NeF DeF New Frontiers in International Development Finance

Climate Finance for Equitable Transitions

CLIMATE FINANCE ANIMATION - VISUAL TRANSCRIPT

Climate Finance Architecture

See animation here

What is Climate Finance?

- Climate finance refers to the financial resources needed to address climate change at local, national and international levels.

- Climate action include mitigation measures, such as reducing greenhouse gas emissions, or adaptation measures, such as making infrastructure more resilient to natural disasters and reducing environmental vulnerability to climatic conditions like flooding or droughts.

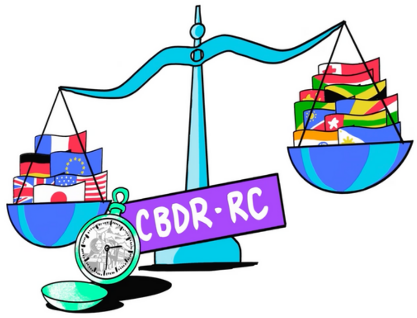
Who should provide climate finance?

- Climate finance is central to meeting climate action obligations under the multilateral climate regime, namely the United Nations Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol and the Paris Agreement.

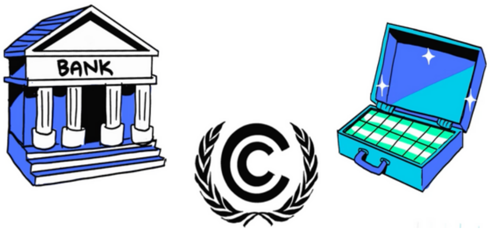
- All countries who signed these international agreements have committed to combating climate change but developed countries have greater obligations to undertake mitigation measures and to support mitigation and adaptation efforts in developing countries, This includes providing finance and transferring technology to support climate action in developing countries.

Who bears the obligation to deliver, and why?

These obligations are based on the principles of equity and common but differentiated responsibilities and respective capabilities (CBDR-RC) which recognise the historical and ongoing disparities between countries. This is because developed countries are historically responsible for climatic changes we see today. They also have greater financial and technological resources to address climate change and overcome the unequal conditions that hinder climate action in developing countries.



How is climate finance delivered and what are the problems?



- Developed countries are primarily responsible for providing and mobilising finance from different sources, and for taking the lead in aligning financial activities with international climate change commitments.
- While several funds have been set up under the UNFCCC to provide climate finance, climate finance is also being delivered through other channels, such as via multilateral development banks, development finance institutions and bilateral aid agencies. In recent years, there has been an emphasis on mobilizing private finance for climate action and integrating climate considerations into the global financial system.

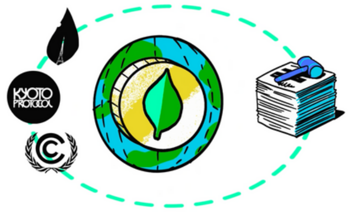
Realignment is challenging due to existing deficiencies

However, rededigning the global financial system to meet international climate targets will remain challenging due to existing deficiencies in the international financial architecture.

Why is delivery challenging?

- First, there is no multilateral framework for regulating global financial flows. This legal and policy fragmentationwill make it difficult to coordinate action to deliver climate finance and aligning the financial system with climate objectives.

- Second, developing countries have less voice and representation in the international financial architecture compared to the multilateral climate change regime. This means that regulatory and policy design of climate finance will be set predominantly by developed countries and private actors in major financial centres.



- Third, without appropriate public regulation and oversight of cross-border financial flows, private finance remains a more volatile and less sustainable source of finance for global collective climate action.

What is the way forward?

- Climate change is a pressing global concern and climate finance needs to be scaled up significantly to address this crisis. The relationship between the multilateral climate regime and the international financial architecture will be crucial to ensuring effective climate action and global progress towards decarbonisation and sustainable development.

- For climate action to be equitable and effective there must be an alignment of the principles governing both regimes, including the principles of equity, CBDR, transparency and accountability, and a reform of the existing legal and regulatory landscape of international finance.