The Global Climate Financing Dilemma and the Responsibility Fulfillment of Developed Countries

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Part 1

Global climate finance dilemma and new pattern

Global climate finance dilemma and new pattern

1. The Unfulfillment of the $100 Billion Goal and the New Collective Quantified Goal

- **The $100 Billion Goal for Climate Finance:**
  - At COP15 in 2009, developed countries committed to providing and mobilizing funds for climate action in developing countries:
    - $30 billion in fast-start finance from 2010 to 2012;
    - $100 billion annually from 2013 to 2020.

- **The Fulfilment of the $100 Billion Goal:**
  - By the end of the fast-start finance period in 2012, developed countries had provided a total of $35 billion of climate finance to developing countries in 2010 to 2012, exceeding the initial fast-start target.
  - According to OECD statistics in 2024, developed countries provided and mobilized a cumulative total of $579.2 billion in climate finance from 2016 to 2022, leaving a financing gap of $120.8 billion .

Global climate finance dilemma and new pattern

1. The Unfulfillment of the $100 Billion Goal and the New Collective Quantified Goal

Table 1: Climate Finance Provided and Mobilized by Developed Countries from 2013 to 2022 (Unit: Billion USD)

	2016	2017	2018	2019	2020	2021	2022
Bilateral Public Finance（1）	28.0	27.0	32.0	28.7	31.4	34.5	41.0
Multilateral Public Finance Attributable to Developed Countries（2）	18.9	27.1	30.5	34.7	36.9	38.7	50.6
Total Public Finance（1+2）	46.9	54.1	62.5	63.4	68.3	73.2	91.6
Officially Supported Export Credits（3）	1.5	3.0	2.7	2.6	1.9	2.1	2.4
Mobilised Private finance（4）	10.1	14.5	14.7	14.4	13.1	14.4	21.9
Total（1+2+3+4）	58.5	71.6	79.9	80.4	83.3	89.6	115.9

Data Source: “Climate Finance Provided and Mobilised by Developed Countries in 2013-2022”, https://www.oecd-ilibrary.org/docserver/19150727-en.pdf?expires=1719021155&id=id&accname=guest&checksum=87061DD9F9BDEB98341F9F9F9F2DE763, 2024-06-22.

Global climate finance dilemma and new pattern

1. Fulfillment of the $100 Billion Goal and the New Collective Quantified Goal

- The New Collective Quantified Goal in Post-2025

  - **At COP29(2024) the NCQG will be determined based on the assessment of the financial needs of developing countries to address climate change post-2025.**
  - The UNFCCC's Standing Committee on Finance and other international organizations estimated the financial needs of developing countries' NDCs. They all agree that **the existing $100 billion is insufficient to meet the financial needs of developing countries.**

Global climate finance dilemma and new pattern

1. Fulfillment of the $100 Billion Goal and the New Collective Quantified Goal

Table 2: Estimates of Climate Finance Needs by Various Organizations

Institution	Year	Result
UNFCCC SCF	2021	NDCS from 78 developing countries disclosed the costs of 1,782 projects, totaling $5.8-5.9 trillion in climate finance needs from 2020 to 2030.
Clima Partners and Aviva Investors	2022	The total financing needs of NDCS in 126 countries for 2020-30 range from $7.8 trillion to $13.6 trillion as of September 15, 2021.
Independent High-Level Expert Group on Climate Finance	2022	The annual financing needs of emerging markets and developing countries excluding China are about $1 trillion by 2025 and about $2.4 trillion by 2030, calling for an upward revision of the NDQG to $1 trillion.
World Bank	2022	The annual climate-related investment needs of low - and middle-income countries excluding China are $783 billion by 2030.

Global climate finance dilemma and new pattern

2. Imbalance in the Supply of Mitigation and Adaptation Funds and the Widening Gap in Climate Adaptation Supply and Demand

- Article 9.4 of the Paris Agreement stipulates the need to balance the provision of financial resources between mitigation and adaptation, reflecting a political aspiration for a 50:50 split in climate finance.

- Between 2016 and 2022, only 25.3% of the $579.2 billion in climate finance was directed towards climate adaptation.
- Climate Adaptation Supply and Demand Gap is Growing:
  - The climate adaptation funding needs of developing countries from 2021 to 2030 are estimated to be $194 billion to $366 billion annually, **which is 10 to 18 times the current international public adaptation finance flows.**

Global climate finance dilemma and new pattern

3.Insufficient Consideration of Funding Needs for LDCs and Small Island Developing States

- The Paris Agreement specifies that financial resources from developed countries should prioritize the needs and priorities of LDCs and Small Island Developing States (SIDS). **It advocates for assistance to these countries in addressing climate change through public grants.**
- Contradiction exists between the Geographic Allocation of $100 Billion Climate Finance and the Intent of the Paris Agreement:
  - From 2016 to 2022, only 17% (an average of $14.2 billion annually) and 2% (an average of $2 billion annually) of public climate finance respectively flowed to LDCs and SIDS.
  - Among the 20 countries most susceptible to climate crises and least prepared globally in 2021, 18 are LDCs and SIDS.

Global climate finance dilemma and new pattern

4. Establishment of Loss and Damage Funds and Formation of a New Landscape in International Climate Finance

- Establishment of Loss and Damage Funds:
  - At COP28 (2023), the agreement text for the loss and damage fund was approved, and an initial funding of $700 million was raised.

- Formation of a New Landscape in International Climate Finance:
  - International climate finance is evolving towards a new paradigm where **mitigation, adaptation, and loss and damage, which constitute the three pillars of climate finance**. This multidimensional funding framework enhances the comprehensiveness and specificity of measures to address climate change, thereby contributing to global climate governance.

Part 2

Multi-dimensional deconstruction of responsibility lack in developed countries climate finance

Multi-dimensional deconstruction of responsibility lack in climate finance of developed countries

1. Public funding supply is unstable, with chaotic accounting practices and a lack of additionality

(1) Political perspective: Erratic decision-making by major countries has weakened the stability of climate funding supply.

- **For economic size and historical emissions**:developed countries like the US and the UK provide limited and low-proportion climate finance.

- **For policy: I**n 2017, with President Trump withdrawing from the Paris Agreement, US climate finance aid fluctuates significantly with government changes.
  - the US significantly cut federal budgets for climate aid.
  - ➢ the US has not fulfilled its responsibilities in multilateral climate finance

Multi-dimensional deconstruction of responsibility lack in climate finance of developed countries

1. Public funding supply is unstable, with chaotic accounting practices and a lack of additionality

(2) Statistically: Inconsistent climate finance accounting rules among countries lead to chaotic financing accounting

(a) Exaggeration of climate relevance, resulting in disordered funding proportion accounting

- Indicator for determining climate relevance: OECD's Rio Marker
  - The Rio Marker categorizes projects Rio Marker 2 as those with climate change as the primary objective and Rio Marker 1 as those with climate change as a significant but not primary objective.
- OECD-DAC countries independently determine the proportion of funds counted as bilateral climate aid.
  - For Rio Marker 2 projects, almost all countries use a 100% accounting proportion, while the US, France, and the UK consider case-by-case analysis.
  - For Rio Marker 1 projects, most countries use 40-50%, but a few countries like the Czech Republic and Poland include 100% of the project budget in their climate finance accounting. the US, UK, and Australia calculate the contribution for each project individually.

Multi-dimensional deconstruction of responsibility lack in climate finance of developed countries

Table 3: Proportion of Funding Accounted for Climate Projects with Rio Marker 2 and Rio Marker 1 by Country

Country	Rio Marker 2	Rio Marker 1	Country	Rio Marker 2	Rio Marker 1
Australia	100%	30% or case-by-case	Norway	100%	40%
Austria	100%	50%	Polan	100%	100%
Belgium	100%	2%—80% or case-by-case	Slovakia	100% or 0% or case-by-case	100% or 0% or case-by-case
Canada	100%	30%	Spain	100%	50%
Czech Republic	100%	100%	Sweden	100%	40%
Denmark	100%	50%	Switzerland	85%	50%
EU Institutions	100%	40%	United Kingdom	50%—100% or case-by-case	5%—100% or case-by-case
France	50%—100% or case-by-case	5%—49.99% or case-by-case	United States	case-by-case	case-by-case
Germany	100%	50%	Italy	100%	40%
Greece	100%	40%	Japan	100%	50%
Ireland	100%	40%	Netherlands	100%	40%
New Zealand	100%	30%			

资料来源：Oxfam, “Climate Finance Shadow Report 2023”, https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621500/bp-climate-finance-shadow-report-050623-summ-en.pdf?sequence=2&isAllowed=y, 2024-03-37; OECD, “DAC Working Party on Development Finance Statistics”, https://one.oecd.org/document/DCD/DAC/STAT(2022)24/REV1/en/pdf, 2024-04-05.

Multi-dimensional deconstruction of responsibility lack in climate finance of developed countries

1. Public funding supply is unstable, with chaotic accounting practices and a lack of additionality

(2) Statistically: Inconsistent climate finance accounting rules among countries lead to chaotic financing accounting

(b) Reporting the face value of loans overestimates actual financial contributions.

- Reporting climate finance based on the face value of non-grant instruments such as loans, which does not accurately reflect their financial contributions to climate action.

- OECD's Grant Equivalent
  - When accounting for climate finance, the grant equivalent is not mandatory for developed countries.
  - The grant equivalent statistical standard is also not used in MDB climate finance accounting, clearly overestimating MDBs' real contribution to international climate finance.

Multi-dimensional deconstruction of responsibility lack in climate finance of developed countries

1. Public funding supply is unstable, with chaotic accounting practices and a lack of additionality

(2) Statistically: Inconsistent climate finance accounting rules among countries lead to chaotic financing accounting

(c) Climate finance included in ODA does not meet the "new and additional" standards.

- Article 4.3 of the UNFCCC states that financial resources supporting climate actions should be "new and additional."

- Currently, most countries' public climate finance comes directly from ODA budgets, with this funding being double-counted in ODA to meet the 0.7% target.
- Most climate finance still falls under ODA, leading to a gradual reduction in funding support for SDGs such as poverty reduction, health, education, and women's rights.

2. Private funding contributions are insufficient, accompanied by inconsistent accounting standards and low transparency data.

- **Private funding significantly under-contributes to climate finance.**
  - From 2016 to 2022, developed countries mobilized an average of only $14.7 billion per year in private funds, accounting for 17.8% of climate finance supply.
  - The effectiveness of MDBs in mobilizing private capital for climate finance is also very limited; in 2022, MDBs leveraged only $0.28 of private funds for every $1 of climate finance.
- **The majority of private funds are allocated to mitigation, with only 9% going towards climate adaptation.**
- **Private funding also suffers from low data transparency and inconsistent accounting methods.**

Part 3

Reshape the mechanism for developed countries to fulfill climate finance responsibilities

Reshape the mechanism for developed countries to fulfill climate finance responsibilities

1. Transform the new collective quantified goal post-2025 to meet the massive climate finance demand

- clearly identify **the unmet $100 billion and roll it over into the post-2025 NCQG.**
- **estimate specific amounts or proportions for mitigation, adaptation, and loss and damage**, and set a minimum grant threshold for climate finance.
- provide more support to developing countries through **multilateral climate funds.(**The Green Climate Fund and Adaptation Fund)

- The NCQG should be adjusted to **a dynamic goal with a periodic review mechanism,** avoiding the "locked-in" nature of the $100 billion target.
- The NCQG should emphasize **the quality of climate finance**, stipulating the proportion of grants and gradually phasing out non-concessional financing instruments.
- The NCQG should prioritize the financial needs of t**he LDCs and small island developing states (SIDS)**, setting a specific supply proportion for these climate-vulnerable countries and evaluating and adjusting this proportion annually.

Reshape the mechanism for developed countries to fulfill climate finance responsibilities

2. Expand sources of climate finance and ensure the funds are "new and additional"

- Climate finance should be distinct from ODA and accounted for separately to genuinely be "new and additional."
  - Climate finance included in the $100 billion commitment should not be double-counted as ODA, be used to meet the 0.7% aid-to-national-income target.
  - Developed countries should allocate their annual aid budgets into separate climate finance and ODA categories, budgeting these two parts independently.
- Diversify sources of climate finance.
  - Impose a Carbon Tax on Shipping Emissions
  - Levy an Excess Profits Tax on Fossil Fuel Companies
  - Utilize Revenue from the Carbon Border Adjustment Mechanism (CBAM)
  - Redistribute Special Drawing Rights (SDRs)

Reshape the mechanism for developed countries to fulfill climate finance responsibilities

3. Improve statistical rules and establish a tracking and monitoring mechanism for developed countries' public funding commitments.

- DAC countries and MDBs, should follow the ODA reporting practices and report the **grant equivalents** of climate finance to accurately reflect the financial support provided to developing countries.
- Strictly define the climate relevance of funds and strive to improve data transparency. ——analyze the amounts allocated to mitigation, adaptation, and loss and damage on a **project-by-project basis**, disclosing the calculation details in their climate finance reports.
- UNFCCC and OECD should collaborate to **create a database tracking developed countries' public funding commitments f**or climate finance.

Reshape the mechanism for developed countries to fulfill climate finance responsibilities

4. Mobilize more MDB funds and private funds towards adaptation.

- Developed countries should implement favorable public policy interventions and innovate climate finance tools:
  - provide **technical assistance** to developing countries to establish local currency bond markets.
  - use their surplus SDRs as **credit guarantees** to attract private investment in developing countries, enhancing private capital's investment confidence.
  - act as **information intermediaries**, conveying lists of adaptation project investments in developing countries to their major international private investors, thereby increasing awareness of climate adaptation projects.
- MDBs should guide private investment towards climate adaptation
  - use equity investments for **green infrastructure.**
  - **provide credit guarantees for structured finance tools** by purchasing partial equity, taking on first losses, and offering technical assistance, thus raising developing countries' green bonds to investment-grade financing levels.
  - use **blended finance** to climate adaptation projects, reduce investment risks and enhance the feasibility of projects.

Reshape the mechanism for developed countries to fulfill climate finance responsibilities

5. Developing countries should enhance their voice and play a regulatory role over developed countries' public climate finance commitments.

- Establish a **Climate Cooperation Alliance** of Developing Countries to strengthen representation and participation in international climate negotiations and decision-making processes.
- **Strengthen South-South cooperation in addressing climate change.** Developing countries should establish high-level dialogues on climate change, jointly formulate strategies and measures to address climate change, and share best practices in climate adaptation and mitigation.
- **Mobilize NGOs** and other civil society organizations to participate in supervision and incentive mechanisms.

Thanks