COP27
SHARM EL-SHEIKH
2022 EGYPT

COP 27 must reach agreements for an equitable, sufficient and sustainable finance that ensures a just transition

Some key aspects to achieve

The 26th Conference of the Parties (COP 26) of the United Nations Framework Convention on Climate Change (UNFCCC), held in Glasgow, Scotland, was one of the most important conferences for the climate finance agenda. Relevant issues of climate finance, such as access, balance and long-term vision, were at the heart of the finance agenda. Moreover, the already complex discussions were exacerbated in the context of COVID-19 pandemic, causing a growing need for financing in developing countries, particularly in the most vulnerable regions.

In this regard, COP 27 must take up and agree on pending discussions to move forward with firm steps towards the implementation of the Paris Agreement, which mandates "to make financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development ".

The most important aspects that countries must agree on at COP 27 in Sharm el-Sheikh, Egypt, are:

1. **Financing for a just transition, with a climate justice and gender focus:** The Glasgow Pact integrates the concept of climate justice for the first time, but does not associate it with the issue of financing. Therefore, it is essential for COP 27 to recognize that finance is a fundamental means of implementation to achieve a just transition. Resources must be allocated with a climate justice and gender focus to foster an adequate distribution of finance that does not increase gender gaps, that is equitable across regions with a thematic balance.

2. **Delivering on the $100 billion goal:** At COP 26, developed countries presented a progress report on the delivery of the $100 billion goal, which shows that the pledge is still not being met. COP 27 should serve not only to present the progress made, but also to agree on a delivery plan that will make it possible to know the timing and instruments through which the financing will be transferred, which should not be less than US$500 billion for the period between 2020-2024.

3. **Global stocktake and finance:** Discussions at COP 27 on the global stocktake should lead to a better connection between needs and financial flows, as well as access to finance schemes, and address all the obstacles that allowed the adequate mobilization of resources in developing countries.

4. **Increased funding for adaptation:** At COP 26, countries agreed to double adaptation finance by 2025, based on 2019 levels. At COP 27, developed countries must present a satisfactory plan regarding how financing for adaptation will be doubled, and establish an ambitious goal to achieve a balance between mitigation and adaptation finance. This goal should aim for at least a 10-fold increase in adaptation finance and the plan should clearly include targeted support for the Adaptation Fund.

5. **Financing for loss and damage:** COP 27 should be a milestone for loss and damage finance, achieving agreement on mechanisms to transfer financial resources to countries with the highest needs. On one hand, it is necessary to agree on the creation of a facility that will allow the establishment of medium and long-term goals in this matter. On the other hand, it is also necessary to establish a programmatic scheme in which the countries commit a percentage of their annual allocations to finance losses and damages. This funding should be additional to that earmarked for mitigation and adaptation.

6. **A new collective quantified goal based on needs:** The technical and high-level deliberations on the new collective quantified goal on climate finance should be based on the recognition of the current financial needs of developing countries. Support schemes for those that have not quantified their needs should be agreed, so that this information can be incorporated in the next 12 months, towards the 2024 negotiations.

7. **Improved access to climate finance:** At COP 27, mandates should be established for multilateral financial mechanisms to make access to climate finance by local actors easier, faster, and more efficient, creating emergency windows in the event of crises, such as the COVID-19 pandemic. Financial mechanisms such as the Green Climate Fund should innovate in their access schemes, particularly for the most vulnerable populations.

8. **Decarbonization of public finances:** COP 27 must recognize that achieving a just transition and complying with Article 2.1.c of the Paris Agreement entail decarbonizing public finances, both in developed and developing countries. For developing countries, this means accelerating the reduction of their dependence on carbon-intensive revenues, such as those from oil, gas and mining concessions, and the sale of gasoline, diesel and natural gas. A fundamental step is to end fossil fuel subsidies and diversify revenues by promoting domestic investments that support a just economic transition, generating new jobs and revenues to invest in national and local needs.

9. **Debt restructuring and debt-for-nature swaps:** At COP 27, the importance of mechanisms such as debt-for-nature and climate swaps should be recognized as a way to mobilize more climate finance. The external debt burden is preventing many countries from investing domestic resources to address the problem. International financial institutions and developed countries should facilitate debt restructuring, including debt-for-protection schemes, as a way to mobilize more climate finance, allowing developing countries to invest these resources to reduce emissions and increase resilience by protecting biodiversity, ecosystems and all livelihoods for global benefit.

10. **Towards transformational finance:** COP 27 should mark a milestone in the understanding and mobilization of climate finance, starting with the assumption that current climate finance schemes will not help change the condescending dynamics that have existed within the framework of international cooperation. Combating climate change requires the transformation of economic systems, real collaboration and solidarity, in which it is not only the amount of finance mobilized that matters. The quality of these resources should be equally important to ensure finance reaches those that need it the most, without generating additional burdens on women and vulnerable groups. It is time to transform the finance paradigm to make it more effective, fair and truly sustainable.

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