Climate Finance

For Prelims: Climate Finance, COP 26, Kyoto Protocol, Paris Agreement, United Nations Framework Convention on Climate Change (UNFCCC), Green Climate Fund (GCF)

For Mains: Climate Finance and its Significance

Why in News?

Recently, the **UNFCCC COP26** President, Alok Sharma, visited India to discuss India's implementation of its COP 26 commitments.

- He also stated that a mechanism is being put in place to achieve the **target of** climate financing **USD 100 billion by 2023.**

What is Climate Finance?

- **About:**
  - It refers to **local, national, or transnational financing—drawn from public, private and alternative sources** of financing—that seeks to **support mitigation and adaptation actions that will address climate change.**
  - The UNFCCC, **Kyoto Protocol**, and the **Paris Agreement** call for financial assistance from Parties with **more financial resources (Developed Countries)** to those that are less endowed and **more vulnerable (Developing Countries).**
    - This is in accordance with the principle of **"Common but Differentiated Responsibility and Respective Capabilities" (CBDR).**
  - In COP26, new financial pledges to support developing countries in achieving the global goal for adapting to the effects of climate change were made.
    - **New rules for the international carbon trading mechanisms agreed at COP26 will support adaptation funding.**
- **Significance:**
  - Climate finance is needed for **mitigation** because large-scale investments are required to significantly reduce emissions.
  - Climate finance is equally **important for adaptation,** as significant financial resources are needed to adapt to the adverse effects and reduce the impacts of a changing climate.
  - Climate Financing recognizes that the contribution of countries to climate change and their capacity to prevent it and **cope with its consequences vary enormously.**
    - Hence, developed countries should also continue to take the lead in **mobilizing climate finance** through a variety of actions, including supporting country-driven strategies and taking into account the needs and priorities of developing country Parties.
  - Climate finance is critical to tackle the issues posed by climate change and **achieve the goal of limiting the rise in the earth's average temperature** to below 2 degrees Celsius over pre-industrial levels, something the **2018 IPCC report** has predicted.

What is the USD 100 Billion Target and why does it matter?

- In 2009, at the UNFCCC **COP15** (held in Copenhagen),
  - The developed country parties, to achieve **meaningful mitigation actions** and transparency on implementation, jointly set a target of **USD 100 billion a year by 2020** to address the needs of developing countries.
- The climate finance goal was then **formally recognized by the UNFCCC Conference of the Parties at COP16 in Cancun.**
  - At COP21 in Paris, Parties extended the $100 billion goals through 2025.
- After COP26 there was a consensus that developed **nations will double their collective provision of adaptation finance from 2019 levels by 2025**, in order to achieve this balance between adaptation and mitigation.

What is Green Financing?

- To assist the provision of climate financing, UNFCCC established **a financial framework** to give financial resources to developing nation Parties.
  - The **finance structure** also supports the **Kyoto Protocol and the Paris Agreement.**
- It specifies that the financial mechanism's operation can be **entrusted to one or more existing international entities,** since the Convention's entrance into force in 1994, the **Global Environment Facility (GEF) has acted as the financial mechanism's operating institution.**
  - Parties established the **Green Climate Fund (GCF) at COP 16 in 2010** and designated it as an operating entity of the financial mechanism in 2011.
  - The financial mechanism **reports to the COP, which determines its policies, programme priorities, and financing eligibility criteria.**
- **Other Funds:**
  - In addition to providing guidance to the GEF and the GCF, Parties have established **two special funds—**
    - **Special Climate Change Fund (SCCF)**
    - **Least Developed Countries Fund (LDCF),**
    - Both are **managed by the GEF**—and the Adaptation Fund (AF) established under the Kyoto Protocol in 2001.
  - At the Paris Climate Change Conference in 2015, the Parties agreed that the operating entities of the financial mechanisms – GCD, GEF, SCCF and the LDCF, **shall serve the Paris Agreement.**

What are India's Initiatives regarding Climate Finance?

- **National Adaptation Fund for Climate Change (NAFCC):**
  - It was established in 2015 to **meet the cost of adaptation to climate change for the State and Union Territories** of India that are particularly vulnerable to the adverse effects of climate change.
- **National Clean Energy Fund:**
  - The Fund was created to **promote clean energy**, and funded through an initial **carbon tax** on the use of coal by industries.
  - It is governed by an Inter-Ministerial Group with the Finance Secretary as the Chairman.
  - Its mandate is to fund research and development of innovative **clean energy technology** in the fossil and non-fossil fuel-based sectors.
- **National Adaptation Fund:**
  - The fund was established in 2014 with a corpus of Rs. 100 crores with the aim of bridging the gap between the need and the available funds.
  - The fund is operated under the **Ministry of Environment, Forests, and Climate Change (MoEF&CC).**

Way Forward

- Developed countries must assist and work with developing nations to help them make clean energy transitions and get financing for climate resilient infrastructure, thus, ensuring that the

former delivered on the $100-billion goal.
- Further, there is a need to sustain a political commitment to **raising new finance, besides,**
    - Ensuring that finance is **better targeted at** reducing emissions and vulnerability.
    - **Learning and improving** from recent experiences, particularly as the Green Climate Fund gets to work.

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims

Q.With reference to the Agreement at the UNFCCC Meeting in Paris in 2015, which of the following statements is/are correct? (2016)

1. The Agreement was signed by all the member countries of the UN, and it will go into effect in 2017.
2. The Agreement aims to limit the greenhouse gas emissions so that the rise in average global temperature by the end of this century does not exceed 2ºC or even 1.5ºC above pre-industrial levels.
3. Developed countries acknowledged their historical responsibility in global warming and committed to donate $ 1000 billion a year from 2020 to help developing countries to cope with climate change.

Select the correct answer using the code given below:

(a) 1 and 3 only
(b) 2 only
(c) 2 and 3 only
(d) 1, 2 and 3

Ans: (b)

EXP:

- The Paris Agreement was adopted in December 2015 at COP21 in Paris, France by the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC).
- The Agreement aims to limit the greenhouse gas emissions so that the rise in average global temperature by the end of this century does not exceed 2°C or even 1.5°C above pre-industrial levels. Hence, statement 2 is correct.
- The Paris Agreement entered into force on 4 November 2016, thirty days after the date on which at least 55 Parties to the Convention accounting in total for at least an estimated 55 % of the total global greenhouse gas emissions had deposited their instruments of ratification, acceptance, approval or accession with the depositary. Hence, statement 1 is not correct.
- Additionally, the agreement aims to strengthen the ability of countries to deal with the impacts of climate change, in line with their own national objectives.
- The Paris Agreement requires all Parties to put forward their best efforts through Nationally Determined Contributions (NDCs) and to strengthen these efforts in the years ahead. This includes requirement that all Parties report regularly on their emissions and on their implementation efforts.
- There will also be a global stocktake every 5 years to assess the collective progress towards achieving the purpose of the Agreement and to inform further individual actions by the Parties.
- Through the Cancun Agreements in 2010 developed country Parties **committed to a goal of mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries.**
- Further, they also agreed that prior to 2025 the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement shall set a new collective quantified goal from a floor of USD 100 billion per year. Hence, statement 3 is not correct. **Therefore, option (b) is the correct answer.**

Mains

Q. Describe the major outcomes of the 26th session of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC). What are the commitments made by India in this conference? **(2021)**

Source: IE