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A Proposal for U.S. Leadership on International Climate Finance During the Trump Administration

By Gwynne Taraska May 24, 2017

Finance for low-carbon and climate-resilient international development accounts for only a small fraction of the U.S. federal budget: an estimated 0.04 percent of overall spending per year from 2010 to 2015.[1] Nevertheless, it is a key means for the United States to advance the global climate effort. In fact, because of its role in addressing the climate challenge worldwide, U.S. climate aid rivals or exceeds the U.S. emissions reduction target in international importance.

Climate finance is also integral to domestic interests given the economic and security effects of climate change. Accordingly, investment in clean energy and disaster preparedness in developing countries has a long history of bipartisan support in the United States. The current administration, however, has proposed dramatically reducing the international climate budget. This is consistent with its general abdication of climate leadership to date. Regardless of whether the administration nominally participates in international climate initiatives and forums, it is likely to continue undermining domestic climate policies and environmental protections.

This anti-climate and anti-environmental agenda does not accurately reflect the will of most Americans. Nearly 80 percent of registered U.S. voters support domestic regulation or taxing of greenhouse gas pollution.[3] Hundreds of thousands of Americans are marching for science and climate solutions. Both Democratic and Republican governors from states such as Washington, Oregon, New York, California, Vermont, and Massachusetts are committed to decarbonization.[4] Senators are introducing bills to achieve 100 percent renewable energy by midcentury.[5] Republican governors, including from Ohio and Illinois, are working to protect clean energy jobs.[6]

Fortunately, U.S. citizens, state and local leaders, and businesses can help continue the U.S. legacy of promoting clean energy and climate resilience in vulnerable developing countries. By no means would this leadership mitigate the responsibility of the U.S. federal government to provide climate-smart development assistance and meet its financial pledges. But by financially and politically supporting international climate aid—and challenging the federal government to do the same—Americans can help fund vital programs and signal to markets and allies worldwide that the United States remains dedicated to the global transition to nonpolluting energy.

Proposed cuts to international climate finance under the Trump administration

The Trump administration proposed reducing the combined budget of the U.S. Department of State and the U.S. Agency for International Development by 28 percent and eliminating funding for two flagship multilateral climate channels: the Green Climate Fund (GCF) and the Climate Investment Funds (CIFs). It also proposed eliminating bilateral climate aid.[2]

The importance of international climate finance

Finance for low-carbon and climate-resilient development is a fundamental component of the U.S. contribution to the global climate movement. Low-income countries—which often are among the lowest emitters of greenhouse gases—are disproportionately vulnerable to the effects of climate change.[7] Finance for resilience can prevent deaths, disease, and migration; finance for renewable energy projects can help decouple greenhouse gas emissions and economic development—and thereby prevent further climate change and associated damage.

It should therefore be an easy decision for countries that are motivated by enlightened self-interest—or even self-interest alone—to financially support climate-informed development if they have the means. Greenhouse gas emissions from anywhere in the world drive climate change—the effects of which are already imposing soaring economic costs domestically; threatening military assets; and increasing the risks of political volatility and human displacement around the globe.[8]

The set of donor countries is consequently expanding. Developing countries, including Colombia, Mexico, and Peru, have joined countries such as France, Germany, and Japan in supporting the GCF.[9] China, for its part, has pledged to invest more than $3 billion through the South-South Cooperation Fund on Climate Change, which will enhance its soft power accordingly.[10] More than 10 other countries now have pledges to the GCF that surpass the United States' $3 billion pledge—discussed below—as a share of gross domestic product.[11]

Finance for clean energy and disaster preparedness is not a partisan issue

Because of the importance of U.S. climate aid, the United States has supported multilateral funds that promote low-carbon and climate-resilient development during both Republican and Democratic administrations and majorities in Congress.

The George W. Bush administration, for example, pledged $2 billion for the CIFs in 2008, and the United States steadily transferred tranches of this funding until it delivered the full amount.[12] The CIFs include the Clean Technology Fund, which aims to increase deployment of clean technologies in developing markets. It also includes the Scaling Up Renewable Energy Program in Low Income Countries; the Pilot Program for Climate Resilience; and the Forest Investment Program.

The Obama administration continued the legacy of U.S. climate finance by pledging $3 billion to the GCF in 2014. The GCF is notable for focusing on both resilience finance—which historically has trailed finance for clean energy by a large margin—and vulnerable developing countries, including African states and small-island states. Its current projects range from developing early warning systems in sub-Saharan Africa to leveraging private-sector investment in renewable energy in Latin America.[13] More than 40 countries contribute financially to the fund.[14]

A proposal for U.S. leadership during the Trump administration

One of the principal ways that U.S. citizens, businesses, and state and local governments can demonstrate that Americans remain dedicated to the global climate effort is to continue the history of U.S. leadership on climate finance and challenge the federal government to meet its climate pledges, including its financial pledges.

The United States has delivered only one-third of its pledge to the GCF to date. Unfortunately, it is unlikely that the U.S. federal government will work to deliver the remainder in the near term, given the animosity of the current president and certain members of Congress toward climate action in general and climate-related development finance in particular.

A steep increase in climate finance from both public and private sources will be required over the coming years to curb greenhouse gas pollution and build resilience to the effects of climate change. Resilience is particularly underfunded, accounting for only 17 percent of public climate finance globally in 2014.[15]

The board of the GCF has therefore considered novel techniques for leveraging private investment at scale. Among these techniques is crowdsourcing, an idea considered by the board in 2015.[16] Finalizing the guidelines that would allow the GCF to accept funding—including crowdsourced funding—from nongovernment donors should be a priority for the board in 2017. The Adaptation Fund—a fund originally associated with the Kyoto Protocol—is already set up to accept private contributions.[17]

When the GCF is able to accept funding from nongovernment actors, U.S. citizens and businesses should contribute to its crowdsourcing platform. In the meantime, they can contribute directly to the Adaptation Fund. Even small contributions would help fund vital programs and would signal to markets and allies around the world that the current vacuum of executive-branch climate leadership is not representative of the nation.

The GCF can already accept contributions from subnational governments. Paris, for example, pledged $1.3 million in 2015. Meanwhile, three Belgian regions pledged $3.6 million, $10.9 million, and $9.75 million, respectively.[18] Québec, for its part, pledged $6 million Canadian dollars to the Least Developed Countries Fund.[19]

U.S. states and cities should likewise consider whether they are able to contribute to climate aid. A direct transfer of public dollars may be a political impossibility. However, they can explore creating state-led funds that can accept contributions from citizens and private-sector sources to support climate-smart development. They can also consider following the lead of Massachusetts State Sen. Michael Barrett (D), for example, who has introduced a bill to allow state residents to contribute to the Least Developed Countries Fund through their income tax returns.[20] Subnational governments with carbon taxes or emissions trading systems can consider supporting the GCF through a portion of carbon pricing revenues. A fraction of the proceeds of the emissions offset system under the Kyoto Protocol, for example, has been a source of finance for the Adaptation Fund.

Conclusion

It should be stressed that the financial and political support of U.S. nonfederal actors for low-carbon and climate-resilient development in no way displaces national-level contributions. The United States has pledged—along with other developed countries—to help mobilize $100 billion in climate-related development aid per year from both public and private sources by 2020.[21] It also has an outstanding pledge to contribute an additional $2 billion to the GCF. But as the current administration abdicates U.S. climate leadership at the federal level, U.S. citizens, cities, states, and businesses can demonstrate that the country remains committed to addressing the global climate challenge.

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Endnotes

1 This figure is for congressionally appropriated multilateral and bilateral climate aid. See Gwynne Taraska and Howard Marano, "The Perversity of Cutting the International Climate Budget," Center for American Progress, March 16, 2017, available at https://www.americanprogress.org/issues/green/news/2017/03/16/428450/perversity-cutting-international-climate-budget/. Thanks to Maria Belenky from Climate Advisers for discussions on the climate budget.

2 Office of Management and Budget, Major Savings and Reforms: Budget of the U.S. Government: Fiscal Year 2018 (The White House, 2017), available at https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/msar.pdf.

3 Anthony Leiserowitz and others, "Politics & Global Warming, November 2016" (New Haven, CT; Fairfax, VA: Yale Program on Climate Change Communication; George Mason University Center for Climate Change Communication, 2016), available at http://climatecommunication.yale.edu/wp-content/uploads/2016/12/Global-Warming-Policy-Politics-November-2016.pdf.

4 For example, see the letter from 12 governors encouraging President Donald Trump to keep the United States in the Paris Agreement. Letter from Gov. Edmund G. Brown Jr. (D-CA) and others to President Donald Trump, May 3, 2017, available at http://governor.wa.gov/sites/default/files/documents/2017-05-03_GovernorsLetter-Paris.pdf. See also letter from Gov. Philip B. Scott (R-VT) and Gov. Charles D. Baker (R-MA) to Secretary Rick Perry, May 17, 2017, available at http://www.mass.gov/governor/docs/news/paris-agreement-letter-5-17-17.pdf.

5 For example, see Sen. Jeff Merkley (D-OR), "100 by '50," available at https://www.merkley.senate.gov/100by50 (last accessed May 2017).

6 Peter Krouse, "Ohio Gov. John Kasich vetoes renewable energy freeze," Cleveland.com, December 27, 2016, available at http://www.cleveland.com/metro/index.ssf/2016/12/ohio_gov_john_kasich_vetoes_re.html; Future Energy Jobs Act, "The Future Energy Jobs Act: A Win for Illinois," available at http://www.futureenergyjobsact.com/about (last accessed May 2017).

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8 The Center for Climate and Security, "Military Expert Panel Report: Sea Level Rise and the U.S. Military's Mission" (2016), available at https://climateandsecurity.files.wordpress.com/2016/09/center-for-climate-and-security_military-expert-panel-report2.pdf; National Intelligence Council, Implications for US National Security of Anticipated Climate Change (Office of the Director of National Intelligence, 2016), available at https://www.dni.gov/files/documents/Newsroom/Reports and Pubs/Implications_for_US_National_Security_of_Anticipated_Climate_Change.pdf. "Climate change," said Secretary of Defense James Mattis, "can be a driver of instability and the Department of Defense must pay attention to potential adverse impacts generated by this phenomenon." Andrew Revkin, "Trump's Defense Secretary Cites Climate Change as National Security Challenge," ProPublica, March 14, 2017, available at https://www.propublica.org/article/trumps-defense-secretary-cites-climate-change-national-security-challenge.

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14 Green Climate Fund, "Resources Mobilized."

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