



COP28
UAE



COP28 must secure

a finance package
to urgently address
loss and damage,
increase funding
for adaptation, and to achieve a

*just transition
now*

The Conference of the Parties (COP) 27, held in Sharm El Sheik, Egypt, in 2022, represented a key moment for advancing the implementation of the Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC). However, it left several outstanding issues, particularly on critical climate finance matters.

During COP27, it was noted that fundamental commitments to address the climate crisis, such as transferring US\$100 billion annually from developed to developing countries starting in 2020, had yet to be fulfilled. Although reports by the Organisation for Economic Co-operation and Development (OECD, 2023) have indicated that the target will be met by 2023, there are concerns about transparency and accounting criteria for the amounts. In any case, such an annual transfer represents a limited sum and is incapable of addressing the climate crisis, so its non-compliance generates an atmosphere of mistrust. In this context, countries are negotiating a new collective and quantifiable goal, which must consider developing countries' needs to ensure sufficient and quality resources to meet growing climate needs. This new goal must be defined and agreed upon in 2024, and COP28 should act as a catalyst for developing countries' demands.

In addition, during COP27, a program was established to analyse compliance with objective 2.1.c of the Paris Agreement, which consists of "Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development." Implicitly, this objective indicates that it should be led by developed countries and contribute to redefining the global financing model. This goal has been crucial in

convening international financial institutions and financial entities, including central banks, to join climate action, primarily to address the debt faced by developing countries. In this situation, prominent leaders, such as the Prime Minister of Barbados, Mia Mottley, have responded to the call through the Bridgetown Agenda.

The consequences of extreme weather events reported worldwide since the conclusion of the last COP indicate the urgent need for a tenfold increase in resources for adaptation. This shift in agenda priority becomes even more pressing when considering that, according to the United Nations Environment Programme (UNEP, 2023), funding for adaptation decreased by 15% in 2021, despite increased climate change impacts. This decrease underscores the urgency and inevitability of increasing funding for losses and damages associated with such events.

This is fundamental to building a sustainable financial system worldwide, beginning with a rapid and accelerated reduction of incentives and financing for carbon-intensive activities, such as fossil fuel subsidies. Given this imperative, the signatory organisations have identified strategic priorities that must be addressed at COP28 to advance the agenda, facilitating a just and sustainable transition. Above all, there is a pressing need for urgent attention to the climate crisis and its evident consequences.

The most critical aspects that countries must agree on at COP28 in Dubai, United Arab Emirates, are:

1. Global stocktake and climate finance:



The initial global stocktake must acknowledge existing financial gaps for adaptation, and loss and damage, in relation to mitigation finance. It should also address the failure to meet targets, such as the \$100 billion goal, the limited access to bilateral and multilateral financial mechanisms in the form of grants, and the substantial debt that this imposes on countries. However, the global stocktake should also guide ongoing processes such as the design of the new finance goal and ultimately should guide the compliance of Article 2.1.c. Furthermore, it must signal the connection and transformation of the financial system reform and the climate change objectives.



2. Meeting the \$100 billion target:

At COP28, developed countries should not only highlight progress in meeting the \$100 billion annual transfer and reaffirm that the total cumulative amount by 2025 amounts to \$600 billion but also demonstrate a commitment to sustaining this funding until a New Collective and Quantifiable Goal on climate finance comes into force. It is essential to show that this financial support will not contribute to increasing the debt of developing countries.





3. Increased funding for adaptation:

At COP26, countries agreed to double adaptation finance by 2025, based on 2019 levels. During COP27, developed countries presented a plan to double adaptation finance; however, the Adaptation Gap Report by UNEP (2023) indicates that at least 10 to 18 times more funding is required to close the adaptation finance gap for developing countries. Therefore, at COP28, it is necessary to present an ambitious and robust plan for increased funding to accompany the global adaptation goal, ideally around the proposed \$400 billion per year target.

4. Independent funding arrangements for loss and damage:



COP27 made progress in defining the creation of a Loss and Damage Fund. For this reason, COP28 must reach agreements that strengthen this fund, guaranteeing, among other things, direct access to vulnerable populations and an independent structure. In this sense, the decision-making processes of this Fund must respond exclusively to the priorities of developing countries and the guidelines established by the Fund's Board, without receiving any external influence, especially from the World Bank, on strategic issues during its management. It is essential that the agreements clearly state that this finance must be innovative and additional to the resources earmarked for mitigation, adaptation, and humanitarian aid.



5. A collective and quantifiable needs-based finance goal:

After seven technical dialogues, Parties already have several qualitative elements to define a new climate finance goal. Ideally, some of these aspects should be adopted in Dubai, such as improvements to access to climate finance or transparency measures around the goal. Similarly, COP28 should mandate the co-facilitators to define clear plans for the ad hoc work plan in 2024 on the new finance target based on the needs of developing countries. Expedited decisions at COP29 will then be crucial for finalizing and defining the new finance goal.



6. Improved access to climate finance:

At COP27, the need to improve access was discussed, but no agreement was reached on how to achieve this. COP28 must send the right signals to address the issue of access to finance, particularly for indigenous and local communities. This is especially crucial in the case of emergencies to address loss and damage, as well as the adaptation needs of developing countries that cannot be postponed. The latter should focus on locally-led adaptation principles.



7. Debt treatment:

To address the challenges posed by the multiple crises facing the world, developing countries heavily rely on international finance. However, specifically to tackle the climate crisis, a significant portion of this finance has been mobilized through loans, leading to increased debt levels and the consequent reduction of fiscal space to address the consequences of climate change. In this regard, at COP28, international financial institutions and developed countries must agree on the treatment and restructuring of debts, including cancellation for countries with lower financial capacities, and debt-for-climate-action swaps for emerging countries (without generating mechanisms for the commodification of nature and common goods). Additionally, mechanisms of guarantee should be established to enable developing countries to invest these resources in emissions reduction and increased resilience, safeguarding biodiversity and ecosystem cycles.



8. Decarbonization of public finances:



COP27 recognized the need to reduce inefficient fossil fuel subsidies. However, COP28 must reach agreements to determine a deadline, emphasize the need for an accelerated transition in developed countries, and create incentives for this transition in developing countries. For the latter, this means accelerating the reduction of their dependence on carbon-intensive revenues, such as those from mining and oil concessions, and the sale of gasoline, diesel, and gas (which does not serve as "bridging" or "transition energy"). A fundamental step is to end subsidies to hydrocarbon companies operating both upstream and downstream, as well as subsidies to new fossil transportation infrastructure. Moreover, diversifying revenues is crucial, promoting domestic investments that support a just energy and economic transition, generating new jobs, reducing the vulnerable population, and, consequently, creating new revenues to invest in national and local needs.





9. **A new international fiscal compact:**

It is important to connect the discussion on the creation of a new international fiscal compact with the climate change agenda. This linkage would generate additional revenues to address the climate crisis by imposing taxes on those with greater resources and higher pollution levels. The aim is to establish schemes like environmental and carbon taxes to discourage polluting activities. It is essential to emphasize that the payment of environmental taxes will not exempt individuals or entities from criminal liability for environmental crimes. Furthermore, it should be avoided assuming that the tax can fully measure the damage. The resulting revenues will be used to drive a just energy transition.



10. Towards a new international financial architecture and innovative and transformational finance:

It is essential to promote a comprehensive transformation of the international financial architecture and encourage the mobilization of quality, innovative and transformational climate finance to address climate change, incorporating innovative financial mechanisms that support sustainable development and climate resilience and that privilege the voice of affected communities, guaranteeing their participation and access to information, in line with the Escazú Agreement. In addition, it is urgent to reform international financial institutions, such as the International Monetary Fund and the World Bank, in order to guarantee a more equitable representation in their governing bodies, eliminating the capacity of individual vetoes, and integrating climate change and environmental protection goals as a result of negotiation spaces, without imposing conditions on credit beneficiary countries that imply interference in their national policies. It also urges financial





entities, such as Multilateral Development Banks, central banks, stock exchanges and credit agencies, to align themselves with the objectives of the Paris Agreement. Also, with a new allocation of Special Drawing Rights (SDRs) to finance development and climate action in the most vulnerable regions, highlighting the current disparity, where developed countries receive the biggest share of the quotas. Finally, it emphasizes the need for comprehensive strategic planning to identify and track climate finance at the international level, both public and private.





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