

# CLIMATE FINANCING

## Context

- The United Arab Emirates, which is hosting the ongoing COP28 climate summit, announced on December 1 that it would contribute \$30 billion to a new fund aiming to divert private sector capital towards climate investments and improve financing for the Global South.

## What is Climate Financing?

- Climate finance refers to large-scale investments required for actions aiming to mitigate or adapt to the consequences of climate change.
- Adaptation involves anticipating the adverse effects of climate change and taking appropriate action to prevent or minimize the damage it can cause.
- Example: Adaptation measures include building infrastructure to protect coastal communities against sea-level rise.

## Why are developing nations demanding climate finance?

- Developing countries have argued that developed nations should provide financial assistance to them to tackle climate change.

## Reason Behind the Demand

- It was due to the (now) rich world's emissions over the last 150 years that caused the climate problem in the first place.
- The 1992 United Nations Framework Convention on Climate Change (UNFCCC)
- The mother agreement under which COP summits have been taking place.
- Required high-income countries to provide climate finance to the developing world.

## How much climate finance is needed?

- According to a 2021 analysis by the UNFCCC standing committee, developing countries require at least \$5.8 trillion by 2030 to meet the needs mentioned in their Nationally Determined Contributions (NDCs).
- This means they require around \$600 billion every year, which is much lower than the amount promised by developed countries.

## Different Climate Financing Mechanism:

- To facilitate the provision of climate finance, the UNFCCC established a financial mechanism to provide financial resources to developing country Parties.
- The financial mechanism also serves the Kyoto Protocol and the Paris Agreement.

## Global Environment Facility:

- It has served as an operating entity of the financial mechanism since the Convention entered into force in 1994.



## Timeline of Climate Financing Decision

- 2009:**
  - No written promises were made until 2009, though
  - That year, developed countries finally agreed to provide \$100 billion a year to developing countries by 2020.
- 2010**
  - In 2010, the Green Climate Fund (GCF) was established as a key delivery mechanism.
- 2015**
  - The 2015 Paris Agreement reinforced this target, and extended it to 2025.
  - However, the high-income countries are yet to fulfill their pledge (more on this later).

## Green Climate Fund:

- At COP 16, in 2010, Parties established the GCF and in 2011 also designated it as an operating entity of the financial mechanism.

## Special Climate Change Fund (SCCF):

- Established: 2001
- Funding for:
  - adaptation
  - technology transfer and capacity building
  - energy, transport, industry, agriculture, forestry and waste
  - management economic diversification.

## Least Developed Countries Fund (LDCF):

- LDCF was established to support a work program to assist Least Developed Country Parties carry out the preparation and implementation of national adaptation programmes of action (NAPAs).

## Adaptation Fund:

- Established: 2001
- To provide funding for practical adaptation initiatives in developing nations that are signatories to the Kyoto Protocol and are particularly susceptible to the negative effects of climate change.

## Climate Financing Mechanism in India

### NAFCC: The National Adaptation Fund for Climate Change (NAFCC)

- A Central Sector Scheme
- Set up year: 2015-16
- The overall aim of NAFCC is to support concrete adaptation activities that mitigate the adverse effects of climate change

### NCEF: The National Clean Energy Fund (NCEF)

- Was created to invest in entrepreneurial ventures and research in the field of clean energy technologies.
- Compensatory Afforestation Fund:
- The CAMPA funds are utilised for compensating the loss of forest land and ecosystem services by raising of compensatory afforestation, improving quality of forest:

## Challenges in Climate Finance

- Non-fulfillment of Commitments by developed nations
- Non-concessional loans
- Skewed money allocation
- The gap between funding and requirements
- Overstatement of financing:
- Double challenge of development and climate financing
- Lack of support for LDCs (least developed countries) and SIDS (small island developing states)

