–109 billion USD	Per annum 2010–2015	Global	
World Bank (2010)	\$70–100 billion USD	Per annum 2010–2050		Based on a 2°C warmer world
UNFCCC (2007)	\$26–67 billion USD	Per annum by 2030	Developing countries	Covering agriculture, forestry, fisheries; water supply; human health; coastal zones; infrastructure
UNFCCC (2007); see directly above	\$44–166 billion USD	Per annum 2030	Global	Covering agriculture, forestry, fisheries; water supply; human health; coastal zones; infrastructure (some overlap in infrastructure and coastal zones)
Sandahl (2011); see above	\$28–59 billion USD	By 2030	Developing countries	

While far from a complete list of global attempts to cost climate change, Table 3.2 demonstrates the difficulties of attempting to do so:

- There is a very wide range in what is being measured, and logically also in the cost results. Some studies have focused on adaptation or mitigation needs only, others on developing countries only, still others on the global cost of climate change. Others point out that climate change is not a future threat but a present danger, and attempt to quantify current economic loss (forgone revenue). The range of results is from several billion to \$1.5 trillion.

- Different assumptions make the studies complementary but difficult to compare.
- Pursuing economic measurements at a global scale where uncertainties are also of global proportion will inevitably produce varying results.

While the conceptual elements and tools are available, to our knowledge there have been no viable or serious proposals to cost climate change at a global scale and then try to divide up this responsibility. A formula to do (we'll call it  $N_T$ ) so would look something as follows:

**STEP 1 – NEEDS-BASED ASSESSMENT:** An equation for a needs-based assessment would require a quantification of the cost to address climate change with clear parameters – e.g. for mitigation, adaptation or both? Global or focused on the developing world? Thus, quantifying 'global need' could be based on any number of the attempts to quantify the cost of climate change in Table 3.2, or by taking the average of several credible attempts to do so (obviously the choice of counting only mitigation, only adaptation, or both, could not be solved with an average).

**STEP 2 – 'BURDEN-SHARING' FORMULA:** A 'burden-sharing' formula – normally a function of a country's responsibility and capacity to pay – would then be adapted to divvy up the cost. This is not so different from known burden-sharing frameworks such as Greenhouse Development Rights (GDRs) framework (Baer et al. 2008),<sup>7</sup> which allocates emission reductions (and their cost) based on a formula that combines measures of capacity and responsibility.

Clearly, both aspects of such a calculation are complex and require making value judgements (i.e. political decisions) – especially on the burden-sharing side. Still, to illustrate how this might be applied to Sweden, we attempt a rough calculation here. Let's focus on mitigation alone, and use Stern's estimate of \$1.5 trillion USD per year for 2010. A GDRs analysis estimated Sweden's share of the global mitigation burden at 0.51% (Kantha et al. 2008). That would mean Sweden's 'fair share' of the mitigation burden in 2010 – had the efforts that Stern deems necessary actually been made – would have been \$7.65 billion USD.

Whether this is a useful calculation, however, is another matter. It is certainly interesting, but it also engages too much uncertainty and – importantly – too many politically sensitive issues to be applicable and viable in the real world of international climate politics.

### 3.2.2. Pledge-based assessments

The starting point for a pledge-based assessment is what a given country has committed as climate finance within the UNFCCC negotiations, and as climate finance bilaterally and through multilateral institutions – and then asks whether this commitment was delivered.

Unlike needs-based assessments, pledge-based assessments abound, and this report takes three pledge-based assessments from the literature. These are chosen for their clear methodology and as representative of the various approaches that exist. Two are based on the \$100 billion USD per year by 2020 pledge made by developed countries at COP 15 in Copenhagen and confirmed a year later; one is based on the \$30 billion in Fast Start Finance for the period 2010-2012.

#### P1: Pledge-based assessment 1 – the 'Belgian methodology'

In 2012, the Institute for European Environmental Policy developed an estimate of Belgium's 'fair share' of the climate burden (Schiellerup and Geeraerts 2012). Unlike this report, which focuses on public finance, the starting premise of the IEEP methodology is that some portion of global climate finance will come from private sources. The authors assume scenarios of public-private divide as 100%-0%, 75%-25%, 50%-50%, and 25%-75%. They then use nine different distribution keys to determine what the EU's share of public budget might be. The range of options is narrowed down a 2011 attempt by the European Commission to estimate scaled-up international climate finance after 2012, which concluded that the EU-27 would be responsible for 29% (if the only criterion is GHG emissions) to 38% (if only criterion is GDP at 2011 rates) of Annex I climate finance (European Commission 2011, p.18). Schiellerup and Geeraerts subtract from this the anticipated EU contribution to identify the direct anticipated contributions of Member States. Finally, they use distribution keys to determine Belgium's share of those direct contributions. These different distribution keys make various assumptions, for example testing different weightings of historic responsibility (GHG emissions) and capacity (based on GDP).

While beyond the scope of this report to test this extensive methodology on Sweden, it provides a clear set of assumptions and indicators that can be used to determine any EU country's share of global finance.

#### P2: Pledge-based assessment 2 – the 'Austrian methodology'

In order to estimate Australia's 'fair share' of international climate finance, Jotzo et al. (2011) develop a methodology based on three key questions:

<sup>7</sup> For updated GDRs materials, and additional literature, see <http://gdrights.org>.

- **WHAT IS THE TOTAL AMOUNT TO BE DIVIDED UP AMONG COUNTRIES?** Given that only public funds are easily attributable to an individual country (and that it can be difficult to ascribe market-based flows, private capital flows and international levies to a given country), any burden-sharing agreed to internationally among states should reasonably be a subset of total global climate finance commitments – and this subset is public flows. The logic is that this may raise countries' incentive to encourage alternative sources of funding in order to limit the pressure on their own pocket of public funds.
- **WHICH COUNTRIES DOES THE GROUP OF PAYERS COMPRISE?** UNFCCC Annex I countries are chosen rather than Annex II, thus expanding the pool of payers (as a reminder, Annex II lists includes not only industrialised countries, but also economies in transition, such as Russia, the Baltic States, and Central and Eastern European countries – but not emerging economies such as China, India, Brazil and South Africa).
- **WHAT INDICATOR SHOULD BE USED TO GENERATE COMPARABLE SHARES?** Following the UNFCCC principle of 'common but differentiated responsibilities and respective capabilities', the authors use responsibility and capacity as two indicators. To this they add a third indicator: pledge-based or unilateral shares. Responsibility is based on a country's historical emissions, and is measured both as current emissions and cumulative emissions from 1990-2008. Capacity is based on GDP or GNI, or GDP above a certain per-capita income threshold. Pledge-based or unilateral shares refer to existing contributions to other multilateral funds or development aid and using these as a determinant of capacity.

Like P1, P2 presents a clear methodology and set of considerations to determine a country's share of global climate finance based on pledges. Because it was designed for the Australian context, it does not address the 'double calculation' required to first measure an EU's total share before determining Sweden's share. This could presumably be borrowed from the same EU-27 calculations used in P1.

#### **Pledge-based assessment 3 (P3): Diakonia's assessments**

Diakonia's method to measure EU Member States' share of international climate finance (Diakonia 2013) assumes the Copenhagen pledge of \$100 billion USD annually (acknowledging that this is not an estimate based on need, but on a pledge). To assess the EU's share of this \$100 billion USD, the method finds a partial precedent in the distribution of Fast Start Finance from 2010-2012 and borrows the EU's contribution to that (about 30%) as an assumption. It then takes the EU's distribution key (used by the EU to distinguish itself from the rest of the developed world) to distinguish between EU-27. In some ways, this is a pragmatic and simplified extension of the Belgium P1 methodology, by simply assuming all climate financial flows under consideration are public.

This methodology was designed in the Swedish context and concludes that based on a 50/50 capacity/responsibility function, Sweden is responsible for 2.13% of the EU's share of climate finance.

**Table 3.3 Synthesis of approaches to gauging countries' share of the mitigation burden**

Approach	Summary	Strengths	Weaknesses
P1 'Belgium'	Various scenarios are introduced to address what proportion of climate finance will flow from public and private sources. The EU's and the EU Member States' portions are then calculated for each scenario.	- Thorough in its methodology by assessing different public-private scenarios.	- The flip-side of a thorough methodology is that it is a major undertaking to apply the methodology in another country context. - Like all promise-based assessments, it measures only a country's share of an agreed-upon pledge and not whether this pledge is sufficient to curb climate change.
P2 'Australia'	Assumes all financial flows to be public, and that Annex II countries will be responsible for global climate finance. In addition to capacity and responsibility, looks at a country's current practice.	- A simpler methodology makes it more easily transferable.	- Assumes the status quo – that Annex II countries have responsibility to pay. This is not flexible into the future as emerging economies may also assume responsibility to finance climate change. - Like all pledge-based assessments, it measures only a country's share of an agreed-upon pledge and not whether this pledge is sufficient to curb climate change.
P3 'Sweden'	Also assumes public financial flows, and uses a simplified methodology to measure the EU's share and Sweden's share of the EU share in turn.	- Simple and therefore easily applicable to all EU countries.	- Like all pledge-based assessments, it measures only a country's share of an agreed-upon pledge and not whether this pledge is sufficient to curb climate change.
N1 'Theoretical'	An estimated total global cost for addressing climate change is divided among developed countries based on a formula that considers capacity and responsibility.	- Designed to cover the full cost of addressing mitigation and adaptation, thus adequately addresses	- Has never been tried, likely because of the large number of assumptions and the highly political nature.

From this discussion and its summary in Table 3.3., some initial observations on methods to calculate a 'fair share' of climate finance can be drawn.

- Needs-based assessments are difficult to apply due to the large number of uncertainties and assumptions that need to be built into their design – that is, they are based on a global cost of addressing climate change which is difficult to calculate. This cost (or cost range) could theoretically be politically agreed, but this is unlikely. Even if the cost (range) is agreed to, how to divide the bill is equally politically sensitive. In sum, it makes this type of assessment theoretically appealing but impractical.
- Promise-based assessments have fewer uncertainties but are less likely to adequately curb climate change, as the sum promised may not be sufficient to limit climate change.

All this said, the distinction between needs- and pledge-based assessments is arguably a technicality – in theory, the formulas in P1-P3 could be applied to a sum that the UNFCCC Parties agreed was the actual amount needed to mitigate and adapt to climate change (several other formulas have been developed as well, each representing their authors' version of what is 'fair'). But this also illustrates the biggest challenge in defining countries' 'fair share' of the climate challenge: Any formula that is used will make assumptions that are politically sensitive and would therefore require a political will to agree to certain parameters if and when applied. Sweden could choose a formula that seemed quite fair to Swedish officials (and even citizens), but that wouldn't guarantee that other people in other countries would agree, or want to apply the same formula to themselves.

## 4. Sweden's climate finance: What does Sweden provide?

Finally, in order to test whether Sweden provides a 'fair share' of climate change finance as measured against the fairness measurements enumerated above, it is necessary to know what Sweden's climate financial flows and commitments look like. Concretely, how much does Sweden pay as climate finance?

### 4.1 A COMPLETE PICTURE OF SWEDEN'S CLIMATE FINANCE

The challenges in defining 'climate finance' within the international political process as described in Part 2 are mirrored and perhaps even magnified at the domestic level. Even where a country tries to communicate what it provides as climate finance, it is difficult to understand

the climate finance picture. This section attempts to summarise what Sweden has committed. The data is gathered from public information available through the government of Sweden, the OECD DAC database,<sup>8</sup> and the UNFCCC and is summarised in Table 4.1. It demonstrates the difficulty of extracting information on climate finance. It is also important to emphasise that it is highly probable that elements of Sweden's climate finance are missing or perhaps double-counted. Table 4.1 also serves to illustrate some of the challenges discussed in section 2.4, namely transparent reporting, timing, knowing what is committed or disbursed, and how lack of definition of climate finance leaves much open to question.

**Table 4.1: Sweden's contributions to climate finance**

Type of climate finance	Time period	Amount (million SEK)	ODA?	Comments	Source of info
'Bilateral and regional financial support related to the UNFCCC and KP'	2004	998.4	Y	'Climate-related aid in bilateral ODA'	Sweden's Fifth National Communication (Ministry of the Environment 2009)
'Bilateral and regional financial support related to the UNFCCC and KP'	2005	2,100	Y	'Climate-related aid in bilateral ODA'	Sweden's Fifth National Communication
'Bilateral and regional financial support related to the UNFCCC and KP'	2006	2,116	Y	'Climate-related aid in bilateral ODA'	Sweden's Fifth National Communication
'Bilateral and regional financial support related to the UNFCCC and KP'	2007	1,777	Y	'Climate-related aid in bilateral ODA'	Sweden's Fifth National Communication
'Bilateral and regional financial support related to the UNFCCC and KP'	2008	2,182	Y	'Climate-related aid in bilateral ODA'	Sweden's Fifth National Communication
Contributions to the Global Environment Facility (part for climate)	2004	132	Y*	* GEF contributions are including in the section of Sweden's National Budget entitled 'International Aid'	In-depth review of Sweden's Fifth National Communication (UNFCCC 2011)
Contributions to the Global Environment Facility (part for climate)	2005	138	Y*	* GEF contributions are including in the section of Sweden's National Budget entitled 'International Aid'	In-depth review of Sweden's Fifth National Communication

<sup>8</sup> See <http://www.oecd.org/dac/>.



#### 4. SWEDEN'S CLIMATE FINANCE: WHAT DOES SWEDEN PROVIDE?

Type of climate finance	Time period	Amount (million SEK)	ODA?	Comments	Source of info
Contributions to the Global Environment Facility (part for climate)	2006	175	Y*	Incl 10 SCCF * GEF contributions are including in the section of Sweden's National Budget entitled 'International Aid'	In-depth review of Sweden's Fifth National Communication
Contributions to the Global Environment Facility (part for climate)	2007	273	Y*	Incl 15 SCCF and 7 LDCF * GEF contributions are including in the section of Sweden's National Budget entitled 'International Aid'	In-depth review of Sweden's Fifth National Communication
Contributions to the Global Environment Facility (part for climate)	2008	276	Y*	Includes 15 million for the Special Climate Change Fund * GEF contributions are including in the section of Sweden's National Budget entitled 'International Aid'	In-depth review of Sweden's Fifth National Communication
Fast Start Finance	2010-2012	8 billion	Y	Bilateral, regional, multilateral. Some through GEF.	Memorandum to the UNFCCC (Ministry for Foreign Affairs 2010)
Special Climate Initiative	2009-2012	4 billion	Y**	121 million disbursed 2009; rest part of the 8 billion above. **The Climate Initiative is discussed in the section of Sweden's 2010 National Budget entitled 'International Aid'	Memorandum to the UNFCCC
Green Climate Fund	2013	5	Y		GCF Status of Resources Report June 2013
Adaptation Fund	2013	100	Y		Washington, DC, May 24, 2013
Adaptation Fund one-off contribution	2010	100	Y		In-depth review of Sweden's Fifth National Communication
Global Environment Facility replenishment	2010-2014	1 billion + SEK	Y	Encompasses both Sweden's traditional portion and an extra contribution for climate initiatives, including some FSF	Press release, 14 May 2010, Ministry for Foreign Affairs <sup>9</sup>
Political statement	2013	2,5 billion SEK	Y	(2 billion bilateral, 0.5 billion multilateral)	Statement by Gunilla Carlsson in Parliament <sup>10</sup>

<sup>9</sup> See <http://www.regeringen.se/sb/d/713/nocache/true/a/145885/dictionary/true>.

<sup>10</sup> See [http://www.riksdagen.se/sv/Dokument-Lagar/Fragor-och-anmalningar/Svar-pa-skriftliga-fragor/Sveriges-lofte-om-klimatbistan\\_Ho12561/](http://www.riksdagen.se/sv/Dokument-Lagar/Fragor-och-anmalningar/Svar-pa-skriftliga-fragor/Sveriges-lofte-om-klimatbistan_Ho12561/).

#### 4. SWEDEN'S CLIMATE FINANCE: WHAT DOES SWEDEN PROVIDE?

In terms of most recent climate commitments, the Swedish Government reported an investment of 4 billion SEK in support of climate change activities for the period 2009-2012 – and the amount disbursed from 2010-2012 was a component of Sweden's Fast Start Finance. Of this 4 billion SEK, 2.85 billion SEK was channelled multilaterally through the World Bank, the Adaptation Fund, and the Global Environment Facility, among others, for both mitigation and adaptation. The remaining 1.15 billion SEK was channelled bilaterally through the Swedish International Development Cooperation Agency (Sida) for climate change adaptation in countries where Sida also worked – namely Bolivia, Bangladesh, Cambodia, Burkina Faso, Mali, and regionally in Africa and Asia. The Climate Change Initiative formed a portion of Sweden's 8 billion SEK commitment to Fast Start Finance pledged at COP 15. For 2013, a pledge of 2,5 billion SEK has been made.

#### 4.2 SO WHAT DOES IT ALL ADD UP TO?

The figures above do not clearly answer the question of how much Sweden has contributed to climate finance. This is not necessarily because Sweden did not commit or deliver climate finance, but rather because definitional and reporting challenges make it challenging to know what was delivered, when, and what counts as climate finance. Some of the main challenges are described as follows.

- The columns of Table 4.1 cannot simply be added up, as there is certainly overlap in report (the grey-shaded boxes are but one indication). Multi-year commitments are important to fulfil the predictability principle, but make accounting more difficult.
- Table 4.1 is also likely incomplete – there are most certainly budget lines that aren't reflected here that have climate change as their primary focus.
- There are also many activities that could have climate benefits where climate change is not the focus, e.g. land use and water. These not necessarily reflected here. Alternatively, as coding for climate change-related aid through the OECD is dependent on those responsible for the funds on the ground, it is possible that certain project are over- or under-coded – or at least inconsistently coded.

## 5. Does Sweden meet its ‘fair share’ of climate finance?

*‘And I stress: All countries should stand by their pledges from Copenhagen.’*

Swedish Environment Minister Andreas Carlgren, at COP 16 in Cancún (2010)

It was noted earlier in this report that an international agreement is more likely to be achieved if it is considered fair by all participants. According to this logic, it is in Sweden’s interest to contribute climate finance that is perceived as fair by all actors.

A number of ‘prerequisites’ can be deduced from the discussion above on what it will take for climate finance to be perceived as ‘fair’ by all. At a most basic level, it must be made clear what is pledged and/or expected as climate finance, and it must be clear what is provided. For this to occur, the term ‘climate finance’ must be defined; in the absence of a globally agreed definition, countries providing climate finance should clearly and transparently explain their own definition and what they are reporting. A country’s ‘fair share’ would also ideally be measured by a formula acceptable to all Parties to the UNFCCC – but absent this formula, it is imperative to be transparent about what measurement is used.

In Sweden’s case, it has been demonstrated (see Table 4.1) that substantial funds are already being made available, bilaterally and multilaterally, for climate change activities. It is less clear, however, what is included in Sweden’s definition of ‘climate finance’. What is clear is that Sweden’s climate finance is reported as ODA – raising the argument that it is not ‘new and additional’, and therefore, according to some, not climate finance at all. Defining ‘new and additional’ is slightly more complicated in the Swedish context, however, as Sweden’s domestic target for ODA is 1% of GNI and not 0.7%. For financing to be ‘new’ for Sweden, must it be above 1%? If this is subscribed to, then in 2012, when ODA was 0.99% of GNI, Sweden would get no credit for providing climate finance.

Assessing what Sweden *should* be contributing is also challenging, and inherently requires value judgements and/or political choices. As explained before, apply-

ing a **needs-based assessment** would be particularly difficult, given the wide range of estimates of the global cost of addressing climate change – and the enormous difference between the estimates that exist, and actual climate finance today. A back-of-the-envelope calculation using an estimate of Sweden’s ‘fair share’ under the Greenhouse Development Rights framework, combined with Stern’s \$1.5 trillion USD estimate of climate costs in 2010, came up with a total of \$7.65 billion USD, or about 51.7 billion SEK – nearly 21 times the total pledged by Sweden for 2013.

Yet a needs-based assessment, for all its appeal, may not be a useful exercise. While Parties to the UNFCCC could theoretically agree on a cost figure, it would seem that this is both politically implausible, and that there are better pursuits on which to concentrate countries’ limited negotiating efforts and capacities. Moreover, even if a scientifically perfect formula were devised for calculating climate finance needs (and Part 3.2.1 explained why this is an inherently political process), devising a ‘fair’ burden-sharing formula would raise a whole other set of questions – including who the payers are, but also the responsibilities of the recipients – that would require political choices.

**Pledge-based assessments**, while also inherently political, are far more viable under the current circumstances, and several usable formulas already exist that could be used to calculate Sweden’s ‘fair share’ – presumably within the context of the EU’s ‘fair share’. The study presented as P3 has actually attempted this, and came up with a figure of 2.13% of the EU’s climate finance bill, or 487 million euros per year by 2020 (roughly 4.3 billion SEK). While significantly more than the 8 billion SEK Sweden committed as Fast Start Finance over the period 2010-2012, or the 2.5 billion SEK pledged for 2013, it is not entirely implausible.

It is important to note that while the Parties to the UNFCCC agreed to specific sums for Fast Start Finance and for climate finance starting in 2020, there is no agreed plan for how to scale up from one to the other – and in fact, many developing countries and non-governmental

## 5. DOES SWEDEN MEET ITS 'FAIR SHARE' OF CLIMATE FINANCE?

organisations (NGOs) have expressed concern that climate finance could drop during this period. Absent a clear plan, it cannot be determined whether Sweden is on track to meet a fair share into the future. To address this, a clear policy on scaling up will need to be articulated and budgeted.

## 6. Conclusion and policy options

This report has looked at a small part of the global climate change equity picture. Specifically, it has asked how a ‘fair share’ contribution of international climate finance has been and can be defined, and whether Sweden has met various ‘fair share’ thresholds.

**ON MEASURING A FAIR SHARE OF CLIMATE FINANCE**, the report demonstrates that due to the high uncertainty in quantifying the total global need, it is difficult to apply a functional equation to measure a needs-based assessment of whether a country contributes a fair share of climate finance. The wide range of global needs (or climate cost estimates) is in part a function of the challenge that sits at the core of this analysis: there is no globally agreed definition of climate finance. By contrast, there are multiple appropriate methods to assess a country’s fair share based on specific pledges made by the UNFCCC Parties or by groups of countries, such as the EU. The challenge is that the pledges may not be sufficient to curb dangerous climate change and help the vulnerable to adapt (arguably a key measure of fairness), though they can be used to hold countries accountable for meeting their own pledges, and to compare different countries’ performance.<sup>11</sup>

**AS TO WHETHER SWEDEN HAS MET ITS FAIR SHARE OF CLIMATE FINANCE**, it is difficult to say. First, there is no straightforward way to add up what Sweden has provided as climate finance. There is no single budget line or clearinghouse for climate finance reporting, which makes accessing data a transparency and ‘user friendliness’ challenge. This, in turn, might also be attributed to there being no clear definition of what ‘climate finance’ includes and excludes. Finally, this report considered at the outset whether climate finance is to be ‘new and additional’ to ODA. It has shown that much of Sweden’s reported climate finance is delivered as bilateral and multilateral aid, so it could arguably be dismissed as not ‘new and additional’. However, Sweden has also its ODA target higher than the target for all OECD countries, at 1% instead of 0.7% of GNI. If the baseline is set at 0.7%, climate finance above that level would be ‘additional’, if not necessarily ‘new’.

### 6.1 POLICY OPTIONS

While this report has suggested that many of the solutions to the problems of global climate finance lie among international actors in international forums – primarily the UNFCCC – Sweden can nevertheless take unilateral policy steps to facilitate a more satisfying answer to the question of whether it provides a ‘fair share’ of climate finance. A key aspect of this work would be to improve Sweden’s own reporting on what is committed and delivered as climate finance, and the relation of this climate finance to development aid.

Such an effort would not start in a vacuum – indeed, studies sponsored by the United Nations and the multilateral and bilateral banks cited earlier in this report, as well as by the EU (see Varma et al. 2011), and even Sida (see Wingquist et al. 2011), have laid the groundwork for more efficient and more transparent accounting of climate finance. We must stress, however, that Sweden also needs to remain mindful of the close linkages between climate and development finance. It would not be productive, in the interest of perfectly distinguishing between the two categories, to neglect projects that serve both purposes together – whether they involve ‘green’ development, or adaptation projects that also involve development. Formulas can be (and have been) devised to address such overlaps; the key is to ensure that they are transparently applied, and that no double-counting occurs.

Sweden can also choose to define its ‘fair share’ at a higher level than any pledge-based formula would require; it can unilaterally choose to devote 0.5% or 1% of its GNI to supporting mitigation and adaptation in developing countries, or pledge twice as much as its share of the EU’s commitment to post-2020 climate finance. It can choose to ramp up its climate finance commitments faster than other countries, to lead by example.

That is the ultimate lesson from this report: **there is no objective ‘fair share’ of the climate burden**. Some formulas might be likelier to be deemed ‘fair’ than others – for example, allocating costs equally among rich and poor

<sup>11</sup> Notably, Sivan Kartha, a lead author of the Greenhouse Development Rights framework, has also analysed countries’ pledges – in terms of emission reductions pledged, not climate finance – as a way of highlighting differences in the share of the climate burden that countries are taking on. See Kartha and Erickson (2011)

## 6. CONCLUSION AND POLICY OPTIONS

countries would be unacceptable to most, while formulas that combine measures of capacity and responsibility tend to have wider appeal, at least in principle. But until the UNFCCC Parties can agree on what costs should be included in the climate finance tally, who should be included among the payers, and what a fair allocation should be, it is up to individual countries to step up and do what they consider fair. If Sweden wants to continue to be a leader in environmental issues, it should set a high standard for itself, and invite its EU peers and other developed nations to follow its example.

# Svenska kyrkans slutsatser och rekommendationer

Begreppet klimaträttvisa är centralt i Svenska kyrkans arbete i klimatfrågan. Det lyfter fram den grundläggande orättvisa som klimatförändringen utgör; de fattigaste människorna har bidragit minst till att skapa problemet, men drabbas värst av konsekvenserna. Begreppet klimaträttvisa påminner oss också om att det krävs aktiva åtgärder för att motverka klimatförändringens inneboende orättvisa.

Att Sverige ska bidra med sin beskärda del till klimatfinansieringen är inte bara en fråga om moral och de människor som är beroende av klimatfinansiering. Det påverkar också klimatförhandlingarna och möjligheterna att komma fram till en global lösning på klimatfrågan. Klimatförhandlingarna präglas i dag av en brist på förtroende mellan utvecklingsländer och industriländer. Om industriländerna levererar det stöd de har utlovat, kan detta bidra till att överbrygga förtroendeklyftan.

Rättvisedimensionen återspeglas tydligt i FN:s klimatkonvention från 1992. I denna framgår att EU, USA och andra industrinationer både ska ta ledningen i ansträngningarna för att minska de egna utsläppen, och tillhandahålla resurser för utvecklingsländernas klimatarbete.

Vid FN:s klimattoppmöte i Köpenhamn 2009 fick detta generella finansieringslöfte för första gången en konkret prislapp: 30 miljarder US dollar under 2010–2012 i så kallade snabbstartspengar, och ett gradvis ökande stöd som från och med år 2020 ska vara uppe i 100 miljarder årligen. Detta är betydande belopp, men enligt flera uppskattningar är det otillräckligt.

Sverige har bidragit till snabbstartpengarna med 8 miljarder kr. Som framgår av denna rapport är det emellertid svårt att avgöra hur stort Sveriges totala bidrag till den internationella klimatfinansieringen är. Kalkylen försvåras av dubbelräkningar och en sammanblandning med Sveriges utvecklingsbistånd.

Svaret på frågan om Sverige betalar ”sin beskärda del” av klimatfinansieringen är beroende av vilka antaganden man gör:

- Om man utgår ifrån att man *inom* EU använder samma fördelningsnyckel som EU har gjort för att beräkna EU:s andel av det globala åtagandet, borde Sverige ha bidragit mer till snabbstartspengarna.
- Om man utgår ifrån att Sverige borde betala sin andel av det belopp *som sannolikt krävs* för att hjälpa utvecklingsländerna att begränsa sina utsläpp och klimatanpassa sina samhällen, är Sveriges bidrag för litet.
- Om man utgår ifrån att Sverige ska leva upp till sitt löfte om klimatfinansiering *samtidigt* som Sverige behåller enprocentmålet för utvecklingsbiståndet, är Sveriges bidrag till klimatfinansiering i själva verket försumbart, och mycket långt ifrån det som kan kallas ”vår beskärda del”.

Ett av de viktigaste kriterierna för vad som ska betraktas som klimatfinansiering är att pengarna ska vara nya och additionella i förhållande till tidigare finansiering, dvs. utvecklingsbistånd. Regeringen har uttalat att den betraktar biståndsmedel över 0,7% av BNI som ”nytt och additionellt”, eftersom den betraktar det internationella åtagandet om bistånd på 0,7% som befintligt bistånd. I ett internationellt sammanhang är detta fullt möjligt, men Sverige kan inte göra anspråk på att både leva upp till åtaganden om additionalitet och *samtidigt* leva upp till det svenska enprocentmålet. Antingen är Sveriges bidrag till klimatfinansiering mycket litet, eftersom det inte lever upp till kravet på additionalitet, eller så har regeringen övergivit enprocentmålet.

Det finns goda skäl för kravet på additionalitet. Först och främst, om man använder befintliga biståndspengar till klimatarbete går mindre biståndspengar till andra angelägna satsningar för att minska fattigdom, främja jämställdhet, demokrati m.m. Ett annat skäl är att klimatstödet svarar mot nya behov, direkt orsakade av historiska utsläpp från främst industriländerna. Finansieringen bör därför betraktas som en kompensation snarare än bistånd. Detta hindrar givetvis inte att de praktiska åtgärder som klimatstödet finansierar, t.ex.



klimatanpassade jordbruksinsatser, måste integreras i biståndet. Att utvecklingsbistånd och klimatfinansiering ska hållas isär i statens budget innebär inte att man ska hålla isär biståndet från klimatfinansieringen i genomförandet.

Att Sverige inte har bidragit med klimatfinansiering utöver biståndsbudgeten kan också ses som ett tydligt tecken på att det krävs nya sätt att mobilisera finansiellt stöd till utvecklingsländernas klimatarbete. Exempel på detta kan vara avgifter på internationella flyg- och fartygstransporter eller skatter på finansiella transaktioner. Svenska kyrkan upprepar därför sin uppmaning till regeringen att utveckla en offensiv och tydlig politik i frågan om innovativ klimatfinansiering.<sup>12</sup>

Rättvisa i klimatfinansieringen handlar inte bara om att mobilisera tillräckligt mycket pengar, utan också om hur dessa pengar kanaliseras och används. Transparens, ansvarighet, nationellt ägarskap m.m. är avgörande principer som lyfts fram i denna rapport och som Svenska kyrkan uppmärksammade särskilt 2010.<sup>13</sup> Det är glädjande att se att Sverige genom sitt finansiella stöd till Anpassningsfonden och sitt engagemang i utformningen av den ”Gröna fonden” (Green Climate Fund, GCF) verkar för dessa principer på ett värdefullt sätt.

### REKOMMENDATIONER

**SKILJ KLIMATFINANSIERING FRÅN UTVECKLINGSBISTÅNDET I STATSBUDETEN.** Det är ett steg framåt att regeringen har börjat redovisa klimatfinansiering som en separat post i biståndsbudgeten. En större tydlighet är dock önskvärd, exempelvis om hur pengar till multilaterala klimatfonder fördelas. För att Sverige ska kunna leva upp till kraven på additionalitet ska klimatfinansieringen vara en egen budgetpost och inte ingå i biståndsbudgeten. Sverige kan inte göra anspråk på att både leva upp till internationella åtaganden om additionalitet och *samtidigt* leva upp till det svenska enprocentsmålet.

**ÖKA STÖDET TILL DEN INTERNATIONELLA KLIMATFINANSIERINGEN.** Som ett första steg bör Sverige år 2014 avsätta 2 miljarder kronor i additionella medel till internationell klimatfinansiering. År 2020 ska motsvarande nivå vara uppskalad till minst 4,3 miljarder kronor<sup>14</sup>.

**VISA HUR SVERIGES STÖD TILL KLIMATFINANSIERING SKA ÖKA FRAM TILL 2020.** Mot bakgrund av att det idag finns en osäkerhet om huruvida ”klimatbiståndet” ens kommer att ligga kvar på samma nivå som idag<sup>15</sup> är det nödvändigt att regeringen utformar en plan för hur klimatfinansieringen ska expandera fram till 2020.

**VERKA FÖR INNOVATIVA FINANSIERINGSKÄLLOR OCH INTERNATIONELL UPPSKALNING TILL 2020.** Sverige bör utveckla en offensiv och tydlig politik i frågan om innovativ klimatfinansiering, samt arbeta för att en trovärdig internationell plan tas fram för hur klimatfinansieringen ska skalas upp till 2020.

12 Kyrkostyrelsens yttrande 9 september 2011 över Rapport från FN:s generalsekreterares ”High level Advisory Group on Climate Change Financing”<sup>1</sup> samt EU-kommissionens tjänstemannarapport ”Scaling up international finance after 2012” <http://www.svenskakyrkan.se/default.aspx?id=812505&ptid=48063>

13 Makten över klimatpengarna – Vem ska förmedla Sveriges stöd till klimatanpassning i de mest utsatta länderna? Svenska kyrkan och Diakonia 2010. <http://www.svenskakyrkan.se/default.aspx?id=578855>

14 Sveriges andel av internationell klimatfinansiering, Diakonia, 2013-01-17

15 Skriftlig fråga från Hans Linde 3 juni 2013, 2012/13:561.

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