



## Mobilising Green Funds

**For Prelims:** Climate Finance, COP 27, United Nations Framework Convention on Climate Change (UNFCCC)

**For Mains:** Climate Finance and its Significance

### Why in News?

Recently, at the [United Nations Framework Convention on Climate Change Conference \(UNFCCC\) of Parties 27](#) in Sharm el-Sheikh (Egypt), countries agreed that a **complete transformation of the international financial system** was needed to significantly scale up resources for [Climate Action](#).

- The money **currently being channelised for climate action** is barely 1%-10% of the estimated requirements.

### What is Climate Finance?

- 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).
  - CBDR is a principle within the UNFCCC that acknowledges different capabilities and differing responsibilities of individual countries in addressing climate change. The principle of CBDR is enshrined in Earth Summit 1992, held in Rio de Janeiro, Brazil.

### How much Fund is Needed for Climate Action?

- The global transition to a low-carbon economy would **likely require about USD 4-6 trillion every year till 2050**.
- About **USD 4 trillion would need to be invested annually** in the [renewable energy](#) sector till 2030 if the **net-zero emissions targets were to be achieved**.
- The cumulative requirement of the developing countries, just for implementing their climate action plans, **was about USD 6 trillion between 2022-2030**.
  - It means that at least 5% of the global [Gross Domestic Product \(GDP\)](#) would need to be directed into climate action every year.
  - Just a few years ago, the estimated requirements ranged between 1 and 1.5% of global GDP.
- The USD 100 billion amount that the developed countries have promised to mobilise every year represents practically the entire money in play right now.
  - Even this **USD 100 billion has not yet been fully realised**.

- Developed countries say they would reach this target by 2023. As of now, all that is flowing in is about USD 50-80 billion every year.

## What are the Challenges in Mobilization of Climate Fund?

- Even if developed countries increase their contributions, **it will likely result in only a marginal increase** in the overall pie.
  - The more significant jump would come from **businesses and corporations investing money into green projects.**
- In climate finance till now, **private investments have lagged behind public money.**
  - Barely 30% of current financial flows are coming from private sources.
- The current rules and regulations of the global financial system make it **extremely difficult for large numbers of countries to access international finance**, particularly those with political instabilities, or weaker institutional and governance structures.
- Climate finance flows through a maze of channels — **bilateral, regional, multilateral.**
  - It is in the form of grants, concessionary loans, debt, equity, carbon credits, and more.
  - There are differences of opinion over whether **a particular sum of money is actually climate-related.** There are widely differing assessments of the **quantum of climate finance currently being mobilised.**

## What can Tax be a source to the Climate Fund?

- Bulk of the **additional financial resources to fight climate change** would come from the **pockets of the common citizen**, in the form of taxes.
- The use of **petrol and diesel, and other fossil fuels** can be taxed.
- The production of **coal is already being taxed** for several years in India, and it has been **generating valuable resources for the government**, which has utilized it mainly for investing in **clean technologies.**
  - These funds have also been utilised for works in the [Clean Ganga Mission](#) and during the [Covid-19 pandemic.](#)
- Newer forms of [Carbon Tax](#) are likely to be imposed on businesses as well.
- In many cases, these would filter down to the common person of the country.

## What are India's Initiatives for Climate Finance?

- **National Adaptation Fund for Climate Change (NAFCC):**
  - [NAFCC](#) 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

- 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.

- **International Financial Institutions** can engage with governments, central banks, commercial banks and other financial players operating at national or regional levels to **create the right environment for investments in green projects**.
- Incentivising **climate-friendly investments** and discouraging, or even penalising, **dirty investments should also be practiced**.
- The funding transformation also involve **simplification of practices**, changes in the way risks to **investments are assessed**, and an **overhaul of the credit rating systems**.

## UPSC Civil Services Examination, Previous Year Questions (PYQs)

### Prelims

**Q. Which of the following statements is/are correct about the deposits of 'methane hydrate'? (2019)**

1. Global warming might trigger the release of methane gas from these deposits.
2. Large deposits of 'methane hydrate' are found in Arctic Tundra and under the sea floor.
3. Methane in atmosphere oxidizes to carbon dioxide after a decade or two.

**Select the correct answer using the code given below.**

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

**Ans: (d)**

**Exp:**

- Methane hydrate is a crystalline solid that consists of a methane molecule surrounded by a cage of interlocking water molecules. It is an "ice" that only occurs naturally in subsurface deposits where temperature and pressure conditions are favourable for its formation.
- Regions with suitable temperature and pressure conditions for the formation and stability of methane hydrate- sediment and sedimentary rock units below the Arctic permafrost; sedimentary deposits along continental margins; deep-water sediments of inland lakes and seas; and, under Antarctic ice. Hence, statement 2 is correct.
- Methane hydrates, the sensitive sediments, can rapidly dissociate with an increase in temperature or a decrease in pressure. The dissociation produces free methane and water, which can be triggered by global warming. Hence, statement 1 is correct.
- Methane is removed from the atmosphere in about 9 to 12 year period by oxidation reaction where it is converted into Carbon Dioxide. Hence, statement 3 is correct. Therefore, option (d) is the correct answer.

### Mains

**Q. Explain the purpose of the Green Grid Initiative launched at World Leaders Summit of the COP26 UN Climate Change Conference in Glasgow in November, 2021. When was this idea first floated in the International Solar Alliance (ISA)? (2021)**

**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)**

PDF Refernece URL: <https://www.drishtias.com/printpdf/mobilising-green-funds>

