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Regional implications of the AGF recommendations: Small Island Developing States

The United Nations Secretary's High-Level Advisory Group on Climate Finance (AGF) recently reported on ways to raise US$100 billion per year for climate change investment in developing countries by 2020. This summary highlights the report's key implications for Small Island Developing States (SIDS).

- Climate change threatens the future development of SIDS. They will require substantial new and additional resources to adapt to a changed climate. Current levels of climate change investment in SIDS constitute an insignificant fraction of this requirement. The AGF report identifies several credible, reliable ways to narrow this gap.
- SIDS should welcome the AGF's recognition that "grants and highly concessional loans are crucial for adaptation in the most vulnerable developing countries". At the same time, there are opportunities for private-sector investment to promote climate compatible development in SIDS. For example, private-sector insurers can help manage the risks associated with climate change, while excellent renewable resources in SIDS (such as wind energy) provide investment opportunities through international carbon markets.
- Many revenue sources emphasised by the AGF, for example international transport levies and auctioning emission allowances, will raise revenue and provide incentives to reduce emissions. This is desirable, but means that the revenues raised may vary with fluctuating carbon prices. Robust, credible emission-reduction targets in the developed world are crucial to reducing this uncertainty. The AGF notes that to raise US$100 billion per year, emissions cuts will need to be deep enough to result in a stable carbon price of US$20–25 per tonne.
- Most SIDS are remote, and highly reliant on international trade and tourism, so levies on international transport could be detrimental to their development. The AGF recognises the importance of providing compensation for these effects. SIDS will wish to engage further in discussions about this to better understand and mitigate these effects. Achieving adequate compensation while retaining significant resources for climate finance seems achievable. Singapore, one of the world's leading financial centres, may be particularly concerned by the idea of a financial transactions tax. However, the AGF places less emphasis on raising revenues from this source than from international transportation.

This précis is a summary of the report *Regional implications of the AGF recommendations: Small Island Developing States*, produced by Vivid Economics and funded by the Climate and Development Knowledge Network (CDKN). Members of the AGF requested this analysis to help developing country decision-makers respond to their recommendations.

Full copies of the Vivid Economics - CDKN report are available from **www.cdkn.org**

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