



INTERNATIONAL CLIMATE CHANGE ADAPTATION PROGRAM

Nicholas Institute Discussion Memo on H.R. 2454, American Clean Energy and Security Act of 2009

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Why is an international adaptation fund necessary?

There is an enormous and immediate need for international adaptation funding, but the exact need is hard to determine. While estimates of the costs needed to help developing countries adapt to a changing climate vary and the uncertainty of these estimates is high, a growing consensus points to a number reaching into the several tens of billions of dollars per year within just the next few years. The estimates of what's needed for adaptation are huge and the amounts currently pledged and allocated are small: The UNDP estimates that developing countries will need \$86 billion in 2015 for adaptation needs;¹ the UNFCCC estimates that \$49–\$171 billion will be needed in 2030, with a significant share needed in non-Annex I Parties (\$28–\$55 billion) (Tables 1 and 2). Yet to date, only about \$2 billion has been pledged by developed countries through 2012 (\$1 billion of this is from Japan) and only about \$208 million allocated (Table 3).

While the costs are significant, precautionary adaptation may be more effective and less costly than last-minute, emergency adaptation.

Some, such as Jeffrey Sachs, argue that consensus around an international climate change agreement may hinge on a commitment by developed countries to fund developing countries' adaptation needs at high levels. In fact, many (developing countries and others, such as Nicholas Stern) believe that developing countries should be paid “damages” for the climate harms that the developed world has inflicted upon them.

Key U.S. stakeholders, such as the National Religious Partnership for the Environment and many humanitarian organizations, are stating that in order for them to support U.S. climate legislation, 7% of allowances (or about \$7 billion) needs to be directed towards international adaptation. They call for this funding to begin at a minimum of 3.5% of allowances (or about \$3.5 billion) and then to be ramped up over time so that it reaches \$7 billion in the 8th year of the program.

How much should the U.S. contribute?

There is no right number here, but given that (1) the needs are enormous, (2) the current funding woefully inadequate, (3) the U.S. contribution to the problem significant, and (4) weak U.S. commitments to adaptation funding could hurt the possibility of reaching an international climate

¹ UNDP 2007. Fighting climate change: Human solidarity in a divided world, 2007/2008. Human Development Report. United Nations Development Program. Palgrave Macmillan. New York. NY.

change agreement as well as overall foreign relations, many argue that U.S. should devote large sums to international adaptation. Some organizations, base their claim that the U.S. should provide \$7 billion on the following: \$7 billion is a conservative estimate for 25% of the estimated adaptation funding need for non-Annex I Parties by the UNFCCC (\$28 to \$55 billion), where 25% is traditionally the share of member UN funding contributed by the US.

Waxman-Markey particulars

Funding mechanisms and criteria

The bill directs State, in consultation with USAID, Treasury, and EPA, to establish an international adaptation program and creates a fund to carry out the program. Funding will be disbursed to the most vulnerable developing countries through two mechanisms: (1) as US bilateral overseas development assistance (ODA) and (2) through an international fund. There will be somewhere between a 40–60% split in distribution of funds between these two mechanisms. Details on the international fund seem to be left open to allow for the international community to agree on the establishment of such a fund later this year at the UNFCCC. Where such a fund will be housed remains a topic of debate. The bill specifies criteria for the disbursement of bilateral ODA, including provisions related to the informed participation of local communities in the design, implementation, and monitoring and evaluation of adaptation activities. In order to be eligible for US assistance, the international fund must also meet certain criteria, including provisions regarding local community engagement.

Funding levels

The bill includes a provision to make sure any funds for this program are additional to US ODA so that new adaptation monies do not detract from US commitments to fund other important needs in developing countries. For 2012-2021, the bill marks 1% of allowances for the program per year. For 2022-2026, this amount increases to 2% per year, and then increases to 4% in 2027 and beyond. It is not clear exactly how much money these percentages will translate to. The bill also includes a provision that no more than 10% of the available funds may be given to a single country in each year.

Adaptation principles useful for evaluating the legislation

1. Large sums are needed and there are many good reasons for the U.S. to contribute significantly. However, the bill initially directs only 1%, with an eventual increase to 4%, of allowances to international adaptation. This may not be seen by the international community or key U.S. stakeholders as adequate contributions.
2. Ramping up funding over time helps to address the fact that initially, developing countries' absorption capacity may be limited. The bill does ramp up funding over time.
3. A guarantee of long-term funding should help facilitate the development of smart adaptation plans. The bill appears to provide some guarantee of long-term funding.
4. Monies need to be additional to ongoing U.S. development assistance because developing countries have many outstanding development needs, as evidenced by the fact that we are

not meeting the Millennium Development Goals (related to clean water access, education, health, and poverty) in many parts of the world. The bill includes a provision stipulating that international adaptation monies “supplement and not supplant” existing programs.

Table 1: UNDP Estimates of adaptation funding needs in 2015

Category	Cost in 2015 (USD billion)
Climate proofing development	44
Adapting poverty reduction to climate change	40
Strengthening disaster response	2
Total	86

Source: UNDP, 2007/2008 Human Development Report, 2007

Table 2: Investment and financial funding needed in 2030 for adaptation

Sector	Type of Expenditure	Global Cost (2005 USD billion)	Proportion of adaptation need in developing (non- Annex I) countries
Agriculture, forestry, and fisheries	Production and processing, research and development, extension activities	14	50%
Water supply	Water supply infrastructure only (does not include water quality, flood protection, or systems to distribute or treat the water)	11	85%
Human health	Treating increased cases of diarrheal disease, malnutrition and malaria	5	100%
Coastal zones	Beach nourishment and dykes	11	45%
Infrastructure	New infrastructure	8 - 130	25%
Total		49 - 171	28 - 55

Source: UNFCCC, Investment and Financial Flows to Address Climate Change, 2007

Table 3: Financial funding for adaptation, 2007 - 2012

	Pledged level of funding	Allocated level of funding	Period	Nominal annual level of funding
Funding under the Convention				
Special Priority on Adaptation	50	50	N/A	N/A
Least Developed Countries Fund	172	90	As of 21 October 2008	N/A
Special Climate Change Fund	91	68	As of 21 October 2008	N/A
Adaptation Fund	400 - 1,500	0	2008 - 2012	80 - 300
Multilateral initiatives				
Pilot Program for Climate Resilience (World Bank)	240		2009 - 2012	60
Global Facility for Disaster Reduction and Recovery	11		2007 - 2008	5.5
Bilateral initiatives				
Cool Earth Partnership (Japan)	1,000		2008 - 2012	200
International Climate Initiative (Germany)	200			40
GCCA (European Commission)	84		2008 - 2010	28
UNDP-Spain MDG Achievement Fund	22		2008 - 2011	5.5
Total Funding	2,270 - 3,370	208		419 - 639

Source: UNFCCC, Investment and Financial Flows to Address Climate Change, 2007 and Porter et al, New Finance for Climate Change and the Environment, 2008