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Paris Agreement: U.S. Climate Finance Commitments

International Environmental Assistance

Many governments hold that environmental degradation and climate change pose international and trans-boundary risks to human populations, economies, and ecosystems. To confront these challenges, governments have negotiated various international agreements to protect the environment, reduce pollution, conserve natural resources, and promote sustainable growth. While some observers call upon industrialized countries to take the lead in addressing these issues, many recognize that efforts are unlikely to be sufficient without similar measures being taken in lower-income countries.

However, lower-income countries, which face poverty and economic growth issues, may not have the financial resources, technological know-how, and/or institutional capacity to deploy environmentally protective measures on their own. Therefore, international financial assistance, or foreign aid, has been a principal method for higher-income governments to support actions on global environmental problems in lower-income countries. Often, this assistance can serve as a cost-effective strategy for donor countries to provide greater market access for their environmental goods and services abroad and increased environmental benefits at home.

The United States and other industrialized countries have committed to providing financial assistance for global environmental initiatives through a variety of multilateral agreements, including, among others, the Montreal Protocol (1987), the United Nations Framework Convention on Climate Change (UNFCCC, 1992), and the U.N. Convention to Combat Desertification (1994). International financial assistance takes many forms, from fiscal transfers to market transactions. It may include grants, loans, loan guarantees, export credits, insurance products, and private sector investment. It may be structured as official bilateral development assistance or as contributions to multilateral development banks and other international financial institutions.

Ultimately, U.S. government assistance to developing countries for environmental initiatives is determined by Congress. Congressional committees of jurisdiction include the House Committees on Foreign Affairs, Financial Services, and Appropriations and the Senate Committees on Foreign Relations and Appropriations.

Finance under the UNFCCC

The UNFCCC is the principal international treaty to acknowledge and address human-driven climate change. The United States ratified the treaty in 1992 (U.S. Treaty Number: 102-38).

Among the obligations outlined in Article 4 of the Convention, higher-income Parties (i.e., those listed in Annex II of the Convention, which were members of the Organization for Economic Cooperation and Development in 1992) sought to provide unspecified amounts of "new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations" under the Convention. Further, "the implementation of these commitments shall take into account the need for adequacy and predictability in the flow of funds and the importance of appropriate burden sharing among the developed country Parties."

Over the past several decades, the United States has delivered financial and technical assistance for climate change activities in the developing world through a variety of bilateral and multilateral programs. U.S.-sponsored bilateral assistance has come through programs at the U.S. Agency for International Development, the U.S. State Department, the Millennium Challenge Corporation, the Export-Import Bank, and the Overseas Private Investment Corporation, among others.

U.S.-sponsored multilateral assistance has come through contributions by the U.S. Departments of State and the Treasury to environmental funds at various international financial institutions and organizations such as the Global Environment Facility (GEF), the Green Climate Fund (GCF), the U.N. Development Program, the U.N. Environment Program, the UNFCCC's Special Climate Change Fund and Least Developed Country Fund, and the World Bank's Climate Investment Funds and Forest Carbon Partnership Facility, among others. Each channel has its own mission and particular capacities.

Global Environment Facility

To facilitate the provision of climate finance under the UNFCCC, the Convention establishes a financial mechanism to provide funds to developing country Parties. Article 11 of the Convention states that the operation of the financial mechanism can be entrusted to one or more existing international entities.

The GEF was established in 1991 as an independent international financial institution to provide grants, promote cooperation, and foster actions in developing countries to protect the global environment. The GEF subsequently became an official operating entity of the financial mechanism of several international environmental agreements, including the UNFCCC. The relationship between the UNFCCC and the GEF is outlined in a memorandum of understanding contained in UNFCCC Conference of Parties (COP) decisions 12/CP.2 and 12/CP.3.

The George H. W. Bush Administration supported the establishment of the GEF in 1991. The United States has made commitments to all six GEF resource replenishments, including $430 million in 1994, $430 million in 1998, $430 million in 2002, $320 million in 2006, $575 million in 2010, $546 million in 2014, and $273 million in 2018, for a total of just over $3.0 billion. U.S. commitments correspond to about 12% of GEF's total. U.S. disbursements to the GEF since 1994 have totaled approximately $2.7 billion.

Finance under the Cancun Agreement

The 2009 COP in Copenhagen, Denmark, took note of a non-legal political document called the Copenhagen Accord. The following year, in Cancun, Mexico, the COP officially adopted many of the accord's elements into the Cancun Agreements (CA), including several quantified financial arrangements. The CA puts forth a collective commitment by developed country Parties (not specified in the text) to seek to provide new and additional resources approaching $30 billion for the period 2010-2012 to address the climate finance needs of developing countries (1/CP.16§95). The CA takes note of the pledge by developed country Parties to achieve a goal of mobilizing jointly $100 billion per year by 2020 to address the climate finance needs of developing countries (1/CP.16§98). The CA states that "funds provided to developing country Parties may come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources" (1/CP.16§99).

Finance under the Paris Agreement

In 2015, the COP in Paris, France, adopted the Paris Agreement (PA). Article 9 of the PA reiterates the obligation in the Convention for developed country Parties to seek to mobilize financial support to assist developing country Parties with climate change mitigation and adaptation efforts (Article 9.1). Also, for the first time under the UNFCCC, the PA encourages all Parties to provide financial support voluntarily, regardless of their economic standing (Article 9.2). The agreement states that developed country Parties (not specified in the text) should take the lead in mobilizing climate finance and that the mobilized resources may come from a wide variety of sources. It adds that the mobilization of climate finance "should represent a progression beyond previous efforts" (Article 9.3). The COP decision to carry out the PA (1/CP.21) uses exhortatory language to restate the CA's collective pledge by developed countries of $100 billion annually by 2020 and calls for continuing this collective mobilization through 2025. In addition, the Parties agree to set, prior to their 2025 meeting, a new collective, quantified goal for mobilizing financial resources of not less than $100 billion annually to assist developing country Parties.

The Green Climate Fund

The GCF is an official operating entity of the financial mechanism of the UNFCCC. The fund was proposed during the 2009 COP in Copenhagen, Denmark, and its design was agreed to by all Parties during the 2011 COP in Durban, South Africa. The GCF was made operational in 2014. The GCF aims to assist lower-income countries in their efforts to combat climate change through the provision of grants and other concessional financing for mitigation and adaptation projects, programs, and activities. The GCF is capitalized by "financial inputs from developed country Parties to the Convention" and "may also receive financial inputs from a variety of other sources, public and private, including alternative sources" (3/CP.17§§A29-A30).

The GCF was officially opened for capitalization at the U.N. Climate Summit in September 2014. Parties called for an immediate capitalization of between $10 billion and $15 billion over the course of the first year. Initial funding came from Germany, France, and a dozen other countries that pledged approximately $2.3 billion. Further pledges brought the total to approximately $10 billion.

U.S. Commitments: The Obama Administration announced a U.S. pledge of $3 billion over four years during the G-20 meetings in Australia on November 15, 2014.

U.S. Contributions: Under the Obama Administration, the U.S. State Department made two separate contributions of $500 million to the GCF on March 8, 2016, and on January 17, 2017. The funds were obligated with FY2016 budget authority from the agency's "Economic Support Fund" account. No contribution was made for FY2017.

The Trump Administration

The Trump Administration's FY2018 budget request, released on May 23, 2017, proposes to "eliminate U.S. funding for the Green Climate Fund (GCF) in FY2018, in alignment with President Trump's promise to cease payments to the United Nations' climate change programs." Notwithstanding, the U.S. disbursement of $1 billion to the GCF under the Obama Administration ensures that the United States remains a member of the GCF board at least through the end of the initial phase of capitalization.

On June 1, 2017, President Trump announced his intention to withdraw from the PA. Under the provisions of the PA, this could not be completed before November 4, 2020. While a withdrawal from the PA would release the United States from specific obligations under the PA, it would not release the United States from the obligations under the UNFCCC to provide "new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations" under the Convention or the collective pledge by developed country Parties to achieve "a goal of mobilizing jointly $100 billion per year by 2020."

The effects of the Trump Administration's announced withdrawal from international climate finance commitments would rely on assumptions regarding the efficiencies of these programs and the sum of the collective assistance provided by other nations, regional governments, cities, and the private sector. Some analysis suggests the impacts could be minimal if other contributions compensate for the lack of U.S. assistance. However, the U.S. decision could also lead to an erosion of international efforts to help developing countries confront climate change.

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