

At COP27, we need to shift gears from climate ‘ambition’ to ‘accountability’: Dr Arunabha Ghosh

Sharm El Sheikh, 7 November 2022: Dr Arunabha Ghosh, CEO, CEEW, said, “The increasing frequency and intensity of extreme climate events are serving fresh warnings about the disastrous consequences that await our communities and economies if we fail to arrest climate change. Equity and access to climate finance that can de-risk sustainable investments in developing countries should form the core of our discussions at COP27. The current challenges highlight the need to shift gears from ‘climate ambition’ to demands for ‘climate accountability’. While we have multiple bold and ambitious targets for both emission reductions and finance, it is essential that commitments made by all actors are backed by effective and accountable actions. Climate justice delayed is climate justice denied.”

Climate finance: The most contentious issue

Global capital flows for climate action continue to be well short of those necessary to attain global climate objectives. As per the UNFCCC Standing Committee on Finance, **average annual global flows for 2019 and 2020 stand at USD 803 billion**. These are considerably lower than the USD 1.6-3.8 trillion necessary per year up to 2050. As per the IPCC's special report on the impacts of global warming of 1.5°C. India, alone, would require support of at least USD 2.5 trillion to meet its 2030 targets. Further, **climate finance support from developed to developing countries continues to be inadequate in terms of both scale and nature**. The latest reported figures from OECD of USD 83.3 billion for 2020 are considerably lower than the promised USD 100 billion per year by 2020. The recent UN Adaptation Gap Report shows international adaptation **finance flows to developing countries are 5-10 times below estimated needs**.

Four shifts are needed in climate finance support to developing countries: Scale, balance, risk, and regulation. First, **capital is needed at a far greater scale**. While the conversation on climate finance is trapped between a negotiated maximum and a delivered minimum, the order of magnitude of annual climate finance support to developing countries should be in trillions and not billions. This shift in magnitude must be reflected in the new collective quantified goal for the period beyond 2025.

Second, **delivered climate finance should strike a more optimal balance between public and private, mitigation and adaptation, and grant and non-grant flows**. Scarce public capital should be able to mobilise many multiples in terms of private capital through funding blended finance mechanisms. Flows should also strike a balance between mitigation and adaptation. The share of adaptation in reported flows rose to 34 per cent in 2020 from 25 per cent for the year 2019, but they are still skewed towards mitigation. In order to achieve both of these objectives, the share of grant capital in delivered flows would need to rise considerably.

Third, elevated risk perceptions associated with investments in developing economies limit the flow of private climate-aligned capital to developing countries. **Addressing risk perceptions of investors**

with respect to climate-aligned investments in developing countries is essential to lower the cost of finance and scale up capital flows to financially underserved geographies. Climate finance from public sources should be used to de-risk many multiples in terms of private investment in sustainable infrastructure in developing countries.

Fourth, **regulation in developing countries should aim to create a conducive environment for green finance** to facilitate the linking of domestic and international capital with investment opportunities in these countries.

Last year's COP saw a historic commitment by the rich world to provide low- and middle-income countries (LMICs) with USD 40 billion annually in 'adaptation finance' from 2025 (in addition to the climate finance commitment). **The committed USD 40 billion will only be a fraction of the USD 340 billion needed annually by developing countries** for adaptation by 2030. Therefore, this year it would be crucial to establish a clear roadmap on how the funding will be delivered – and transparently reported.

Loss and damage: A critical factor of success at COP27

According to the World Bank, **the annual average cost of disasters in developing countries has risen from USD 23 billion to USD 150 billion over the past 30 years**, and the number of affected people has tripled to 2 billion. CEEW research finds that three-quarters of India's districts have become hotspots for extreme climate events.

To speed up the process of delivery on loss and damage, first we need to address the many deadlocks surrounding the topic, including the **lack of a mutually agreed upon definition and approach** (methodology) to assess the impacts of climate change.

Lack of empirical data and poor technical expertise to measure and quantify loss and damage, **lack of unified approaches and integrity in the current institutional ecosystem** and, most importantly, **poor mobilisation of finance for loss and damage** further restrict action.

A recent [study](#) by CEEW highlights that **34 per cent of all NDCs mention loss and damage**, despite not being mandated under the Paris Agreement, and **call for international support** and/or aid to address loss and damage, highlighting the urgent need for financial support. Out of the 66 countries that mention loss and damage, **93 per cent belong to the 'Global South'** (developing nations). Innovative mechanisms such as a dedicated loss and damage fund, multilateral funding channelled primarily through multilateral development banks, risk insurance and transfer, small non-repayable grants for investments in technologies, loss and damage themed bonds, and an international contingency fund to compensate for the loss and damage incurred in the event of a disaster, could help operationalise loss and damage finance. With nature wreaking havoc on communities with little liability to rising temperatures, COP27 negotiations cannot afford to postpone addressing this issue.

Without any real progress on loss and damage, there will be no equity in climate negotiations because this is an issue of climate justice. All these point to a key issue that needs to see the light of day: Accountability.

Accountability: The missing piece in international climate governance

A CEEW [study](#) released last year estimates that developed nations emitted around **25 GtCO₂eq (carbon dioxide equivalent) more than their emission allowances** in 2008-2020 because of nonparticipation in climate agreements and misuse of accounting provisions. Such consequences of existing trust deficit, non-participation in climate agreements, failure to deliver on the pre-2020 climate commitments by developed nations, and inadequate NDCs and pledges are a testament that the global response is not at the required scale to avoid the worst impacts of climate change.

To enhance accountability, we need to **improve delivery and compliance under the Paris Agreement**, an exemplary case of international cooperation. However, the larger questions on delivery (actual implementation), enforcement (adherence to climate agreement obligations), and accountability (acceptance of consequences on non-compliance) still remain unaddressed. It is critical to **enhance the scope of the compliance committee** under Article 15 of the Paris Agreement, **formalise the role of non-party stakeholders** within the climate regime, **strengthen climate litigation** through use of attribution studies as legal evidence, **draft model climate laws to enshrine international commitments**, and require subnational governments and corporations to set targets in alignment with them. Accountability of support provided is equally consequential.

Furthermore, a **new paradigm of technology co-development should be pursued**, which involves pooling human, technical and financial resources, jointly developing technologies, co-owning intellectual property, and coordinating on green public procurement to create demand at scale for clean technologies while lowering trade barriers. CEEW [research](#) finds that the evolution of green hydrogen and carbon capture and storage technology could sharply reduce the cost of energy transition for developing nations such as India. Solar PV and battery manufacturing are also areas ripe for technology co-development. India and other developing countries have already formulated policies to promote research, development and manufacturing of these technologies in collaboration with others. India is offering its market to the world and welcomes investment. The question is whether developed countries will also match their words with action at COP27.

Climate negotiations are no cure-all, but its principles matter. Whoever games the rules, wins the game. And at COP27, the rules of engagement must change.

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About CEEW



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