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Financing the future

As global temperatures break records, the financial toll on nations rises. Two UN conferences could offer solutions to ease the devastating impacts

The rise in global temperature is breaking records, and its impacts have been devastating for nations and their peoples. The financial implications for the economies and the required payments for losses and damages are staggering and will aggravate the debt burden of many countries. Two forthcoming United Nations climate conferences in June and November provide the opportunity for the global community to address both issues head-on.

In January, the World Meteorological Organisation confirmed that 2023 smashed the global temperature record. With temperatures at 1.45 degrees Celsius above pre-industrial levels, this is the largest increase ever recorded. News of an overheating planet continued: The US National Oceanic and Atmospheric Administration declared April the warmest month on record. A heatwave with high temperatures exceeding 38-43 degrees Celsius hit Southeast Asia, stretching from India to Southeast China and the Philippines.

The adverse effects of this unprecedented heat included the drying up of whole rice fields in the south of Vietnam, one of the world's largest rice-producing regions, leading the country to issue a state of emergency. In the Philippines, hundreds of schools called off classes after daily highs reached above 42 degrees Celsius.

Why does climate finance matter?

Similar impacts were felt in other regions, too, showing that developing countries' efforts to adapt to and be resilient to climate change are inadequate. But these ever-occurring impacts also highlight the continued lack of ambitious action to address the climate crisis, especially by rich countries: The G7 finance ministers and Central Bank governors meeting, which concluded on May 25, offered an old pick-and-choose menu of policy options for a just transition towards net-zero instead of

providing a fresh commitment to scale up public finance to address climate change.

The costs arising from climate change will have dire consequences for the economies of all countries. A study showed that economic damage was six times worse than initially expected and that a one-degree Celsius increase in global temperature leads to a 12 per cent decline in world gross domestic product (GDP). A comparative assessment of weather-related economic losses across 36 nations by Swiss Re in February 2024 identified the Philippines as the most vulnerable. Currently experiencing significant economic losses exceeding three per cent of GDP annually, the country faces a further challenge — a high likelihood that the intensity of these weather hazards will increase in the future.

While impacts will affect countries' economic potential, paying for losses and damages incurring at present will also lead to the accumulation of more national debt — further exacerbating a situation for many countries where existing debt is already a great burden.

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Responses to these multiple crises must be centred on two strategies: one, providing substantial climate finance from developed to developing countries. And two, phasing out the use of fossil fuels through a just transition based on equity while ending the financing of new fossil fuel projects.

Climate finance will enable vulnerable countries in Southeast Asia and worldwide to undertake ambitious measures on mitigation, adaptation, resilience and a just transition, and to pay for loss and damage. It is thus timely that the focus of the 29th Conference of the Parties (COP29) of the United Nations Framework Convention on Climate Change (UNFCCC), to be held in November this year in Baku, Azerbaijan, will be on climate finance.

A new finance goal called the New Collective Quantified Goal (NCQG) will be decided at COP29. An ambitious NCQG will set the course for the transformational change required to mobilise and deliver finance by developed countries in a way that addresses the needs and priorities of developing countries.

What is the quantum of funding that should be pledged to the NCQG in the face of the realities of inflation, fiscal constraints, debt and climate impacts? Developing countries are united in their consensus that, for one,

it should be significantly higher than the previous pledge of $100 bn a year taken at COP15 in 2009 (which was never realised), and, secondly, it should be from public finance and in the form of grants. In its submission to the UNFCCC in March, India proposed a goal of $1 trillion per year from developed countries for climate finance from next year onwards.

Greater ambition is needed

Finance is also directly linked to other issues that will be negotiated at COP29. They include the Loss and Damage Fund, adaptation, mitigation and the Just Transition Work Programme (JTWP).

Discussions on the governance of the Loss and Damage Fund, operationalised at COP28, are ongoing. Questions to be answered include how the Fund is to be governed in an equitable manner and how it can be mobilised to provide adequate financial support to assist developing countries and communities vulnerable to the impacts of climate change. Regarding adaptation, the need for increased funding to be able to adapt to these extreme weather events is even more critical, given their increasing frequency and intensity.

Mitigation is best addressed by supporting developing countries that pledged to adopt the target to triple renewable energy and double energy efficiency by 2030 at COP28. This transition from fossil fuel-based to renewable energy-based systems should be centred on the principle of justice, which is directly linked to negotiations on the JTWP. There is a need to have a clear description of what a 'just transition' means to all countries, as interpretations of civil society actors, which focus on inclusivity and equity, vastly differ from the perspectives of some governments, to whom it may only mean keeping electricity tariffs low.

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From a civil society perspective, innovative means of raising finance include making sure the rich polluters and profiteers pay for their climate debt through taxes on wealth and in high-emitting sectors. This is supported by an Oxfam International report, which, in 2020, reported that the richest one per cent of the world's population is responsible for more than twice as much carbon pollution as the 3.1 billion people who make up the poorest half of humanity.

However, instead, some advanced economies are opting to take

governments in Southeast Asia and beyond down the path of expensive and dangerous distractions. In May, civil society organisations (CSOs) protested against Japan following a surge in the number of deals for carbon capture and storage projects in the region. They involved exporting carbon dioxide from Japan to other countries, including Malaysia and Indonesia. Also in May, CSOs demanded that South Korea stop providing public finance in support of expanding the global fossil fuel infrastructure. They called for both Japan and South Korea to instead provide comprehensive financing for the clean energy transition.

Finally, there is also a need to express deep concern about the impacts caused by military activities, especially wars. Estimated to contribute to more than five per cent of greenhouse gas emissions, this would place the military as the fourth largest emitter if it were a country. As wars affect our collective security through their impact on the climate, this is unacceptable and must change.

From 3-13 June, the global community will meet in Bonn, Germany, for the intersessional United Nations Climate Change Conference — the halfway point between the last and next COP. CSOs have been actively preparing their advocacy for climate finance to be the central issue at this technical meeting and to ensure that the foundation is laid for an ambitious decision at COP29.



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