



“Straw” Adaptation Proposal

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Presentation Outline

- “Straw” proposal contains four components that could be integrated or could be stand alone elements
- Helping define the problem
- Broadening the UNFCCC mechanisms for adaptation financing
- Setting priorities and agreeing to different requirements for the priorities
 - » Global and regional priorities
 - » Using indicators
- “Mainstreaming”
- Insurance-based mechanisms



Helping Define the Problem: V&As and Climate Science

- Building blocks for any adaptation discussion are the underlying knowledge bases:
 - » Climate science (and understanding traditional knowledge)
 - » Vulnerability and adaptation assessments (V&As)
- Thus, it is important to improve these two elements.
- Improving climate change science and the understanding of traditional knowledge (e.g., indigenous knowledge)
 - » Current work of SBSTA in this regard, but is more needed?
- Provide more funding for V&As
 - » Paid out of the new adaptation surcharge, discussed later, and grants from countries
- Support development of a common methodology/guidelines for the development of V&As
 - » Develop a standard tool that provides sufficient information for policymakers
 - What details are needed for this?



Broadening the UNFCCC Mechanisms for Financing Adaptation

- Controversial issue was whether the “share of proceeds” surcharge should also be applied to the other mechanisms, in addition to the CDM
- Reasons for expansion (CCAP, 2000; Lefevere, 2000):
 - » Makes CERs less competitive compared to other mechanisms since raises the price
 - » Requires developing countries to “pay” for their own adaptation fund
 - » Could lower the transaction cost for individual projects by lowering the rate and achieving the same level of funding
- Also suggested that the surcharge should be applied to emissions, instead of emissions trading (CCAP, 2000):
 - » Since it is emissions, not trading which contributes to atmospheric buildup of emissions and thus the need for adaptation



Broadening Adaptation Financing: “Straw” Proposal (2)

- Extend the adaptation surcharge to net emissions
- Could be implemented:
 - » in the current system by: (1) applying surcharge to CERs; (2) impose surcharge also to Parties' contribution to global emissions (domestic emissions less net purchases) minus CERs
 - » in new future system by only applying surcharge to Parties' contribution to global emissions
- Level of funding sought through this surcharge and therefore the rate, need to be determined
- Example of funding implications of the current system versus the new proposal in the 1st CP as example:
 - » Current surcharge could produce \$5-18 million per year
 - » New approach could produce \$1-2.2 billion per year



Setting Priorities & Agreeing to Different Requirements for these Priorities

- Definitions of “particularly vulnerable” countries and eligible sectors/activities hasn't been the subject of extensive debate
- Establishment of priorities has become implicit and explicit element of discussions b/c:
 - » Funding for adaptation will likely be limited in time (e.g., not available when funding is needed) and scale (e.g., not enough to fund all needs in all countries)
 - » Concerns that adaptation funding will become a bottom-less pit
 - » Important in helping determine where initial emphasis should be placed
 - » Current science/knowledge provides greater confidence of certain impacts occurring
- Therefore, objective comparisons of vulnerability b/t countries is necessary means of allocating priorities for funding and intervention (Klein, 2003).



Defining Global & Regional Priorities

- Could develop priorities at different scales—global & regional—and have varying requirements (e.g., funding) for each scale

Global priorities

- Those common to all countries, e.g.,
 - » Food security, water security, and health (Millennium Development Goals) and/or
 - » Water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems, and integrated coastal management (highlighted in Decision 5/CP.7)
- These global priorities would have lower cost share requirements for developing countries than other priorities
 - » Could be funded through existing funding channels (e.g., MDGs)



Defining Global & Regional Priorities (2)

Regional Priorities

- May be possible to define some regional priorities according to regional groupings (e.g., glacial retreat in the Andes)
- Higher cost share (e.g., greater contribution from developing countries) than for traditional ODA or global priorities
- For some regional priorities “mainstreaming” and insurance-based mechanisms may play a large role



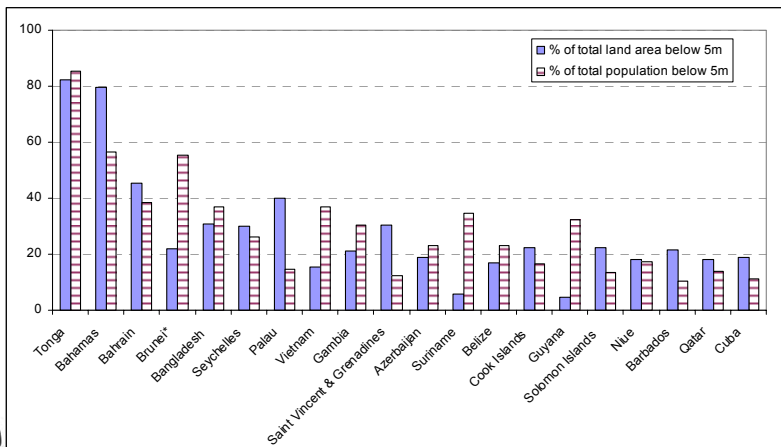
Using Indicators to Determine Priorities

- Could develop a limited set of indicators (e.g., 4-5) to be used in determining priorities among countries (w/ implications for funding)
- Development of indicators is complicated, but some example indicators could include:
 - » Vulnerability to sea level rise
 - » Agriculture sensitivity
 - » Economic
 - » Drought vulnerability
 - » Flood vulnerability
- Based upon the priorities, countries could be given “block grants” to be used by each country as deemed appropriate
 - » Could be for the country as a whole or for specific sector(s)

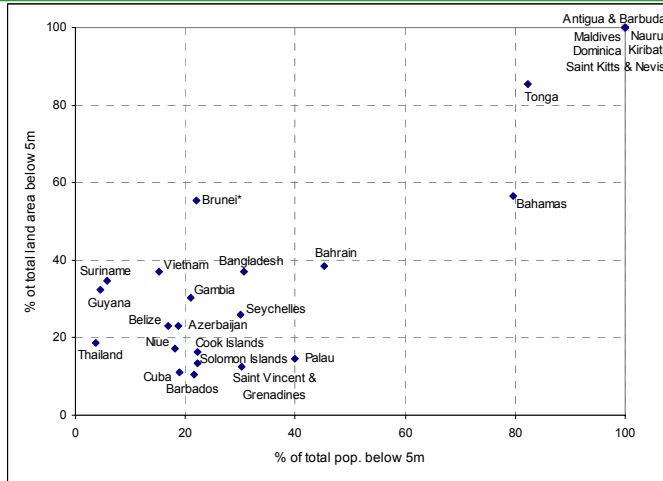


Top 25 countries with highest land area <5m & population < 5m

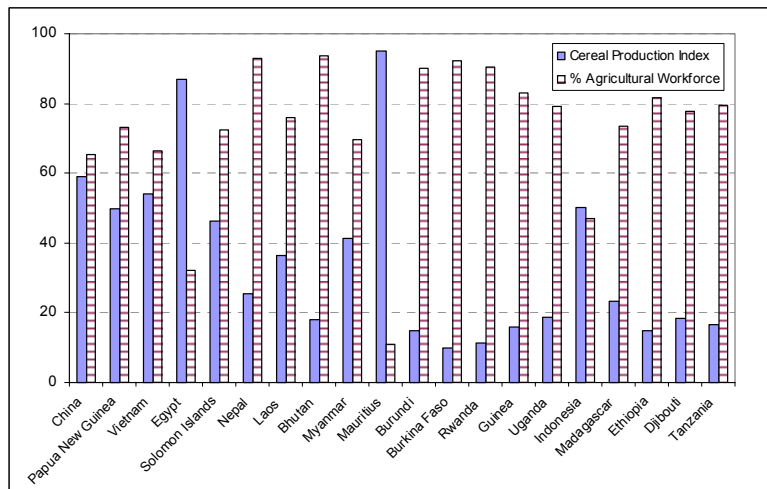
- 6 countries with 100% land area and population below 5m: Antigua & Barbuda; Dominica; Kiribati; Maldives; Nauru; Saint Kitts & Nevis



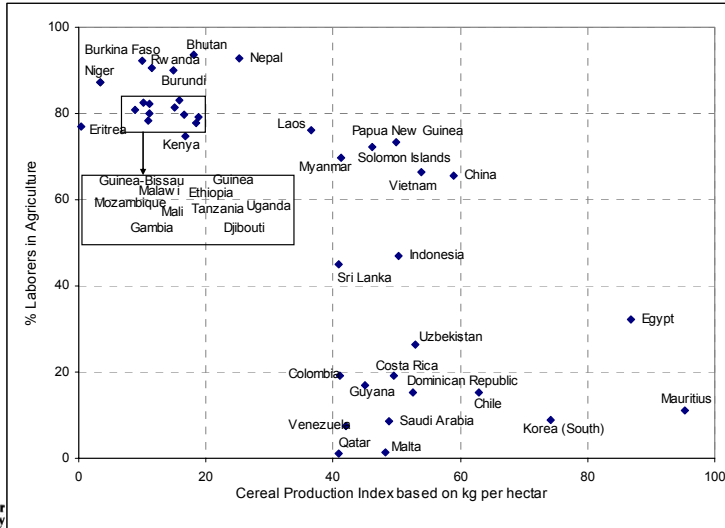
Settlement & Infrastructure Sensitivity: land area and population < 5m



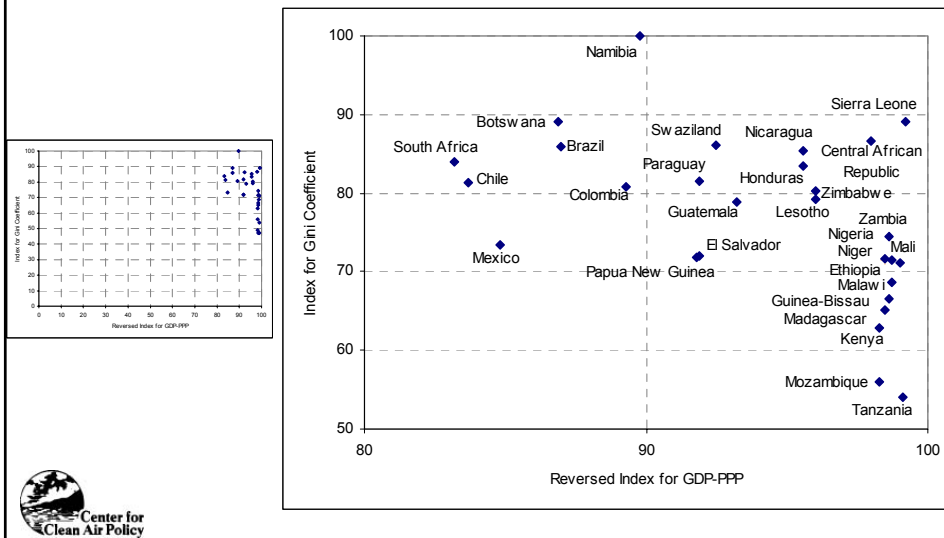
Top 20 Countries with Significant Agricultural Production and Workforce



Agricultural Sensitivity: cereal production & % agricultural workforce



Economic Capacity: income per capita & income distribution equity



“Mainstreaming”

- “Mainstreaming” has been supported by a number of policymakers and further work is being conducted on how it works
- Has been defined as: where adaptation responses are considered into sustainable development processes (AfDB, 2003).
 - » BUT, implementation of this means different things to each person
- Several options have been suggested for how to implement this concept
 - » Two will be discussed, with “straw” proposals for each



“Mainstreaming” (2)

“Climate Proofing” Existing Investments

- Ensure that existing activities are modified to address the potential risks of climate change to the specific project
 - » Donors will provide additional funding where more money is required for “mainstreamed” projects
- Ensure that funded projects and priorities avoid being directed to activities which increase a country’s climate risk (“maladaptation”)
- Ensure that “paperwork” requirements are minimized
- How do you ensure that the “pie” is expanded?

Alter priority of development projects

- Priority could be given to development projects that address adaptation
- How does this occur in practice?
 - » Theoretically could be done through recipient countries; however, in practice donors priorities also play a large role



Insurance-Based Mechanisms

- Insurance-based mechanisms could be used to address impacts *ex-post* and minimize risks of similar impacts in the future
- Int'l community could develop a global or set of regional risk transfer mechanisms, partially modeled after Turkish Earthquake program, w/ four components:
 - 1) Individual property owners required to have a set level of insurance which is paid into an insurance pool specifically for that purpose (i.e., the CCCIP)
 - » What level of minimum insurance is required and who operates, manages, etc. the program?
 - 2) Aggregate exposure of the CCCIP is set at predetermined level
 - » Turkish program provides cover of \$600 million only for individuals w/ CCCIP insurance



Insurance-Based Mechanisms (2)

- 3) Insurance claims from the specific impact that exceed the predetermined level of the CCCIP are covered by the global community up to a specific level
 - » World Bank covers next risk layer of the Turkish program of \$83 million
 - Also add'l risk layers are covered through reinsurance followed by add'l amount from WB
- 4) After catastrophe hits the first time, modifications are required w/i the impacted region to minimize impacts of similar event in the future
 - » US Flood insurance program requires that communities have made some modifications before eligible for the gov't backed insurance
 - » In North Carolina, property owners are to move if impacts meet certain requirements



Key questions

- V&As and climate science
 - » What level of funding is needed for expanded V&As?
 - » What needs to be in the common methodology/tools?
- Broadening the UNFCCC adaptation financing mechanisms
 - » Should other things be eligible for these funds?
 - » What aggregate level created through this fund is reasonable?
- Priorities
 - » What should be the global priorities? What does this imply for funding arrangements?
 - » What is the process for determining regional priorities?
 - » What does this imply for those that are only country-priorities?
 - » What indicators and how used?
- Mainstreaming
 - » What does this mean in practice?
 - » How do you ensure that financial “pie” gets bigger if needed?
 - » Does the ranking of development priorities need to be shifted as a result of adaptation?
- Insurance
 - » Are there other impacts that this should be used for? How modified for crop insurance, for example?
 - » What should be the basis of the predetermined level of the CCCIP? The global communities predetermined risk level?



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