

FROM BRIDGETOWN TO DUBAI: WHERE INTERNATIONAL CLIMATE FINANCE STANDS TODAY

By Carlos Correa



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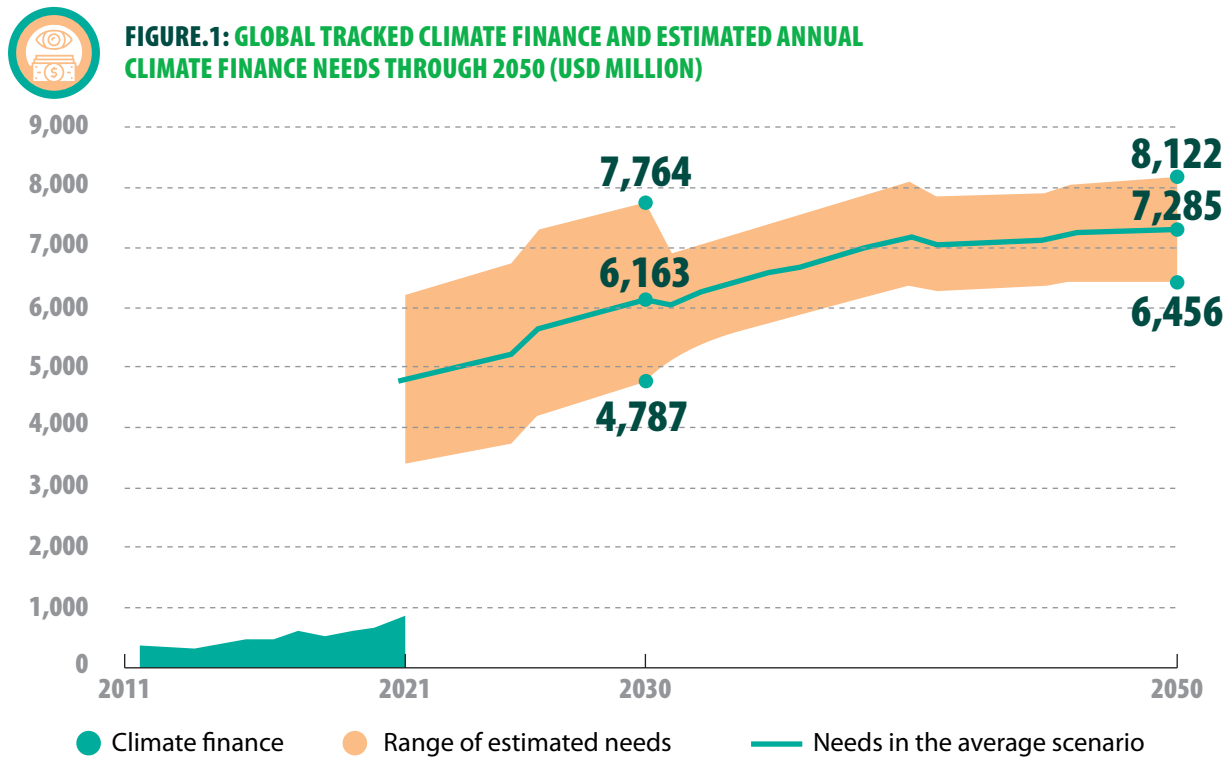
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As the world moves closer to dangerous climate tipping points, we experience unseen surface and ocean temperatures and climate disasters are ever more often, posing unimaginable economic and social risks for communities around the world. Outcries for both corporations and governments to take real action are mounting. Increasingly, the focus is turning to international financial institutions.

Spurred by calls to reform the global financial architecture —to make international financial institutions fit for purpose to tackle the current and increasing climate crisis— and bridge the \$700 billion gap in funding for biodiversity, climate- and nature-related finance has been placed at the center of the international agenda in 2023. The push to build a nature-positive world and provide developing nations with the resources they need to decarbonize their economies and address the adverse effects of climate change has reached a fever pitch as we move toward the annual UN climate summit, COP28, in Dubai at the end of this year.

The scale of the challenge we face in directing the needed resources towards addressing the climate crisis is still daunting. Even though climate finance flows have grown steadily throughout the last ten years, they are still far behind what is needed. Allen & Overy and Climate Policy Initiative estimated that “\$6.2 trillion of climate finance is required annually between now and 2030, and \$7.3tn by 2050, to deliver Net Zero – a total of almost USD200tn.”¹ For reference, global climate finance only passed the \$1 trillion-mark last year.



Source: Climate Policy Initiative

Figure 1: Global tracked climate finance and estimated annual climate finance needs through 2050 (USD million)
Source: Climate Policy Initiative (2023): How big is the Net Zero financing gap?

¹Climate Policy Initiative (2023): How big is the Net Zero financing gap?



Mia Mottley Sets the Scene

To understand the climate finance landscape today, we must go back to the publication of the first iteration of the Bridgetown Initiative in September 2022, which hinged upon the fact that the current international financial architecture is not well prepared to serve the growing climate risk-related economic tolls and lack of fiscal space by developing and under-developed nations.

Urgent and Decisive Action Required for an Unprecedented Combination of Crises

The 2022 Bridgetown Initiative for the Reform of the Global Financial Architecture



Set forth by Barbados Prime Minister (PM) Mia Mottley and her Climate Envoy Avinash Persaud, Bridgetown 1.0 advocates for the reform of the global financial architecture to deal with the triple threat we are unequivocally facing today: cost of living crisis, developing country debt crisis, and the climate crisis.

The initiative calls on three specific actions:



For the International Monetary Fund (IMF) to provide emergency liquidity and re-channel at least



\$100 billion of unused Special Drawing Rights (SDRs)



For expanded multilateral lending to governments by



\$1 trillion



For increased private investments in the low carbon transition and climate mitigation, and new funding mechanisms for a reconstruction fund for climate disasters for the most vulnerable communities.

This one-page document generated a surprising buzz at COP27 in Egypt, on the heels of a fiery speech by Mottley during the opening plenary. In what appears to be a reference to Bridgetown, that year's summit cover decision (the "Sharm el-Sheikh Implementation Plan") highlights that a "transformation of the financial system and its structures and processes" will be necessary to fund the transition to a low-carbon economy. In fact, Mottley and her bold call for structural financial reform sparked a lively debate in Egypt that set the tone for the conversation around climate finance in 2023.



In light of the success of the original document, Bridgetown 2.0 was published in April 2023, to hone in on six key targets and kick things into high gear:



Provide immediate liquidity support



Increase official sector development lending for SDGs to

\$500 billion per year



Restore debt sustainability



Ensure that the multilateral trading system supports the green and just transformation, and



Mobilize private sector investment to over **\$1.5 trillion** per year for green and just transformations



Reform the governance and operations of International Financial Institutions (IFIs)



A New Fund Is Born

While Bridgetown pinpointed to the need to redefine the climate finance landscape, it was the Kunming-Montreal Global Biodiversity Framework (GBF) that helped build interest to catalyze financing for nature.

The GBF was drafted and negotiated over a four-year period and agreed to at the UN Convention on Biological Diversity in Montreal last December. By 2030, the framework seeks to mobilize **\$200 billion a year in finance for the restoration and protection of biodiversity, to eliminate up to \$500 billion a year in harmful subsidies**, and to ensure the flow of at least \$30 billion per year from developed to developing nations. The goal behind this is to **protect, restore and conserve at least 30% of lands and oceans by 2030.**

This historic agreement led to the launch of the Global Biodiversity Framework Fund (GBFF) that will reside within the Global Environment Facility (GEF), which leverages private, public, and philanthropic capital to build a nature-positive world. The governments of Canada, Germany, and the United Kingdom have already contributed to the fund —**enough to surpass the \$200 million mark**— and allow for its operationalization. GEF CEO and Chair Carlos Manuel Rodriguez announced that the first projects will be funded by the end of 2024.



Representatives at the 2022 UN Convention on Biological Diversity applaud after reaching an agreement for the historic Kunming-Montreal Global Biodiversity Framework.



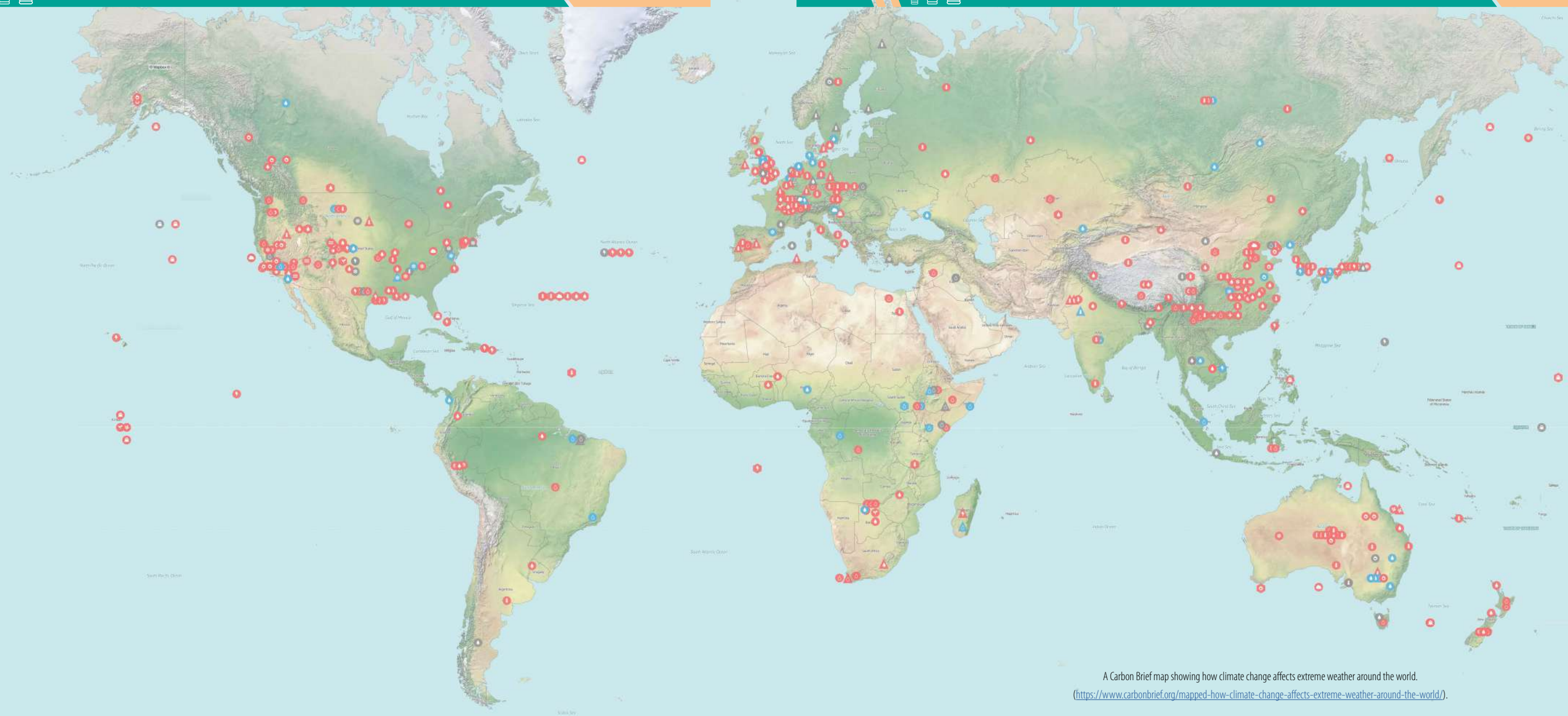
A Vibrant Summit in Paris

Inspired by the bold vision of Bridgetown, French President Emmanuel Macron hosted the Summit for A New Global Financial Pact in Paris on June 22nd and 23rd 2023, with the objective of forging a new consensus for a more inclusive international financial system. While the conference, as many analysts anticipated, did not result in such consensus or anything concrete, a flurry of key announcements made headlines during the two days.

Importantly, the IMF announced it had reached its target of making **\$100 billion** of Special Drawing Rights available to climate vulnerable countries. On the other hand, French President Macron said that the **\$100 billion** climate finance target from developed nations that was committed during Copenhagen's 2009 COP15 and reaffirmed in the Paris Agreement had finally been met, albeit the numbers have yet to be confirmed. Another key announcement was the World Bank's offer for developing countries hit with climate disasters to have the option to pause their debt repayments.

There were also key debt and climate finance deals reached with individual nations. A few European countries and Canada pledged **€2.5 billion (\$2.7 billion)** to help Senegal ramp up its renewable energy production to meet **40%** of its electricity matrix by 2030, and Zambia struck a deal.





A Carbon Brief map showing how climate change affects extreme weather around the world.
(<https://www.carbonbrief.org/mapped-how-climate-change-affects-extreme-weather-around-the-world/>).



Can the Transitional Committee Deliver Justice?

Loss and damage can be defined as the “negative impacts of climate change that occur despite, or in the absence of, mitigation and adaptation” and are considered “unavoidable and unequally distributed, with disproportionate effects on developing countries and vulnerable groups”. As such, it has long been considered the third pillar of climate action, yet it proves a highly thorny subject, as the matter of who should pay for those effects is often questioned, with many developing and least-developed countries looking at the developed world to pay. Thus, **negotiations on loss and damage have proceeded at a snail’s pace—until a historic breakthrough at COP27 in Egypt in November 2022 ended a 30-year deadlock.**

Here, decisions 2/CP.27 and 2/CMA.4 established the loss and damage fund, as well as funding arrangements, for responding to climate-induced losses and damages. COP27 also established a 24-member Transitional Committee to make recommendations for consideration and adoption by COP28.

Given the size of current climate impacts, developing countries are pushing for the new fund to unlock \$100 billion by 2030 for climate-vulnerable nations to address loss and damage. A study by the Loss and Damage Collaboration and the Heinrich-Böll-Stiftung Washington, DC, pushes for an even more ambitious target of \$400 billion per year.



A Second Replenishment of the Green Climate Fund

As this climate finance mobilization grows, the Green Climate Fund (GCF)—the world's largest climate fund that provides developing countries with the resources to meet their climate targets and build a low-carbon and climate-resilient future—is in the midst of its second replenishment.



The fund received **\$20 billion** in pledges during its initial resource mobilization and first replenishment in 2019.



In 2023, 25 countries made pledges to the GCF totaling

\$9.3 billion
including



\$2.2 billion



\$1.74 billion



\$1.22 billion



\$333.7 million



\$315.1 million



\$243.1 million



\$232.2 million



The United States also contributed **\$1 billion** to the GCF in April.

This is part of the initial **\$3 billion** former President Barack Obama had pledged back in 2014.



The Bumpy Road to Dubai

This year will wrap up in Dubai, UAE, with COP28 taking place from November 30th to December 12th. While there is momentum building for real reform, there have been some ominous signs in the leadup to COP28, particularly due to the failure of G20 nations to find common ground on climate issues at the recent summit in September.

The December talks will feature the conclusion of the first-ever Global Stocktake (GST)², discussions around a New Collective Quantified Goal (NCQG) on climate finance, and key missing pieces of the negotiations around the new loss and damage fund.

Parties will complete a new GST every five years, as mandated by Article 14 of the Paris Agreement. This is a three-year process to help parties update and inform their respective Nationally Determined Contributions (NDCs) and other climate-related plans, as well as enhance collective action toward meeting the Agreement. In addition, the GST will show to what extent developed countries are delivering on their climate finance pledges, and set the stage for the next climate finance goal.

In 2015, in a decision accompanying the Paris Agreement, parties agreed to set a new climate finance goal to replace the \$100 billion target prior to 2025. The NCQG work program, which runs from 2022-24, includes four technical expert dialogues each year, as well as a High-level Ministerial Dialogue during each COP. The NCQG will be critical, as it sets the tone for the scale and scope of global climate finance moving forward. It will help determine key issues such as how loss and damage resources fit into the overall climate finance landscape, and how new and innovative financial instruments (debt swaps, blended finance, etc.) can supplement loans and grants for developing countries.

A momentous end to 2022, fueled by the historic agreement on loss and damage, Barbados' Bridgetown Initiative, and the GBF, has propelled forward the issues of climate finance and finance for nature through 2023. The climate summit in Dubai can pave the way to a new negotiated finance goal that will determine whether we get on track to meet the goals of the Paris Agreement and the Global Biodiversity Framework.

We are long past the time for incremental change. Now, COP28 must enable a path towards creating a new climate finance target that is ambitious in size and scope, and is able to operationalize the loss and damage fund. We must scale up our efforts to reform the global financial architecture and make our finance institutions fit for purpose.

As Mia Mottley well said, **"The world needs a (financial) system that addresses the perennial issue of poor countries' ability to access resources at the speed and scale required to address the climate crisis"**.

It is possible to achieve this, but we must move at an unprecedented pace to mobilize the resources necessary to build a nature-positive world and keep the hope of a 1.5-degree world alive.

² The Paris Agreement's Global Stocktake process is designed to assess the global response to the climate crisis every five years. It evaluates the world's progress on emissions mitigation, building resilience to climate impacts, and securing finance to address the climate crisis.



About the Author



*Carlos Correa is a non-resident fellow of the Institute of the America's Environment and Climate Change Program.

From October 2020 to August 2022, Mr. Correa was Minister of Environment and Sustainable Development in Colombia. From this office, he has positioned the country as an international benchmark in the fight against climate change, positive biodiversity, as well as the protection of the oceans. As a result, he was appointed as Champion for Nature by the World Economic Forum.

He has been recognized by National Geographic for promoting the protection of 30% of marine and terrestrial areas globally before 2030, an action that Colombia fulfilled in 2022, eight years earlier; recently has been fellow of the Eisenhower Program and nominated as one of the 100 Latinos most committed to climate action 2022.

During his time in public administration, Carlos Eduardo Correa has shown how sustainable and resilient territories can be built. As mayor of Montería (2012-2015), he positioned it as a sustainable city and under that vision he turned the Sinú River into the axis of social, cultural and economic development.



About The IOA

The Institute of the Americas (IOA) is a non-partisan, independent nonprofit organization whose mission is to be a catalyst for promoting economic development and integration, emphasizing the role of the private sector, as a means to improve the economic and social well-being of the people of the Americas.

The Institute's Environment & Climate Change Program (EC2) strives to catalyze climate leadership amongst the private sector and local/regional governments in the Americas to promote sustainable growth, tackle climate change and minimize environmental impacts in the region with the goal of protecting its rich marine and land-based natural capital.



CONTACT:
Tania Miranda, EC2 Director
tmiranda@iamericas.org





INSTITUTE OF THE AMERICAS®

10111 N Torrey Pines Rd,
La Jolla, CA 92037

