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Norwegian Climate Policy: Proposal on international auctioning to raise substantial, additional and predictable funds for climate change actions under the Copenhagen Agreement

In an emission trading system auctioning of emission allowances is a possible source of revenue. Norway has proposed that a certain amount of these allowances issued under the Copenhagen Agreement should be auctioned at the international level to generate new additional funds for climate change actions.

The value of allowances is determined by the amount of allowances (allowed overall emission cap) times the price of each allowance (equal to the marginal abatement cost). How many allowances that will be issued, depends on emission targets agreed in the new global agreement.

International (as apart from domestic) auctioning of allowances is a financial mechanism that generates funds independent of national annual budgetary decisions. Hence, a coordinated system for collection of funds raised domestically will be redundant. This means a higher degree of predictability of raising funds than offered by traditional ODA contributions.

If two percent is used to determine the amount to be auctioned, the annual income is estimated to be 20-30 billion USD. This figure is based on assumptions that all developed countries take on quantified economywide commitments corresponding to the lowest emission scenarios of the Intergovernmental Panel on Climate Change (IPCC), including a 2°C scenario.

Holding back a share of allowances from distribution, implies a cost for countries with emissions covered by international emission trading. Indirectly countries with large emissions will contribute more than countries with more limited emissions. Our proposal thus differentiates between developed countries in accordance with the polluter pays principle.

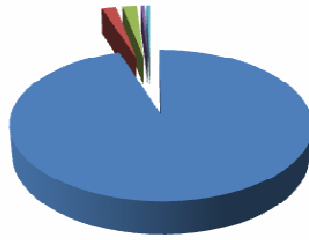
The Norwegian proposal could be a source of revenue for different kinds of financial needs under the Convention. The proposal is in particular designed to meet special needs for raising substantial resources for financing adaptation and capacity building.

In a context where a price on carbon is inadequate, the Norwegian proposal could also be a possible source of funding for meeting mitigation costs. Technology development and reducing emissions from deforestation and degradation in developing countries (REDD) are areas that could potentially receive support from funds raised by international auctioning.

Improved access for developing countries to adequate, predictable and sustainable financial resources should be a cornerstone in a new deal on climate change. Our proposal has the potential of meeting these requirements under the premise that existing financial contributions from Parties are not reduced proportionally. To fully serve as an innovative financing mechanism, the funds mobilized through international auctioning must be additional to existing levels of ODA.



International auctioning of allowances prior to free of charge allocation to Parties for the purpose of raising funds for meeting costs of adaptation, REDD, capacity building and/or technology development and transfer



■ Free of charge ■ Adaptation ■ REDD ■ Capacity building ■ Technology

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