Climate Finance

Why in news?

During the 3rd 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
Convention on Biological Diversity	Aims to conserve biological diversity, use its components sustainably, and share the *benefits of genetic resources* fairly and equitably
United Nations Framework Convention on Climate Change (UNFCCC)	An international environmental treaty to combat dangerous human interference with the climate system, by *stabilizing greenhouse gas* concentrations in the atmosphere
Stockholm Convention (2001)	An international environmental treaty to eliminate or restrict the production and use of *persistent organic pollutants*
UN Convention to Combat Desertification	A convention to combat desertification and mitigate the effects of drought through national action programs.
Minamata Convention	An international treaty to protect human health and environment from anthropogenic emissions and *releases of mercury and its compounds*
Montreal protocol (1989)	An international treaty to *phase out the production of ozone depleting substances.* (GEF is *not formally linked* 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