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THE ROAD TO COPENHAGEN

Biggest Obstacle to Global Climate Deal May Be How to Pay for It

By [ELISABETH ROSENTHAL](#)

As world leaders struggle to hash out a new global climate deal by December, they face a hurdle perhaps more formidable than getting big polluters like the United States and China to reduce greenhouse gas emissions: how to pay for the new accord.

The price tag for a new climate agreement will be a staggering \$100 billion a year by 2020, many economists estimate; some put the cost at closer to \$1 trillion. That money is needed to help fast-developing countries like India and Brazil convert to costly but cleaner technologies as they industrialize, as well as to assist the poorest countries in coping with the consequences of [climate change](#), like droughts and rising seas.

This financing is an essential part of any international climate agreement, negotiators and scientists say, because developing nations must curb the growth of their emissions if the world is to limit rising temperatures. Based on calculations by the International Energy Agency for 2005 to 2030, 75 percent of the growth in energy demand will come from the developing world.

Many developing countries have made it clear that they will not sign a treaty unless they get money to help them adapt to a warmer planet. Acknowledging that a new treaty needs unanimity for success, industrialized nations like the United States and those in Europe have agreed in principle to make such payments; they have already been written into the agreed-upon structure of the treaty, to be signed in Copenhagen in December.

But to date there is no concrete strategy to raise such huge sums. There is not even agreement about which nations should pay or in what proportion.

"The level of ambition in funding is not matching up to the sense of urgency everyone now has," said Luiz Alberto Figueiredo Machado, the lead climate negotiator for Brazil, which hopes to get financing to preserve its [rain forest](#).

He added, "Financing and an inadequate level of financing are a deal breaker for us."

At a [United Nations summit meeting in New York on climate change](#) and at the [Group of 20](#) meetings in Pittsburgh last month, national leaders, including [President Obama](#) and President [Hu Jintao](#) of China, stressed the urgency of combating climate change. But they offered no new proposals for financing and put no new cash on the table.

Perhaps even more troublesome, the [United Nations](#) Adaptation Fund, which officially began operating in 2008 to help poor countries finance projects to blunt the effects of global warming, remains an empty shell, largely because rich nations have failed to come through with the donations they promised. The fund now holds about \$18 million, a tiny fraction of what it was supposed to have, according to fund officials.

United Nations officials regard the failure to come up with financing as a blind spot that jeopardizes a new global treaty.

“How important is this? It is critical,” said Yvo de Boer, executive secretary of the [United Nations Framework Convention on Climate Change](#), which oversees the treaty negotiations.

The United States and other industrialized nations will certainly have to contribute heavily to any financing program. But the global [recession](#) has tightened purse strings, and nations are having trouble backing their good intentions and previous pledges with cash.

The money woes of the United Nations fund, set up as an exemplar of international cooperation in addressing climate change, are symptomatic. The fund was supposed to benefit from two income streams: the first is a 2 percent tax on carbon credits sold in the United Nations carbon trading system, in which rich nations invest in green projects in the developing world to offset emissions at home; the second is voluntary donations by richer countries.

The 2 percent tax is expected to generate at least \$1.6 billion by 2012. But the donations have not materialized, Mr. de Boer said.

A number of proposals are on the table to generate money to help developing countries rein in future emissions as well as to adapt to the effects of climate change. But most remain far from producing money.

In September, the [European Union](#) offered a plan in which “industrialized nations and economically more advanced developing countries” would provide \$33 billion to \$74 billion a year to help poor countries adapt, with the European Union’s share placed at \$3 billion to \$22 billion. The climate bill passed by the House in the United States in June would auction emissions permits, and donate a portion of revenues to help poor countries. The climate legislation is now before the Senate.

[Connie Hedegaard](#), the Danish minister of climate and energy, who will be chairwoman of the Copenhagen meeting, recently suggested imposing a new tax on shipping fuel or on airline flights — which both cause substantial emissions — to finance adaptation in poor countries.

“We need more innovative financing,” Ms. Hedegaard said in an interview. “The G-20 should come up with fast-track financing that would send a very strong signal that developed countries are serious about this.”

Many poor countries say they are increasingly skeptical, having witnessed the way past promises evaporated when the economy soured. They are likewise nervous about market-based solutions, like using a portion of revenues from carbon credits.

“Developing countries are not convinced that the market will find them the \$100 billion they need,” said Mr. Figueiredo Machado, Brazil’s climate negotiator. “They want guarantees.”

When Germany and France suggested at a recent Group of 20 meeting in London that they would contribute to the fund by reducing other types of aid, India rebelled. Financing to help poor countries adapt to climate change or to reduce emissions “should not be at the cost of other monetary support,” said Pranab Mukherjee, India’s finance minister.

Equally contentious is the issue of which countries should give, and which should receive. Should the contributors be only industrialized nations, or should they include rapidly developing — and increasingly wealthy — polluters like China?

Xie Zhenhua, the lead Chinese climate negotiator, speaking at a news conference in New York last month, said the United Nations should not expect China to pay.

“Global warming is a result of CO2 from developed countries during their industrialization,” Mr. Xie said. “China is one of the countries that has borne the brunt of that.”

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