

## Climate Finance

### Why in news?

During the 3<sup>rd</sup> Climate and Development Ministerial, Sultan bin Ahmed Al Jaber, COP28 President, has emphasized the need to address adaptation finance gaps and make climate finance more accessible to vulnerable nations.

### What is climate finance?

- **Climate finance** - It refers to local, national or transnational financing, drawn from public, private and alternative sources of financing to support mitigation and adaptation actions that will address climate change.
- *UNFCCC, Kyoto Protocol and the Paris Agreement* call for financial assistance from parties with more financial resources to those that are less endowed and more vulnerable.
- **Significance** - It can help countries transition to low-carbon and climate-resilient development paths.

### What are the global climate financing mechanisms?

- **Global Environment Facility (GEF)**- [GEF](#) serves as financing mechanism for the following conventions

| Conventions                                                                    | About                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <a href="#">Convention on Biological Diversity</a>                             | Aims to conserve biological diversity, use its components sustainably, and share the <i>benefits of genetic resources</i> fairly and equitably                                                                 |
| <a href="#">United Nations Framework Convention on Climate Change (UNFCCC)</a> | An international environmental treaty to combat dangerous human interference with the climate system, by <i>stabilizing greenhouse gas</i> concentrations in the atmosphere                                    |
| <a href="#">Stockholm Convention (2001)</a>                                    | An international environmental treaty to eliminate or restrict the production and use of <i>persistent organic pollutants</i>                                                                                  |
| UN Convention to Combat Desertification                                        | A convention to combat desertification and mitigate the effects of drought through national action programs.                                                                                                   |
| <a href="#">Minamata Convention</a>                                            | An international treaty to protect human health and environment from anthropogenic emissions and <i>releases of mercury and its compounds</i>                                                                  |
| <a href="#">Montreal protocol (1989)</a>                                       | An international treaty to <i>phase out the production of ozone depleting substances</i> .<br>(GEF is <i>not formally linked</i> to this protocol, but supports its implementation in transitioning economies) |

- Special funds set up and managed under GEF include
  - The Special Climate Change Fund (SCCF)
  - The Least Developed Countries Fund (LDCF)
- **Earth Summit- *Common but Differentiated Responsibilities*** (CBDR) is a principle that was formalized in UNFCCC of Earth Summit in Rio de Janeiro, 1992.

*In accordance with the principle of “CBDR”, developed countries have to provide financial resources to assist developing country Parties in implementing the objectives of the UNFCCC.*

- **Kyoto protocol**- It is based on CBDR principle.
  - **Market based mechanisms**- Climate friendly investments like Clean Development Mechanism (CDM), Emission Trading.
  - **Adaptation fund- *Marrakesh Accords*** established this fund under CDM, which supports projects and programs that assist vulnerable communities in coping with the climate change impacts.
- **Green Climate Fund (GCF)**- It was established in 2010 as financial mechanism for UNFCCC based in *Incheon, South Korea*.
- It supports program, policies, projects, etc. through state of the art funding window that involves a country owned partnership approach and flexible financing solutions and climate investment expertise.
- **Paris Agreement**- It was adopted in 2015 which reaffirms the commitment of developed countries to mobilize 100 billion dollar per year by 2020 and extends it until 2025.
- **New Quantified Collective Goal**- By 2025, climate finance will be set starting from 100 billion dollar per year.



### **What are the concerns with the climate financing mechanisms?**

- **Financial mobilisation**- The developed countries are required to provide financial resources to developing countries, but there is no agreed approach to share the burden of this goal.
- **Lack of contribution**- The developed countries have not been able to meet the mark of a mobilisation of 100 billion dollars climate finance.
- **Financial crunch**- The financial needs of developing countries to switch to low-carbon and climate resilient development are not adequately funded by the financial mechanisms of the UNFCCC.
  - India, needs 206 billion dollars for adaptation and 834 billion dollars for mitigation until 2030.
- **Lack of political will**- The developed countries showed strong political will to respond to the *global financial crisis* in 2009-10 by mobilising 1.1 trillion dollars in short time, but same commitment is missing when it comes to climate finance transfers.

## References

1. [The Hindu- Stocktaking climate financing](#)
2. [UNFCC- Introduction to climate financing](#)
3. [Times of India | COP28 President calls for improved adaptation finance](#)

