



## *Norwegian Climate Policy: Proposal on international auctioning to raise substantial, additional and predictable funds for climate change actions under a Copenhagen agreement*

In an emissions trading system, auctioning of emission allowances is a possible source of revenue. Norway has proposed that a certain proportion of the allowances issued as a result of a Copenhagen agreement should be auctioned at the international level to generate new additional funds for climate change actions in developing countries.

The total value of allowances is given by the number of allowances issued (which depends on the overall emission cap) times the price of each allowance (equal to the marginal abatement cost). The number of allowances issued will depend on the emission targets set in a new global agreement.

International (as distinct from domestic) auctioning of allowances is a financial mechanism that generates funds independent of national annual budgetary decisions. It makes a domestic system for collecting funds unnecessary, and gives more predictable funding than traditional ODA contributions.

If it is decided to auction two per cent of the allowances, the annual income is estimated at USD 20-30 billion. This figure is based on the assumption that all developed countries take on quantified economy-wide commitments corresponding to the IPCC's lowest-emission scenario, which includes a range down to a 2°C temperature rise.

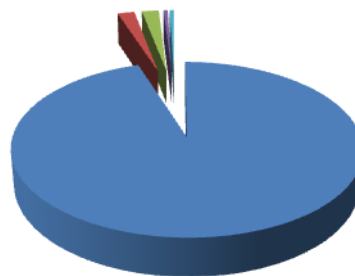
Holding back a share of allowances from distribution entails a cost for countries with emissions covered by international emission trading. Indirectly, countries with large emissions will contribute more than countries with more limited emissions. Our proposal thus differentiates between developed countries 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. It is particularly designed to meet special needs for raising substantial resources for financing adaptation and capacity building in developing countries.

In a context where the carbon price is too low, 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 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 to meet these requirements, provided that existing financial contributions from Parties are not reduced proportionally. To fully serve as an innovative financing mechanism, the funds mobilised through international auctioning must be additional to existing levels of ODA.

*International auctioning of allowances prior to allocation of the rest free of charge to raise funds to meet the costs of adaptation, REDD, capacity building and/or technology development and transfer*



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