



MARINE ENVIRONMENT PROTECTION  
COMMITTEE  
61st session  
Agenda item 5

MEPC 61/5/18  
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## **REDUCTION OF GHG EMISSIONS FROM SHIPS**

### **High-Level Advisory Group of the United Nations Secretary-General on Climate Change Financing**

#### **Note by the Secretariat**

#### **SUMMARY**

*Executive summary:* This document provides information on the High-Level Advisory Group on Climate Change Financing established by the Secretary-General of the United Nations to study potential sources of revenue for financing of climate change actions in developing countries. In the Group, the international civil aviation and maritime transport sectors are recognized as strong potential financial sources

*Strategic direction:* 7.3

*High-level action:* 7.3.2

*Planned output:* 7.3.2.1

*Action to be taken:* Paragraph 17

*Related documents:* MEPC 60/4/9, MEPC 60/22 and MEPC 61/5/1

#### **Background**

1 The Secretary-General of the United Nations, Mr. Ban Ki-moon, established a High-Level Advisory Group on Climate Change Financing on 12 February 2010. The Group will study potential sources of revenue to source the climate change financing package that was negotiated during the United Nations Climate Change Conference in Copenhagen, Denmark in December 2009. The Group is currently co-chaired by His Excellency Mr. Meles Zenawi, Prime Minister of the Federal Democratic Republic of Ethiopia and His Excellency Mr. Jens Stoltenberg, Prime Minister of Norway. Under the Copenhagen Accord, UNFCCC Parties agreed to the goal of mobilizing up to US\$100 billion annually by 2020, from a variety of sources.

2 As part of its work, the Advisory Group will develop practical proposals on how to significantly scale-up long-term financing for mitigation and adaptation strategies in developing countries from various public and private sources. The Group's Terms of Reference are set out in the annex.

### **Urgent need for climate financing**

3 The UN Secretary-General believes that making financing available to developing countries for mitigation and adaptation purposes is an urgent matter to support action on climate change and that making progress on financing can inspire positive movement in other areas of the UNFCCC negotiations. In order to make progress on long-term finance, the UN Secretary General established the High-Level Advisory Group on Climate Change Financing (AGF), which is conducting a study on potential sources of revenue for the scaling up of new and additional resources from developed countries for financing actions in developing countries. The work of the Group is guided by the spirit of the political commitments contained in the Copenhagen Accord, with a view to providing Parties with recommendations for their consideration and appropriate action at COP 16 in Cancun, Mexico, towards the end of 2010. The final report of the AGF will be submitted to the UN Secretary-General and to the current (Denmark) and next (Mexico) Presidents of the UNFCCC Conference of the Parties by November 2010.

### **Method of work and criteria**

4 The first meeting of the AGF was held at the level of principals in London, on 31 March, where members agreed on the premise that all credible and feasible finance options would be considered by the Group. At the same time, two working groups were established to examine in detail sources of new and additional public finance from climate and non climate-related instruments, sources of private finance including carbon markets, as well as the role of multilateral organizations in leveraging private finance.

5 It was agreed that the working groups should adopt a strategic approach in considering their contributions to the AGF rather than pursuing the challenge of identifying the potential sources of climate change financing from an accounting perspective. Various principles that should guide the working groups' work were agreed upon. It was discussed that adaptation, mitigation and development objectives should not be addressed in a compartmentalized fashion. Equity considerations, as reflected in the principle of "common but differentiated responsibilities and respective capabilities", as well as criteria for revenue, efficiency, incidence, practicality, acceptability, reliability and additionality should guide the work of the Advisory Group.

6 Members further agreed that since the AGF is not a negotiating group, the solutions it explores do not have to be strictly confined to what is negotiated in the UNFCCC process. However, there was consensus in that it would be important to ensure alignment with the UNFCCC process, so that the final report is useful for, and well received by, the Parties. Moreover, it was suggested that the AGF analysis might help clarify technical concepts and approaches that are subject to UNFCCC negotiations.

7 For further information on the Group's work, reference may be made to the AGF's website: <http://www.un.org/wcm/content/site/climatechange/pages/financeadvisorygroup>.

### **AGF briefings during UNFCCC sessions**

8 The AGF has held briefings during the UNFCCC sessions in April and May/June 2010 and further briefings are planned for the August and October sessions.

### **AGF and international shipping**

9 Within the AGF, the international civil aviation and maritime transport sectors are recognized as strong potential financial sources. As mentioned in paragraph 4 above, the AGF established two working groups, which, in turn, have established eight work streams

(sub-groups), one of which is: "Aviation and Maritime Revenues". The Aviation and Maritime Revenues work stream is co-chaired by Australia and Singapore with Japan, France and Norway as "contributors".

10 The Aviation and Maritime Revenues work stream canvases three possible generic policy constructs – an emissions trading scheme (ETS), a fuel levy and an aviation ticket tax – that may be used to raise revenues. The report will make qualitative assessments of the policies against the AGF's criteria (see paragraph 5), and also outline some quantitative analysis of the policies' revenue potential and their effect on the pattern of trade.

### **AGF and IMO**

11 Following a communication from the Secretary-General to the UN Secretary-General, the Secretariat has provided input to the AGF process. In his letter, the Secretary-General acknowledged and welcomed the initiative by Mr. Ban Ki-moon to establish the AGF and endorsed his view that making funds available to developing countries for mitigation and adaptation purposes was an urgent matter to support actions on climate change. Mobilizing funds for such purposes may also facilitate enhanced progress in the UNFCCC negotiations.

12 The Secretary-General also expressed the view that proper coordination and communication were essential to avoid duplication of work and that it would be mutually advantageous to keep the AGF and the Expert Group on Feasibility Study and Impact Assessment of possible Market-based Measures (MBM-EG) fully cognizant of each other's work. Mr. Ban Ki-moon, in his reply, fully agreed with that view and assured Mr. Mitropoulos that the AGF would take fully into account the work of IMO and, in particular, the work of the MBM-EG. The AGF will take into consideration the IMO Convention and customary practices as elements of a global approach to generating revenues from international maritime transportation. The work of the AGF will not lead to any decision or implementation effort but its conclusions will be submitted to the UNFCCC Parties for their informed consideration of available options.

13 The Secretariat, in June 2010, submitted to the AGF a comprehensive report on the Organization's GHG work with emphasis on the market-based measures and the work of the MBM-EG. The submission contained the Terms of Reference for the MBM-EG as well as summaries of the MBM proposals under review.

14 The MBM-EG has been kept updated on the progress within the AGF.

15 Once finalized, the report of the MBM-EG will be provided to the AGF for information.

### **Report of the AGF**

16 The final report of the AGF will be submitted to the UN Secretary-General and to the current (Denmark) and next (Mexico) Presidents of the UNFCCC Conference of the Parties by November 2010. The Secretariat will then provide the report to the sixty-second session of the Committee.

### **Action requested of the Committee**

17 The Committee is invited to note the information provided above and take action as appropriate.

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## **ANNEX**

### **HIGH-LEVEL ADVISORY GROUP OF THE UNITED NATIONS SECRETARY-GENERAL ON CLIMATE CHANGE FINANCING**

#### **Terms of Reference**

##### **Financing for Climate Change**

1 Based on the need identified in the Copenhagen Accord to study the potential sources of revenue for financing mitigation and adaptation activities in developing countries, and to make progress on this key issue in the course of 2010, the UN Secretary-General has established a High-Level Advisory Group on Climate Change Financing.

2 The Group will conduct a study on potential sources of revenue for the scaling up of new and additional resources from developed countries for financing actions in developing countries, in the spirit of the political commitments contained in the Copenhagen Accord, with a view to contributing to an appropriate decision of the UNFCCC Conference of the Parties at its 16th session in Mexico.

3 Initial outputs from the Group by the May/June meetings of the UNFCCC will provide timely information to Parties for their feedback. This will help to increase the transparency of the work of the Advisory Group, allow for comments and suggestions by governments as well as guidance for further work that the Group may need to undertake. The final report will be submitted to the UN Secretary-General and to the current (Denmark) and next (Mexico) president of the UNFCCC Conference of the Parties by November 2010.

##### **Scope of the work of the Advisory Group**

4 As part of its work, the Group will develop practical proposals on how to significantly scale-up long-term financing for mitigation and adaptation strategies in developing countries from various public as well as private sources, and how best to deliver it. Besides considering how existing mechanisms can be scaled up, the Group will also examine the need for new and innovative long-term sources of finance, in order to fill the gap in international climate financing.

5 The Group will provide views and suggestions, based on the best possible analysis, that are in support of development. The criteria for assessing combinations of sources will include: revenue; efficiency; incidence; equity; practicality; acceptability; additionality; and reliability. Funding would help fund adaptation, mitigation, technological development and transfer, and capacity building for action on climate change in developing countries. The Group will in particular address the needs for funding for adaptation of the most vulnerable.

6 The Group will be expected to consult widely.

##### **High-Level Group Members**

7 The High-Level Advisory Group will be co-chaired by H.E. Mr. Meles Zenawi, Prime Minister of the Federal Democratic Republic of Ethiopia, and H.E. Mr. Gordon Brown, Prime Minister of the United Kingdom of Great Britain and Northern Ireland\*.

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\* Mr. Brown was replaced by the Norwegian Prime Minister, Mr. J. Stoltenberg, in June 2010.

8 The other members of the Advisory Group, serving in their expert capacities, include other Heads of State and Government, as well as ministers of finance, high office holders and experts on public finance, development and related issues of the highest quality and standing. The composition of the Group ensures for equal representation of developed and developing countries.

9 The members of the High-Level Advisory Group were designated by the UN Secretary-General, and are formally accountable to and report to the Secretary-General. The UN Secretary-General will ensure that the results of work of the Group are communicated to the UNFCCC process, and that feedback and any guidance is received and channeled back. The UN Secretary-General, the Co-Chairs and the Members of the Advisory Group will be actively engaged in outreach activities to UN member states and the media to enhance transparency of the deliberations and findings of the Group.

### **Secretariat of the Group**

10 The UN Secretary-General has set up a secretariat in New York for a period of 12 months, which is linked to the existing UN Secretary-General's Climate Change Support Team. The secretariat will be responsible for facilitating substantive inputs to the Group, preparing the documentation, and for organizing its meetings.

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