Climate Finance

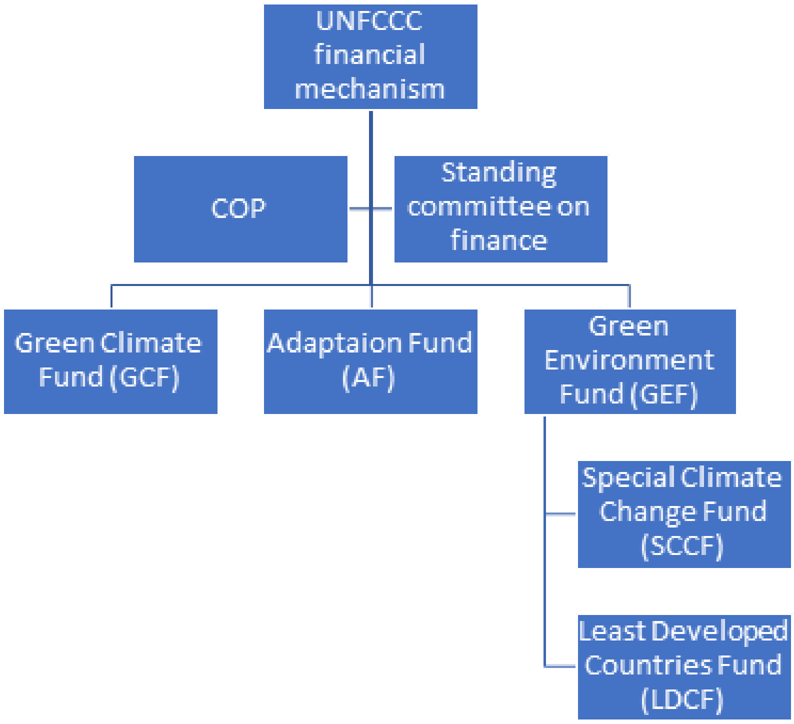
Why in News

Recently, the Finance Minister of India and her US counterpart met for the eighth ministerial meeting of the U.S.-India Economic and Financial partnership.

- The major highlight of the ministerial meeting is that it discussed **climate finance** for the first time under the aegis of **Climate Action and Finance Mobilization Dialogue** (CAFMD).

Key Points

- **About:**
    - Climate finance refers to **local, national or transnational financing**—drawn from public, private and alternative sources of financing—that seeks to **support mitigation and adaptation actions** that will address **climate change.**
        - Climate finance **is needed for mitigation, because large-scale investments are required** to significantly reduce emissions.
        - It is equally **important for adaptation, as significant financial resources are needed to adapt to the adverse effects** and reduce the impacts of a changing climate.
- **Climate Finance & UNFCCC:**
    - To facilitate the provision of climate finance, the **United Nations Framework Convention on Climate Change (UNFCCC)** has established the financial mechanism to provide financial resources to developing country Parties.
        - **The Adaptation Fund under Kyoto Protocol:** It aims to finance concrete projects and programmes that help vulnerable communities in developing countries that are Parties to the **Kyoto Protocol** to adapt to climate change.
        - **Green Climate Fund:** It is the financial mechanism of the UNFCCC, established in 2010.
            - India has been pushing for rich countries to meet their **Paris Accord** climate finance commitment of **USD 100 billion per year.**
        - **Global Environment Fund (GEF):** GEF has served as an operating entity of the financial mechanism since the Convention came into force in 1994.
            - It is a private equity fund focused on seeking long term financial returns by investments in clean energy under climate change.
        - GEF also maintains two additional funds, the **Special Climate Change Fund** (SCCF) and the **Least Developed Countries Fund (LDCF).**



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- **Climate Financing in India:**
    - **National Adaptation Fund for Climate Change (NAFCC):**
        - It was established in 2015 to **meet the cost of adaptation to climate change for the State and Union Territories** of India that are particularly vulnerable to the adverse effects of climate change.
    - **National Clean Energy Fund:**
        - The Fund was created to **promote clean energy,** funded through an initial carbon tax on use of coal by industries.
        - Governed by an Inter-Ministerial Group with the Finance Secretary as the Chairman.
        - Its mandate is to fund research and development of innovative clean energy technology in the fossil and non fossil fuel based sectors.
    - **National Adaptation Fund:**
        - The fund was established in 2014 with a corpus of Rs. 100 crore with the aim of bridging the gap between the need and the available funds.
        - The fund is operated under the **Ministry of Environment, Forests and Climate Change (MoEF&CC).**

Principles of Climate Finance

- **Polluter Pays:**
    - The **'polluters pays' principle** is the commonly accepted practice according to which those **who produce pollution should bear the costs** of managing it to prevent damage to human health or the environment.
    - This principle underpins most of the regulation of pollution affecting land, water and air formally known as the **1992 Rio Declaration.**
    - It has also been applied more specifically to emissions of greenhouse gases which cause climate change.
- **Common but Differentiated Responsibility and Respective Capability (CBDR–RC):**
    - CBDR–RC is a principle within the **UNFCCC.** It acknowledges the different capabilities and

differing responsibilities of individual countries in addressing climate change.

- **Additionality:**
    - Climate finance should be **additional to existing commitments** to avoid the diversion of funding for development needs to climate change actions.
    - This includes use of public climate finance and **investments by the private sector.**
- **Adequacy & Precaution:**
    - In order to take **precautionary measures** to prevent or minimise the causes of climate change as a stated goal under UNFCCC, the **level of funding needs to be sufficient to keep a global temperature within limits** as possible.
    - A better level of adequacy might be increased in the national estimates of the needed climate funds, this will help build planned investments with respect to INDC.
- **Predictability:**
    - Climate finance must be predictable to **ensure sustained flow of climate finance.**
    - It can be done through multi-year, medium-term funding cycles (3 – 5 years).
    - This allows for an adequate investment program to scale up the country's national adaptation and mitigation priorities.

Source: TH