Climate Finance by Developed Countries

Published On: 08-11-2022

In News: Why definition of climate finance remains a major bone of contention at COP27 talks. 'Developed Countries Forget Or Overlook Responsibilities...': India On Climate Finance AT COP27.

What is Climate Finance?

At the 15th Conference of Parties (COP15) of the UNFCCC in Copenhagen in 2009, developed countries committed to a collective goal of mobilising USD 100 billion per year by 2020 for climate action in developing countries, in the context of meaningful mitigation actions and transparency on implementation. The goal was formalised at COP16 in Cancun, and at COP21 in Paris, it was reiterated and extended to 2025.

At the request of donor countries, the OECD has been tracking progress towards this goal since 2015. It produces regular analyses of progress made, based on a robust accounting framework that is consistent with the COP24 outcome agreed by all Parties to the Paris Agreement on funding sources and financial instruments.

What is UNFCC?

- United Nation Framework Convention on Climate Change
- It is an international environment treaty
- Opened for signature in 1992
- Came into force from 1994
- Secretariat is located in Bonn, Germany
- Signatories : 165
- Ratifiers : 197 (196 countries + EU)
- The convention is legally non-binding, but makes provisions for meeting called ‘protocols’ where negotiating countries can set legally binding limits

What UNFCC does?

- It aims to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system
- The framework set no binding limits on greenhouse gas emissions for individual countries and contains no enforcement mechanisms.
- Instead, the framework outlines how specific international treaties (called “protocols” or “Agreements”) may be negotiated to set binding limits on greenhouse gases. Kyoto Protocol was negotiated under this framework.
- One of the first tasks set by the UNFCCC was for signatory nations to establish national greenhouse inventories of greenhouse gas (GHG) emissions and removals, which were used to create the 1990 benchmark levels for accession of Annex I countries to the Kyoto Protocol and for the commitment of those countries to GHG reductions. Updated inventories must be regularly submitted by Annex I countries.

What is Conference of Parties (COP)?

- COP is the supreme decision-making body of United Nations Framework Convention on Climate Change (UNFCCC). ?
- All States that are Parties to UNFCCC are represented at COP. ?
- At COP, all parties review implementation of Convention and take decisions necessary to promote the effective implementation of Convention.

Parties to UNFCCC are classified as:

- Annex I countries: industrialized countries and economies in transition.
- Annex II countries: developed countries which pay for costs of developing countries.
- Non-Annex I countries: Developing countries. India is non Annex party to UNFCCC.

Why it was in News Recently?

Climate Finance Provided and Mobilised by Developed Countries in 2016-20: Insights from Disaggregated Analysis

Report released on 22 September 2022, this provides disaggregated data analysis of climate finance provided and mobilised in 2016-2020 across climate finance components, themes, sectors and financial instruments. It explores key trends and provides insights on the distribution and concentration of climate finance provided and mobilised across different developing country characteristics and groupings, as well as on its impacts and effectiveness, meaningful mitigation action and transparency on implementation.

The 2022 United Nations Climate Change Framework Convention (UNFCCC) Conference of Parties (COP), commonly referred to as COP27, concluded recently in Sharm el-Sheikh (Egypt). The COP is the apex decision-making body of the United Nations Climate Change Framework Convention (UNFCCC). The COP has been held annually since the first UN climate agreement in 1992. An estimated 35,000 delegates from more than 190 countries participated in the Conference. The outcomes of COP27 have been termed as a mixed bag, with the decision to establish a Loss and Damage Fund being the most significant achievement. Apart from that, the outcomes have been termed as disappointing by most climate experts and activists.

Important Findings of the Report

- Climate finance provided and mobilised by developed countries largely focused on mitigation in relatively high-emitting countries.
- The relative share of adaptation finance was significantly higher in lower-income countries (LICs), Small Island Developing States (SIDS) and Least Developed Countries (LDCs).
- Grants represented a larger share of climate finance for SIDS, LDCs and fragile states, compared to developing countries overall.
- The mobilisation of private climate finance was lower than anticipated, with most mobilised in middle-income countries with relatively conducive enabling environments and low-risk profiles.
- More could be done to measure the impact of climate finance and assess effectiveness. The limited information available is in part due to the non-mandatory nature of reporting requirements for developing countries under the UNFCCC and the limited capacity of these countries to collate such information.

What are the Key Outcomes of COP27?

On Loss and Damage: Developing countries have been seeking financial assistance for loss and damage for nearly 3 decades. It refers to money needed to rescue and rebuild the physical and social infrastructure of countries devastated by extreme weather. Countries have now agreed to set-up a fund to provide financial assistance to poor nations stricken by climate disaster. This is the biggest achievement of the Conference. However, there is no agreement yet on the mechanism of operation of the fund or how finance should be provided and administered.

On 1.5°C Temperature Limit: At COP26 (Glasgow, 2021) countries had agreed to focus on a 1.5°C limit. Since the promises to cut greenhouse gas emissions weren't enough to stay within the 1.5°C limit, countries had agreed to come back every year to make the commitments stronger. This is called the "ratchet mechanism". Some countries tried to back out of the 1.5°C goal and get rid of the ratchet at COP27. They didn't succeed, but a plan to get emissions to peak by 2025 was taken out, indicating lack of commitment towards climate action.

On Fossil Fuels: At COP26, a commitment to phase down the use of coal was agreed. At COP27, some countries, led by India, wanted toinclude a commitment to phase down all fossil fuels. It was a subject of intense debate but was not included in the final resolution.

On Mitigation: A mitigation work programme has been launched in Sharm el-Sheikh, aimed at urgently scaling up mitigation ambition and implementation. The work programme will start immediately following COP27 and continue until 2030. Governments have also been requested to revisit and strengthen the 2030 targets in their national climate plans by the end of 2023.

Sharm el-Sheikh Implementation Plan: The cover decision, known as the Sharm el-Sheikh Implementation Plan, highlights that a global transformation to a low-carbon economy is expected to require investments of at least US$ 4-6 trillion a year. Delivering such funding will require a swift and comprehensive transformation of the financial system and its structures and processes, engaging governments, central banks, commercial banks, institutional investors and other financial actors.