



Overcoming the issues with climate finance

What is the issue?

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The fight against climate change needs huge flows of money and the Katowice summit should ensure that the developed countries stay up to its promised pledges.

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What is the background?

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- The UN Framework Convention on Climate Change (UNFCCC) requires a group of rich and developed countries to provide financial assistance to developing nations to deal with climate change.

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- This was based on the Common but Differentiated Responsibilities (CBDR) principle, which was formalized in the Earth Summit in Rio de Janeiro, 1992.

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- CBDR principle acknowledges all states have shared obligation to address environmental destruction but denies equal responsibility of all states with regard to environmental protection.

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- This was because developed countries contributed more to environmental degradation and should have greater responsibility than developing countries.

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What are the concerns with global climate finance?

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- Under the CBDR principle, the developed countries agreed to mobilise \$100 billion for the developing nations every year from 2020 at the 2015 Paris agreement.

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- The Agreement makes it incumbent upon developed countries to communicate every two years on the money they would provide to the developing countries and also on the money finally delivered to them.

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- **Commitment obligation** - The track record of the developed countries in fulfilling their finance commitments has been disappointing.

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- They have often been accused by developing countries of double-counting, inflating claims, re-packaging existing aid money as climate finance, and ignoring the requirements of adaptation activities.

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- **Irregular flow of money** - A report by OECD said that money flowing from developed to developing countries, just from government sources, had increased by 44% over five years.

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- However, the UNFCCC report says that the rate of year-on-year increase in the total climate finance had actually declined in 2016.

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- Money flows through multilateral institutions like the Green Climate Fund have also stagnated, with US walking out of the Paris Agreement.

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- Only about 12% of the total pledges to multilateral climate funds had actually materialised into disbursements.

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- **Lack of analysis** - The \$100 billion figure was not reached as a result of any careful analysis of requirements.

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- Thus, the goal of USD 100 billion is a meagre amount in size in contrast to the actual needs assessed for developing countries in trillions of dollars.

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- **Terms** - The developed countries only need to mobilise the finance, and not entirely contribute the pledged amount from their own resources, as per the terms of the agreement.

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- Thus, they have options to mobilise some money from the host country, either in the form of government collaboration or as private investment.

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What are the promises made in the Katowice summit?

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- **From banks** - Five Europe-based multinational banks pledged to employ cash lying with them to nudge clients away from polluting businesses.
- These banks have a combined loan book of over €2.4 trillion, which can play a major role in scaling and accelerating the transition toward a climate-resilient world.
- They have also committed to develop open-source methods and tools for measuring the alignment of lending portfolios with the goals of the Paris Agreement.

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- **From countries** - Poland and UK jointly presented a declaration towards electro mobility and zero-emission transport.
- The Declaration has been signed by 40 countries including China, Japan, Indonesia, Mexico, France, and Germany.
- India is not among the signatory countries.

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- The Declaration endorsed several steps to accelerate the transition to low emission vehicles including -

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1. Driving demand through consumer initiatives
2. Promote the deployment of ZEVs (zero-emission vehicles) on a global scale
3. Building a smart infrastructure network
4. Driving up air quality standards in our towns and cities

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5. Support to zero-emission R&D

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- Thus sector-specific measures can overcome the problem of inadequate financing, thereby ensuring reliable implementation methods towards a zero carbon future.

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What more needs to be done?

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- The Katowice summit needs to put in place clear and transparent accounting mechanisms to measure and verify flows of climate finance.
- Also, it should ensure that climate finance must be provided for mitigation as well as adaptation efforts as mentioned in the Paris Agreement.

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Source: The Indian Express

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