

## 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> . (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.

### INITIATIVES SUPPORTED BY COP28 PRESIDENCY

- > The urgent delivery of the long-overdue US\$100 billion annual funding commitment by developed countries to help developing countries;
- > Substantial replenishment of the Green Climate Fund, emphasising a balance between mitigation and adaptation;
- > New adaptation finance pledges towards doubling adaptation finance by 2025;
- > Successful replenishment of the Adaptation Fund, the only dedicated multilateral fund for adaptation; and
- > Timely operationalisation of the Loss and Damage Fund, a crucial element in the discussion on adaptation.
- > The UAE will also host the Adaptation Fund Contributor Dialogue during the first week of COP28. The Contributor Dialogue will be a pledging conference to support vulnerable nations in the fight against climate change.

### 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. [UNFCCC- Introduction to climate financing](#)
3. [Times of India | COP28 President calls for improved adaptation finance](#)



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