

PLATO Society

After Glasgow: Challenges Confronting the Paris Agreement and Multilateral Climate Action in the 2020's

February 25-April 1, 2022

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Today's Meeting

1. **Summary of Week Three**
2. **Today's topic: Developed country support for developing countries, with emphasis on finance**

March 11th Meeting: Summary

- **Mitigation: the private sector**
 - Voluntary carbon markets and offsets
- **Mitigation: energy, technology, and finance**
 - In particular, the Paris System's energy challenge: a clean energy transition toward 2050 net zero

Today's Material: Introduction

- **The goal of this course: describe challenges to the Paris System in the 2020's**
- **Weeks 2-3: an external challenge: advancing mitigation (reduction of GHG emissions)**
- **Today: an internal challenge: bolstering trust between developed and developing countries**
 - **The contentious issue of support**
 - **Focal point: developed countries' \$100B pledge to support developing countries' mitigation and adaptation programs**

Today's Topics:

1. “Developed” and “Developing” countries in the Paris System
2. What is “support”?
3. The \$100B pledge
4. Why provide support?
5. Post-COP26 developments

“Developed” and “Developing” Countries in the Paris System

- This distinction made at the creation of the Paris System in 1992
- The 1992 U.N. Framework Convention on Climate Change (UNFCCC): principle of “differentiation”

UNFCCC Preamble, par. 3

- ***[the Parties note]*** that the largest share of historical and current global emissions of greenhouse gases has originated in developed countries, that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs...

UNFCCC, Article 3.1 (in part)

- “The developed country Parties should take the lead in combating climate change and the adverse effects thereof.”

Differentiation in 2022

- **What this means in 2022 is this: all Parties share in collective duties (e.g., 2050 net zero target; the temperature goals) and have common individual duties as to mitigation and adaptation (e.g., submission of NDC's and increased ambition), but developed countries have special responsibilities to support developing countries in their pursuit of these goals**

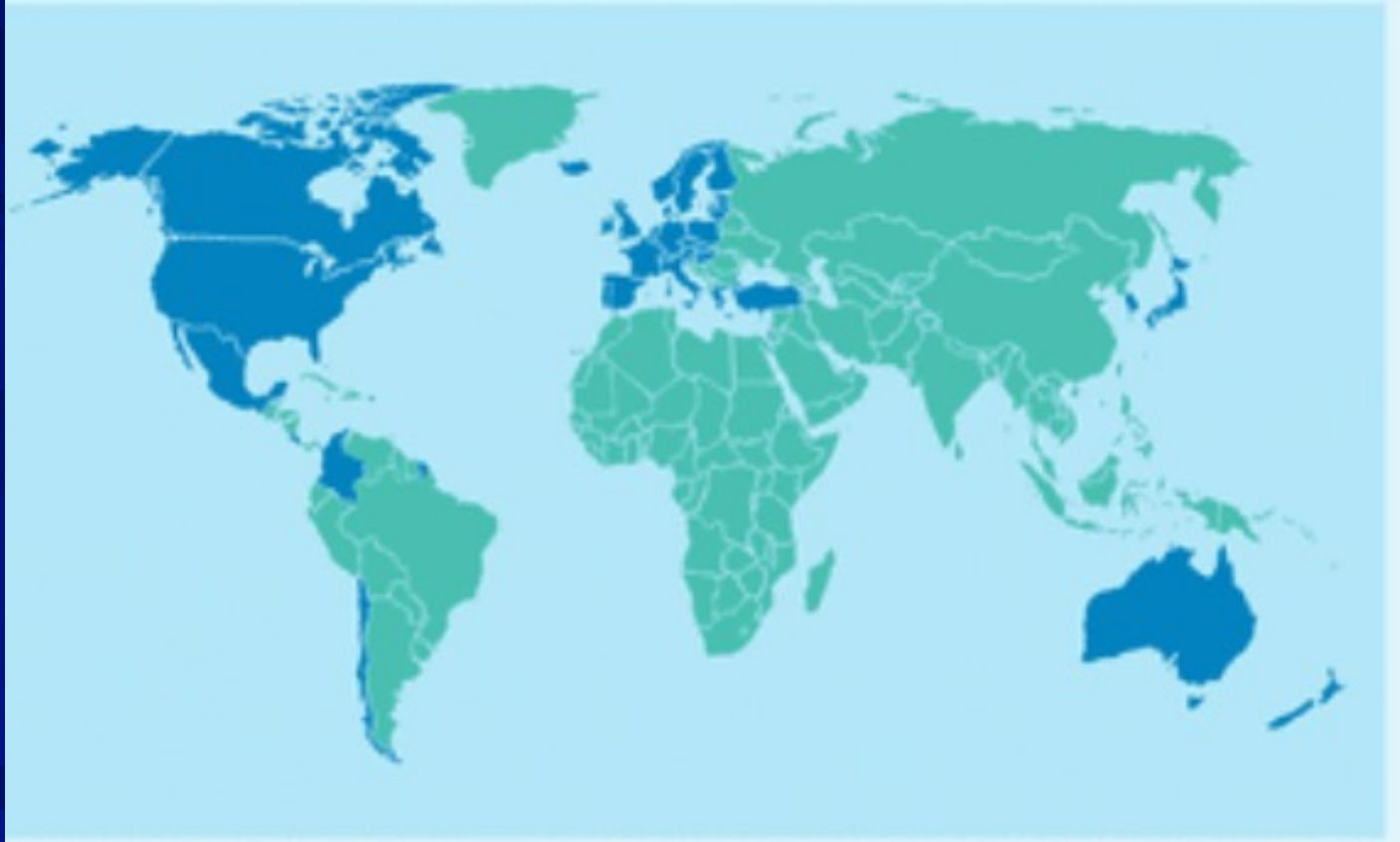
What are “Developed” and “Developing” Countries?

- This nomenclature is used throughout the Paris System
- However, these terms have not been defined, nor have criteria been articulated
- Apparently, general tacit understanding among the Parties
- Other international agencies employ various definitions and categorizations

“Developed” Countries

- When the UNFCCC was drafted in 1992, the authors apparently had in mind the 38 members of the Organization for Economic Cooperation and Development (OECD).
 - 26 European countries (including France, Germany, Italy, the U.K.); 6 from the Americas (incl. Canada, U.S, Mexico); 4 Pacific (Australia, Japan, New Zealand, S. Korea); and 2 Middle East (Israel, Turkey)
- Currently, the number is roughly 42 (China not included)

OECD Members



“Developing” Countries

- All Paris Agreement countries minus “developed” countries: thus, roughly 152 countries
 - Includes small island countries
- The U.N. also does not define
- According to the Int’l Monetary Fund (IMF), roughly 85% of the world’s population. Uses these criteria: average per capita income; diversification of exports; degree of participation in the global financial system

Developing Countries: Two Subsets

- **“Least Developed Countries” (LDC’s)**
- **“Emerging Market Countries”**
- **These categories are not found in Paris System agreements, but are widespread in other discourse, within and without the Paris System.**

Least Developed Countries

- **The U.N. does define and list**
 - **Criteria: per capital income; human assets; economic vulnerability**
 - **46 countries, which face severe structural impediments to growth. They account for less than 2% of world GDP and roughly 1% of world trade.**
 - **More than 75% of the population in poverty.**

Least Developed Countries (U.N. map)

[46 countries]

Africa 33, Asia 9, Caribbean 1 and Pacific 3



Emerging Markets

- The markets of developing countries that are rapidly growing and industrializing
- No formal definition, but generally are identified based on attributes such as: sustained market access; progress in reaching middle-income levels; and greater global economic relevance

Emerging Markets: the IMF List

- Argentina, Brazil, Chile, China, Colombia, Egypt, Hungary, India, Indonesia, Iran, Malaysia, Mexico, the Philippines, Poland, Russia, Saudi Arabia, South Africa, Thailand, Turkey, and the United Arab Emirates (20 total, in alphabetical order)
- Account for 34% of the world's GDP (in U.S. dollars) and 46% of purchasing power

Generally What is “Support” in the Paris System?

- Finance to assist a Party in meeting its mitigation pledges and adaptation plans (anticipation of adverse effects and steps to avert or minimize their damage)
 - But not “loss and damage” (irreversible and non-adaptable impacts of climate change: a separate matter)
- Capacity-building (enhancement of human capital to address climate change)
- Technology transfer (information sharing, possible licensing of patent rights)

The \$100B Pledge: Specific Expression of Support

- Prior to 2009, the obligation to support developing countries was not specified.
- But in 2009, in Copenhagen (COP15), the developed Parties agreed to an annual \$100B pledge.
- Background: part of a compromise to re-engage the U.S. in mitigation ambition and require all Parties to adopt mitigation targets and plans

The 2009 Copenhagen Accord

- **At the time, the 1997 Kyoto Protocol in effect: it imposed specific mitigation targets on developed countries.**
- **The U.S. did not join: cited absence of mitigation duties for developing countries, including China and India.**
- **In 2009, President Obama sought a new framework for all Parties.**
- **A political agreement: developing countries agreed to be included in mitigation planning**

Copenhagen Accord, section 8 (in part)

- “[D]eveloped countries commit to a goal of mobilizing jointly USD 100 billion dollars a year by 2020 to address the needs of developing countries. This funding will come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance...A significant portion of such funding should flow through the Copenhagen Green Climate Fund.”

The \$100B Pledge

- **The developed countries' side of the political Copenhagen Accord**
- **This framework became the basis for the 2015 Paris Climate Agreement**
- **The text of the pledge very important for what it says and does not say**

What the Pledge Says

- **The word “mobilize”:** developed countries take the lead, but will not contribute the entire annual \$100B (“variety of sources”).
 - **Added to their contributions:** funding from multilateral financial institutions (e.g., the World Bank, regional development banks (Asian Development Bank, African Development Bank, and others), and funding from the private sector

Multilateral Financial Institutions

- Specialised banks set up to support private sector development in developing countries
- Nat'l governments usually majority owners
- Sources of funds: government payments and guarantees
- Intent: to ensure creditworthiness, which enables the banks to raise large amounts of money on international capital markets and provide financing on competitive terms.
- Recipients: governments or private sector

The Green Climate Fund

- **A Paris System financial institution**
- **A proposal at Copenhagen COP15 in 2009; formally established in 2011**
- **Intended to fill the same role as the multilateral development banks**

What the \$100B Pledge Does Not Say

- **A collective pledge: does not identify specific country allocations**
- **Does not specify the forms of assistance: grants only, or also loans? If the latter, only “concessional” (below market rates)?**
- **Accounting methods for the contributions: must funding be limited to “climate-related” projects only, or can larger-scope projects (e.g., a clean water system) be counted in the \$100B?**

These Questions Continue

- **These questions have been contentious. Their lack of resolution (still in 2022) has led to widely-varying estimates of the developed countries' progress toward fulfilling the pledge.**
- **But meanwhile, the System's Parties (including developed countries) have reaffirmed the pledge (in 2015 and 2021)**

Paris Climate Agreement (2015), Article 9.3

- **“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.”**

Paris COP21 “Decision”, 2015

(par. 53)

- “Developed countries intend to continue their existing collective mobilization goal through 2025 in the context of meaningful mitigation actions...prior to 2025 the Parties shall set a new collective quantified goal from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries”

The \$100B Pledge on the eve of COP26 (Nov., 2021)

- An OECD “delivery plan” announced that the annual \$100B target will not be met until 2023.
- Met with widespread criticism and developing countries’ expressions of distrust

COP26 Demonstration



Glasgow Climate Pact, par. 26

- “[COP26] Notes with deep regret that the goal of developed country Parties to mobilize jointly USD 100 billion per year by 2020...has not yet been met...”

Glasgow Climate Pact, par. 27

- “[COP26] Urges developed country Parties to fully deliver on the USD 100 billion goal urgently and through to 2025...”

Why Support, including the \$100B Pledge?

- **A challenge: developed countries are being asked not to spend money on their own domestic climate programs, or on the Paris System as a whole, but only to a group of countries.**
- **The underlying reasons: the ethical and environmental dimensions to the Paris System**

Why Support? The Ethical Dimension (Climate Justice)

- At its core, the equitable (climate justice) question is: how to distribute equitably the burdens of mitigating and adapting to climate change?

The Ethical Dimension: Justifications

- **Historical responsibility: developing countries did not cause climate change**
- **Vulnerability: the countries most vulnerable to climate change, such as small island states, have contributed the least to causing it. Climate change is likely to affect developing countries disproportionately, many of which are acutely vulnerable.**
- **Debt payments, especially during pandemic**

Ethical Dimension Justifications

- **And yet, developing countries are required in the Paris System to contribute to mitigation and adaptation.**
- **Diversion of scarce resources away from other critical human development priorities.**

P.M. Boris Johnson at the UN in 9/21:

- **“Richer nations have reaped the benefits of untrammelled pollution for generations, often at the expense of developing countries. As those countries now try to grow their economies in a clean, green and sustainable way we have a duty to support them in doing so – with our technology, with our expertise and with the money we have promised.”**

The Environmental Dimension

- Most of the world's top GHG emitters are developed countries (here, I'm including PRC)
- But not all: e.g., Brazil, India
- In addition, a number of other developing countries (particularly emerging markets) are on a trajectory whereby they will substantially increase GHG emissions, unless they get assistance
- *E.g.*, Indonesia, South Africa

Environmental Dimension (cont.)

- **Meanwhile, these countries seek to bring millions out of poverty, through economic development**
- **In doing so, great reliance on fossil fuels for energy (e.g., electricity)**
- **Thus, their trajectory for a dramatic expansion of their GHG emissions. This might render impossible the Paris System's efforts to reach global "net zero" by 2050**

Environmental Dimension (cont.)

- Thus, countries must prioritize in their budgets economic development and climate mitigation.
- In the words of one commentator, Professor Kelly Sims Gallagher (Tufts University), there's considerable risk in the next several decades of a “carbon tsunami”

Environmental Dimension (cont.)

- It's not just a matter of finance; many countries state that they need technical policy assistance (capacity-building) in developing plans for a clean energy transition
- Net-zero pledges (South Africa, 2050; Indonesia and Saudi Arabia (2060); India (2070). But they (and many other countries) do not have detailed plans for achieving these goals

Environmental Dimension (cont.)

- In sum, many countries in need of clean development strategies (combining development goals and mitigation)

Current Status

- **The goal of meeting the \$100B pledge, plus the purportedly much higher levels of support that will be necessary in the 2020's and beyond, presents a great challenge.**
- **This in turn presents ongoing challenges for the aspiration of bolstering trust between the developed and developing Parties**

Current Status (cont.)

- For one thing, it would be of considerable benefit if accounting methods could be developed for determining the developed countries' progress
- For another, developing countries expect much higher allocation of funding toward adaptation (our topic next week)

Current Status (cont.)

- **Meanwhile, will developed countries be inclined to increase their funding toward the \$100B pledge, or find themselves in a position to so?**
- **For example, the U.S. has been up and down in funding since 2015**

The Current U.S. Budget Process

- Earlier in March, the Congress passed a \$1.5 trillion spending bill. It includes \$1 billion in climate aid. This is less than half of what the White House had requested and far short of the \$11.4 billion that President Biden last November promised to deliver each year by 2024.
- Does not include funding for the Green Climate Fund

Strong reaction

- **U.S. environmental commentators very critical of this budget package.**
- **Reaction from developing countries undoubtedly will be critical: Mohamed Adow, Director of the NGO Power Shift Africa, called the allocation of \$1 billion “appalling.”**

Mohamed Adow (continuing quote)

- “Many countries in the global south have made their climate commitments contingent on receiving substantial climate finance. The U.S. failing once more to keep its finance promises will destroy any hopes that these countries may achieve their emissions reduction targets.”

The Year 2022

- In the Paris System, the matter of support will be a major issue in the run-up to COP27 in Egypt in November, and at the Conference itself.

Week Five: March 25th

- **Support for developing countries:
adaptation**