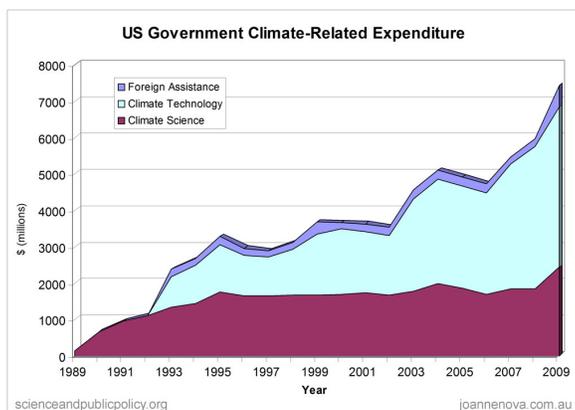


# Accounting methods of climate fund questioned

5<sup>th</sup> December, 2018



## What to study?

- **For Prelims: About GCF and its funding.**
- **For Mains: India’s observations on funding pattern, need for review and clarity on the issue.**

**Context:** Indian Finance Ministry has issued a ‘discussion paper’ that has criticised the accounting methods used by developed countries to report how much money they have given, so far, to developing countries to address climate change.

## Background:

Accounting procedures, regarding the flow of climate finance, has become one of the most controversial issues being debated at Katowice, Poland where countries have gathered to agree upon a ‘Rule Book’ to implement the Paris Agreement of 2015, that commits countries to ensure the earth doesn’t warm 2 degree C beyond pre-industrial levels.

In 2019, developed countries are expected to make available \$100 billion annually to developing countries, according to a 2010 agreement in Cancun.

## What’s the issue?

In 2016, developed countries published a road map to \$100 billion, which claimed that public climate finance levels had reached \$41 billion per year in 2013-14. In 2015, India had disputed this figure arguing it was only \$ 2.2 billion. The 2017 numbers also tell a similar story. Only around 12% of total pledges to climate funds have actually materialised into disbursements.

## What has India pointed out?

- It argues that the definition of climate finance in the UNFCCC has remained “imprecise and incomplete.”
- The total pledges to the Green Climate Fund (GCF), the largest multilateral fund, was a “meagre” \$10.3 billion. Further, most of the total climate finance has flowed into mitigation (a reference to preventing carbon dioxide from being emitted).
- The growth in the reported climate specific finance actually slowed down from 24% between 2014 and 2015 to 14% between 2015 and 2016.

## About GCF:

The GCF was **set up in 2010 under the UNFCCC’s financial mechanism** to channel funding from developed countries to developing countries to allow them to mitigate climate change and also adapt to disruptions arising from a changing climate.

## How it helps?

The Green Climate Fund will support projects, programmes, policies and other activities in developing country Parties using thematic funding windows.

- It is intended to be the centrepiece of efforts to raise Climate Finance of \$100 billion a year by 2020.
- The Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change.
- The Fund will strive to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two, while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach.

### **Who will govern the Fund?**

The Fund is governed and supervised by a Board that will have full responsibility for funding decisions and that receives the guidance of the **Conference of Parties (COP)**. The Fund is accountable to, and functions under the guidance of, the COP.

### **Background:**

In **2015**, India listed a series of specific actions it would take to fight climate change in the Paris Agreement.

The major ones are:

- It would **reduce its emissions intensity (or emissions per unit of GDP) by 33 to 35 per cent** by the year 2030 compared to the 2005 baseline.
- It would **ensure that at least 40 per cent of its total electricity in the year 2030 would be generated through renewable sources of energy** and that would create between 2.5 to three billion tones of additional carbon sinks through extensive afforestation.

Mains Question:

1. In the wake of the recent scientific reports on Climate change, it is imperative to finalise the rule book by 2018. Comment.
2. In light of the threats from climate change, building a “greener” finance market for India is necessary. Examine.

### **To be looked in UPSC Paper 2 and 3 Topic :**

1. Effect of policies and politics of developed and developing countries on India’s interests, Indian diaspora.
2. Conservation, environmental pollution and degradation, environmental impact assessment.