

Stocktaking Climate Finance : A case of circles in red ink

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Context:

Climate finance has a crucial role in retaining the trust of the developing countries in future climate change negotiations. The issues relating to climate finance are likely to be prominent in the United Nations Climate Change Conference or UNFCCC Conference of the Parties (COP 28) meeting (2023), in Dubai (UAE).

Climate Change 2023: Synthesis Report findings:

1. It comes in the context of the Synthesis Report providing the main scientific input to the global stocktake at COP. The report says that the current temperature increase at 1.1° Celsius is responsible for frequent hazardous weather.
2. Thus, the developed countries and climate vulnerable countries are likely to demand a ramping up of mitigation action by the developing countries — which is likely to be countered with the demand that the developed countries have not been able to meet the mark of a mobilisation of \$100 billion per year in climate finance by 2020 as committed at the Copenhagen summit of UNFCCC.
3. The sum is inadequate in terms of the challenges faced by the developing countries in switching over to a low carbon development pathway and climate resilient development. Providing finance to developing countries is based on the principle of the Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC).

Estimating adequate climate finance:

1. The developed countries are required in mandatory terms to provide financial resources to developing country parties. Under Article 9 of the Paris Agreement on Climate Change, it is also mandatory for the developed countries to provide in their Biennial Update Reports (BUR), information relating to the financial resources which they have provided. At the Copenhagen Change Conference in 2009, the developed countries made the commitment to mobilise \$100 billion per year by 2020.
2. Further, the developed countries are required, in accordance with the decision accompanying the atmosphere of Paris Agreement, to collectively mobilise \$100 billion through 2025, before a new collective quantified goal (NCQG) 'from a floor of \$100 billion per year is to be set at the end of 2024'.
3. At the 26th UNFCCC in Glasgow in 2021, the developed countries noted, with deep regret, of being able to mobilise only a total of \$79.6 billion.
4. The Paris Agreement is based on the self determined efforts of all the parties inscribed in the nationally determined contributions (NDCs), which contain the mitigation efforts to be made by a party for the next 5 years.
5. Entire NDCs put together project a picture of overshooting the 1.5° C temperature goal.

Going by the needs of countries in the Global South expressed in their NDCs, the amount quantified for the first time touches close to \$6 trillion until 2030.

6. India's 3rd BUR says that its financial needs derived from its NDCs for adaptation and mitigation purposes for 2015-30 are \$206 billion and \$834 billion, respectively.

Unclear burden sharing formula:

1. The developed countries are mandatorily required to provide financial resources to developing country parties, but there is no agreed approach among developed countries to share the burden of this goal. One analysis suggests that the United States provided just 5% of its fair share in 2020.
2. Without any mandatory formula for collecting money, it is difficult to predict how the said money or the NCQG for climate finance will be mobilised. Neither the UNFCCC nor the Paris Agreement mention the criterion for mobilisation. Instead, the mobilisation is done with the help of a replenishment process.
3. Global Environment Facility (GEF), a UNFCCC-designated funding agency providing grant and concessional loan to developing countries, is replenished every four years.
4. A similar approach has been borrowed into the Green Climate Fund (GCF) by the developed countries to mobilise part of the \$100 bn finance for developing country parties to switch over to low emissions and climate resilient development path. GCF had its second replenishment recently in 2023, in which only 25 countries out of 37 developed countries met in Bonn, pledging to contribute \$9.3 billion.

Replicate this action:

1. Strong political will, perceived urgency and enlightened self interest of the elite Global North were writ large in the case of a perceived collapse of global public good (global financial stability) in 2009-10 when the G20 governments quickly responded to the global financial crisis, getting \$1.1 trillion in a few weeks to support the International Monetary Fund (IMF) and multilateral development banks to save the global financial system.
2. Unfortunately, these factors are missing when it comes to the necessary climate finance transfers from developed to developing countries to safeguard another global common the atmosphere.

