

US\$ 100 Billion per year- Fiction or Reality?



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THE BIG PROMISE

- Article 2.1c of the Paris Agreement is of enormous consequence. In it, Parties commit to "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."
- Enhance resilience for 4 billion people living in the most climate vulnerable communities by 2030
- US\$ 100 billion per annum by 2020 –UNFCCC COP 15
- UN IPCC's estimate that \$1.6 trillion–\$3.8 trillion is required annually to avoid warming exceeding 1.5 °C.
- Essential for securing progress and meeting the goals of the Paris Agreement
- Accelerating the shift to low-carbon and resilient infrastructure
- Compared to \$554 billion per year between 2017 and 2019



Current Finance Flow-the OECD version



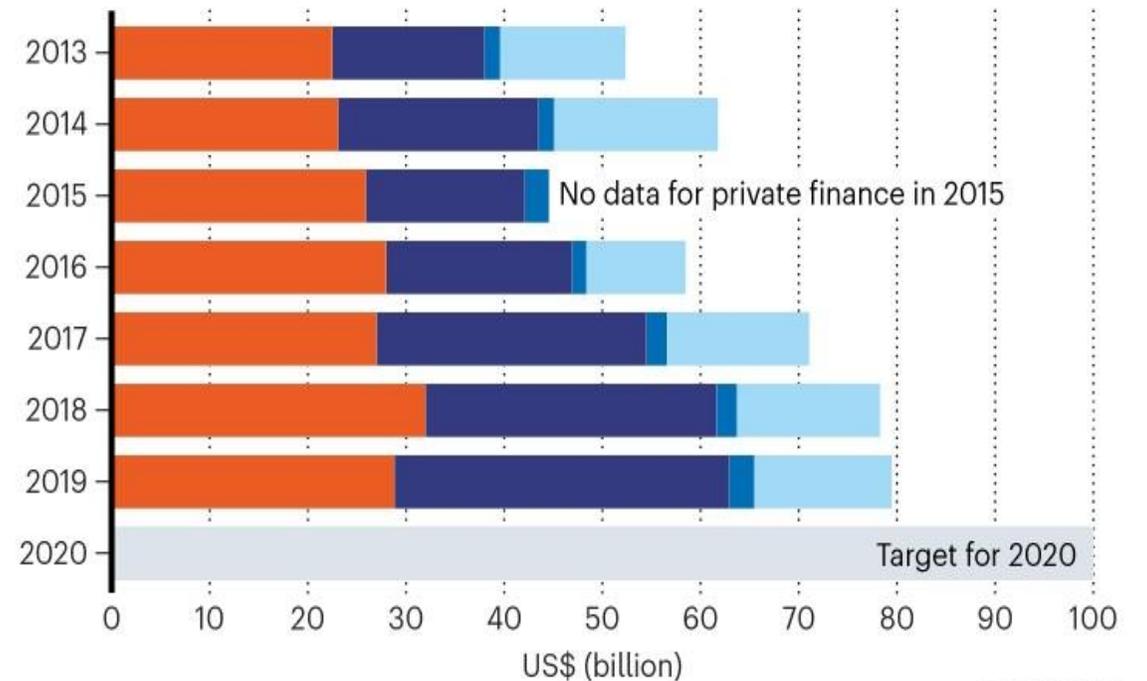
According to OECD:

- Rich developed countries contributed \$80 billion in 2019 and \$ 78 billion in 2018
- These were in the form of grants or loans at a bilateral level or through Multilateral Development Banks or private sector sources

MISSED TARGET

Rich countries promised developing nations US\$100 billion a year in climate finance by 2020.

■ Bilateral finance ■ Multilateral finance* ■ Export credits ■ Private finance



*Including financing through multilateral development banks.

Current Finance Flow –the recipients version

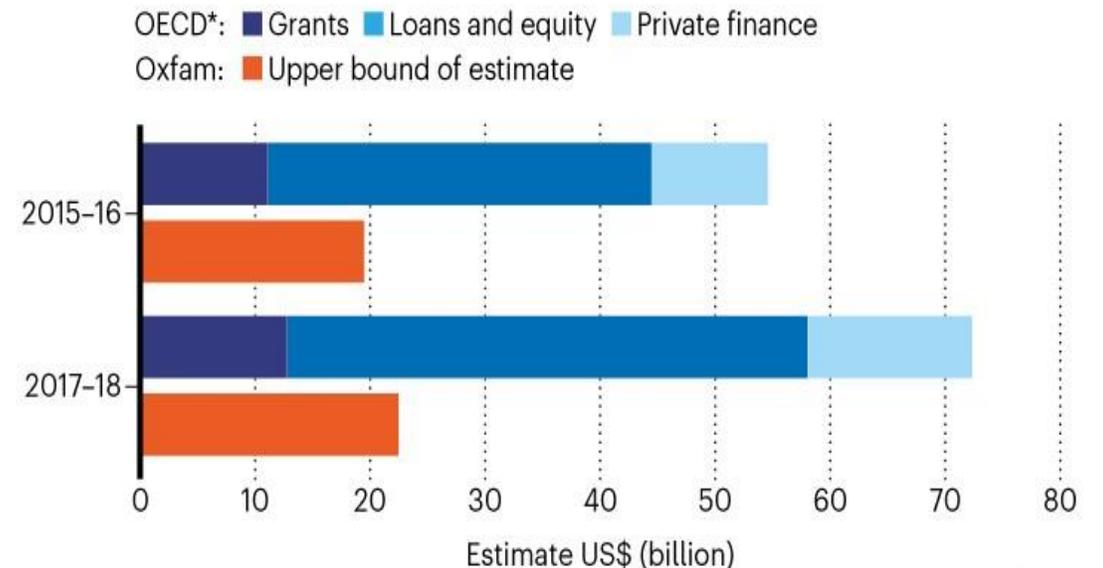


The recipient countries and Oxfam are challenging the OECD figures

- They say the OECD's numbers are vastly inflated
- Oxfam estimated public climate financing at only \$19 billion–\$22.5 billion in 2017–18
- Besides grants, only the benefit accrued from lending at below-market rates should be counted
- Some countries incorrectly count development aid as going towards climate projects.
- Some road construction projects are reported as climate aid

INFLATED FIGURES?

Charities such as Oxfam say that climate aid is worth much less than its face value, in part because a lot of it comes as loans, not grants.



*Organisation for Economic Co-operation and Development

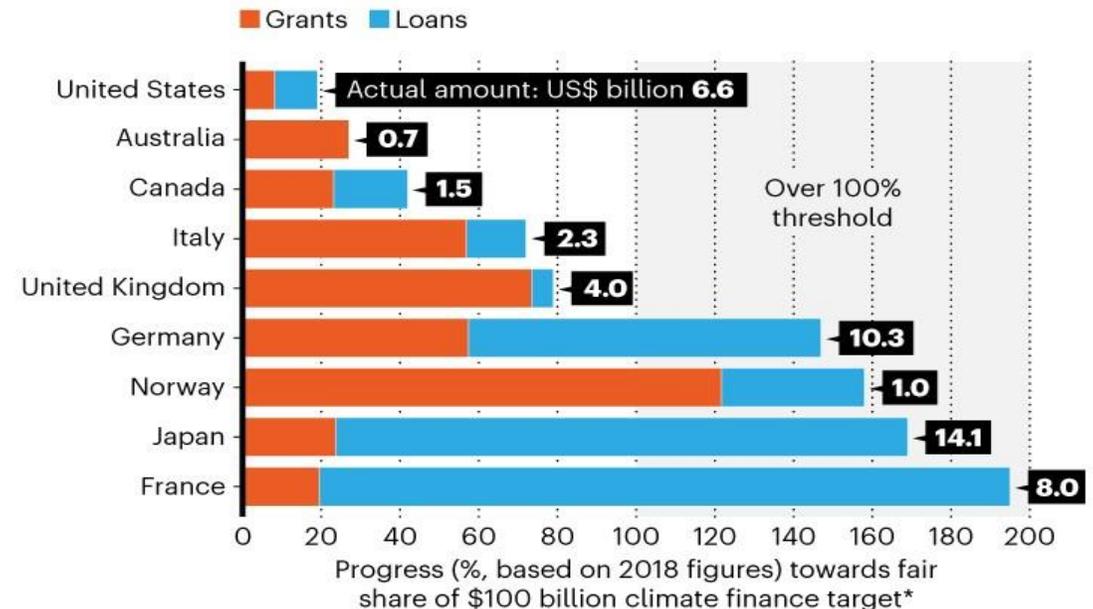
Which countries are contributing?



- Gap in the agreement to the \$100-billion goal- no formal deal on what each should pay
- WRI reckoned that the US should contribute 40–47% of the \$100 billion (criteria-wealth, past emissions or population). Its its average annual contribution from 2016 to 2018 was only around \$7.6 billion
- Japan and France have transferred more than their fair share — although almost all of their funding came in the form of repayable loans, not grant
- The EU and its member states are already providing roughly double the amount the US has pledged

FAIR SHARE

The United States has not paid enough in climate finance to developing nations, considering the size of its economy. Japan and France have paid more than their fair share, but much of it in loans, not grants.



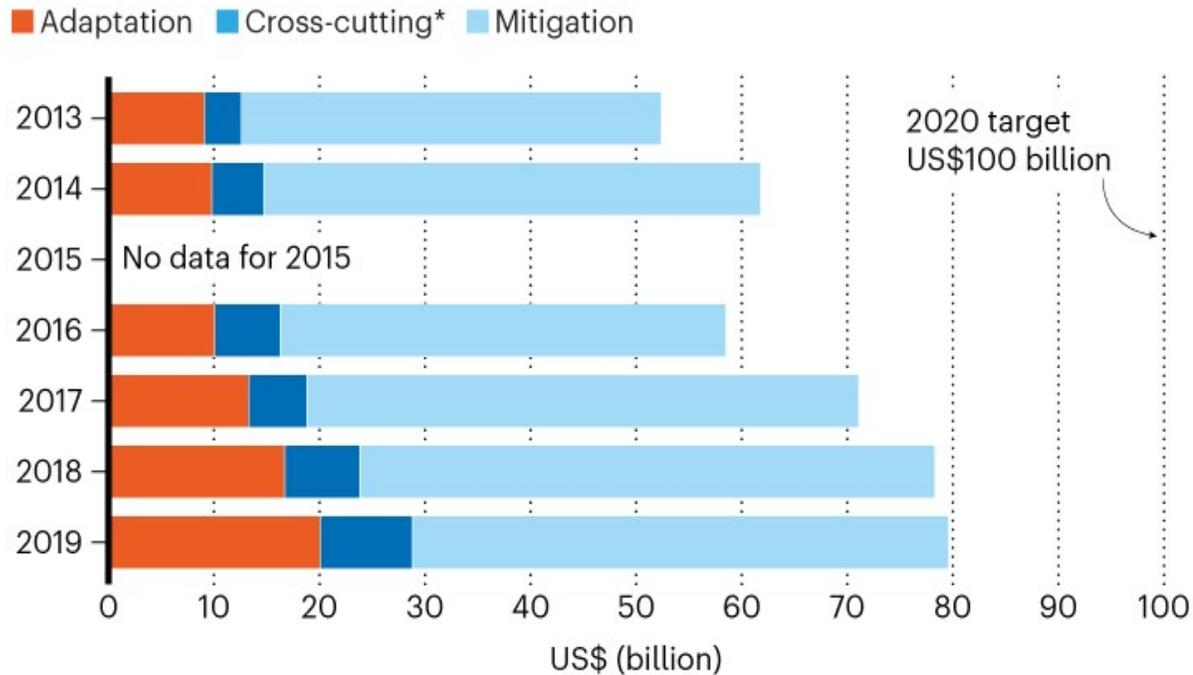
*Estimates include both bilateral and multilateral development bank financing, and incorporates European Union climate financing, apportioned to relevant nations

Funding predominantly for Mitigation



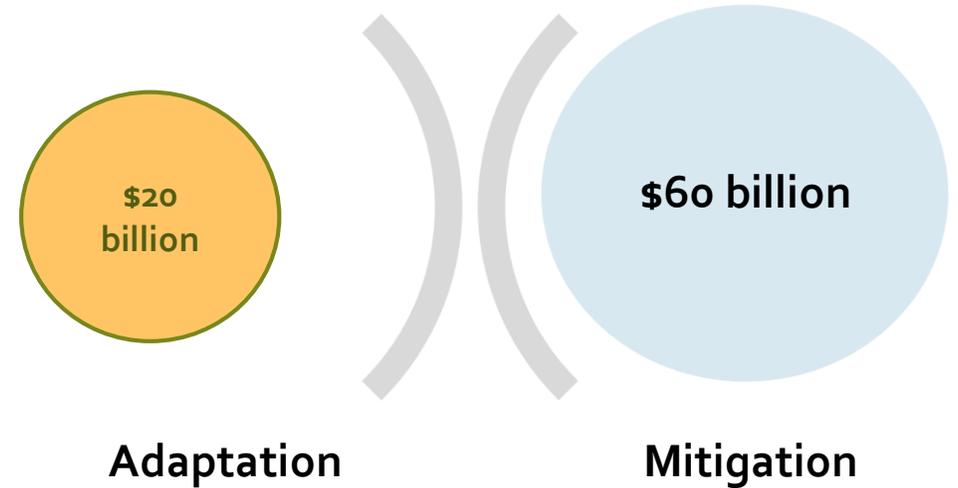
ADAPTATION LAGGING

Most public climate financing to developing nations has gone to projects that reduce carbon emissions, rather than helping people adapt to climate change.



*Relevant to adaptation and mitigation.

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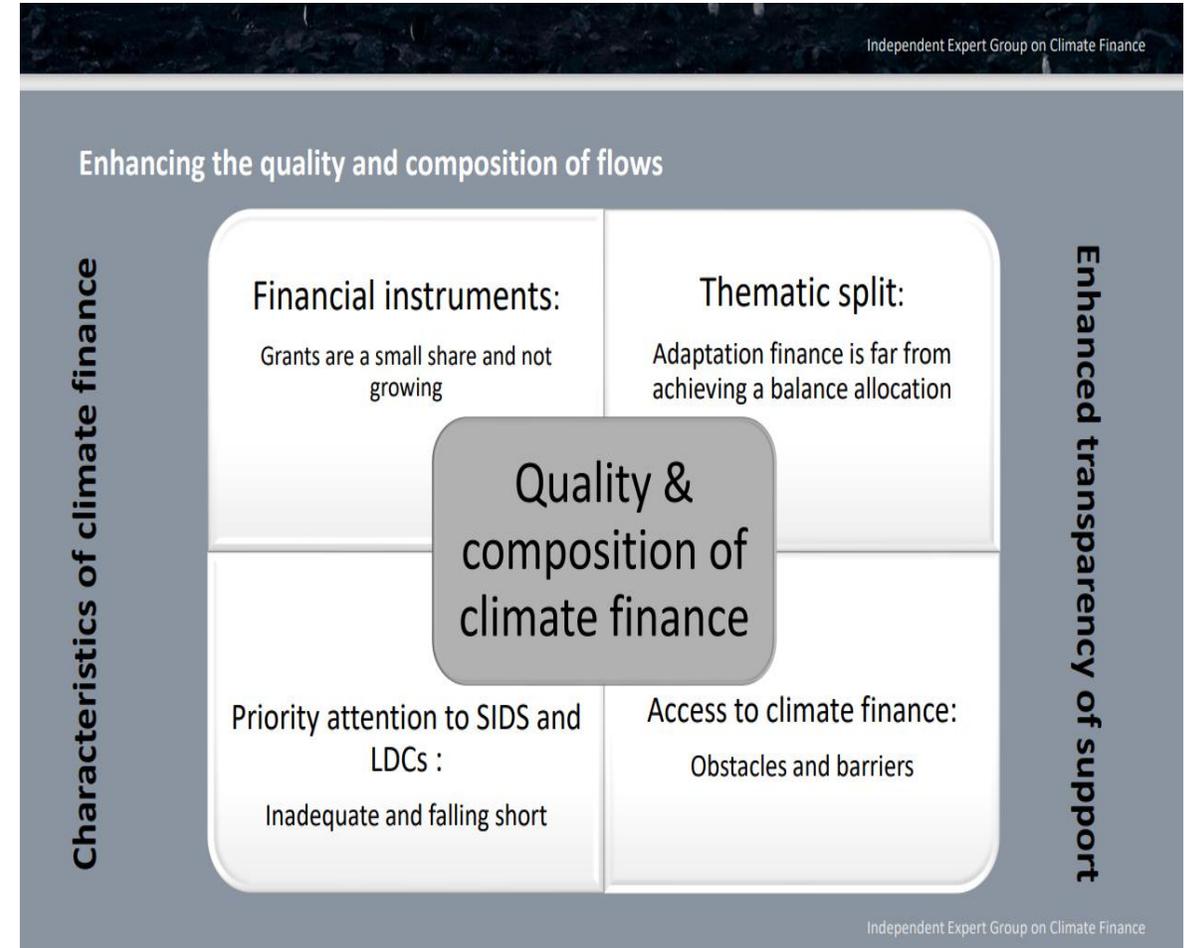


Paris agreement aimed for a balance between these 'mitigation' and adaptation projects

Forms and issues with Financing



- Money is increasingly provided as loans rather than grants.
- Adaptation almost never is a loan-giving situation
- Climate finance is also going to middle-income countries, not the poorest, most-vulnerable countries
- Access to grants under multilateral organizations difficulty -complexity and the technicality of procedures
- Adaptation funding for the UN's 46 'least developed countries'-only \$5.9 billion between 2014 and 2018, less than 20% of the amount developed countries said they had given could be accounted for.

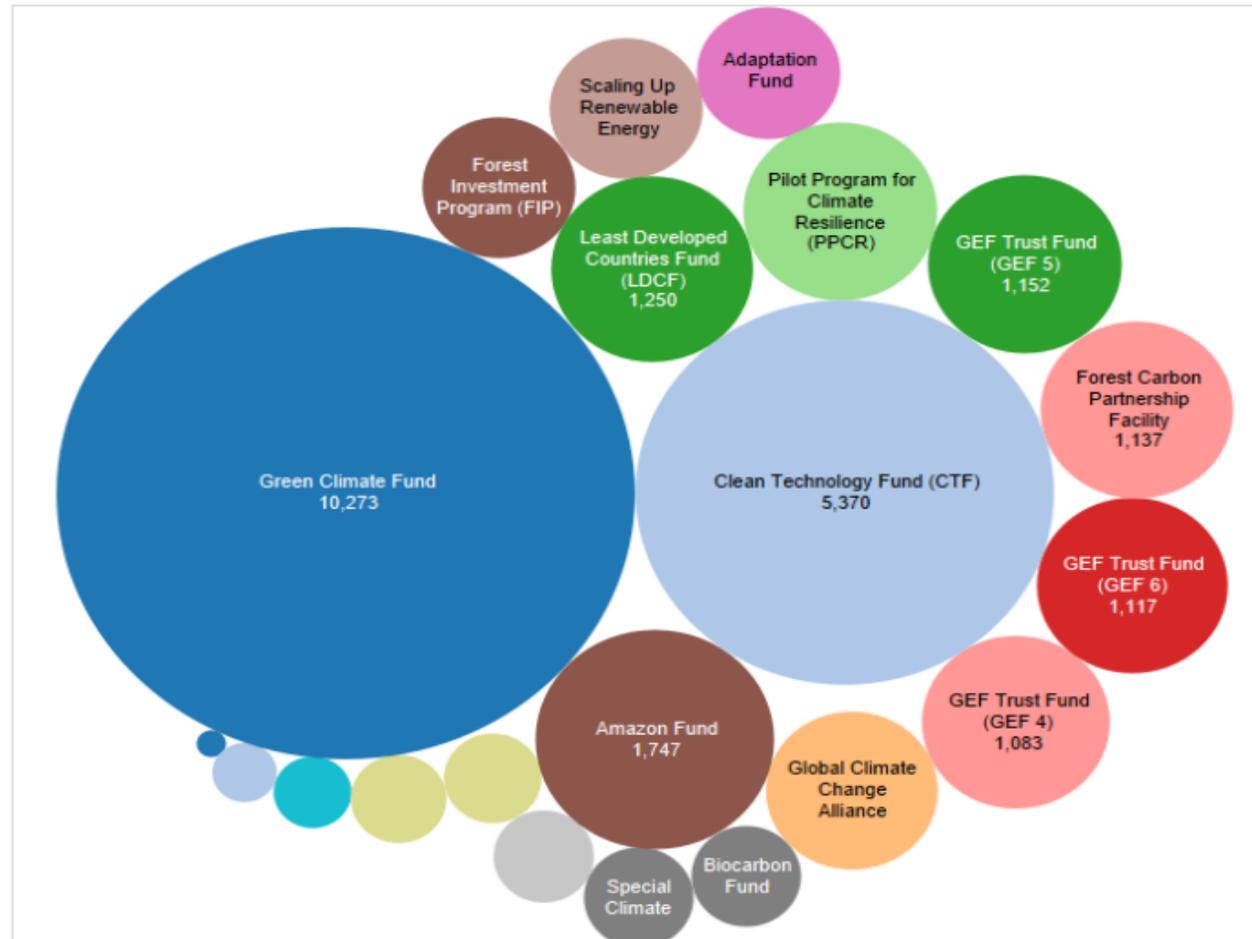


Size and sources of financing



Figure 2: Size of public climate funds, in million USD⁵

Fund sizes (based on pledges made by countries)

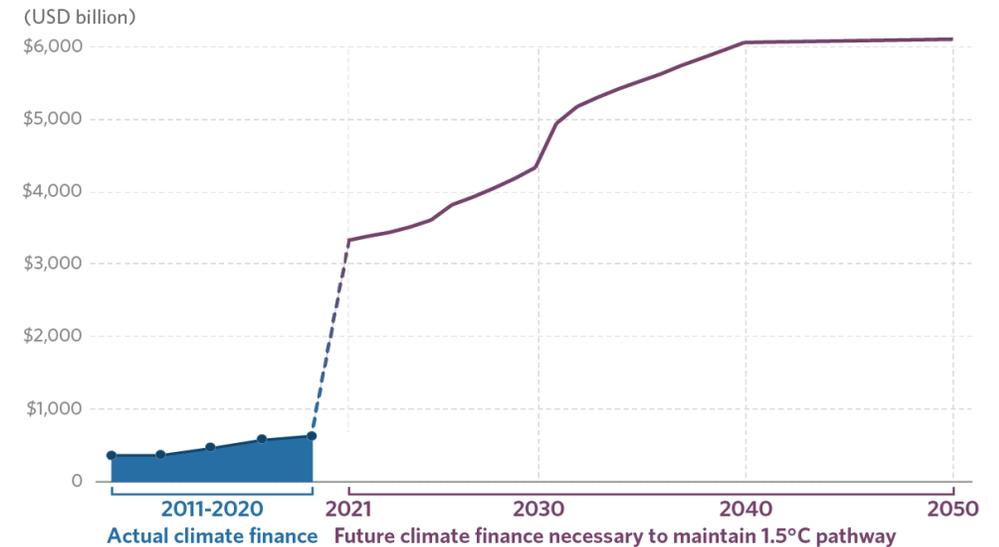


Upscaling of Climate Financing



- UNFCCC COP 27-call to increase public funding in volume and share of adaptation and resilience finance, -mobilise the USD\$140 billion to USD\$300 billion needed annually by 2030
- Scaling up of grant finance instead of other financial instruments,
- Sort out the underfunding of adaptation, the lack of adequate finance for LDCs and SIDS, and obstacles to expeditious access of developing countries to climate finance.
- Bolster and make more coherent the concessional climate finance architecture encompassing the Green Climate Fund, the Global Environment Facility, the Climate Investment Funds, the Adaptation Fund as well as the concessional windows of the multilateral development banks and the Global Infrastructure Facility
- International and national carbon markets should be promoted more actively. Progress in the negotiations over Article 6 of the Paris Agreement has renewed hopes that international carbon markets can be brought into operation

Figure 3: Global tracked climate finance flows and the average estimated annual climate investment need through 2050



Source: Climate Policy Initiative



THANK YOU
FOR
ATTENTION