Climate Finance Road to COP29

For Prelims: Loss and Damage Fund, Conference of the Parties (COP 28), **New Collective Quantitative Goal,** Fossil Fuels

For Mains: Climate Finance and its Significance, Environmental Pollution & Degradation

Source: IE

Why in News?

The UN Climate Change Conference (UNFCCC COP 27) **convened in Sharm El-Sheikh, Egypt** established a **Loss and Damage Fund** for **climate disaster recovery** in developing nations.

- The **2023 UNFCCC COP 28 (Dubai)** focused on transitioning from **fossil fuels**, pledging to **triple renewable energy capacity by 2030.**
- As preparations for COP29 in Baku intensify, attention now turns to finance discussions, particularly the **New Collective Quantitative Goal (NCQG).**

What is the New Collective Quantitative Goal?

- The NCQG is a new annual **financial target that developed countries must meet from 2025** onward to provide climate finance to developing countries.
    - It will replace the previous commitment of **USD 100 billion per year** that developed nations had pledged in 2009 but failed to deliver.
- The final NCQG amount is expected to be a central point of negotiation at the **COP29 summit in Baku, Azerbaijan, in November 2024.**
    - The NCQG negotiations aim to set a higher collective amount that wealthy countries will need to mobilise annually for mitigation, adaptation, and other climate action efforts in poorer nations vulnerable to the impacts of climate change.
- Securing an adequate NCQG figure is extremely important for developing countries, as a **lack of sufficient climate finance has been a major** barrier to implementing effective climate plans and building resilience against global warming's effects.

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CLIMATE FINANCE

Climate finance refers to local, national or transnational financing—drawn from public/ private/alternative sources of financing—to support mitigation and adaptation actions against climate change.

PRINCIPLES OF CLIMATE FINANCE

- Polluter Pays
- Common but Differentiated Responsibility and Respective Capability (CBDR–RC)

Multilateral Climate Funds Coordinated by UNFCCC

- **Global Environment Facility (GEF):** Operating entity of financial mechanism (1994)
- **Kyoto Protocol (2001):**
  - **Adaptation Fund (AF):** Gives developing countries full ownership of adaptation projects
  - **Clean Development Mechanism (CDM):** To carry out emission-reduction projects in developing nations
- **Green Climate Fund (GCF):** estd. - 2010 (COP 16)
  - Funds under it - **Least Developed Countries Fund (LDCF)** and **Special Climate Change Fund (SCCF)**
- **Long-Term Climate Finance:**
  - **Cancun Agreements (2010):** Mobilize and provide scaled-up funds in short and long term
  - **Paris Agreement (2015):** Developed nations agreed to establish new collective goal of at least $100 billion/year by 2025
- **Loss and Damage Fund (2023) (COP27 & COP28):** Financial assistance to nations most vulnerable and impacted by effects of climate change

Climate Investment Funds (CIFs) under World Bank

- Clean Technology Fund
- Strategic Climate Fund

INDIA'S INITIATIVES REGARDING CLIMATE FINANCE

Fund	Objective
National Adaptation Fund for Climate Change (NAFCC) (2015)	For vulnerable Indian states
National Clean Energy Fund (2010-11)	Advancing clean energy (started with initial carbon tax on industrial coal use)
National Adaptation Fund (2014)	Bridging gap between required and available funds
Intended Nationally Determined Contributions (INDCs) (2015)	Nationally binding targets adopted under UNFCCC
Climate Change Finance Unit (2011)	Leads on global climate finance issues

Challenges to Climate Finance

- Gap between national needs and climate finance under NDCs
- Least Developed Countries receive much less approved funding in per-capita terms from the multilateral climate funds
- Slow rate of approvals
- Failure in securing viability-gap funding

Drishti IAS

How Much Money is Needed for Effective Climate Action?

- Global climate action faces a significant hurdle due to inadequate financing, especially in developing countries.
  - Annual climate finance flows fall far short of the promised USD 100 billion mobilisation by developed countries since 2020.
  - Even if that amount were available, it would only be a small fraction of the money needed to keep the world on the 1.5°C pathway until 2030.
- Current assessments suggest annual financial requirements amount to several trillions of dollars.
  - A 2021 report by UN Climate Change estimated that developing countries would need about **USD 6 trillion annually until 2030** to implement their climate action plans. Updated reports are expected to raise this figure substantially.
  - The final agreement at Sharm el-Sheikh outlined that transitioning to a low-carbon economy could require USD 4-6 trillion annually until 2050.

- Tripling renewable energy capacity, as agreed in Dubai, is estimated to cost USD 30 trillion by 2030 as per the **International Renewable Energy Association (IRENA).**
- Combining these estimates suggests an annual requirement of USD 5-7 trillion, equivalent to about **5-7% of global GDP**, highlighting the escalating cost of inaction.

Prospects for a Realistic New Annual Climate Finance Target

- Exact amounts under discussion are undisclosed to the public at present. Given past performance, the expectation that developed nations commit to significantly higher amounts is deemed unrealistic.
- **India has called for the NCQG to be at least USD 1 trillion per year,** primarily in grants and concessional finance.
  - However, it is unlikely that developed countries will commit to an amount close to the assessed requirements, given their failure to mobilise even USD 100 billion annually.
- The UN Climate Change Executive Secretary has urged developed countries to make climate finance **"bigger and better," emphasising the need for "trillions, not billions"**.

What are the Challenges Regarding Climate Finance?

- **Insufficient Funds:**
  - There is a significant gap between the **funds needed to address climate change and the actual resources available** for climate-related projects and initiatives.
  - Many developing countries and vulnerable communities have limited access to climate finance, hindering their ability to implement adaptation and mitigation measures.
  - Many organisations like the **UNFCCC** are currently facing severe financial challenges with a budget that is less than half funded.
- **Lack of Ambition:**
  - Developed countries have been reluctant to commit to the scale of funding necessary to address the climate crisis, particularly in **providing grants and concessional finance to developing nations.**
- **Transparency and Accountability:**
  - There is a need for transparent and inclusive processes to **monitor and measure the delivery of climate finance commitments**, ensuring that funds are distributed equitably and used effectively.
- **Ensuring Equity and Justice:**
  - The distribution and utilisation of climate finance should prioritise equity and justice, taking into account the needs and priorities of the **most vulnerable communities and marginalised groups** who are disproportionately affected by climate change.
- **Mobilising Private Finance:**
  - While public finance from developed nations is crucial, mobilising private sector investment and leveraging innovative financial instruments remain challenges in scaling up climate finance.
- **Capacity Building and Technology Transfer:**
  - Climate finance **should not only focus on monetary support** but also on **capacity building and technology transfer** to enable developing countries to effectively implement climate action and transition to low-carbon economies.
- **Debt Burdens:**
  - The climate finance requirements **add to the existing debt burdens of many developing nations,** raising concerns about their ability to access and repay loans for climate action.
- **Economic Impacts:**
  - The **global economic slowdown and competing priorities** may make it challenging for developed nations to allocate significant resources towards climate finance.

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims:

Q. With reference to the Agreement at the UNFCCC Meeting in Paris in 2015, which of the following statements is/are correct? (2016)

1. The Agreement was signed by all the member countries of the UN, and it will go into effect in 2017.
2. The Agreement aims to limit the greenhouse gas emissions so that the rise in average global temperature by the end of this century does not exceed 2ºC or even 1.5ºC above pre-industrial levels.
3. Developed countries acknowledged their historical responsibility in global warming and committed to donate $ 1000 billion a year from 2020 to help developing countries to cope with climate change.

Select the correct answer using the code given below:

(a) 1 and 3 only
(b) 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

Ans: B

Mains:

Q. Describe the major outcomes of the 26th session of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC). What are the commitments made by India in this conference? **(2021)**

Q. Explain the purpose of the Green Grid Initiative launched at the World Leaders Summit of the COP26 UN Climate Change Conference in Glasgow in November 2021. When was this idea first floated in the International Solar Alliance (ISA)? **(2021)**