DCJ SB62 Brief on Climate Finance

Disclaimer

This document was prepared in accordance with the core principles of DCJ and in collaboration with DCJ members. It does not represent a joint position document.

Finding a way forward from the Baku Debacle

The UNFCCC's SB62 from June 16-26, 2025 in Bonn, Germany will be the first time governments gather after a deeply disappointing failure to deliver new climate finance commitments at COP29 in Baku, Azerbaijan. What should have been a *Baku Breakthrough* instead became the *Baku Debacle* given that Global North gave the Global South no concrete commitments for climate finance.

Almost one-quarter of the Parties to the Paris Agreement either rejected or registered reservations about the New Collective Quantified Goal (NCQG) decision before Azerbaijan's COP29 President unabashedly bulldozed through its adoption, stage-managed by UNFCCC's Executive Secretary. Along with Article 6 carbon markets standards which were adopted by a highly unconventional process that avoided any customary formal approval by Parties, Baku's two top finance deliverables remain dubious, containing no mandates for any meaningful actions after Belem's COP30. Combining non-commitments under Article 2.1c to align all financial flows with the 1.5C temperature goal, only the delivery of non-negotiated reports are required at COP30, leaving a rough road for climate finance with no certain future beyond Belem.

Bonn's climate conference also begins a new chapter of geopolitical changes where US President Trump's global trade war accelerates economic deglobalization amid intensifying resource competition while ongoing genocidal wars are recasting government priorities, resulting in repositioning negotiators' expectations. Add in Trump's second exit from the Paris Agreement and our world is left wandering further off-track from 1.5C without participation of the nation with the most historical responsibility to reduce emissions and respective capabilities to provide finance and technology.

*   *   *

Finding a way forward to fund climate justice means focusing more on key demands, including:

<u>NCQG's Roadmap to $1.3T: Anchor Article 9's *provisioning finance* to build beyond Belem</u>

Baku's NCQG decision pledged to triple climate finance from $100B to $300B per year by 2030, and set a broader goal to mobilize $1.3T from other sources still to be secured. No specific percentage of core public, grant-based, non-debt-creating funding was agreed, jeopardizing today's conventional theory-of-change whereby private money leverages public.

In a final push to appease critics and seal a deal, the presidencies of COP29 and COP30 agreed to develop a "Baku to Belem Roadmap to $1.3T", (or B2RB) aimed at providing a clear pathway for mobilizing more massive amounts of money. The UNFCCC's Standing Committee on Finance estimate in its latest Needs Determination Report that nationally determined contributions (NDCs) of developing country Parties range from $5.1T to $6.8T while adaptation needs from $215B–$387B annually until 2030.

To forge a pathway for the Global North to provide climate finance to the Global South without deepening debt burdens but supporting just transitions, any Roadmap (or its report) must:

<u>Anchor developed countries' providing developing countries finance and technology per Article 9.</u>

A core commitment of the Paris Agreement is for the Global North, in addition to taking the lead in reducing their own domestic emissions, to deliver to the Global South finance and technology for mitigating and adapting to the climate crisis that the former largely caused and the latter bears far less responsibility for. Article 9 of the 2015 Paris Agreement establishes that legal obligation, which is based on the equity principle of the 1992 UN Framework Convention on Climate Change (UNFCCC) known as Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC).

Ten years after Paris and 33 years since the UNFCCC was signed at the Rio Summit, developed countries still fail to fulfill their full responsibilities and continue trying to shift the burden of costs onto developing countries, or point to the private sector to provide finance and to developing countries' responsibility for friendlier rules on foreign investors. Article 9 is the litmus test for trust in the core commitments of today's global climate regime, where countries most responsible for creating the crisis can build more confidence by forging truly cooperative partnerships by providing the finance and technology developing countries need to fulfill their mitigation and adaptation plans.

Shift funding flows from six significant sources to climate finance and create greater fiscal space.

Global North governments can raise revenues for their climate finance commitments by tapping into areas where existing financial flows go to harmful, wasteful activities, as well as areas in which policy changes can create more fiscal space and flexibility for developing countries to transition.

1) Ending fossil fuel subsidies: Developed countries spend billions on fossil fuels subsidies, from tax exemptions that treat drilling costs as "research and development" to state support for carbon capture and storage experiments that would allow fossil fuels to continue expanding. Rather than using tax payer money to add more fuel to the fire that is already burning our planet, governments can allocate state support away from fossil fuels and for conservation, efficiency and renewables at home and especially abroad where developing countries can "leapfrog" over dirty energy to fund access to clean energy for all.

2) Reducing military budgets: NATO members just agreed to increase their annual military spending from a minimum of 2% per year (a goal that few were reaching) to 5%. As governments re-arm themselves at risk of repeating the historical cycle of increased defense spending that results in world wars, scarce public funding is diverted to more military weaponry and away from developing countries accessing the support promised them to fulfill their actions plans for reducing emissions and adapting to climate impacts.

3) Cancelling illegitimate debts on developing countries: Debt justice has long been a demand by Global South peoples' movements and governments due to unfair burdens but now cancelling debts is also seen as creating more room on governments' budgets to fund national social needs as well as environmental emergencies like climate actions. Resources freed up through debt relief should neither be reported nor counted as climate finance which is the obligation of rich countries to provide based on the principle of CBDR. debt cancellation must not count towards official climate finance figures, but is necessary for countries to have the resources they need to address public needs, like the climate emergency. Debt justice demands have a growing groundswell of support, including climate reparations as well as a call for the UN Conference on Financing for Development to agree on a new UN Convention on Debt when it meets in Sevilla, Spain in July 2025.

4) Taxing wealthy polluters, individuals and corporations: Climate justice means tax justice, where the richest 10% of the global population responsible for 50% of global emissions pay for the vast majority of costs for mitigation, adaptation and reparations. The UN is also advancing a new Global Tax Convention that could allow developing countries to fairly tax foreign companies extracting resources, freeing up new financial resources for Global South countries to attend to domestic priorities including climate action for just transitions.

5) Transforming trade rules to undo tariff escalation on raw commodities” World trade rules discriminate against developing countries' finished products by tariff escalation, an exploitative practice begun under colonial extraction and continuing until today. It is one of many aspects of today’s global trade rules that trade justice demands be changed to allow the Global South to earn the full value of their exports and generate more foreign exchange which they can use for domestic priorities including climate actions in their plans submitted under the Paris Agreement.

6) Waiving patents and intellectual property rights on climate technologies: The UNFCCC and Paris Agreement call for developed countries to transfer climate technologies to developing countries but today’s world trade rules make it more difficult to access technology through the World Trade Organization’s intellectual property right rules protecting monopoly patents.

Project post-Belem work to prioritize providing public finance

With no mandate for any activities beyond COP30, Bonn must advance new ideas and eventual agreement at Belem to accelerate the provision of public finance. In fact, Bonn will also see a new agenda item on Article 9.1 commitments (in which it is agreed that developed countries SHALL provide finance to developing countries) introduced by Bolivia on behalf of the Like-Minded Developing Countries to “establish a follow up process and mechanism to ensure the full and effective implementation Article 9.1”. The debate around this new agenda item, if allowed, could help define the debate not only about any Roadmap but also the UAE Dialogue, in Belem and beyond. Demanding such a discussion is crucial given developed countries claim themselves to be global climate champions and partners with the Global South yet they are spending ever more money on weapons of war while letting our world burn. The Global North’s game has been to refuse to provide public finance while instead pushing private investment flows as the answer, although too much of their private capital is already aimed at more land grabs for carbon markets, resource extraction for critical minerals combined with rigid rules to protect patents on climate technologies.

UAE Dialogue: Don’t dilute the focus on finance

Another major debate in Bonn will be over COP28's decision in Dubai on the Global Stocktake (GST), which included in its finance section Paragraph 97, a tracking mechanism proposed by developing countries. Now known as the UAE Dialogue, its intention is to monitor the provision of climate finance from developed countries to developing countries per Paragraph 9.1 the 2015 Paris Agreement. Current reporting by developed countries does not provide enough clarity on the quantity and quality of support they provide. Ten years after the Paris Agreement, adequate finance and technology is still not forthcoming from developed countries, as G7 countries' mounting defense budgets and debt burdens pose growing challenges — and reveal their political priorities — for fulfilling their promises.

No decision was agreed at COP29 in Baku to establish modalities for the UAE Dialogue, and now a number of new areas are proposed to be added. Indeed, some desire to see *all aspects* of GST implementation included, however expanding it to cover everything would not only be a big burden on Global South countries to prepare for annual assessments, but it would ultimately dilute the urgent imperative to focus on delivery of finance and distract attention from the failure by Global North nations to provide finance. Bonn needs to advance discussions on modalities and arrive at an agreement that allows due focus on finance not be overburdened by too many other issues.

Article 2.1c: Align all finance flows, with the wealthiest fossil fuel expanders leading the way

Article 2.1 C of the Paris agreement calls for all countries to align all financial flows with the temperature goal of 1.5 Celsius yet far too few countries have taken serious steps to do so. Bond will be the site of a special workshop to explore these issues and the linkages between article 2.1 C and Article 9 by which developed countries shall provide finance two developing countries the basic connection between these two articles is that developed countries will never be able to provide enough climate finance to developing countries as long as they continue to expand fossil fuel production increasing the harm caused by climate impacts and prolonging the painful transition away from dirty fuels. To yet again divert attention, Global North countries are pointing to global South countries and telling them they must open their economies to more foreign investment to invite in the rollout of renewable energy. Global South countries counter that the most urgent is to end the expansion of fossil fuel production especially in the countries that have already gotten rich by burning fossil fuels. For Belem, the world does not need yet another non-negotiated report but a mandate for a post-Belem program to end financing fossil fuels, beginning with the Global North expanders, as already agreed, and to end both their public and private financing of fossil fuel expansion, instead providing Global South countries with finance and technology they need to implement their Nationally Determined Contributions and Adaptation Plans.

Article 6 carbon market: Review and Reverse Baku's risky rulebook

Some say COP 29 in Baku was a big breakthrough for establishing the "rulebook" for global carbon markets under Article 6 of the Paris Agreement, but climate justice advocates critique not only the deal's content but also the backdoor way by which it was adopted. So, in addition to its weak NCQG, Baku bulldozed through bogus new benchmarks and unconventionally adopted standards that still need to be elaborated and agreed upon. The carbon markets of Article 6 are now in their implementation stage and moving forward rapidly with several country NDCs largely based on reaching net-zero through the use of Article 6.

Tropical Forest Forever Facility: Finance forest protection and peoples, not privatization

Brazil is proposing an expanded version of their Tropical Forest Forever Facility (TFFF), which would be housed at the World Bank and outside of the UNFCCC Finance Mechanism, to "reward Tropical Forest Countries (TFCs) for conserving and expanding their broadleaf moist tropical and subtropical forest cover, delivering benefits for the entire global community." TFFF expects that its funds would benefit those that are conserving forests yet climate justice as well as forest and indigenous peoples' groups are raising serious concerns about who will really benefit, and if deforestation will actually be reversed. The financial model upon which TFFF is built would try to leverage donor investments into financial markets with an expectation to make more in profits than its expenses, which climate justice campaigners see as another risky market-based mechanism.

Just Transition Work Programme: Fund Just Transition policies, programs and practices

DCJ is part of the cross-constituency coalition of ENGOs, TUNGOs, YOUNGOs and the Women and Gender Constituency calling for climate finance to be extended to Just Transition, as articulated in their recent set of demands: "Finance for specific Just Transition policies is currently not explicitly within the mandate of institutions delivering climate finance. Social dialogue and consultation mechanisms, social protection policies, policies related to care, ecosystem restoration, skills and re-skilling policies, and economic diversification interventions are all critical and acknowledged as part of Just Transition policies, but not seen as mitigation or adaptation policies, and therefore sidelined in climate finance. Constituencies are calling for Parties, in a COP decision, to allow that "the design and implementation of Just Transition policies, plans, programmes and practices will be supported with means of implementation and provided with new, additional, adequate, non-debt-creating, and predictable."

Financing Fossil Fuels' Fair Phase Out: Prioritize funding for Para 28 without False Solutions

Following the 2023 Global Stocktake (GST) decision in Dubai, many fossil fuel campaigners are eager to advance the GST's Paragraph 28 call to "transition from fossil fuels" in an equitable manner. While the GST is intended to inform Nationally Determined Contributions (NDCs), its outcomes are at risk of being ignored in wealthy countries emission reduction plans and too aggressively advocated for inclusion in COP decisions. The push comes at a time when too little trust exists between developed and developing countries after decades of broken promises where the former has agreed to lead in reducing domestic emissions and provide finance to the latter yet has failed to follow through. Financing a phase out needs much more attention and pressure from especially Global North groups whose own governments too often continue to provide public finance and allow private finance for fossil fuel expansion.

Adaptation

In a world where global temperatures keep rising and even risk breaching the 1.5 degree C limit, efforts to adapt to the impacts of climate change are even more critical than ever. Governments agreed in Dubai to take adaptation efforts by 2030 and beyond to protect and build resilience in the areas of water, food and agriculture, health, biodiversity and ecosystems, infrastructure and human settlements, ensure poverty eradication and protect livelihoods and cultural heritage. The work to develop indicators to measure the achievement of success in adaptation efforts is critical for COP 30 where agreement must be reached on them under the Global Goal on Adaptation. Developing countries are also calling for indicators to measure the quantity and quality of the means of implementation for adaptation efforts including on finance; but this is being opposed by developed countries. Also, developed countries do not want to agree to the provision of finance for the formulation and implementation of National Adaptation Plans for developing countries. The stance of developed countries in this regard must be halted and there has to be more scaled up finance for enhancing adaptation efforts.

Authored by VIctor Menotti, **Senior Fellow at the Oakland Institute in California and US Coordinator for Global Campaign to Demand Climate Justice (DCJ).**