CAN expectations for the climate finance delivery plan on the $100bn

At the July Ministerial meeting for COP26, in the absence of sufficient climate finance pledges from developed countries, the UK Presidency tasked Germany and Canada to come up with a plan for delivering on the annual $100bn commitment for the 2020-2025 period.

It's virtually certain that the $100bn commitment won't be achieved by 2020. Part of the reason for this failure lies with the 2016 Roadmap, and there is a need to learn from its mistakes. The new climate finance delivery plan must serve two purposes to build trust. First, it must show that developed countries are collectively committed to meet and exceed the annual commitment and compensate for past shortfalls. Second, it must provide greater detail, accountability and transparency on how commitments will be delivered over the next five years. If this delivery plan fails to offer confidence that climate finance will be increased in quantity and enhanced in quality, it will have long-term negative consequences and undermine trust under the UNFCCC.

CAN sets the following main expectations for the delivery plan:

- **Keeping the 100bn promise by meeting $500bn over 5 years**
  It's virtually certain that the $100bn-a-year commitment will not be met in 2020, and we are currently in a scenario where the target could be missed again in 2021. CAN calls for urgent action to meet the $100bn commitment this year before COP26. We call for Canada and Germany and other countries to ensure the delivery plan articulates clearly how the annual $100bn commitment will be met and how developed countries will compensate for the money they haven't delivered. CAN supports an approach where developed countries commit to a multi-year pledge of $500bn over 2020-24, as the V20 has suggested, and $600bn over 6 years when the year 2025 is included. The plan must provide clear articulation of how the aggregate will be met by achieving well beyond $100bn a year between 2022-2025 to make up for earlier gaps. However, this must not be used as an excuse to delay climate action to later in the 5-year period, since dollar for dollar, the benefits of early action outweigh later action.

- **Ensuring that climate finance is new and additional**
  Countries need to be putting new money forward. Global warming poses a direct threat to development, exacerbating existing inequalities, increasing development costs with a considerably higher impact on most marginalized groups. Moreover, it has been primarily caused by the developed countries who have financially benefited from high-carbon economic development and the expansion of coal and fossil fuels at the expense of the climate. From a climate justice point of view, developing countries should not be paying for the impacts of climate change they had little part in creating; from a development finance perspective, increased development finance for all development goals will be

crucial if developing countries are to mount a post-COVID green recovery and achieve the SDGs by 2030. In the delivery plan it should be clearly spelled out how climate finance will come on top of meeting existing ODA commitments (meeting or exceeding the ODA target of 0.7% of GNI), to ensure finance for education, health, and other essential social services are sustained as climate finance scales up.

- **Delivering $50bn per year in adaptation finance**
  As the UNSG has rightfully pointed out, 50% of all climate finance must go to adaptation, which is also agreed in the Paris Agreement where countries commit to balancing climate finance for adaptation and mitigation. This means that the delivery plan must spell out a clear commitment to reaching $50 billion for adaptation finance annually, ensuring that this is delivered exclusively on concessional terms, with a majority provided as grants. Current provision of adaptation finance is inadequate and well below actual needs for ensuring and increasing resilience.

- **Reaching the poorest and most vulnerable**
  The delivery plan should confirm the focus on those countries that are made 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. All climate activities should prioritize benefits for the most vulnerable and marginalized population groups and local communities and must be fully gender-responsive. Climate finance should support Locally Led Adaptation and prioritize flows to the local level, in line with calls from the Least Developed Countries who call for 75% of flows to go to the local level, which would have more transformational impacts and can be a lifeline for the people most affected by the climate crisis who have done the very least to cause it.

- **Increasing the grant share that has declined despite a debt crisis**
  Increasing the quantity of finance cannot be at the expense of its quality. The use of loans, in particular non-concessional loans, has serious implications for the net value of climate finance resource flows. It also contributes to increasing debt distress in developing countries, in particular as they struggle to respond to the devastating impacts of the COVID-19 pandemic. The role of MDBs has also resulted in the increased use of loans. CAN calls for a delivery plan where developed countries commit to substantially increase grant financing and commit to only using highly concessional loans.

- **Avoiding unrealistic expectations of private finance**
  In the 2016 Roadmap to 2020, launched before COP22 in Marrakech, developed countries included unrealistic assumptions about the level of private investment that public finance would mobilize, which did not materialize. Unrealistic leverage expectations are used as the justification to divert scarce public funding from core public support provision. As we are in the middle of a historic international debt crisis whose consequences will become even more apparent in the coming years, these assumptions become increasingly problematic. The new plan should not depend on unrealistic estimates for private finance in the delivery of the $100 billion annual goal.

- **Accounting and transparency**
  There are a plethora of examples of over-reporting of climate-relevant ODA as climate finance. Some contributors even count as climate finance the full budget for projects with climate as only a secondary objective. The delivery plan must therefore ensure that reporting of climate finance is fully transparent, allows for the comparability of data provided, explains underlying assumptions and is reasonably accurate. Contributors must make special efforts to account for how much of their financing provided is supporting local level climate actions, is gender-responsive and supports the rights of Indigenous Peoples.

- **Trust via accountability on the past**
  Attention should be given to how this plan will truly deliver where others before it have failed. This plan must include more than new numbers and dates, but a renewed commitment to a shared common understanding of what can be accounted for as climate finance (and correspondingly, what cannot), the principles, importance, and urgency of climate finance and mechanisms to ensure responsibility and accountability on any failure to deliver.

- **Loss and damage finance**
  The plan must acknowledge the lack of provision for loss and damage under the $100bn goal and the urgent need for new and additional finance for loss and damage, in light of the historic climate-related catastrophes this year. The plan should include commitments on next steps to explore innovative sources of finance, including proposals already tabled by developing country Parties, that could provide new and additional finance for loss and damage on top of the $100bn.

Success of COP26 is directly related to a successful outcome on finance. All developed countries share the responsibility of meeting the $100 billion pledge in full. This delivery plan should provide confidence, acknowledge past failures and lay out in detail developed countries' full commitment to meeting and exceeding the $100 billion pledge. There is simply no time to waste. This plan represents a clear opportunity for developed countries to renew their full commitment to urgently scale up climate finance flows.