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Climate Finance: Closing the ‘Political Will’ Gap

Brussels, 8 November 2010 (ITUC OnLine): With climate negotiations reopening in less than four weeks and little hope for achieving a breakthrough, much was expected from the UN-sponsored panel on climate finance, who released its report on Friday.

“The creation of a high level group to identify innovative sources of finance for climate policies was a positive step, as we believe that a transition to a new low-carbon and climate resilient society can only be achieved through a strong and renewed fiscal system and assistance from developed to developing countries,” said Sharan Burrow, general secretary of the ITUC. “Above all, we applaud the fact that the group considers that it is a ‘feasible objective’ to find 100 billion USD a year for climate financing, and as such indicates that governments do not have excuses for non-compliance.”

There is, however, an admission in the report that private funds are necessary in order to reach this figure. “We do not agree that private funds are necessary to reach the \$100 billion figure, although they are certainly an important part of financing mitigation. But if we have to rely on private flows to reach this initial and insufficient goal, we are not on the right track,” said Burrow.

The main message of the report concerns the need to set an adequate price for carbon, at about between \$20 - \$25 per tonne. Pricing carbon is a fundamental step in building a low carbon economy. Nonetheless, current markets have not managed to work in terms of setting an appropriate price for carbon. Therefore, they should not be left with the responsibility for setting the price.

“Unfortunately, the group fails to propose in a more decisive manner innovative and very beneficial tools such as a tax on financial transactions (FTT). An FTT could provide funds for the fight against climate change, alleviate national budgets stifled by the crisis and increase funds for development aid,” Burrow added. “The political reluctance to adopt an FTT, identified as the barrier to its promotion, need to be removed; trade unions will keep on working to achieve this objective.”

Of special concern to ITUC is the all-powerful presence of the World Bank and Multilateral Development Banks (MDBs), given higher prominence in the United Nations document than the UN itself. The labour movement’s position is that the funds should be managed through the United Nations with its democratic mandate to decide on climate change financing, not through the World Bank or the MDBs.

The ITUC represents 176 million workers in 151 countries and territories and has 301 national affiliates. <http://www.ituc-csi.org> and <http://www.youtube.com/ITUCCSI>
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