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How to ramp up global climate finance flows

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From the 1992 Rio Conference to the Katowice Conference in 2018, the United Nations Framework Convention on Climate Change (UNFCCC) witnessed a remarkable journey, with the adoption of a number of agreements, the latest being the Paris Agreement, which aims to strengthen the global response to the threat of climate change. Every nation was called upon to submit its nationally determined contribution (NDC), to achieve the Convention's objectives. India's NDC was on a "best efforts basis", keeping in mind developmental imperatives, envisaging availability of international public finance.

Climate finance is indisputably a key pillar in enabling climate actions. The Convention mandates developed countries to take the lead in mitigation actions and provide financial resources to developing countries for climate actions. For the first time since 1992, climate finance was quantified in Copenhagen in 2009, to induce developing countries to scale up their mitigation actions and a flow of $100 billion a year by 2020 by the developed countries was mooted.

Article 9 of the Agreement stipulates that developed countries shall provide financial resources to developing countries. While the Agreement was hailed by many, all agreed that a new collective goal from the current floor of $100 billion per year be set in 2025.

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There have been various claims about progress towards the Copenhagen goal of $100 billion. Just before the Paris negotiations in 2015, an Indian ministry of finance paper questioned the credibility and accuracy of the reported figures. According to a UNFCCC report, total climate-specific finance flows (self-reported figures) from developed countries in 2016 were only about $38 billion. Estimates suggest that implementing developing-country NDCs would require $4.4 trillion. Therefore, how this quantum jump would be achieved was the foremost question in everybody's mind after the Paris Agreement.

Besides agreeing on new rules of accounting and a reporting framework for climate finance, the Katowice outcome was expected to improve the acceptability of the reported numbers.

In the run-up to Katowice in 2018, India's ministry of finance had released a paper, *3 Essential 'S's of Climate Finance — Scope, Scale and Speed: A Reflection*. The paper analysed post-Paris Agreement developments and the seriousness of discourse needed in the international climate finance arena. In essence, the paper observed that coverage of climate finance was ambiguous, the quantum was insufficient and pace of delivery of finance was slow. The paper also identified essential elements required for a robust and transparent accounting of climate finance flows.

The Katowice decision came out with rules governing climate finance — identification of *ex ante* and *ex post* information on financial support provided and mobilised by developed countries. This stressed greater granularity in reporting — type of sectors for which support is provided, type of financial instruments, etc. Apparently, the outcome was tilted towards developed countries with wording such as "as available" and "an indication", with regard to projected levels of financing and new and additional resources respectively. Financial instruments such as loans and equity were allowed to be counted as climate finance and developed countries were asked to report the grant equivalence on a voluntary basis only.

In effect, the long-standing demand for ensuring clarity in climate finance flows was not delivered. The commitment of finance by developed countries has also been diluted because the $100 billion per year originally meant for mitigation now includes adaptation also. In essence, the Katowice finance outcome was thus a bit of an anti-climax. Since Katowice, the IPCC Report is being used to urge all nations including developing countries to ramp up their already submitted NDCs even before they start implementing it from January 1, 2021. However, it is evident that any increase in ambition will need to be accompanied by an increase in climate finance, on an equal footing.

Some processes tend to put private finance on a higher pedestal. The private sector is likely to invest where returns are high and risks are low. Precisely for this reason, Article 9.3 of the Agreement noted the significant role of public finance. Yet, it is essential to explore innovative instruments to supplement public finance, such as interest subsidies and sovereign guarantees, which can catalyse private finance.

Lastly, a great deal of stress is being laid upon inter-generational equity (the rights and welfare of future generations) in regard to emergent climate actions proposed to be taken by the present generation. However, the imperatives of intra-generational equity, such as eradication of poverty and equitable socio-economic development, cannot be brushed-aside.

The next Conference is to be held in Chile in December 2019. The UN Secretary General, in his World Environment Day message on June 5, stated: "There is no time to lose. This is the battle of our lives. Solutions exist". Implementation of NDCs will apparently hit a roadblock in the face of an uncertain future in the provisioning of climate finance. Under these circumstances, effectively addressing the three "Ss" of climate finance — scope, scale and speed — is necessary for a realistic hope of achieving the goals of the Paris Agreement.

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