

# Green Financing

December 21, 2018

## Manifest Pedagogy

Green Financing is the topic of Environmental Governance where the global efforts and individual national efforts are synergized to combat climate change and other environmental degradations. Efforts of multilateral organizations and the tussle between the approaches of developed nations and developing nations are also important to know.

## In news

*COP-24 and the debate on Green Finance*

## Placing it in syllabus

Paper 2: Important International Institutions

Paper 3: Environmental pollution and degradation – Climate Change

## Static dimensions

1. What is Green Financing?
2. History of Green Climate Fund

## Current dimensions

1. COP -23
2. COP-24

## Content

### What is Green Financing?

Green Financing is a mechanism to increase level of financial

flows (from banking, micro-credit, insurance and investment) from the public, private and not-for-profit sectors to sustainable development priorities.

A key part of this is to better manage environmental and social risks, take up opportunities that bring both a decent rate of return and environmental benefit and deliver greater accountability.

## **Sustainable Development Goals (SDGs) and Green Financing**

UN Environment has been working with countries, financial regulators and finance sector to align financial systems to the 2030 sustainable development agenda – to direct financial flows to support the delivery of the Sustainable Development Goals. Financial markets are at the core of today's globalized economy through which banks and investors allocate capital to different sectors. The capital allocated today will shape ecosystems and the production and consumption patterns of tomorrow.

**The main areas for the current work on Green Financing are:**

- Supporting public sector on creating enabling environment
- Promoting public-private partnerships on financing mechanisms such as green bonds
- Capacity building of community enterprises on micro-credit

## **History of Green Financing**

### **The Green Climate Fund (GCF)**

The GCF is a fund established within the framework of the UNFCCC as an operating entity of the Financial Mechanism to assist developing countries in adaptation and mitigation practices to counter climate change. **The GCF is based in Incheon, South Korea.**

**The objective of the Green Climate Fund is to “support projects, programmes, policies and other activities in developing country Parties using thematic funding windows”. It is intended that the Green Climate Fund be the centre piece of efforts to raise **Climate Finance under the UNFCCC.****

**The Copenhagen Accord**, established during the **2009 United Nations Climate Change Conference (COP-15)** in Copenhagen mentioned the **“Copenhagen Green Climate Fund”**. The fund was formally established during the 2010 United Nations Climate Change Conference in Cancun as a fund within the UNFCCC framework. Its governing instrument was adopted at the 2011 United Nations Climate Change Conference (COP 17) in Durban, South Africa.

### **Paris Climate Pact and Green financing**

- The Paris Agreement builds upon the Convention and for the first time brings all nations into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects, with enhanced **support to assist developing countries** to do so. As such, it charts a new course in the global climate effort.
- The Paris Agreement central aim is to strengthen the global response to the threat of climate change by **keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels** and to pursue **efforts to limit the temperature increase even further to 1.5 degrees Celsius.**
- Additionally, the **agreement aims to strengthen the ability of countries to deal with the impacts of climate change.** To reach these ambitious goals, appropriate financial flows, a new technology framework and an enhanced capacity building framework will be put in place, thus supporting action by developing countries and the most vulnerable countries, in line with their own national objectives.
- **Article 9 of the Paris agreement stipulates that**

developed country Parties shall provide **financial resources to assist developing country Parties** with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention. Other Parties are encouraged to provide or continue to provide such support voluntarily.

- At the Paris Conference in 2015 where the Agreement was negotiated, the **developed countries reaffirmed the commitment to mobilize \$100 billion a year in climate finance by 2020** in aid to developing countries for actions on climate change adaptation and mitigation.
- The Agreement also provides for enhanced transparency of action and support through a more robust transparency framework.
- **Nationally determined contributions**-The Paris Agreement requires all Parties to put forward their best efforts through nationally determined contributions (NDCs) and to strengthen these efforts in the years ahead.

## **COP 22- Marrakech, Morocco**

- It was the first meeting of the parties for the Paris Agreement(**CMA1**)
- The purpose of the conference was to discuss and implement plans about combatting climate change and to “[demonstrate] to the world that the implementation of the Paris Agreement is underway”. Participants work together to come up with global solutions to climate change.

## **COP-23-Bon, Germany**

- The purpose of the conference was to discuss and implement plans about combating climate change, including the details of how the Paris Agreement will work after it enters into force in 2020.
- The COP was **presided over by the Prime Minister of Fiji**, marking the first time a small-island developing state

assumed the presidency of the negotiations.

- Although **COP23 focused primarily on technical details of the Paris Agreement**, it was the first conference of the parties to take place after President Donald Trump announced that the U.S. would withdraw from the agreement.
- **COP23 concluded with what was called the 'Fiji Momentum for Implementation,'** which outlined the steps that need to be taken in 2018 to make the Paris Agreement operational and launched the **Talanoa Dialogue**— a process designed to help countries enhance and implement their **Nationally Determined Contributions by 2020**
- Significant progress was made on the so-called implementation **guidelines for the Paris Agreement** — commonly known as the **Paris Rulebook** — which are the details that will determine how the Agreement will work in practice.

#### **COP-24- Katowice, Poland**

- The conference **agreed on rules to implement the 2015 Paris Agreement**, which will come into force in 2020, that is to say the rule book on how governments will measure, and report on their emissions-cutting efforts.
- Due to difficulty to reach agreement between parties, some difficult questions such as ways to scale up existing **commitments on cutting emissions, ways to provide financial help for poor countries**, wording that does not allow double counting and whether countries are doing enough to cut their emissions (in the light of the IPCC report) **were postponed to the next conference.**
- 50 countries signed "**Silesia declaration**", who emphasized the need for emission-reducing policies to ensure "a just transition of the workforce" and create "decent work and quality jobs".
- The Polish presidency launched declaration named

**“forests for climate”, that highlights the important role of forests in solving climate problems.**

- COP-24 welcomes **“timely completion”** of the Special Report on Global Warming of 1.5 °C and **“invited”** countries to make use of the report.

## **Test yourself: Mould your thoughts**

What is Green Financing? How mechanisms through Conference of Parties (COP) of UNFCCC have evolved to finance the fight against Climate Change?