TWN **9**

DUBAI CLIMATE NEWS UPDATE
PUBLISHED BY THIRD WORLD NETWORK

6 DECEMBER 2023

Developing Countries disappointed at failure to agree on baseline for doubling adaptation finance

Dubai, 6 Dec (Indrajit Bose)- Developing countries expressed disappointment that the UNFCCC's Standing Committee on Finance (SCF) was not able to arrive at a baseline for the doubling of adaptation finance, owing to methodological limitations. They also expressed concern that even if adaptation finance were doubled, there would be a wide gap between mitigation and adaptation finance.

These concerns were expressed at the informal consultations held on 4th Dec. on the SCF's '[Doubling of adaptation finance report'](#) at the ongoing COP 28 talks in Dubai.

(COP 27 in Sharm el-Sheikh had requested the SCF to prepare a report on the doubling of adaptation finance. The doubling adaptation mandate comes from COP 26 in which developed countries were "urged to at least double their collective provision of climate finance for adaptation to developing country Parties from 2019 levels by 2025, in the context of achieving a balance between mitigation and adaptation in the provision of scaled up financial resources…".

(According to the SCF report, "three of the five sources of information reviewed…point to a baseline from 2019 of USD 19.4 billion on average across all included channels, thus indicating a doubling to USD 38.8 billion by 2025.")

At the informal consultations, some developing countries suggested having an adaptation finance work programme to discuss systemic issues impacting adaptation finance. They also referred to the recent report by the United Nations Environment Programme (UNEP) on the Adaptation Gap Report (AGR) 2023 and called for numbers from the report to be reflected in the decision on the issue of doubling adaptation finance.

(The AGR states that the adaptation finance gap now stands at between US$194 billion and US$366 billion per year. Adaptation finance needs are 10–18 times as great as current international public adaptation finance flows – at least 50% higher than previously estimated; and international public climate finance flows to developing countries "decreased by 15% to US$21.3 billion in 2021 after having increased to US$25.2 billion between 2018 and 2020", the report states. Based on modelling analysis, the AGR 2023 estimates the "costs of adaptation for developing countries in this decade at approximately US$215 billion per year [range: US$130 billion to US$415 billion]". "These adaptation costs are projected to rise significantly by 2050 because of growing climate risks," the report states. Further, adaptation finance needed to implement domestic adaptation priorities are estimated to be

TWN
Third World Network

Third World Network is an independent non-profit international research and advocacy organization involved in bringing about a greater articulation of the needs, aspirations and rights of the peoples in the South and in promoting just, equitable and ecological development.
Address 131, Jalan Macalister, 10400, Penang, MALAYSIA.
Tel 60-4-2266728/2266159 Fax 60-4-2264505
E-mail twn@twnetwork.org Website https://twn.my/

US$387 billion per year [range: US$101 billion to US$975 billion] in this decade, according to the report. See related update.)

The **Africa Group** suggested that the doubling finance target should be further doubled, which drew sharp retort from developed countries who opposed the proposal.

During the discussions on the private sector, developing countries underscored that they cannot rely on the private sector for adaptation finance, with the **European Union (EU)** admitting that multilateral development banks (MDBs) had failed to mobilise finance for adaptation that they were expecting them to achieve.

Speaking for **G77 and China, Brazil** said it is concerned about the lack of balance between mitigation and adaptation finance and referred to the adaptation gap report's numbers as "alarming". It expressed concern that the SCF had not put forth a baseline for at least doubling adaptation finance, and said the baseline for the conversation should be developed countries' lack of commitment in fulfilling their responsibilities. It also said that Parties must focus their conversation on the quality of finance, which was largely loans, as well as issues related to access for developing countries.

Kenya for the **Africa Group** referred to the SCF's report as "deeply insufficient" adding that it could not welcome it. It proposed the need for a "doubling of the doubling goal" and an acknowledgement in the decision that the baseline is way short of what developing countries need. It also said that there is need to continue to take stock of the doubling of the adaptation finance commitment and where the finance was being allocated.

Switzerland responded that while it was willing to engage on language on scaling up of adaptation finance, it would not be able to agree on any new "forward looking commitment, especially if it is limited to developed countries. (in reference to the issue of contributors.)"

The **United States (US)** said that it had no appetite to revise the quantum since the goal was through to 2025, and any conversation to double the doubling was a "non-starter".

Responding to the developed country interventions, **Saudi Arabia** for the **Arab Group** said developing countries were not asking for any "new" commitments of developed countries but just calling for the implementation of the Paris Agreement (PA). It referred to Articles 9.1 and 9.4 of the PA which speak to developed countries being mandated to provide finance to developing countries for mitigation and adaptation and the provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation.

Saudi Arabia said further that the balance was far from being achieved, and the issue needs to be resolved. "If we cannot understand adaptation finance, it cannot be accounted for," it added, and called for the systemic issues to be solved such as accountability and delivery of commitments. It also called for an adaptation finance work programme, which would be a dedicated space to discuss and resolve issues. It further said that if adaptation finance stayed at USD 40 billion, it would be "widely insufficient". On the SCF's report, it said that the decision must express disappointment with the report and highlight the fact that there had been no agreement on the baseline. It also said that the report used up most of its space discussing all actors providing finance except for developed countries, and did not address the systemic issues impacting adaptation finance.

Argentina for itself, **Brazil and Uruguay (ABU)** supported the idea of a two-year work programme on adaptation finance, which would result in an informed debate on adaptation at COP 30.

India for the **Like-Minded Developing Countries (LMDC)** said the SCF report was an eye opener, reflected lack of trust since the baseline could not be agreed to, and proved that Parties are really far from meeting the mitigation-adaptation balance stated in Article 9.4 of the PA. It expressed support to the proposal for an adaptation finance work programme, as well as concerns about the finance being provided in the form of loans. It called for the decision to recognize the lack of progress in these areas and highlighted the need for a definition of climate finance.

Honduras for the **Independent Alliance for Latin America and the Caribbean (AILAC)** expressed concern that no baseline could be agreed on for adaptation finance and the decision must note the "severe gaps" in the finance. Highlighting that adaptation finance is a key priority, it stressed that adaptation finance has to start flowing to developing countries. It also expressed deep concern about adaptation finance reaching developing countries in the form of loans and cited that 83 per cent of adaptation finance was from MDBs in the form of loans, which was further indebting developing countries. "We cannot get into more debt to save our own livelihoods. This is a matter of development. We cannot allow adaptation finance to further increase our debt levels. We would not be in a position to welcome the report," it said further.

Ethiopia for the **Least Developed Countries (LDCs)** said Parties must take note of the SCF report and focus on aspects that speak to the scaling up of public sources of adaptation finance, and the allocating resources to the finance institutions under the UNFCCC. It further said that it would have preferred concrete proposals in the report on monitoring the doubling of adaptation finance commitments of developed countries.

Egypt said Parties need to reflect in the decision challenges with respect to methodological issues, problems around the scale of finance, availability of data and sources, and the lack of balance between mitigation and adaptation finance, among other things, along with forward looking recommendations on these elements.

China said even if adaptation finance were doubled, Parties would be far from reaching a balance in mitigation and adaptation finance. It further expressed concern over the decline of adaptation finance, which begged the question over the "sincerity of developed country commitments". China also said that reliance on the private sector to fund adaptation appeared to be a "misguided expectation", and adaptation finance should be public finance predominantly, in the form of grants. It also said that it is not in a position to welcome the SCF report.

The **European Union (EU)** said as a matter of principle, Parties should welcome all the work of the SCF. It expressed disappointment that there was no agreement on the baseline. "Our understanding was we are going from USD 20 billion to USD 40 billion, and we are happy to note that there continues to be an imbalance between mitigation and adaptation," it said. It also said that it was happy to note in the decision that access to adaptation finance continued to be an issue.

The **US** referred to the SCF report as "strong". While it recognized that the "dip in numbers is a concern", it added that there was a "blind spot" in tracking adaptation finance since "crosscutting finance" was not addressed. It added that there had been a significant increase in crosscutting finance, which should be brought into the conversation. It also said that there should be something in the decision about challenges with respect to mobilizing private finance.

On the baseline, the US said that it would not have been appropriate for the SCF to determine a baseline, and it is a matter for developed countries who have been urged to double to clarify what the baseline should be. The US also said that while it is appropriate to take note of the findings of the report, it would not be comfortable with a decision actively establishing a baseline.