UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

The ways Art 2.1C of the Paris Agreement may complement Article 9

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19 July 2023

UNCTAD's role

- Founded in 1964 … not a trade body!!
- Mandate to support developing country efforts to correct the asymmetries, biases and gaps in global economic governance that hinder their efforts to mobilise domestic resources, accelerate growth diversify their economies and catch up with those at the top of the development ladder
- Tightening climate constraint and intensifying shocks complicate the development challenge

Complementarity of Article 2.1C with Article 9 of the Paris Agreement

Article 9

1. 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.

2. Other Parties are encouraged to provide or continue to provide such support voluntarily.

3. As part of a global effort, developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties. Such mobilization of climate finance should represent a progression beyond previous efforts.

4. The provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States, considering the need for public and grant-based resources for adaptation.

5. Developed country Parties shall biennially communicate indicative quantitative and qualitative information related to paragraphs 1 and 3 of this Article, as applicable, including, as available, projected levels of public financial resources to be provided to developing country Parties. Other Parties providing resources are encouraged to communicate biennially such information on a voluntary basis.

Article 2

1. This Agreement, in enhancing the implementation of the Convention, including its objective, aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by:

(a) Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;

(b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and

(c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

Foundational issues

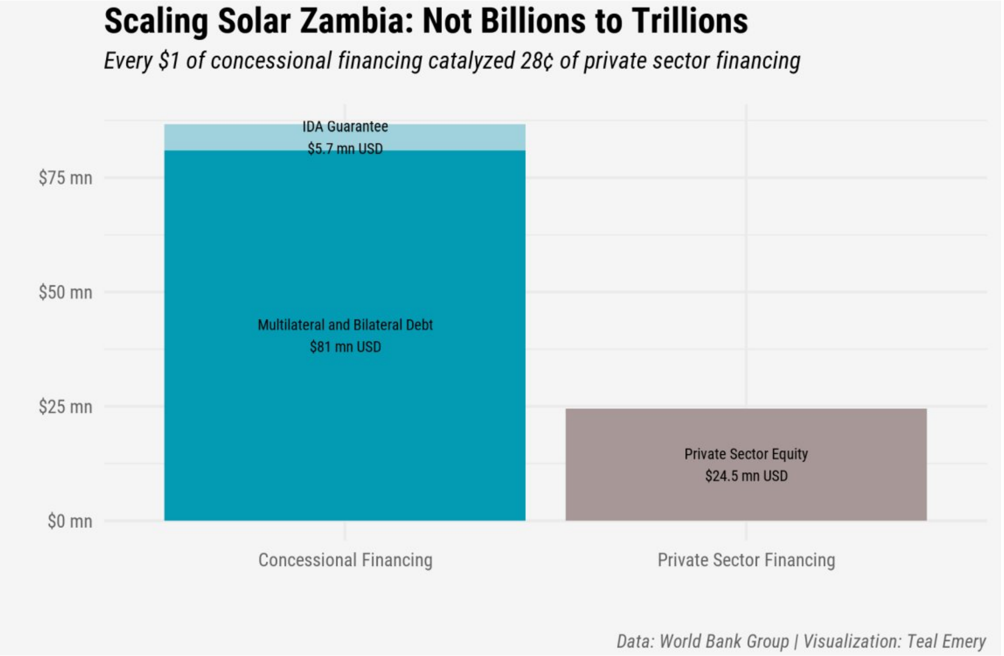
- Through Article 9 developed countries agree to provide new and scaled up financial resources, led by public funds (bilateral and multilateral), for developing countries to undertake the **investments** needed to shift to a more resilient low-carbon growth path

- No standard interpretation of Article 2.1C but suggests that all financial flows (public and private) will be made consistent with those scaling-up efforts

- No standard definition of terminology or agreed methodology to measure the financial components identified → confusion and little guidance for countries (eg FDI: profit flows and illicit flows)

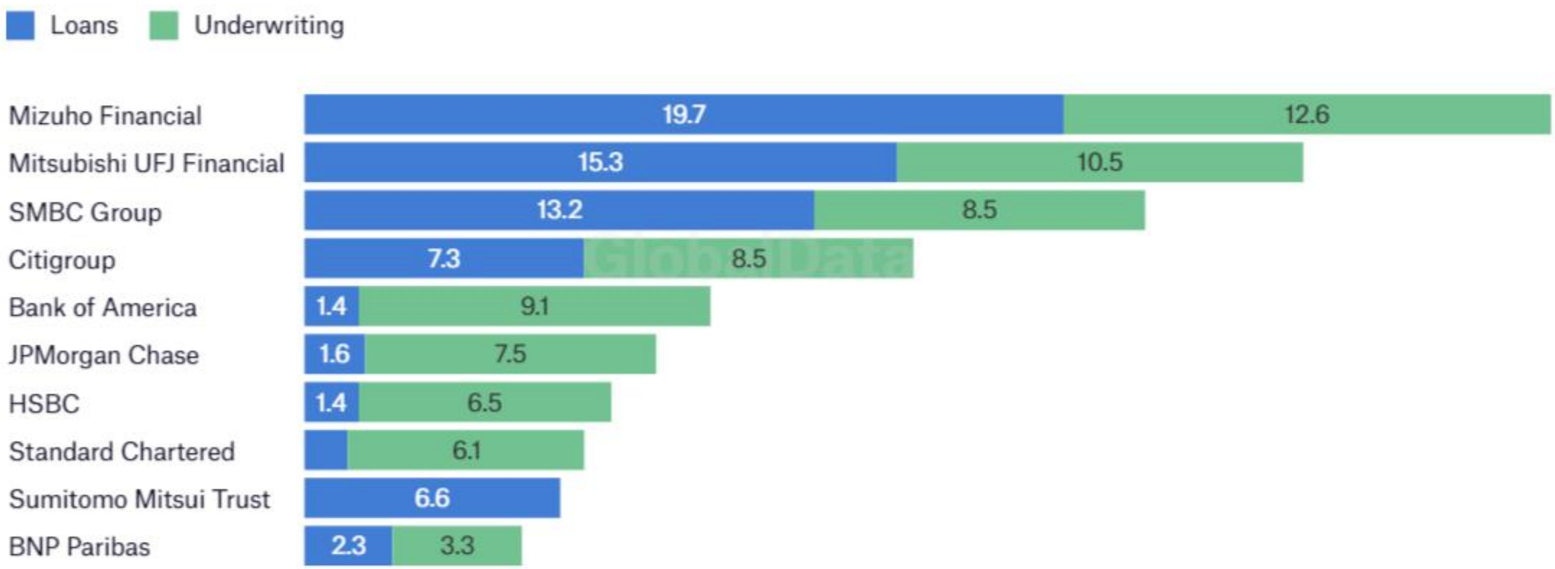
Private finance challenges

- Voluntary efforts at decarbonization have not led to significant change.
- Private finance mobilization continues to severely underperform when compared to past predictions
- Limitations of the de-risking and blended finance agendas signal need for an alternative
- Incentives and regulation



GFANZ banks have lent billions of dollars to companies developing new coal in recent years

Top ten providers of loans and underwriting to developers of new coal projects, 2019–21 in $bn



Source: Global Energy Monitor

Article 2.1

Progress is required on measures to move financial flows away from activities that endanger climate, biodiversity and economic stability and into productive, low-carbon **investments** that can deliver climate-resilient development.

Article 2.1

- Developing countries are much more constrained than developed countries in terms of **policy and fiscal space** to implement expansionary, investment-led green strategies. 54 developing economies are in urgent need of **debt relief**, which means little capacity to look at long term financing needs.
- Critical to remember all parts of 2.1C - yes it's about **decarbonization**, but it's also about **development**, and at the moment, financial flows are not working to the benefit of either climate or development goals. This must be addressed.
- A reform of the international financial architecture is needed to provide a fairer system, in which developing countries can access more affordable and **non-debt-creating** financial instruments for their development needs, that can ensure debt sustainability and climate ambition.

Art 2.1C and wider economic reform

Unequal access to finance & historic contributions

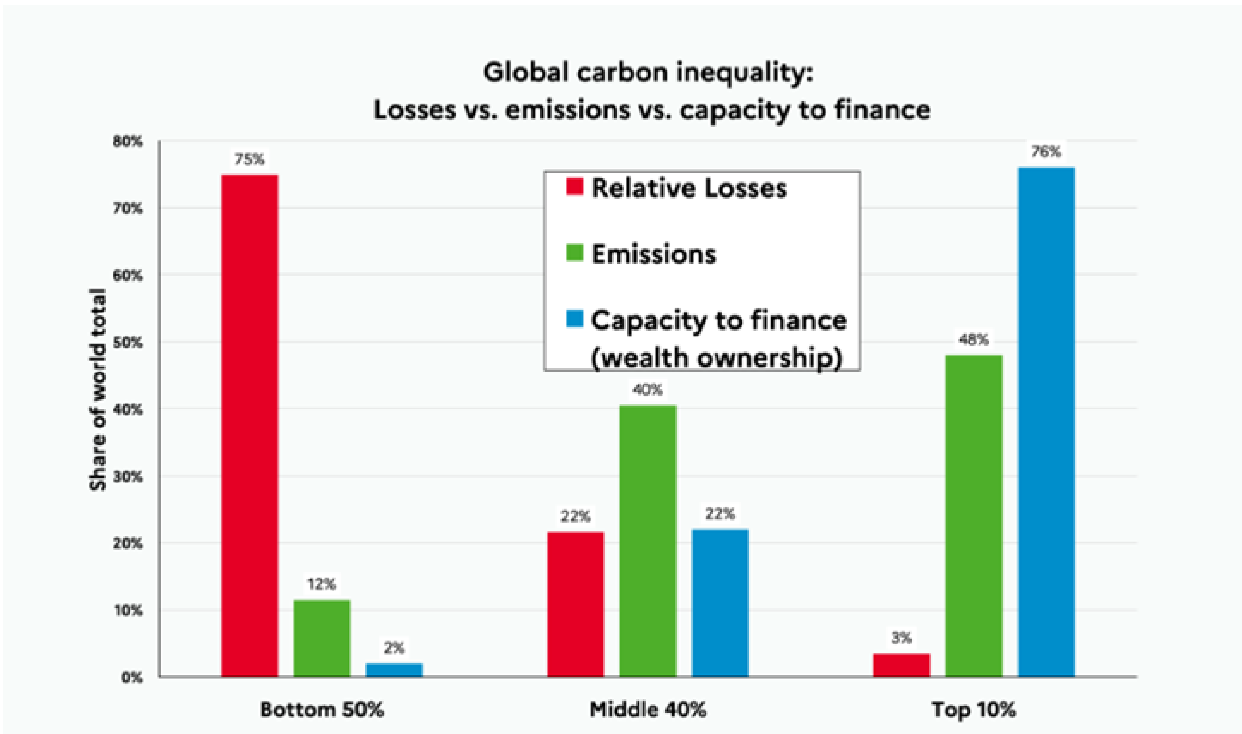


Figure A: Global climate inequality: relative losses, emissions and capacity to finance

Notes: Relative income losses due to climate change, vs. greenhouse gases emissions vs. wealth ownership. See Figure 29 for methodological details and how to read this graph.

Source: World Inequality Lab

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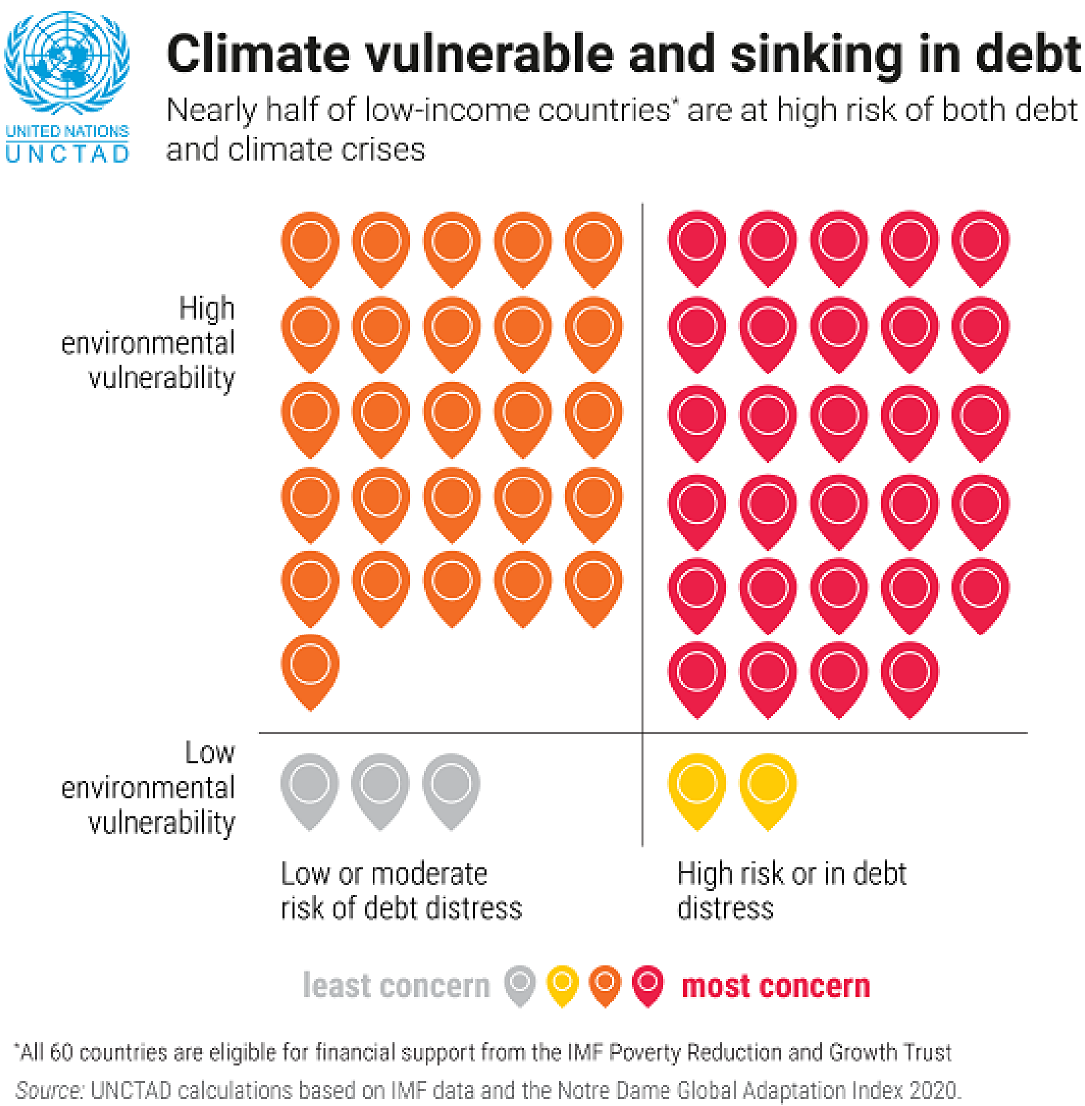


54 developing economies are in urgent need of debt relief

including 28 of the world's top-50 most climate vulnerable countries.

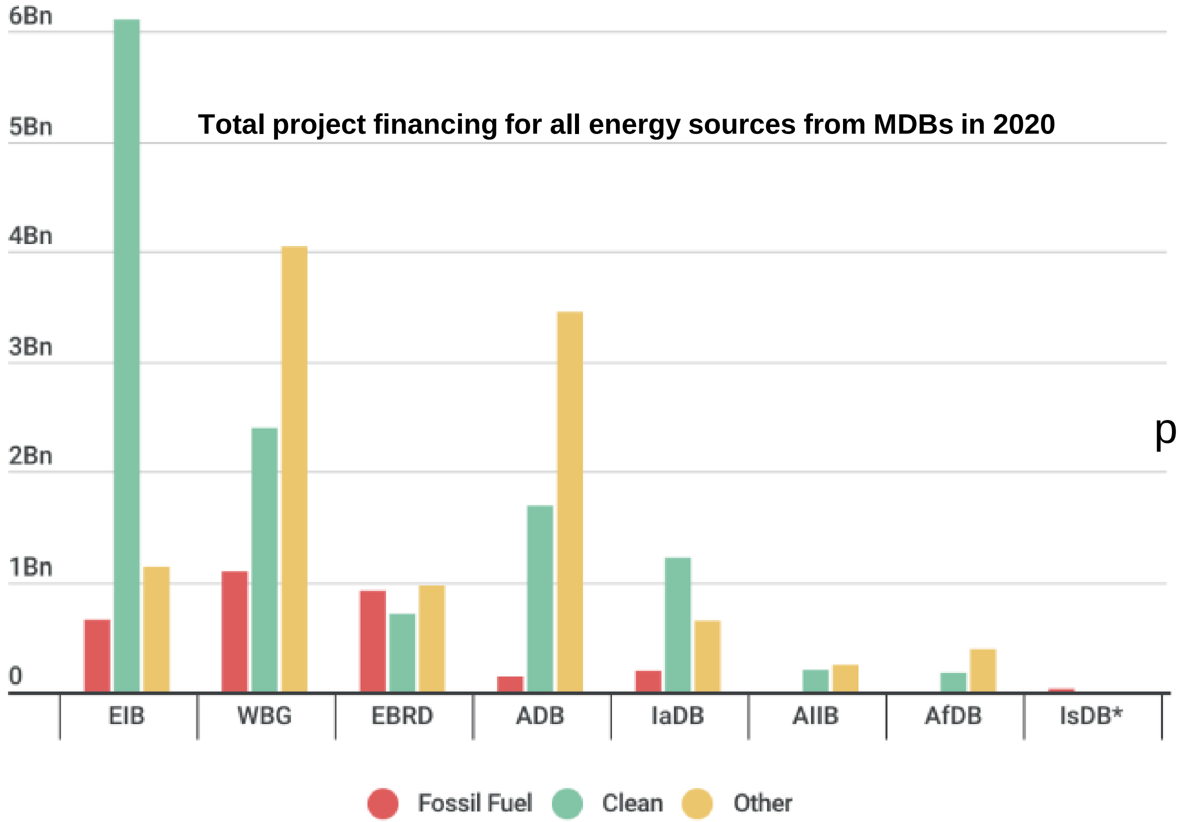
(UNDP estimates)

Progress in the context of Article 2.1C needs to link greater financial flows to national realities and be approached in the framework of a big investment push for a just and equitable transition for sustainable development.

Broader and structural reform of all PDBs centered on improving social, environmental and climate impacts of their activities, as well as securing development as the main driver of mandates.

More to Public Development Banks than MDBs

- 500 PDBs worldwide, assets estimated at $23tr
- scale up investments in mitigation and adaptation.



The nine major MDBs provided over $3 billion in direct support for fossil fuels (2020)

Source: the Big Shift Global

Domestic level

National policies that reinforce one another:

- Strengthened national capacities (capital markets, tax, regulation development banks) and
- Transition planning … Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs) requires industrial policy, public procurement, planning (development states)
- Common positions on global governance reform

Advanced economies

- Coordinated economic and financial policies to move away from boom-and-bust cycles that trigger capital flight from developing economies and create uncertainty regarding long-term investments.
- Expansionary macroeconomic regimes; coordination plus stronger regulation of private finance (voluntary hasn't worked)
- Cost of borrowing; role of monetary policy and Central Banks; reform of international architecture (public finance plus debt relief)

Thank you for your attention