

## **A blueprint for climate finance at COP28**

India must advocate for reshaping the discourse on climate finance, shifting the focus from annual to cumulative emissions.

**Jyoti Parikh & Kirit Parikh**

The Chair of the **28<sup>th</sup> session of the Conference of the Parties (COP 28)** has called for a new paradigm in climate finance. Climate change has prompted us to consider alternative pathways for development. Energy specialists are back at the drawing board, making suggestions on how to transition to renewable energy, including solar, wind, hydropower, and other sources, coupled with appropriate storage solutions such as batteries, pumped hydropower, hydrogen, and more. On the other hand, consumers are contemplating energy efficiency, electric vehicles, lifestyle changes, and so on. Although eventually cost-effective, the transition would require considerable additional investment for decades.

Therefore, at every COP for Climate Change, a major annual event for climate negotiations, the issue of finance is raised by the developing countries that have not significantly contributed to emissions. In 2009, then-President of the United States, Barack Obama, and others promised \$100 billion every year in

a new Green Climate Fund (GCF) from 2020 onwards, a landmark that has not been reached even in 2023. As of April 2023, the total amount received over the years by the GCF is around \$20 billion!

Since then, the theme of climate finance has been a contentious issue every year. India could push for an alternative solution that can raise climate finance with fairness to all, and accelerate action by all countries for mitigation and adaptation, based on scientifically sound principles. Unfortunately, suggestions like a carbon tax or 'cap and trade' -which gives a quota to every country based on their current annual emissions - are unfair to the developing countries that have **not been significant emitters** in the past. On the other hand, the developed countries feel that the emissions by the developing countries are rising and would add considerable carbon emissions to the already existing stock.

India could try to shift the discourse from annual emissions to cumulated emissions. **Nearly 862 Gigatonnes (Gt) CO2 was emitted during 1990-2021.** The year 1990 is taken as the reference year because all countries became aware of the threat of climate change due to the Rio Summit. The emphasis on annual emissions gives us a false sense of comfort. For example, the sustainable development scenario of the

International Energy Agency (IEA) projects global emissions in 2050 to be 10 Gt **annually**, and the drop **from 33 Gt of CO2 in 2021** seems to be an achievement. However, despite the drop, the cumulated emissions from 1990 to 2050 may reach around 1400 Gt, nearly twice as much as in 2017. That shows how fast we need to mitigate CO2 emissions.

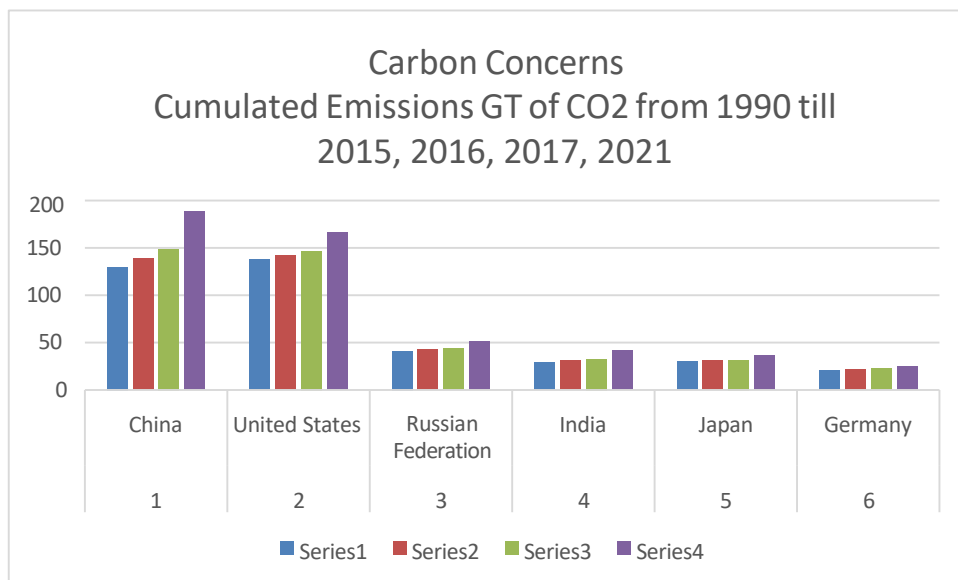
Since warming is caused by the stock of GHGs in the atmosphere, financing responsibility should be linked to it. The global atmosphere is like a parking space for GHG emissions. It has to be either rented or regulated. Rent is a self-implementing mechanism generally preferred by economists.

**An annual rent or a “parking fee” from *all countries* for every tonne of atmospheric space occupied by their accumulated GHG emissions** from 1990 onwards has many advantages. All countries pay the parking fee, and no distinction between Annex 1 and non-Annex 1 is needed. It focuses on the *cumulated emissions of a pathway* followed by each country. Currently, there is no incentive or reward to remove or reduce emissions that would eventually reduce flow and later the stock. A rebate can be given for legitimate mitigation expenses. There would be an agreement and convincing audit process of how these should be accounted for.

**HEADLINE: Carbon Concerns**

**Cumulated emissions from 1990  
(Giga-tonnes of CO2)**

Ranking	Countries	2015	2016	2017	2021
	<b>World*</b>	668	701	733	862



An *illustrative* parking fee of \$1.0 per tCO2 can raise globally close to \$900 billion annually. This would mean China pays or spends \$189 billion, US \$166 billion, and India \$42 billion annually.

Still, a global consensus on such a proposal will depend on what is done with the collected fees. They could be distributed for three broad objectives, which could be debated at COP and other platforms:

- (a) A large part of it, say 80 to 90 per cent, could be returned as reimbursement to each country for its actual expenditure utilised domestically to support ambitious domestic activities for mitigation, climate adaptation, and resilience. This would require agreed-upon robust accounting systems.
- (b) A fixed share should go to the GCF to support poorer countries that may be likely to suffer more from climate change than the 90 per cent return can cover.
- (c) A small share should go to global governance to support innovation and to ensure access for all countries by buying patents, collective action against disasters, building up global resilience, and for capacity building in urban, agricultural, and food sectors.

This would leave around \$100 billion, which may be given to multi-lateral financial institutions for subsidising interest and providing low-interest finance for climate action. This can significantly multiply the \$100 billion to maybe a trillion a year.

At a discount rate of 4 per cent, the annual parking fee of \$1 per tonne of CO<sub>2</sub> is equivalent to a carbon tax of \$25 per tonne of CO<sub>2</sub>. Currently, different researchers have suggested a carbon tax of \$ 75 to \$150.

The amount raised by the suggested parking fee may seem large. However, it is not large when compared with the sums going into renewable energy transition and climate adaptation and resilience. Countries (including developed countries) spent around \$340 billion for investment in solar and wind power plants in 2022. Considering grid, nuclear, storage, etc. the expected investment in 2023 is \$1.7 trillion. In addition, the loss and damage due to climate change already cost billions. The London School of Economics estimates the loss and damage, excluding adaptation, could cost developing countries a total of \$290–580 billion in 2030. In fact, we may need much higher parking fee, but can begin with the idea with less, while developing an accounting system for climate finance.

If the world is serious about **addressing** climate change, the industrialised countries must step up **financing** for their own mitigation, adaptation, and resilience efforts, and provide finance to developing countries. As the COP28 President –**designate said** on November 12, this requires a new paradigm for climate finance.

**Note:** We have considered only CO<sub>2</sub> and not all Green House Gases as CO<sub>2</sub> data are the most reliable, and have lifetimes of more than 100 years in the atmosphere, whereas Methane has a lifetime of around 12 years.

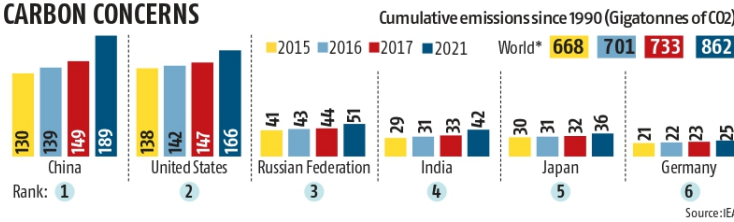
*The authors are, respectively, Executive Director and Chairman at Integrated Research and Action for Development, New Delhi.*

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**CARBON CONCERNS**



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