



**The Honourable Peter Kent
P.C., M.P.
Minister of the Environment
Les Terrasses de la Chaudière
10 Wellington Street, 28th Floor
Gatineau, Quebec
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March 3, 2011

Dear Minister Kent,

We are writing to congratulate you on your recent appointment as Minister of Environment. As a coalition of development and environmental organizations deeply concerned about the impact of climate change on vulnerable people in developing countries, we look forward to dialoguing with you on a critical issue: ensuring that climate change financing for developing countries meets the needs of the poorest, most vulnerable and marginalized populations.

We are pleased that your predecessor announced \$400 million for 2010 to help developing countries fight and adapt to climate change—and we look forward to equal or greater contributions for both 2011 and 2012. In our view, \$400 million in grant (or grant-equivalent) funding could well represent Canada's fair share of fast-start financing. In 2010, however, the allocation of these funds raised several concerns.

The members of C4D, informed by many years of experience and work with partners in developing countries, offer the following recommendations to make sure Canada's climate change financing in coming years empowers those most vulnerable to the negative impacts of climate change.

- **Ensure a more equitable balance between adaptation and mitigation.** Both the Copenhagen Accord and the Cancun Agreements call for a balanced allocation of funding support between adaptation and mitigation. Both are important priorities. However, the poorest and most vulnerable people produce few emissions of their own, yet are already experiencing hardship from climate change impacts. For them, adaptation is the overwhelming immediate priority. Yet only 11 percent of Canada's 2010 fast-start financing contribution was earmarked for adaptation. We recommend a balance for 2011 and 2012 that is equal, or at minimum much closer to a 50-50 split, between adaptation and mitigation.

- **Disburse the majority of Canada’s funding as grants.** We are pleased that Canada’s 2010 contribution provides grants for all its adaptation financing, ensuring that the burden on vulnerable people is not increased by the need to pay back loans. We are concerned, however, that the majority of Canada’s overall allocation for 2010 is provided as loans. While some mitigation funding could be provided as loans, we believe there is an important role for grant funding in mitigation as well, as grants are needed to support developing countries in capacity building and policy initiatives. If any fast-start financing for mitigation is delivered as loans, only the concessional portion of the loan should be counted towards Canada’s contribution, not the entire Canadian disbursement.
- **Ensure that Canada’s contribution is “new and additional”.** The Copenhagen Accord and the Cancun Agreements require that fast-start financing be “new and additional.” We are pleased that Canada’s 2010 contribution is in addition to what it had previously committed to climate change financing. But we are concerned that a significant portion of that new financing came out of the international assistance envelope (money that had been allocated to international development efforts in past budgets). While there is no current internationally agreed definition of “new and additional” we believe that taking money from the previously announced increase to the international assistance budget of the Canadian International Development Agency (CIDA)¹ to pay for climate change financing contravenes the spirit of these agreements. It diverts crucial dollars from other important interventions, such as in food security, education and health. And it fails to build the trust of developing countries essential to achieving a global consensus on climate action. In 2011 and 2012, we recommend that the baseline Canada uses for ensuring additionality be the total existing budgetary commitments to official development assistance (ODA). We also recommend that Canada steadily increase its ODA commitments in order to reach the 0.7 percent ODA/GNI target.
- **Prioritize funding for most vulnerable countries, particularly for adaptation.** Canada’s adaptation financing should be prioritized for most vulnerable developing countries, such as the least developed countries, small island developing states and Africa. Some mitigation financing should also provide opportunities for sustainable, low-carbon development pathways in most vulnerable countries and populations where they complement adaptation. It is doubtful that directing the majority of Canada’s financing through the International Finance Corporation (IFC), as was done in 2010, will achieve this objective. To illustrate, over half of the IFC’s loans go through financial intermediaries and in 2009, only 8 percent of these loans were directed towards low income countries.² Rather, we recommend that Canada channel its contribution via funding mechanisms that prioritize most vulnerable countries, and that also offer efficiency and democratic ownership (including the full participation of civil society organizations and excluded populations). For

¹ *The 2010 federal budget explains (at page 160) that the 2010 increase to the international assistance envelope (IAE) represents the fulfillment of a commitment made in 2002 —long before Canada committed in Copenhagen to provide fast-start financing. For this reason, funding diverted from the 2010 IAE increase cannot be considered “new” or “additional.”*

² *Bretton Woods Project (November 22, 2010) “Out of sight, out of mind? IFC investment through banks, private equity firms and other financial intermediaries”*

adaptation, these mechanisms include the UN Least Developed Countries Fund (LDCF) and the Adaptation Fund.

We also believe that CIDA has a vital role to play in a comprehensive Government of Canada policy on international adaptation and capacity-building efforts. Although finance for climate change should be additional to development assistance, development goals and climate change adaptation are naturally complementary. CIDA has expertise to offer in ensuring that adaptation programs are pro-poor and promote principles of gender equality and respect for human rights. In line with a greater commitment to adaptation funding, we encourage Canada to expand the portion of fast-start financing that is allocated via CIDA in 2011 and 2012.

- **Direct Canada's adaptation contribution to the poorest and most vulnerable, and support community-based adaptation action.** Not only should Canada prioritize most vulnerable countries in its overall funding, but Canada should ensure that the adaptation dollars it provides are directed to funds or programs that take into consideration differentiated vulnerability to climate change, and the perspectives of vulnerable and marginalized groups, including women, smallholder farmers and indigenous communities. Funding should support community-based adaptation so that the human costs of climate change can be addressed, while also ensuring the continued resilience of ecosystems and the conservation of biodiversity.
- **Ensure transparency and accountability to Canadians.** The Government of Canada should report to Parliament and to Canada on its climate financing contributions in a timely fashion, in particular how it is upholding its commitments under the Copenhagen Accord and the Cancun Agreements. This would contribute to strengthening accountability and transparency in Canada—values that the Government of Canada and Canadians widely embrace.

As more attention turns to longer term climate change financing, we also urge Canada to play a constructive role in the design of the Green Climate Fund, working to ensure that its governance structure is fair, democratic and equitable; that its decision-making is transparent; that there is a balanced allocation between adaptation and mitigation; and that funding is adequate, predictable and sustainable.³

Once again, we welcome you as the new Environment Minister. You have the tremendous opportunity to take positive action on a number of key environmental initiatives, including climate change. Showing strong international leadership in climate change financing would greatly strengthen Canada's role and positioning on the international stage—and, most importantly, help meet the needs of those most impacted by climate change.

³ *In the post-2012 period, Canada should explore new and innovative means to generate the funds required to support climate action in developing countries. For example, a set-aside from a federal carbon pricing system would provide a means of generating funding that is demonstrably new and additional.*

We would welcome the opportunity to meet with you in person to discuss our recommendations in greater detail.

Sincerely,



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Gerry Barr, CEO & President, Canadian Council for International Co-operation
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Ian Davidson, Executive Director, Nature Canada
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Robert Fox, Executive Director, Oxfam Canada
Roger Samson, Executive Director, REAP-Canada
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c.c.

The Honourable Beverley J. Oda, P.C., M.P., Minister of International Cooperation
The Honourable James M. Flaherty, P.C., M.P., Minister of Finance
The Honourable Lawrence Cannon, P.C., M.P., Minister of Foreign Affairs and International Trade
Mr. Guy Saint-Jacques, Lead Negotiator and Ambassador for Climate Change
Mr. Bernard Bigras, M.P., Bloc Québécois Environment Critic
Mr. Gerard Kennedy, M.P., Liberal Environment Critic
Ms. Linda Duncan, M.P., NDP Environment Critic