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Opinions

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The Paris Agreement and Implications for Climate Finance

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The Paris Agreement was adopted on December 12, 2015 after two weeks of negotiations at the 21st Conference of the Parties (COP21) of the United Nations Framework Convention on Climate Change (UNFCCC). The new climate agreement is considered a historic outcome replacing the Kyoto Protocol, leading all Parties in the UNFCCC to reduce greenhouse gas emissions based on their intended nationally determined contributions (INDCs).

Climate finance is a major means of implementing the agreement to support developing countries with respect to both mitigation and adaptation. In addition, scaling up climate finance plays a key part in enhancing capacity building and technology development and transfer in developing country Parties. It was not surprising to see negotiations on the agenda of climate finance continue on until just before the closing of the COP21 in Paris, France.

While developed countries pointed out that every Party has a role in mobilizing climate finance, developing countries stressed the commitment of developed country Parties to scale up from a floor of US$100 billion per year from 2020 during the sessions of the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP) – the body established in COP17 with a mandate to develop a protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties.

In the end, the final agreement on climate finance reflected balanced opinions between developed and developing countries as the COP 21 President, Laurent Fabius mentioned 'balanced text' during his several proposals for the agreement. The decisions on the finance agenda are mainly described in Article 9 of the agreement and the decision paragraphs (53 to 65) giving effect to the agreement. Article 9 includes differentiation, sources, communications and financial mechanism.

The agreement ensures that developed countries continue their existing obligations under the Convention and agree to set a new collective quantified goal prior to 2025, and other Parties are encouraged to provide such support voluntarily. Countries agree to mobilize climate finance from a wide variety of sources and aim to balance funding between mitigation and adaptation, considering the priorities and needs of developing countries that are particularly vulnerable to the adverse effects of climate change and have capacity constraints.

In addition, developed countries shall biennially communicate indicative quantitative and qualitative information regarding their climate finance, including support provided and mobilized through public intervention in accordance with modalities, procedures and guidelines to be adopted by following the Conference of the Parties for the Paris Agreement. The existing financial mechanism of the Convention shall serve for the Paris Agreement.

Further negotiations and work are needed on the financing agenda to implement the Paris Agreement. First, the amount of financing towards supporting developing countries loses significance without a common understanding of the climate finance concept and a consistent measurement, reporting and verification (MRV) framework of support. As a joint technical in-session workshop found at the last meeting of the subsidiary bodies in June 2015, there are gaps in the reporting system under the Convention such as lack of clarity on the purpose of reporting systems and insufficient or lack of information on financial support received.

Second, there are issues of complementarity between the operating entities of the financial mechanism and the funds under the Convention and Kyoto Protocol. Though countries agreed that a significant share of new multilateral funding for adaptation should flow through the Green Climate Fund (GCF), there is no clear role between GCF and Global Environment Facility (GEF). It should be the responsibility of the Standing Committee on Finance to improve the coherence, effectiveness and efficiency of the operating entities of the financial mechanism as mandated in Durban, COP17.

Third, developed and developing countries require more action and effort to mobilize and scale up climate finance. Developed countries need to provide a clear road map to 2020. Developing countries must improve their domestic enabling environment to attract financial resources.

In considering such challenges, Korea can serve as a bridge between developed and developing countries to globally push and pull climate finance. As the host country of the GCF, Korea needs to establish its role in encouraging more countries to scale up climate finance and support developing countries. KIEP