



Paris Global Climate Financing Summit

For Prelims: [Climate Financing](#), [Russia-Ukraine Conflict](#), [Global South](#), [World Bank](#), [IMF](#), [SDR](#), [Paris Agreement](#), [Kyoto Protocol](#).

For Mains: Paris Global Climate Financing Summit.

Why in News?

The Summit for a New Global Financing Pact was recently held in Paris with an objective of **tackling the lack of financial support for developing countries**.

- The Summit was announced at the **27th Conference of Parties (COP27)** of the [UNFCCC](#). The summit was also attended by India's Finance Minister.

What are the Key Highlights of the Summit?

- **The Scale of Crises Faced by Developing Countries:**
 - Developing countries are grappling with a combination of crises, including poverty, escalating debt levels, and inflation **triggered by events such as the [Russia-Ukraine Conflict](#)**.
 - Besides economic challenges, developing nations are under **pressure to decarbonise their economies** while lacking sufficient [Climate Finance](#).
- **Demands from the Global South:**
 - Leaders from the [Global South](#) demand that [Multilateral Development Banks \(MDB\)](#) **address transboundary challenges** and provide increased resources for development, including climate finance.
 - Developing countries call for more **concessional and grant financing** to address their debt burdens, also **advocating for debt reductions** particularly for the least developed nations.
 - While acknowledging the potential of private sector investment, they emphasise that **long-term development funds are necessary** to complement private sector financing.
- **Announcements at the Summit:**
 - The Summit announced the **unlocking of an additional USD 200 billion** lending capacity for emerging economies.
 - The [World Bank](#) introduced **disaster clauses to suspend debt payments** during extreme weather events.
 - The [IMF](#) announced the allocation of USD 100 billion in [SDRs \(Special Drawing Rights\)](#) for vulnerable countries, although some SDRs still require approval from the US Congress.
 - A new **Just Energy Transition Partnerships (JETP)** deal worth 2.5 billion Euros was announced for Senegal, aimed at increasing the share of renewable energy in the country's electricity mix.
 - Zambia reached a **USD 6.3 billion [debt restructuring](#) deal**, and calls were made for a **Global Expert Review on Debt, Nature, and Climate**.
 - The EU called for **increased coverage of global emissions by [Carbon Pricing](#)**.

- [Mechanisms](#) and allocating a portion of revenues to climate finance.
- The Summit indicated that the **long-awaited USD 100 billion climate finance** goal would be achieved this year.
 - This commitment was made at **UNFCCC COP 15 in Copenhagen** in 2009.

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.
- **Global Discussions:**
 - 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 **UNFCCC COP26**, new financial pledges to support developing countries in achieving the global goal for adapting to the effects of climate change were made.
- **Significance:**
 - **Climate Change Impact Mitigation and Adaptation:**
 - Climate finance is **needed for climate impact mitigation; large-scale investments** are required to significantly reduce emissions.
 - It is **equally important for adaptation; significant financial resources are needed** to adapt to the adverse effects of a changing climate.
 - Climate finance is critical to achieve the goal of limiting the rise in the earth’s average temperature to **below 2°C over pre-industrial levels**, ([2018 IPCC report](#)).
 - **Recognition of Responsibilities:**
 - It **recognises 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 mobilising climate finance** through a variety of actions, including supporting country-driven strategies and taking into account the needs and priorities of developing country Parties.

What are Initiatives regarding Climate Finance?

- **Global:**
 - In 2010, the 194 member countries agreed to create the Green Climate Fund (GCF) at UNFCCC COP 16.
 - GCF was established to support the developing countries in their efforts to challenge climate change by aiding them in shifting to low-emission and climate-resilient development regime.
 - It is headquartered in Incheon, Republic of Korea.
 - At the COP27 summit, delegates from the UN agreed to create a **[‘Loss and Damages’ fund](#)** to compensate the **most vulnerable countries** for their losses due to **climate-related disasters**.
- **India:**
 - **[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:**
 - It was created through the **Finance Bill 2010-11** by the recommendation of **[Cabinet Committee of Economic Affairs \(CCEA\)](#)** 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).

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims

Q. Which of the following statements regarding 'Green Climate Fund' is/are correct? (2015)

1. It is intended to assist the developing countries in adaptation and mitigation practices to counter climate change.
2. It is founded under the aegis of UNEP, OECD, Asian Development Bank and World Bank.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Ans: (a)

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: DTE