THE COST OF INACTION

Ireland's responsibilities for global climate finance

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The Cost of Inaction: Ireland's responsibilities for global climate finance

Christian Aid Ireland and Trócaire November 2019

Contents

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Executive Summary

Global efforts to address climate change are at a crucial point. Our actions over the next decade will drastically affect the fate of the planet. A rapid and radical reduction in greenhouse gas emissions is essential to the achieving the Paris Agreement- the international climate treaty agreed under the United Nations in Paris in 2015. But equally important is the provision of adequate finance to those countries on the front line of the climate crisis and already experiencing the worst effects of a changing climate.

Developing countries are already being subjected to more frequent and more severe droughts, storms, flooding, and typhoons. There is an urgent need for international support to help them not only reduce their own emissions in line with the Paris Agreement, but also to allow them to adapt to the ever more unstable and unpredictable climate. Developing countries have done least to create this problem, yet they have been shouldered with the burden of dealing with the consequences of many decades of pollution by industrialised countries. A global problem requires a global response, but the response must also be equitable if it is not to compound existing structural inequalities.

Rich countries owe a moral and ecological debt to developing countries for the damage they have done to the environment. This debt includes financial responsibilities. Rich countries must provide the means of implementation to allow poorer countries to prepare for increasing climate impacts and to follow a clean, climate-friendly development pathway.

Unfortunately, the current politics and practice of climate finance is undermining global ambition and threatening to result in a form of climate apartheid where wealthy countries and people shelter themselves from increasing storms, hunger and heatwaves, while the poorest countries and people who are least responsible are left to suffer.

Despite its poor record on emissions reduction, Ireland has a positive story to tell on climate finance, which has a commendable focus on least developed countries, adaptation and gender. But while the quality of Irish climate finance is high, Ireland is falling short in terms of the quantity and predictability of these financial flows. In 2018 Ireland reported nearly €80m in climate finance as its annual contribution to the $100 billion a year by 2020 UN target committed to by donor countries in 2010. Based on estimates using the Eco-Equity Stockholm Environment Institute Responsibility Capacity Index, Ireland's fair share of this annual figure should be around $500 million a year. Importantly, the global $100 billion a year commitment is a political target, rather than an amount based on detailed assessment of needs in developing countries, which by some estimations are far greater.

Ireland's climate finance reporting is highly transparent as compared to many other donors. However, it remains unclear how much the increases in Ireland's reported climate finance in recent years represent

new and additional funding being made available, and how much of these increases have been achieved through more detailed and expansive accounting of existing financial flows. The practice by donor countries and institutions of inflating their climate finance figures through expansive accounting practices is creating the false impression of finance being scaled up significantly more than it is in reality. These flows are about more than fulfilling a commitment to mobilise $100 billion a year, they are about enabling developing countries to play their part in achieving the Paris Agreement goals. Donor countries are not just short changing developing countries, they are undermining prospects of achieving the Paris temperature limits, and thus their own interests as well.

Ireland should build on the strengths of its climate finance, retaining its focus on public finance for adaptation and the most vulnerable countries, which are currently losing out in global climate finance flows. It should also build on the transparency of its climate finance reporting, adopting and championing higher standards for the accounting of finance flows to provide greater clarity on actual increased volumes of finance being made available. In increasing its climate finance contributions Ireland should avoid global trends in climate finance -such as the provision of loans, and leveraging of private finance- which are not delivering for the poorest people and risk compounding existing structural injustices.

The significant use of loans by many bilateral and multilateral donors to deliver on climate finance commitments shifts the financial burden of responding to the crisis on to those with less or least responsibility for creating it. The intensification of focus on blended and private finance in delivering climate finance has had the effect of largely crowding out multilateral debate on proposals for other innovative sources of new and additional finance for climate action, and for development finance more broadly, with less attention paid to strengthening domestic and international public resources for sustainable development

Many developing countries and civil society actors advocate that the 'new and additional' principle means climate finance commitments should be additional to ODA. This is because climate change represents a new and additional burden on existing development challenges for developing countries. In practice however, existing ODA flows have been used significantly by donors towards their climate finance commitments. One of the core rationales for integrating environmental sustainability and social and economic development goals in the SDGs was the reality that social and economic progress and environmental goals must go hand in hand if they are to succeed. With significant shortfall in the funding requirements of the SDGs, the need for new and additional funds for climate action is evident. Clarity and concrete planning is required from donors to ensure both climate finance and development finance will increase toward their respective global commitments without resulting in a zero-sum game.

Developing countries and civil society have also been advocating strongly for the inclusion of Loss and Damage as a core concept within the UNFCCC – for the simple reason that global mitigation has been taking place far too slowly. As a result of the slow and inadequate response to date, climate change impacts are already today resulting in impacts- loss and damage- that are beyond the current or conceivable adaptive capacity of developing countries.

In 2020, the year the Paris Agreement comes into force, all states (EU collectively) are expected to submit new pledges for action. Clarity that adequate and predictable finance will be available is a practical and trust-building prerequisite for developing countries to step up their ambition and is thus key to the success and future of the Paris Agreement.

In advance of these new pledges in 2020 Christian Aid and Trócaire recommend:

- Ireland needs to scale up its provision of climate finance considerably, in line with its responsibility and capacity, to contribute its fair share to the global effort to deliver on the goals set out in the Paris Agreement.
- Ireland should continue its focus on public, grant based finance for adaptation.
- Ireland should retain the added value of its current niche and avoid seeking new avenues of "blended" finance that divert focus from much needed poverty and gender-focused grant finance.
- Ireland should continue its focus on bilateral climate financing, but should also increase its support to UNFCCC funds.
- Given Ireland's emphasis on gender and climate change, it should promote greater gender-responsiveness in its bilateral and multilateral climate finance.
- Ireland should give a central place to providing detail on the level of net increases in flows to developing countries, and how these were achieved, including for example increases in overall ODA, or additional new sources.
- Ireland should champion increased integrity and transparency among donor countries in climate finance reporting and should highlight the risks to climate action and the SDGs of the artificial inflation of climate finance figures and inadequate scaling up of new and additional finance.
- The government should submit a clear, multi- annual plan for delivery of Ireland's commitment to deliver 0.7% GNI to the Committee on Budgetary Oversight for consideration. A strategy to scale up Ireland's climate finance contributions, alongside increasing ODA to 0.7 of GNI, should be developed alongside this.
- Ireland should develop a comprehensive and equity-based position on loss and damage, and supports calls from developing country parties and civil society for identification of new funding streams to respond to current and future Loss and Damage needs.

The role of climate finance in delivering global climate goals

'We risk a 'climate apartheid' scenario where the wealthy pay to escape overheating, hunger and conflict, while the rest of the world is left to suffer.'

Philip Alston, UN Special Rapporteur on Extreme Poverty and Human Rights, 2019.[1]

In his *Report on Climate Change and Poverty* in 2019, the UN Special Rapporteur on Extreme Poverty and Human Rights, Philip Alston, highlighted the profound inequality in which developing countries would bear an estimated 75% of the cost of the climate crisis, despite the fact that the poorest half of the world's population, mainly residing in these countries, are responsible for just 10% of historical carbon emissions.[2]

Ireland and much of the rich world have yet to experience the extent of the devastating impacts of climate change that are a persistent reality for the poorest people in the world. A crisis they played no part in creating. Since 2000, people in poor countries have died from disasters at rates seven times higher than in wealthy countries. Trócaire and Christian Aid have been responding to the impacts of climate change in the poorest countries of the world for more than a decade. We support communities to pick up the pieces when disasters strike. As climate impacts see disasters increase in frequency and intensity, however, the ability of people to bounce back is being severely eroded. There is a limit to what the poorest people can be expected to adapt to.

The 2018 special report from the Intergovernmental Panel on Climate Change (IPCC) made clear that the planet will face severe consequences if we fail to limit global greenhouse gas emissions to 1.5°C above pre-industrial levels.[3] It also made clear that even if governments step up action swiftly and dramatically to limit warming to this more ambitious target in the Paris Agreement of 1.5°C, poverty and inequality, food insecurity and water stress will increase. Even keeping warming below 1.5°C, five-hundred million people may still be exposed and vulnerable to water stress, 36 million people could see lower crop yields, and up to 4.5 billion people could be exposed to heat waves, the report warns.[4]

Beyond the 1.5°C limit, the direct and indirect impacts of climate change would be catastrophic and increasingly unpredictable for all of us, but the poorest will suffer most. **Despite the warnings of the IPCC, current national commitments are projected to lead to warming of approximately 3°C. This means current government plans and policies pose fundamental risks to their own citizens, the whole of humanity and much of the natural world.**

However, what the IPCC report also demonstrates, is that the vast majority of global pathways modelled by the Panel that succeed in limiting warming to 1.5°C degrees, depend on international cooperation, including strengthening the capacities for climate action of national and sub-national authorities, civil society, the private sector, indigenous peoples and local communities.[5] **From this perspective, increasing support to the poorest countries to enable them to take action is not only a moral imperative, but also a practical necessity if global climate goals are to be achieved.**

For rich countries, delivering on the 1.5°C limit, and ensuring it results in a just and viable future for the world's poorest people, demands not only a dramatic increase in their domestic mitigation action, but also a swift and steady increase in financial support to developing countries. Developing countries too have obligations under the Paris Agreement to reduce their emissions and respond to adaptation needs. They can only fulfil their side of the Agreement if they have confidence that the financial support to do so will be available. **Clarity and certainty around the provision of climate finance for action in developing countries is essential for the delivery of the goals set out in the Paris Agreement**

Worryingly, the current politics and practice of climate finance is both undermining global ambition and threatening to result in a form of climate apartheid where wealthy countries and people shelter themselves from the increasing storms, hunger and heatwaves, while the poorest countries and people who are least responsible are left to suffer.

While political and public debate in Ireland on climate change has increased in recent years, the Houses of the Oireachtas and the State as a whole have yet to respond at the scale and pace that science, planetary survival and justice demand. Current emissions trends and current government climate action commitments out to 2030 fall dramatically short of the level and pace needed to deliver on either 1.5°C or even 2°C degree. **The All of Government Plan to Tackle Climate Breakdown, published in 2019** projected to deliver only 2% reductions in emissions a year[6] until 2030 i**s a wholly inadequate response to the stark IPCC science**.

Having used up more than their fair share of safe atmospheric space to date, the global carbon budget rich countries and blocs such as the EU, need to increase their 2030 domestic greenhouse emission reduction target under the Paris Agreement from the current 40%, to 65% reductions relative to 1990 emissions. As a rich country, with high emissions per capita within the EU, Ireland needs to do its fair share to deliver on increased EU 2030 and 2050 targets, reaching net zero well in advance of 2050.

To fulfil its global commitments to tackle the climate crisis, Ireland also needs to contribute its fair share of finance needed to ensure that the Paris Agreement is achieved globally, in developing as well as developed countries. This report looks in detail at the concept of climate finance, the critical role it plays

in achieving equitable and effective climate action, and how this relates to Ireland's contribution to the global effort to achieve the Paris Agreement.

What is climate finance?

Article 4.3 of the 1992 United Nations Framework Convention on Climate Change (UNFCCC) commits developed countries to provide climate finance to developing countries for addressing climate change, due to their greater responsibility for emissions to date, and their greater financial capacity.

From the outset of the UNFCCC it was agreed that climate finance would be mobilized for both mitigation and adaptation activities.

Mitigation refers to activities that reduce or limit greenhouse gas emissions, as well as those to enhance greenhouse gas sequestration (the long-term storage of greenhouse gases to prevent their release into the atmosphere).

Adaptation refers to activities that reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience. These can be large scale, top down infrastructure projects such as sea walls, or community based, knowledge intensive activities such as livelihoods diversification and local disaster preparedness planning.

Over the last decade, a new concept has been enshrined in the UNFCCC that relates to both action and financing requirements - that of Climate Change Induced **Loss and Damage.**

Loss and Damage refers to the impacts of both extreme events such as floods, storm surges and heatwaves, as well as slow onset events such as sea level rise and desertification. It includes both economic loss and damage such as damage to income and assets, and non-economic loss and damage such as loss of life, territory and identity (for example entire Small Island Nations are at risk of disappearance due to sea level rise at warming of 2°C

The Convention stresses that such funds should be **"new and additional**", "**adequate and predictable"**. ***Adequate*** refers to the need for climate finance flows to be commensurate with mitigation and adaptation needs in developing countries. ***Predictable*** refers to the need for developing countries to have a clear and reliable medium and long-term confidence in the availability of climate finance if they are to plan effectively and ambitiously to chart a different development path than that adopted by already industrialised countries.

'The implementation of these commitments shall take into account the need for adequacy and predictability in the flow of funds and the importance of appropriate burden sharing among the developed country Parties'.[7]

United Nations Framework Convention on Climate Change, Article 4.3.

New and Additional means that it should not constitute 'repackaged' existing finance flows, which would represent no added support in practice despite the extra burden that climate change represents for developing countries as they seek to eradicate poverty.

The reality of climate finance has not followed the vision set out in the UNFCCC however. **While the rationale for the four principles, adequate and predictable, new and additional, remains as true today as it did then, donor countries have largely failed to adhere to them.**

The global context has shifted significantly since the UNFCCC was adopted in 1992. Many developing countries have industrialised significantly and have swiftly growing economies and greenhouse gas emissions profiles, China and India being the most notable. However, on a per capita basis, industrialising developing countries continue to be outstripped by the majority of developed countries.[8] Furthermore, vast swathes of the population in these countries continue to live in poverty, such as in India, where 70.6 million people still live in extreme poverty.[9] Many other developing countries, including in particular the Least Developed Countries, continue to produce negligent emissions, yet they are among the most vulnerable to current and increasing impacts, all while faced with the challenge of eradicating systemic, widespread poverty.

Malawi - the climate crisis is impairing the poverty eradication challenge

Malawi remains one of the poorest countries in the world, with a Human Development Index (HDI) of 0.418, ranking 171 out of 189 countries (UNDP 2017 HDR). Life expectancy stands at about 63.7 years and the country is marked by high levels of vulnerability including poor nutrition.

Climate extremes and weather events are severely eroding the resilience and adaptive capacity in Malawi. These increasingly intense and more frequent weather-related crises, coupled with a weak economic profile have combined to create a vicious cycle of food insecurity and malnutrition, with devastating consequences on basic services and on long term development.

In 2016-17, a State of National Disaster was declared as Malawi experienced record high humanitarian needs with over 6.7 million people in need of food aid and supported through the Food Insecurity Response Plan (FIRP). In the last few decades Malawi has experienced 7 severe droughts during the crop growing seasons. It also experienced devastating floods in 2012/13 and 2014/15 rainy seasons where many lost their lives and livelihoods. On March 8, 2019 Malawi was hit by Cyclone Idai. Over 850,000 people were affected across the country by the Cyclone and nearly 87,000 people had to leave their homes. This is all at today's level of warming.

Poverty-focused climate finance can deliver transformational change for the poorest people - Solar powered water in Malawi

Climate change is one the factors that has contributed to water stress in Malawi. Over one third of Malawi's population of over 18 million don't have access to clean water. The surrounding area has suffered from a water supply with high levels of salt. Women were travelling long distances to find water that wasn't salty but was still dirty. In March 2018, a project started with Trócaire partner CICOD - Center for Integrated Community asking the community in Masanduko, Sothern Malawi, to assess what their problems were and what the solutions might be. They decided they wanted to do a project around food, water and energy. A solar powered water pump has since been installed which is now providing clean, safe water to nine hundred households in five villages using renewable energy generated by and for the villages.

El Salvador – 'We are invisible to others'

It is estimated that Central America produces less than 0.5% of global carbon emissions, but it is one of the most vulnerable regions to the impacts of climate change. For the countries of Central America, climate change makes its presence felt in multiple ways through sea level rise, extreme weather, increased temperatures and altered rainfall. The smallest Central American country, El Salvador has been afflicted with earthquakes, civil war and gang violence, so climate change compounds the country's already acute poverty.

Mauricio Cruz is the leader of one of the community groups or ADESCOs, a group of 10 communities who work together in the event of an emergency.
'Climate change at the global level exists,' he says. 'Maybe people [in the developed world] don't believe it because you have everything you need – a guarantee that you'll have everything. But when you're poor, you see it happening. Poor people experience it more. We are already used to living with a high level of vulnerability, but that vulnerability is increasing.' He adds: 'Sometimes the same amount of rain will fall in one day that used to fall in three to four months. The problem is the rainy season – there are so many days without rain but then you will get three to four months in one day. We used to cultivate during the rainy season, but now you can't grow at this time of the year because of the risk of floods. Because of climate change we need to find ways of adapting. We need to find new strategies – especially for maize.'

Mangrove forests are a crucial buffer against rising seas and storm surges, as well as vital breeding grounds for fish. But mangroves have been under threat. Mauricio places the blame for climate change at the door of rich industrialised nations: 'We have forested areas, like mangroves, and we are looking for ways to conserve and reforest them, as they're like a nursery for seafood. These forests give us life and help us confront climate change. **Big countries are responsible for climate change, more than countries like El Salvador. I know that it is impossible for us to do anything here if countries that are responsible for emissions don't do anything. They need to change their way of life, but we're trying too, because we understand the impact of climate change…As poor people, we don't have a voice – we are invisible to others.**'

Climate Finance Needs

The most recent commitment of donor countries within the UNFCCC in relation to climate finance flows is a 2010 commitment to 'mobilise' $100 billion a year by 2020 for climate action in developing countries. This commitment was reaffirmed in the 2015 Paris Agreement, which extended this commitment out to 2025, by which point it was agreed that a new goal for mobilising international climate finance for action in developing countries would be agreed. Importantly, **the current $100 billion commitment is a political target, rather than an amount based on detailed assessment of needs.** Various estimates exist for the amount of money required for climate action globally and in developing countries. Differences in the calculations relate to various factors including reference years, and underlying assumptions.[11]

Examples of differing calculations

- A 2016 *Civil Society Fair Shares Review*, attempted to estimate equitable shares of responsibility for emissions reductions and climate finance based on a mix of historical responsibility and current capacities, estimated that at least US$750 billion per year in international climate finance would be needed to address mitigation needs alone by 2020, if the 1.5°C target were to be reached."
- A 2015 analysis of the finance needs (and climate ambition) described in the Intended Nationally Determined Contributions submitted before the Paris Agreement, calculated that US$474 billion in international climate finance would be needed for adaptation and mitigation by 2030.
- A UNEP study in 2016, '*The Adaptation Finance Gap Report*', estimates that US$140 – 300 billion in adaptation financing will be needed by 2030, with between USD 280 – 500 billion per year needed by 2050. The study acknowledges that the costs of adaptation measures are increasing.
- Most recently, in September 2019 the Global Commission on Adaptation, led by, among others, former UN Secretary General Ban Ki Moon and the World Bank, launched a report, 'Adapt Now: A Global Call for Leadership on Climate Resilience' in September 2019, with an urgent call to ramp up adaptation finance in order to address what it described as 'plausible, highly damaging scenarios'. Based on its analysis, the Commission is calling for the mobilisation of investment in the order of US$1.8 trillion in key areas for adaptation by 2030.

While the scale of finance required appears significant, by comparison, total annual military expenditure has increased to €1.6 trillion.[12]

The latest report from the OECD of current climate finance flows indicates that climate finance provided and mobilised by developed countries reached $71.2 billion in 2017, rising incrementally though not steadily, from $52.2 billion in 2013.[13] Setting aside quality and equity issues relating to these flows, which are discussed below, that left only three years until 2020 to fill a gap of almost $30 billion. Shadow analysis by civil society actors suggests that a number of factors result in inflated figures being reported by donors to the OECD, including limited transparency around project objectives, in particular for multilateral flows, and reporting of the full value of concessional loans rather than the grant equivalent only. They conclude that the gap to $100 billion is likely greater.[14]

To fail to pursue the most ambitious limit in the Paris Agreement of 1.5°C would result in significant, avoidable increases in suffering, particularly amongst the poorest countries and poorest people. It would also result in much greater global disruption, adaptation needs, and occurrence of loss and damage. **Global mitigation effort, adaptation needs, and loss and damage costs are inextricably linked. The more mitigation achieved, the less the need for adaptation, and loss and damage finance will be.**

Mitigation needs to be radically ramped up in all countries, and climate finance to developing countries to help them adapt, reduce emissions, and cope with loss and damage needs to increase significantly and steadily. These are facts well known since the adoption of the Paris Agreement in 2015. **In 2020 the EU must scale up current climate finance contributions and call for a finance needs analysis to inform agreement on a new global climate finance goal for post-2025 that will cover adaptation mitigation, and loss and damage. Ireland should champion a needs-based goal for increasing international climate finance.**

Loss and Damage is happening, costs being borne by poor countries

Developing countries and civil society have advocated strongly for the inclusion of Loss and Damage as a core concept within the UNFCCC – for the simple reason that global mitigation has been taking place far too slowly. As a result of the slow and inadequate response to date, climate change impacts are already today resulting in impacts that are beyond the current or conceivable adaptive capacity of developing countries.

Damage from supercharged typhoon

In November 2013 Typhoon Haiyan devastated the Tacloban region of the Philippines. As a country that has frequent typhoons and storms, the government and locals had many coping mechanisms in place. However, with sustained wind speeds up to 195mph (314kph), Typhoon Haiyan was the strongest ever tropical storm to make landfall. So traditional coping mechanisms were blown away. Typhoon Haiyan forced four million people from their homes, destroyed or damaged one million houses and killed 7,354 people. As it fell outside of normal, historical parameters this storm was likely supercharged by climate change, and therefore falls within the categorization of loss and damage. The International Disaster Database (EM-DAT) quantified the damage of Typhoon Haiyan at USD10 billion (Boom et al 2016)

15

Negotiations on the formal inclusion of Loss and Damage within the UNFCCC have been politically fraught, with developed countries resisting a concept they feared implied acceptance of legal liability giving rise to financial compensation. However, with evidence of loss and damage increasingly apparent, international agreement on the issue was necessary. Thus in 2013 the Warsaw International Mechanism (WIM) for Loss and Damage was established, and Loss and Damage was enshrined in Article 8 of the Paris Agreement.

The WIM's mandate includes 'Enhancing action and support, including finance', for loss and damage. The Paris Agreement makes clear that inclusion of Loss and Damage in the agreement does not imply liability or give rise to financial compensation claims, instead referring to 'enhancing understanding, action and support on a cooperative and facilitative basis'.

Developed countries however have prevented discussion on any form of financial support related to loss and damage other than insurance mechanisms. While insurance is an important component of any risk management approach, when it comes to climate change induced loss and damage its contribution is limited, and is often a distraction from the need to identify and agree new sources of global financing that can be scaled up to respond to the reality of loss and damage on a cooperative basis.

Beyond adaptation needs, analysis of global finance needs for loss and damage by the Climate Action Network suggest a goal of $50 billion a year by 2022 should be agreed by Parties, increasing to $300 billion by 2030, with these goals being updated as necessary in light of progress, or lack thereof, on mitigation.[16]

Why a focus on insurance for climate-induced loss and damage is inadequate and unjust

Micro insurance in developing countries has been increasing, in relation to areas such as health care as well as climate change, and this is expected to continue to grow. In the context of climate change-induced loss and damage, insurance has a role to play. However, the focus on insurance as the main response to loss and damage costs to developing countries is inadequate and unjust.

There are forms of climate induced loss and damage which insurance does not cover, mainly slow onset events such as sea level rise, such as in Bangladesh where land is being lost to the sea, and Pacific Islands at risk of submergence, and other incidences of forced migration as livelihoods become untenable, yet these will have significant financial implications. Non-economic losses such as loss of traditions and culture tied to land and place cannot be monetised and insured against, yet people will need support to manage these. Moreover, a study of recent examples of existing government level insurance claims following severe climate events also demonstrate the significant shortfall that can occur between even successful insurance pay-outs and the costs to a government of a major event.[17]

Not a silver bullet: Why the focus on insurance to address loss and damage is a distraction from real solutions

In 2015, Malawi suffered from a once-in-500-years flood, which impacted more than 1.1 million people. This was followed by a devastating drought with delayed and erratic rains and prolonged dry spells across most parts of the country, resulting in severe crop failure. The government of Malawi declared a state of emergency in April 2016, estimating at least 6.5 million people, 39 percent of the population in Malawi's drought-affected districts, as not being able to meet their food requirements for the next year. This increased Malawi's food insecure population by 14%, meaning that 28 percent of its population would not have access to the minimum food and non-food requirements. Despite the Government and international response, many communities were forced to ration food for long periods of time, with many families eating one meal a day (women often less than men). Men migrated to find work, leaving their families behind, and children had their education affected, as families couldn't afford school fees or food.

Before the flood and drought of 2015, the Malawi Government had purchased sovereign-level drought insurance from the African Risk Capacity (ARC), for a premium of US$4.7 million, as its primary risk financing. The African Risk Capacity was established in 2012 for just such a situation. It was set up to help African Union (AU) countries improve their capacities to plan, prepare for, and respond to weather-related disasters to reduce the risk of loss and damage caused by extreme weather events. The facility is financed primarily by the United Kingdom and Germany through what are effectively twenty-year interest-free loans. The total effect of the drought was estimated at US$365.9 million, US$36.6 million in damages, and losses of US$329.4 million. Having initially refused to pay out because farmers had planted different crops than what was expected when the sovereign insurance was purchased, the ARC reneged and paid out $8.1million. The Malawi Government sought international humanitarian support which came in at US$149 million, leaving Malawi, one of the Least Developed Countries in the world, least responsible for climate change to meet the remaining millions out of its incredibly stretched national budget

Dominica and Hurricane Maria 2017

A country of 73,543 people, before Hurricane Maria, Dominica had a gross domestic product (GDP) of US$581 million and CO2 emissions per capita of 1.9 tons in 2014 (for comparison Irish CO2 emissions per capita were 58.3 million tons in the same year).

One of the most rapidly intensifying hurricanes on record, Hurricane Maria made landfall in Dominica Monday September 2017. In addition to wind damage, there was considerable damage caused by storm surge, wave action, and torrential rains, with a maximum observed total rainfall of 22.8 inches, causing serious flooding and mudslides across the island. Thirty-one people died and most structures were seriously damaged or destroyed. The agricultural sector was essentially eliminated. Maria wiped out 70 percent of livelihoods in the island, leaving a significant proportion of the labour force unemployed. Total damages and losses were estimated at US$1.37 billion or 226 percent of GDP.

Dominica is a member country of the Caribbean Catastrophe Risk Insurance Facility (CCRIF), which was set up in 2007 as a multi-country risk pool, offering an insurance based regional catastrophe fund for Caribbean governments to limit the financial impact of devastating hurricanes and earthquakes by quickly providing financial liquidity when a policy is triggered. Despite this insurance mechanism, the vast majority of the loss and damage that Dominica suffered, almost 80%, from Hurricane Maria was borne by the people of Dominica. Insurance provided just 1.5 percent of the cost, with a further 2 percent coming from humanitarian aid and 19 percent of longer-term reconstruction costs coming from grants and loans from other countries and development banks.

These examples highlight the importance of looking beyond insurance to respond to current and future financial costs of loss and damage. In the absence of a more comprehensive approach to loss and damage finance, the push for insurance as the answer is profoundly unjust, essentially asking the poorest countries and people to pay to reduce the risk of increasing climate damage they have not caused.

While in practice there may be some overlap in how loss and damage finance and adaptation finance is spent, acknowledging the conceptual difference between them is important and underscores the

necessity of additional finance streams for loss and damage. Adaptation is forward looking, interventions in anticipation of impacts. Loss and damage finance is required to support countries and communities to cope with climate induced events that are already happening, or have happened, that overwhelm their preparedness and response capacity.

A more balanced and just approach to loss and damage finance would include new finance streams dedicated to supporting developing countries to prepare for and respond to disasters. Currently developing countries meet the costs of loss and damage from their own budgets, topped up by humanitarian relief from donor countries, and insurance pay-outs - if they have cover and meet the criteria. However, humanitarian needs globally, climate and non-climate related, are not being met. UN agencies report receiving less than a third of what they have requested to meet known humanitarian needs in 2019.[19] With climate-related disasters set to increase, the need for identifying new revenue streams for climate-related disasters is clear. To date, donor countries persistent reply has been that 'there is no more money'. However, denying the reality of the increased burden being borne by developing countries is not a viable nor morally acceptable response.

The EU has a strong standing globally as a humanitarian actor and is considered a progressive voice amongst developed country parties within the UNFCCC negotiations. Yet the EU has persistently resisted calls from the most vulnerable countries for the Warsaw Mechanism to look beyond insurance to other forms of financial support for climate-induced loss and damage. Amongst EU member states, Ireland in particular is recognised for its solidarity with Least Developed Countries (LDC) and Small Island Developing States within the UNFCCC and other multilateral fora. Ireland's International Development policy released in 2019, 'A Better World', states that Ireland's climate action '*will be explicitly tilted towards giving a global voice to those most at risk'.*[20] Yet Ireland has been invisible on the issue of loss and damage, one of the most pressing issues for the most vulnerable countries. **Given current and prospective impacts, even under best case additional warming scenarios, solidarity with the most vulnerable nations demands meaningful engagement with these countries and within the EU on the political and financial imperatives raised by loss and damage.**

'With every incremental increase in global temperature, the need to adapt increases. The adaptation burden is greatest in developing countries where capacity and resources are most constrained and where there will be losses, even at 1.5°C of warming. In order to reduce the risks of famine, conflict, migration and injustice, climate vulnerable countries will need to be supported through a cooperative, global response based on solidarity'.

Mary Robinson, 2018

'A Better World' signals an intention to explore risk insurance as part of climate-related development cooperation, and Ireland has signalled its support for the global InsuResilience, a global partnership for climate and disaster risk finance and insurance solutions. **It becomes even more important therefore that Ireland also develops a comprehensive and equity-based position on loss and damage, and supports calls for identification of new funding streams to respond to current and future loss and damage needs, and brings these positions to bear within the EU.**

ODA and climate finance – good development? or robbing Peter to pay Paul?

Aid remains a unique and central source of finance for the poorest countries, and has been a particularly important enabler of many of the world's development success stories, for example halving the global mortality rate for children under 5.[21] The best known target in international aid which commits to raise official development assistance (ODA) to 0.7% of donors' national income was first agreed in 1970 and has been repeatedly re-endorsed at the highest level at international aid and development conferences since then. Having failed to fully meet this target by the agreed timeline of 2015 to finance delivery of the Millennium Development Goals, donor countries re-committed in 2015 to deliver on this ODA target of reaching 0.7% GNI by 2030 to support the delivery of the newly adopted Sustainable Development Goals.

That climate finance would be 'new and additional' was a key principle established at the founding of the UNFCCC. Many developing countries and civil society actors advocate that this means climate finance commitments should be additional to ODA. This is because **climate change represents a new and additional burden on existing development challenges for developing countries**. In practice however, existing ODA flows have been used significantly by donors towards their climate finance commitments.

In this context it is worth noting that in 2018, only four EU Member States (Denmark, Luxembourg, Sweden and UK) provided 0.7% ODA. While the EU as a bloc remained the world's largest donor, investing €71.9 billion in ODA in 2018, EU Aid in 2018 went down for the second year in a row - representing only 0.47% of EU GNI. This decrease in ODA from EU Member States in the last two years is a matter of deep concern. **At this rate, the 0.7% ODA/GNI target will not be met until 2061.**[22]

In the current context of extremely high humanitarian needs globally, and gaps in financing for the realisation of the SDGs, the need for new and additional funds for climate action is evident. **The poorest people should not have to choose between climate change adaptation and education or health**

programmes. Clarity and concrete planning is required from donors to ensure both climate finance and development finance will increase toward their respective global commitments without resulting in a zero-sum game. One of the core rationales for integrating environmental sustainability and social and economic development goals was the reality that social and economic progress and environmental goals must go hand in hand if they are to succeed. It would be ironic if increased emphasis on financing climate action was to see assistance for other development goals dissipate.

How current global climate finance flows are compounding existing structural injustices

A closer look at the nature of the finance being provided globally demonstrates how current approaches to climate finance are not delivering for the poorest people and risk compounding existing structural injustices.

According to the most recent report of the OECD, between 2013 and 2017 60% of bilateral and nearly 90% of multilateral climate finance was in the form of loans.[23] Annual and total figures also include significant levels of self-serving instruments such as export credits and 'blended' finance mechanisms where public money is used to 'leverage' private investment in climate action in developing countries.[24] The decision accompanying the adoption of the Paris Agreement which reiterates the $100 billion commitment by 2020 and extending this annual funding Goal out to 2025, refers to 'mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds'.[25] Reference to a wide variety of sources, instruments and channels is used to justify the use of loans and other mechanisms. The extent to which these instruments are being used and may be used to meet climate increasing climate finance commitments, is however of significant concern.

In the negotiations in 2018 on the rules that will govern the implementation of the Paris Agreement, developed countries ensured that they would be able to continue to include loans, including the full face value of concessional loans, rather than their grant element only, and that they could continue to include export credits - and scope for other financial and non-financial flows to be included.[26] Developing countries and civil society criticised these accounting rules for locking in a system that hides the inadequate level of additional support flowing to developing countries, and that shifts the climate burden on to those countries with less or least responsibility.

Risk of renewed debt crisis

According to the OECD, the amount of climate finance loans doubled between 2013 and 2017, while grant financing increased by only 25% over the same period.[27] The significant use of loans by many bilateral and multilateral donors to deliver on climate finance commitments is shifting the financial

burden of responding to the crisis on to those with less or least responsibility for creating it and who are set to be impacted hardest by increasing impacts. There are also significant concerns that the increasing use of loans to fulfil international commitments for sustainable development is contributing to renewed debt crisis risks in developing countries, all the while developed countries have continued to block efforts by developing countries at the UN Financing for Development fora to establish a multilateral debt work-out mechanism.[28]

A report released by a task force of international agencies, including the UN, World Bank and IMF, highlights that a new wave of debt crises has begun to strike.[29] 40% of low income countries are experiencing severe debt problems, and global debt levels have reached new highs.[30] Ironically, within climate finance flows, loans accounted for about 90% of finance coming from such multilateral agencies.[31] The use of loans by donor countries, most of whom are in ecological debt to the rest of the world, to meet climate finance needs risks the replication of existing structural global inequalities at a time where climate impacts are already set to exacerbate these inequalities.

Blended finance approaches involve a number of mechanisms such as guarantees, special investment funds, credit lines, syndicated loans and direct investment. The private sector should be both encouraged and obligated to play its part in the transition. However, the counting of money allocated to these mechanisms towards the $100 billion commitment to support climate action in developing countries is fraught with issues of integrity and equity.

Determining whether certain private investments would have taken place without the public finance component is difficult, raising questions about best use of scarce public funds.[32] That private investment requires a return means it is inappropriate for many of the necessary investments needed to protect the most vulnerable people and promote pro-poor climate and development outcomes. The focus on private finance is thus seeing some of the poorest regions lose out.[33]

In the absence of adequate social, human rights and environmental safeguards as well as appropriate levels of accountability, the use of public money to leverage private investment could be resulting in tax payer money subsidising projects that are resulting in negative social and environmental outcomes.[34] Blended finance also has a poor record on gender-responsiveness. For example, an independent evaluation of seven EU blending facilities, for example, found 'gender was rarely targeted', even in sectors such as financial inclusion where considerable gender inequalities are known to exist.[35] In addition, despite the increasing focus on leveraging private finance, **there are still no cross-sectoral laws in the EU requiring companies and financial institutions to identify, prevent, mitigate and account for human rights abuses and environmental damage of their operations, subsidiaries or value chains.**

The counting of export credits as finance for climate action in developing countries is also particularly objectionable. Far from 'mobilizing' new finance, export credits simply ensure that companies from the donor country that provide the export credit win tenders rather than rivals from other countries (including those located in the country where projects take place).

The intensification of focus on private finance in delivering climate finance has had the effect of largely crowding out multilateral debate on proposals for other innovative sources of new and additional finance for climate action, and for development finance more broadly, with less attention paid to strengthening domestic and international public resources for sustainable development.[36] These include proposals for a global carbon tax, a financial transaction tax, a shipping levy, an air passenger levy, ETS auctioning revenues, a tax on fossil fuel extraction and others, many of which could have had additional climate benefits.[37] Despite the support of numerous governments for some of these mechanisms, and a significant push from civil society on the potential of such mechanisms to raise funds for domestic and international poverty and international climate action flows, they, and discussion on other possible sources of new funding, have largely been side-lined over the last decade.

The Irish government policy brief, 'Women as Agents of Change: Towards a Climate and Gender Justice Approach', highlights a number of important actions for improving the gender-responsiveness of climate action, including prioritising funding for grassroots and women's organisations to empower local civil society and to complement large financing mechanisms. The IPCC Report on 1.5°C sets out clearly the many co-benefits of climate action where synergies with SDGs relating to poverty, hunger and equality are supported. It also highlights the significant risks of trade-offs between scaled up climate action and these goals in the absence of such synergy**. Public finance for climate action, like public finance for ODA, is essential to ensure resources reach those furthest behind and in complex contexts. They must be scaled up in parallel.**

The Adaptation Finance Gap – leaving the poorest countries and most vulnerable people behind

Article 9.4 of the Paris Agreement calls for 'the provision of scaled-up financial resources [which] should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, … considering the need for public and grant-based resources for adaptation'. This text was included in the Agreement explicitly because it was clear that in the first five years following the commitment to mobilise $100 billion, adaptation was significantly losing out.

While there has been some increase in adaptation from 2015 onwards, as the latest OECD report lays bare, globally, between 2013-2017 across bilateral, multilateral, and private finance mobilised by developed countries, this balance is still far from achieved. According to the OECD the amount of climate finance going to adaptation activities rose to USD 13.3 billion in 2017 from USD 9.1 billion in 2013, meaning adaptation now accounts for a mere 19% of total climate finance, climbing only 2 % from a 17% share in 2013.[38]

At EU level, when looking at the overall composition of climate finance provided by EU institutions as well as member states, the adaptation share going to developing countries was approximately 30% in 2016.[39] Some of the larger donors in the EU appear to favour mitigation, including France, which only spends 21% on adaptation, and Germany with 24% spent on adaptation.[40] Ireland is one of the few countries prioritising adaptation projects. The focus on mobilising private finance over identifying new sources of public finance is contributing to this trend. Money is flowing predominantly to mitigation projects in richer developing countries, and both adaptation and LDCs are losing out.

Adaptation continues to receive less priority, from an already inadequate pool of funds. With impacts set to increase, even if warming is limited to 1.5°C, significant efforts are still needed to ensure adaptation, and the most vulnerable countries and communities, receive the support they need.

According to OECD data on climate finance gross annual disbursements for climate finance projects, including mitigation and adaptation, two thirds of bilateral climate finance project disbursements in 2017 had no gender equality objectives.[41] This underscores the importance of looking at not only the quantity of climate finance, but where it is going and how it is targeted for climate and development outcomes. Renewed efforts are required globally to ensure adaptation is adequately supported. Ireland has been a leader in this area, providing 100% grant-based climate finance via its ODA programme, with the vast majority going to adaptation and LDCs. **Ireland should continue this approach, championing poverty focused climate action and delivery of the commitment in the Paris Agreement to achieving balance between adaptation and mitigation finance.**

The future of climate finance and its role in delivering global ambition and action

In 2020, the year the Paris Agreement comes into force, all states (EU collectively) are expected to submit new pledges for action. In Katowice in 2018 it was agreed that talks on a global collective figure for the mobilisation of climate finance, to replace the current $100 billion a year commitment would also

begin. The mitigation ambition, and finance threads are inextricably linked. Both developed and developing countries must increase their ambition. The principle of *Common but Differentiated Responsibility*, a founding principle of the UNFCCC, demands that those countries and regions that have contributed most historically and have most capacity take the lead in mitigation ambition. **But beyond mitigation, clarity that adequate and predictable finance will be available is a practical and trust-building prerequisite for developing countries to step up their ambition and is thus key to the success and future of the Paris Agreement.** It is for this reason that finance issues are among the final contentious issues to be agreed at each annual Conference of Parties.

Ireland's role

"This funding is crucial if we are all to meet our global ambition. We must support developing countries to adapt and to mitigate against the costs associated with the effects of climate change."

Richard Bruton, Minister for Communications, Climate Action and Environment, announcing Ireland's 2018 international climate finance allocation, December 2018.

In announcing Ireland's climate finance contribution at COP 24 in Katowice, December 2018, Minister Bruton acknowledged the reality that increasing support to the poorest countries to enable them to take action is a practical necessity if global climate goals are to be achieved.

Among donor countries, Ireland has a particularly positive story to tell on climate finance quality with its focus to date on LDCs, adaptation and gender. The commitment in 'A Better World' to continue this focus, and the policy of 100% untied, grant-based climate finance is important. While the quality of Ireland's climate finance can be overshadowed by Ireland's poor performance on domestic climate action, it is important to recognise these areas where Ireland bucks a number of donor trends. In its approach date Ireland has carved out a niche that it should retain and use to champion increased integrity, equity and transparency on climate finance among other donors.

While retaining the quality of its climate finance, **Ireland has significant work to do to address the quantity and predictability of its climate finance, and to ensure these flows grow alongside fulfilment of the commitment to deliver 0.7 GNI to support delivery of the SDGs.**

Volume increase versus increased accounting of existing flows

Between 2010 and 2018 Ireland's contributions to international climate finance have increased every year, except for 2013 was there was a slight decrease.[42] From 2016 onwards Ireland's reported annual contributions increased from an average of €35 million between 2010-2015, jumping to €54 in 2016 and almost €69 million in 2017. According to recently released figures, Irish climate finance increased further in 2018 to €79.5 million.[43]

In 2016, Following the adoption of the Paris Agreement, the Irish government committed to delivering €175 million in climate finance between 2016 and 2020 as its contribution to deliver the global target of $100 billion a year by 2020. As the 2016-18 figures demonstrate, Ireland comfortably met and exceeded this commitment, delivering €202 million so far.

Importantly however, while the reported figures indicate a significant increase year on year since 2015, closer examination indicates that the net increase in flow of finance to support climate action in developing countries is less than the total figures reported would suggest.

A desk review of Irish climate finance commissioned by Christian Aid and Trócaire in 2018 found that changes in how Irish climate finance is reported were instrumental in the increase in reported international climate finance between 2015 and 2016.[44] The figure for prior years focused on finance that was passed on to government agencies in recipient countries, whereas the 2016 figures also captured finance that was provided via other channels including non-governmental organisations. It also highlighted how changes in the assessment of the 'climate relevance' of existing projects for accounting purposes, can result in increased climate finance figures without any increase in the volume of flows provided.

Further to this, the recently released Government report, 'Ireland's Climate and Environmental Finance 2018' highlights that the 2017 figures and 2018 figures for the first time included either all of or a share of Ireland's contributions to multilateral financial institutions and specialised UN bodies. As acknowledged by Ireland's 2017 Climate and Environmental Finance Report, '*77% (€7,953,763) of the increase in climate finance comes from the inclusion of payments (for the first time) to multilateral financial institutions within the 2017 total'.* 2017 also saw the inclusion of financing to the UNFCCC, IPCC and other UN bodies for the first time, adding approximately €1.5 million to the figures.[45] **This means almost ten million of the approximately €15 million increase reported between 2016 and 2017 was achieved simply through the inclusion for the first time of flows finance flows that already existed**.

While the inclusion of these additional flows in climate finance reporting is endorsed by the OECD, their inclusion merits greater scrutiny. In relation to the multilateral financial institutions, such as the World

Bank, the Asian Development Bank and Asian Infrastructure and Investment Bank, a climate finance contribution for Ireland is extrapolated (using OECD methodology) based on Ireland's contribution to these Institutions and the percentage of its finance the institutions report as climate relevant. As the government report notes, Ireland's contributions create no obligation on these funds as to how much finance they allocate to climate action.[46] A key question is whether Ireland's annual contributions to these institutions would have happened in the absence of the adoption by donor governments of the joint target to mobilise $100 billion in climate finance. The assumption of the authors is that they would. This points to a widely prevalent trend of donor countries and institutions seeking to include as many flows as possible, be they export credits, the full-face value of concessional loans, or existing contributions to UN specialised bodies and multilateral financial institutions towards this goal. While in some cases finance flows through channels are increasing, their inclusion suggests significantly greater increases in finance flows, than the net increased support available year on year to developing countries.

Greater scrutiny of the inclusion of contributions to bodies such as the UNFCCC and the IPCC is also merited. Ireland and other donor countries depend on and benefit from the work of the UNFCCC and the IPCC as much as any developing country. While their inclusion is endorsed by the OECD as contributions to international climate action, it is worth questioning whether longstanding annual contributions (whether going up or down) to these institutions can be justifiably counted against the donor country commitment under the UNFCCC and under Article 9 of the Agreement, to '*provide financial resources to assist developing country Parties with respect to both mitigation and adaptation*'.

The 2018 Report highlights that a percentage of the money given to the UNFCCC is earmarked for support for gender work in the UNFCCC, and for the Least Developed Countries Expert Group. More detail of this kind would provide clarity on whether money allocated annually to such bodies is justifiably reported as a contribution to the global commitment to mobilise increased support for adaptation and mitigation in developing countries.

In terms of bilateral finance, the 2018 Report acknowledges that some of the increase in finance flows reported from bilateral government programming, and flows reported by civil society, result from greater capacity to assess existing flows for their climate relevance, and/or the integration of climate risks and co-benefits in existing programmes.[47] From a policy coherence and good development practice perspective it is important to acknowledge the value of the increased integration of climate risk and climate co-benefits in existing bilateral and civil society programming and the increased promotion of this practice from Irish Aid is welcome. Importantly, however, mainstreaming is not increasing the volume of money being made available for climate action in developing countries.

Ireland's recent annual reports include humanitarian aid funding delivered via CSO channels that year as part of Ireland's climate finance. However, humanitarian response is required because adaptation capacity is insufficient, or has been overwhelmed. Even with forward-looking resilience measures built in to humanitarian response, it is questionable whether humanitarian response should be counted as adaptation finance when it could be more appropriately counted as Loss and Damage finance. Given that climate induced disasters are increasing, if humanitarian response can count as climate finance, a scenario could be envisaged where donor countries could achieve the $100 billion (for example) a year commitment through humanitarian response alone without providing finance for strategic forward-looking programming that would increase the long-term capacity of developing countries to adapt and reduce their emissions.

Ireland's official reporting on its climate finance is highly transparent, in comparison to many other donor countries. Reports from the last few years explicitly acknowledge the role of changes in accounting practices in Ireland's increased figures. The reports also detail where funding increased in net terms, for example a net increase in bilateral funding to climate action in 2018, increasing from €32.9 to €36.4, reflecting an increase in Ireland's bilateral ODA flows from €437 million in 2017 to €449 million that year.[48]

The practice by donor countries and institutions of inflating their climate finance figures is creating an artificial impression of the scaling up of finance. However, as noted, these flows are about more than fulfilling a commitment to mobilise $100 billion a year, they are about enabling developing countries to play their part in achieving the Paris Agreement goals. Donor countries are not just short changing developing countries, they are undermining prospects of achieving the Paris temperature limits, and thus their own interests as well. With the IPCC science around the urgency for action, with impacts, even at 1.5°C set to increase, and with discussions to commence in 2020 on a new global climate finance goal for adoption in 2025, donor countries need to get real about climate finance. Unless net flows increase significantly, including sufficient finance flows for poverty-focused adaptation and mitigation in the poorest countries, coupled with a dramatic increase in domestic mitigation in donor countries, a future of climate apartheid as painted by Professor Philip Alston is an increasingly plausible scenario.

Discussions on climate finance, furthermore, can no longer side-line the issue of loss and damage. The current standoff on loss and damage within the UNFCCC needs to be resolved. Countries and blocs, such as Ireland and the EU, who consider themselves allies of the LDCS and SIDS, must engage with this real and pressing priority. Sources and channels for loss and damage finance, beyond insurance, must be agreed alongside the adoption of a new climate finance goal in 2025.[49]

As a wealthy country with a high level of per capita emissions, Ireland has a high level of responsibility to scale up domestic action, and support scaled up action in developing countries. In relation to climate finance, Ireland can build on its current strengths, namely the quality and transparency of its climate finance, championing these within the EU and the OECD, and, importantly, it must address current weaknesses of adequacy, predictability and the absence of a clear position on loss and damage.

Scaling up Climate Finance without undermining delivery of the SDGs

In 'A Better World', the Government commits to scale up allocations to climate finance interventions, and to at least double the share of ODA going to climate finance. While the share of Ireland's climate finance being channelled via ODA programming contributes significantly to the quality of Ireland's climate finance, unless Ireland's overall ODA is increasing commensurately, delivery of this commitment could see other important development goals receive less financing. As the political, and practical, imperative to respond to climate finance needs increases, this highlights a risk to the rest of the SDGs.

As previously referenced Ireland, through Irish Aid, is considered a world leader in terms of the quality and impact of its ODA. However, Ireland had not reached the 0.7% target of ODA by 2015, and has pushed delivery on this target out to 2030. In order to reach the SDGs by 2030, Trócaire, Christian Aid and other civil society actors advocate that Ireland should seek to reach its 0.7% ODA target by 2025. Budget 2020 allocated €837m to Ireland's Official Development Assistance (ODA) programme, an increase of approximately €20m on the amount pledged in Budget 2019, it is expected that this small increase in ODA expenditure will likely bring Ireland to reach 0.41% GNI* in 2020.

Annual ODA allocations at the discretion of individual governments, and discretionary end of year decisions by the Minister for Communications, Climate Action and Environment provide little basis for multi-year and long-term planning by partner countries for climate action. Civil society has called for a number of years for the government to submit a clear, multi- annual plan for delivery of Ireland's commitment to deliver 0.7% GNI to the Committee on Budgetary Oversight for consideration, a call endorsed in the recommendations of the Joint Committee on Foreign Affairs and Trade following its review of Irish Aid in 2018. **A strategy to scale up Ireland's climate finance contributions, alongside increasing ODA, should be developed alongside this.** Such an approach should address the issue of predictability that currently undermines effectiveness of Ireland's climate finance.

Ireland's fair share of climate finance

Ireland's commitment to provide €175 million between 2016-2020 target falls well short of its "fair share" of the global effort. Comparing this with equivalent countries' cumulative contributions to date to the Green Climate Fund alone, demonstrates that Ireland is currently contributing comparatively less than

its peers. Belgium has contributed $66.9 million, Denmark $71.8 million and Luxemburg $46.8 million, compared to Ireland's $8.03 million.[50]

Estimating any country's fair share of global climate finance depends on the choice of variables, which can alter the figure significantly. These include different assumptions about the global goal, variations in how overall finance needs are estimated (such as different projections of renewable energy costs in future), assumptions about the scope and pace of climate action by developed countries, and different judgements about the individual share of historical responsibility and present capabilities that any country has.

The Climate Equity Reference framework is an effort sharing framework developed and updated over many years by EcoEquity and the Stockholm Environment Institute. Using common metrics across all member countries of the UNFCCC, it enables the calculation of a country's fair share of both mitigation effort and financial contribution to mitigation and adaptation globally, providing a wide range of options for the parameters for the calculation, including the temperature limit sought and the likelihood of achieving it globally, and the relative weighting of other parameters, for example whether historical responsibility and current financial capacity should be weighted equally. Importantly, as an equity-focused framework, it factors in inequality within countries as well as between them, establishing a threshold that ensures national per capita figures for domestic and international climate action (international climate finance) acknowledge the differentiated responsibility equated with levels of high or low-income households in a country.

In running a calculation for what Ireland's average annual fair share of climate finance in 2020-2025, Trócaire and Christian Aid have selected two temperature scenarios, one is the safest pathway to maintaining temperature rise below 1.5°C, the other provides a mere 50% chance of returning to 1.5°C by 2100 after a temporary temperature overshoot, with the historic responsibility starting in 1920 (in correlation with the founding of the Irish State). Both scenarios applied a moderately progressive approach to taking capacity to act into account when calculating benchmarks for domestic and global equity, and applied equal weighting between Ireland's historical responsibility and current capacity (for details see endnotes).[51]

Although a political target which does not necessarily reflect the actual need for climate finance, we used the data from the Climate Equity Reference framework to estimate Ireland's fair share per year of the $100 billion a year goal. Under the first scenario Ireland should be contributing $522 million a year towards the $100 billion per year goal. Under the second scenario the figure remains roughly the same, with Ireland contributing $521 million per year.[52]

Whatever methodology is used to calculate exactly what Ireland's fair share ought to be, what is clear is that what is currently being delivered is not enough. The shortfall on climate finance appears even

more stark when considered alongside the fact that Ireland remains significantly off target for meeting its current mitigation targets under the EU, targets which are also far off the EU and Ireland's fair share of the global mitigation effort required to deliver on the 1.5°C limit to warming.

'A Better World' does not commit explicitly to increase the overall volume of climate finance to be provided, and is silent on the issue of Loss and Damage finance. It does, however, signal an intention to scale up climate finance, explore innovation and new finance streams.[53] This is an important opportunity to address the adequacy and predictability aspects of Ireland's climate finance.

The decision by the government in the National Development Plan 2018, to divert a proportion of funds generated from an existing levy on oil products to contribute to a national Climate Action Fund, demonstrates the value and viability of identifying new and innovative sources of finance. This levy generates around €120 million per year and was last increased (from 1 to 2 cents per litre) in 2009 – so an additional 1 cent increase could generate up to €60 million.[54] A financial transaction tax offers another possible source of climate finance. Several EU countries have already supported the creation of such a scheme, although they have not yet implemented. If Ireland were to implement such a tax it could raise up to €360 million annually.[55] These, alongside many others, could offer opportunities to scale up Ireland's climate finance, and provide sources for loss and damage finance.

Policy coherence for sustainable and just future

Greater policy coherence across government departments in support of climate ambition is crucial. The prospect of achieving our obligations under the Paris Agreement and also the SDGs, nationally and internationally, will be greatly undermined where government policies on trade, agriculture, or energy, energy and gas exploration, for example, run contrary to development and climate objectives.

To date, the government efforts to ensure greater policy coherence have struggled to establish the appropriate formal mechanism required to address the difficult issue of competing policy objectives. However, with political leadership from the highest level- ideally office of an Taoiseach- and institutionalised structures that allow for regular and ongoing analysis of potentially competing objectives, Ireland could lead the way internationally in laying out an approach to this challenging issue.

Any mechanism to ensure policy coherence needs to ensure that domestic and trade policy to not contradict any climate mitigation policies, or foreign and development policy. An equitable and just climate policy must also support developing countries with which we work and trade, to help plan, finance and implement the transition to low-emissions, climate-resilient pathways.

Recommendations

Build on the strengths

- Ireland has a strong track record of providing grant-based finance for adaptation and directs a substantial proportion of its climate finance to LDCs. This focus gives Ireland an important niche, ensuring that its climate finance goes to areas that are generally under-funded and where alternative sources of finance are unavailable. **Ireland should continue this focus on public, grant based finance for adaptation, and should champion delivery of the global commitment made in the Paris Decisions to a 50% balance between adaptation and mitigation financing**.

- Ireland **should retain the added value of its current niche and avoid seeking new avenues of "blended" finance that divert focus from much needed poverty and gender-focused grant finance to LDCs.**

- Ireland **should continue its focus on bilateral climate financing, but should also increase its support to UNFCCC funds** given these are the international climate funds most easily accessed by developing countries and are key to building trust among Parties for enhanced action. **Commitments made to increase Ireland's contribution to the Green Climate Fund (GCF)** are important as Ireland has contributed relatively little to the GCF compared to other developed countries. The GCF is a good fit for Irish climate finance, since it focuses more attention on adaptation than many other multilateral institutions.

- Given Ireland's emphasis on gender and climate change, **it should promote greater gender-responsiveness in its bilateral and multilateral climate finance** (especially in relation to the Least Developed Countries Fund). Gender-responsive funding guidelines, gender-disaggregated data to measure how funding is used, and gender audits of funding portfolios are key principles that could be adopted to improve gender-responsiveness of both bilateral and multilateral finance.

- Ireland should continue to provide details on how annual climate finance figures are compiled. **It should give a central place to providing detail on the level of net increases in flows to developing countries, and how these were achieved, including for example increases in overall ODA, or additional new sources.** It should adopt its own position on whether additional existing finance streams should be counted as climate finance on the basis of whether these flows are taking place regardless of climate finance commitments under the Paris Agreement, and are providing net new support to developing countries.

- Ireland should champion increased integrity and transparency among donor countries in climate finance reporting and should highlight the risks to climate action and the SDGs of the artificial inflation of climate finance figures and inadequate scaling up of new and additional finance.

- Ireland should highlight in its annual climate finance report the amount of annual flows via all relevant channels that went to humanitarian response to climate-induced or exacerbated disasters. **It should consider voluntarily reporting these flows not as adaptation finance, but as Loss and Damage finance.**

- Capacity building for good practice climate finance accounting and Rio Markers must be given to all Irish embassy personnel who handle Irish Aid grants abroad. Further, a dialogue for learning and sharing should be established with Irish domestic NGOs. Better accounting is not a replacement for new and additional finance and increases in climate finance must be examined to ensure they are not disadvantaging other key programme areas for Irish Aid.

Address the Gaps

- Ireland's climate finance continues to fall well short of Ireland's fair share of the global effort. Alongside a significant increase in domestic mitigation ambition, **Ireland needs to scale up its provision of climate finance considerably, in line with its responsibility and capacity, to contribute its fair share to the global effort to deliver on the goals set out in the Paris Agreement.**

- The government should submit a clear, multi- annual plan for delivery of Ireland's commitment to deliver 0.7% GNI to the Committee on Budgetary Oversight for consideration, in line with recommendations of the Joint Committee on Foreign Affairs and Trade. **A strategy to scale up Ireland's climate finance contributions, alongside increasing ODA to 0.7 of GNI, should be developed alongside this.**

- Ireland should develop a comprehensive and equity-based position on loss and damage, and supports calls from developing country parties and civil society for identification of new funding streams to respond to current and future Loss and Damage needs.

- Building on the commitment in A Better World to scale up innovation in relation to climate finance, Ireland should explore and identify innovative sources of domestic and international finance flows that could provide scaled up finance for climate action and loss and damage, identifying in particular mechanisms that provide climate action co-benefits.

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